Investec plc silo (excluding Investec Limited)
Annual Financial Statements 2010

Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Investec in perspective

Investec in perspective | **ONE**

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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 plc's organisational structure

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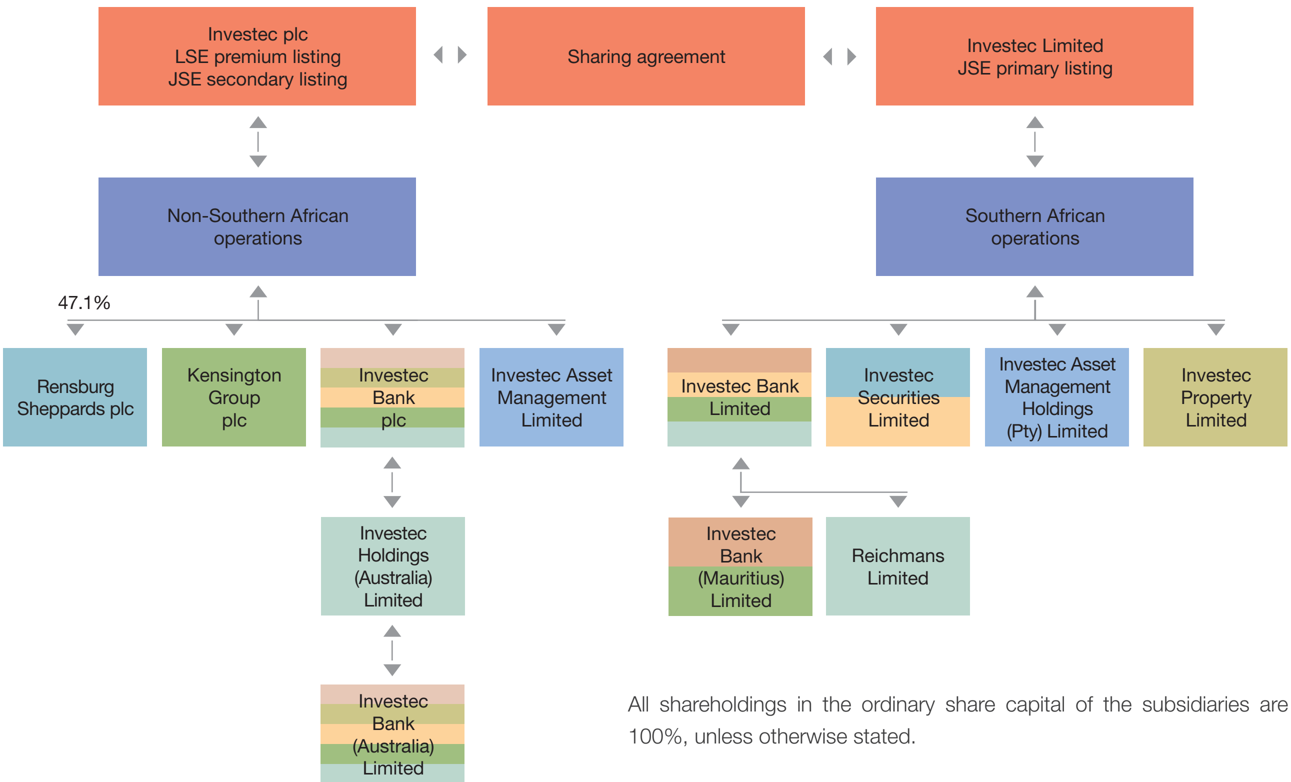
During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore business on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

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.

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.

Key: activities conducted

- Asset Management
- Private Wealth
- Property Activities
- Private Banking
- Investment Banking
- Capital Markets
- Other Activities

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 plc

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

The activities conducted by the significant 'operating' subsidiaries of Investec plc 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.

Our operation in the UK was launched in 1998, following Investec's acquisition of Guinness Flight Hambro. This provided us with, as at the date of the acquisition, approximately £7 billion of additional assets, and the infrastructure of Guinness Flight Hambro's operations. During 1999 and 2000, the product platform was redesigned to focus on the creation of a domestic franchise in the UK for both the institutional and mutual fund businesses. We emerged from the restructuring as a multi-specialist investment manager with key strengths in UK and global equities and UK and global fixed income. Today, we have a strong brand in the UK and European mutual funds market and continue to penetrate the UK institutional market. As at 31 March 2010, UK and international assets under management amounted to £21.7 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. Rensburg Sheppards plc

Our Private Client Stockbroking business, Carr Sheppards Crosthwaite, was sold to Rensburg Sheppards plc on 6 May 2005. As at 31 March 2010 we retained a 47.1% interest in the combined entity, Rensburg Sheppards plc.

On 30 March 2010, it was announced that Investec plc and Rensburg Sheppards plc had reached agreement on the terms of a recommended all share offer under which Investec plc would acquire the entire issued and to be issued ordinary share capital of Rensburg Sheppards plc not already owned by it. Following shareholder and regulatory approvals and the sanction of the court, the scheme of arrangement became effective on 25 June 2010. Further details on the transaction can be found in the Scheme Document available on our website and on page 224.

3. Investec Bank plc

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

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

Property Activities

The overall strategy is to align the strategic focus of the UK business with that of our South African business, to include property fund management, investment and acquisition activities.

Private Banking

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

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

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

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

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

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

Our activities are described in more detail below:

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Wealth management

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

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

Structured property finance

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

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

Specialised lending

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

Growth and acquisition finance

We work with entrepreneurs, management teams and private equity houses to implement acquisition and growth strategies for their businesses. Our practitioners work with clients on a long-term basis, creating and realising shareholder value. We use preferred equity, mezzanine debt, integrated finance and/or asset-based lending to meet the needs of growing mid-market companies. Transaction sizes typically range between £5 million and £15 million.

Trust and fiduciary services

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

Banking services

Treasury and deposits

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

Mortgages

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

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

Investment Banking

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

Our activities are described in more detail below:

Corporate finance

We provide financial advisory services, particularly for mergers and acquisitions. We also advise on and participate in equity market fundraisings for our clients. Our corporate client list currently comprises 95 quoted companies and a number of private company advisory roles and we also continue to expand our client base.

Institutional broking

Our institutional broking activities in the UK are carried out under the name Investec Securities. We provide research, sales, trading and market making services to a full range of UK and international institutional clients. A team of 29 equity analysts compiles research coverage on approximately 250 companies in the UK focusing on 29 sectors. We also act as market maker to approximately 125 small to mid cap stocks and offer price making in selected large cap stocks.

Private equity

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

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 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 the G7 currencies and certain emerging market currencies.

Structured equity

Structured equity capabilities are available across Australia, Ireland and the UK. 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.

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.

4. Investec Bank (Australia) Limited

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

In August 2002, we received an Australian banking licence which opened up many growth opportunities in private banking, and investment banking services were expanded.

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

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

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

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

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

5. Kensington Group plc

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

Financial review

Financial review | THREE

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Highlights

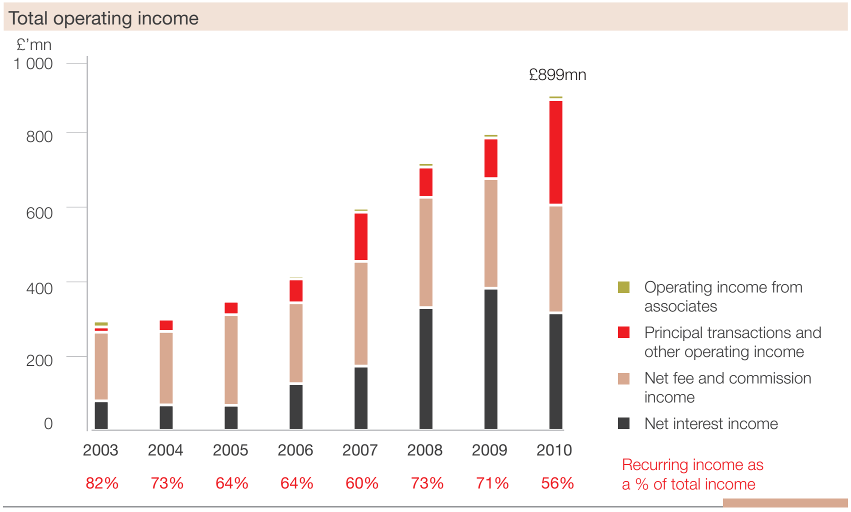
- Investec plc recorded a 37.3% increase in operating profit after minorities
- Operational and geographic diversity continue to support a large recurring revenue base, totaling 56.2% of operating income
- The group has further improved the quality of its balance sheet, with an increase in both capital and liquidity:
  - Tier 1 ratio rose to 11.3%
  - Cash and near cash balances rose 91.7% to £4.8 billion
  - Customer deposits increased by 73.0% to £9.1 billion
  - The ratio of loans to deposits improved from 132.4% to 74.3%
- Strong growth recorded in third party assets under management of 48.6% to £37.4 billion
- The credit loss ratio was in line with guidance previously provided at 1.72% 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
- The acquisition of Rensburg Sheppards plc represents an important strategic step towards building a substantial global wealth management platform
- Investment in the Investec brand continues to deliver shareholder value.

Financial features

	31 March 2010	31 March 2009	% change
Operating profit before goodwill, taxation, impairments and after minorities (£'000)	357 627	308 039	16.1
Operating profit before goodwill, non-operating profits, taxation and after minorities (£'000)	141 887	103 318	37.3
Earnings attributable to ordinary shareholders (£'000)	128 585	79 434	61.9
Cost to income ratio	62.8%	62.6%	
Total capital resources (including subordinated liabilities) (£'000)	2 251 195	2 230 640	0.9
Total shareholders' equity (£'000)	1 649 619	1 452 298	13.6
Total assets (£'000)*	21 883 737	19 666 622	11.3
Net core loans and advances (£'000)	7 253 321	7 370 700	(1.6)
Customer accounts (deposits) (£'000)	9 059 074	5 235 093	73.0
Capital adequacy ratio	15.9%	16.2%	
Tier 1 ratio	11.3%	10.1%	

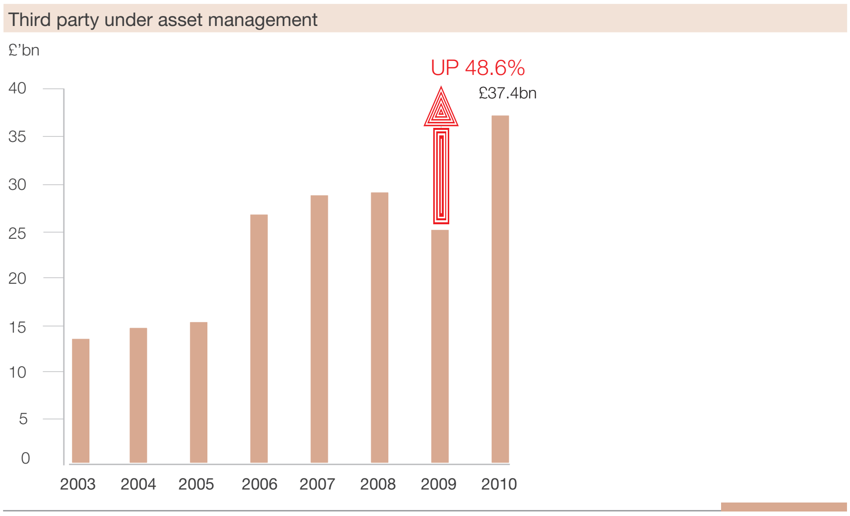
**As restated for reclassifications detailed in the accounting policies on page 157.*

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



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

Significant growth in assets under management



- Consolidation of wealth management businesses globally
- Acquisition of Rensburg Sheppards plc in the UK
- Investec Asset Management reported record net inflows of £3.8 billion in its UK and international business

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Improved balance sheet strength… achieved capital targets across all geographies

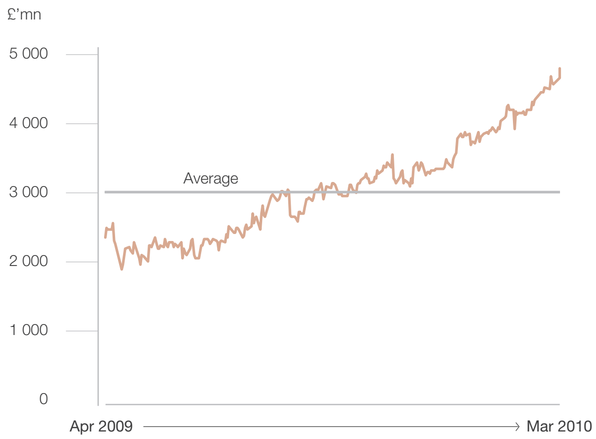
- The intimate involvement of senior management ensures stringent management of risk and liquidity
- Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- Investec has been successful in building its capital base and has met its targets in this period
- Capital strength has been maintained without 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 £3.8 billion since 31 March 2009 – up 73.0%
- Advances as a percentage of customer deposits is at 74.3%

Capital adequacy and Tier 1 ratios

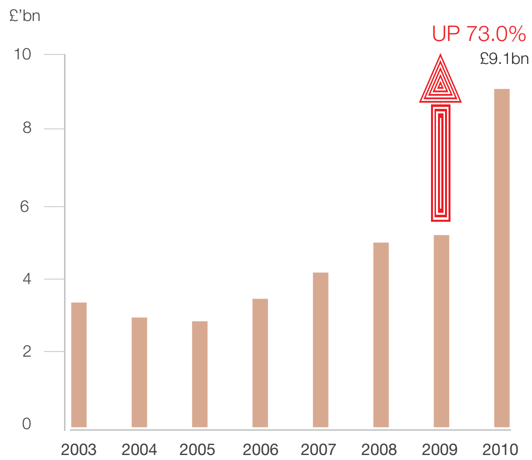
At 31 March 2010	Capital adequacy ratio	Tier 1 ratio
Investec plc	15.9%	11.3%
Investec Bank plc	16.9%	12.3%
Investec Bank (Australia) Limited	19.2%	16.6%

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

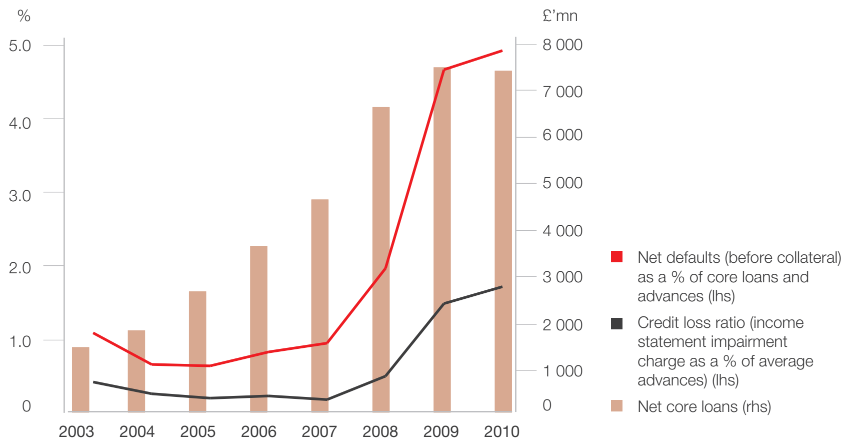
Cash and near cash trend



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 in all geographies
- 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

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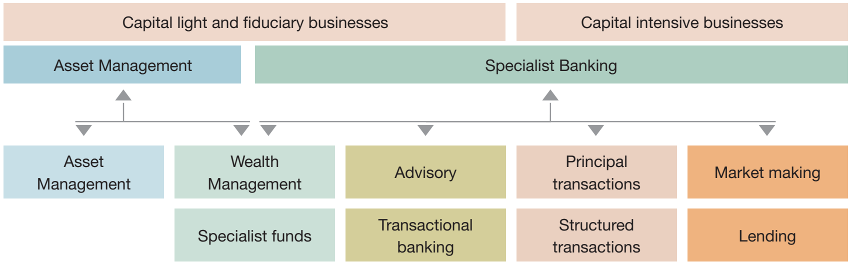
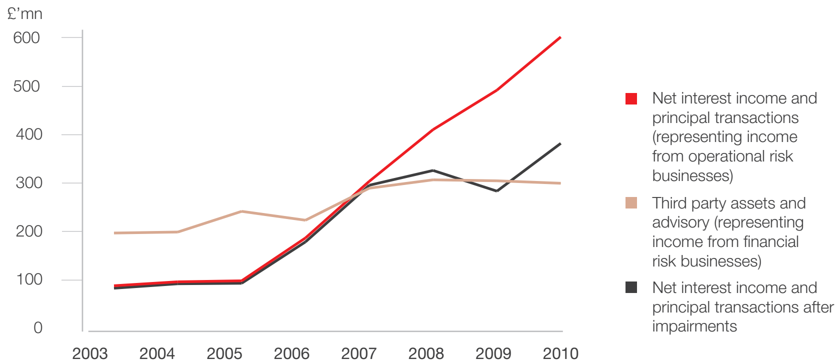
Continue strategy of building our franchise…evolving business model

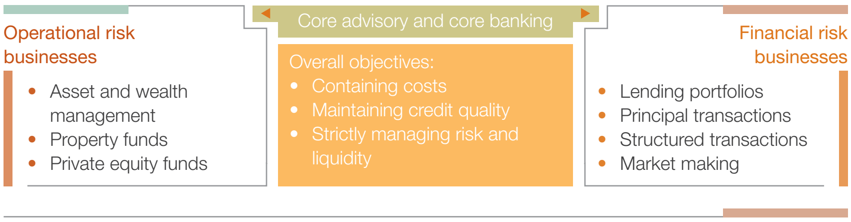
- Broadly defined, we operate in two distinct spaces, specialist banking and asset management
- We live in a world where the market requires a high degree of transparency and the appropriate management of conflicts of interest
- Within specialist banking, we offer a broad range of services from advisory, 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



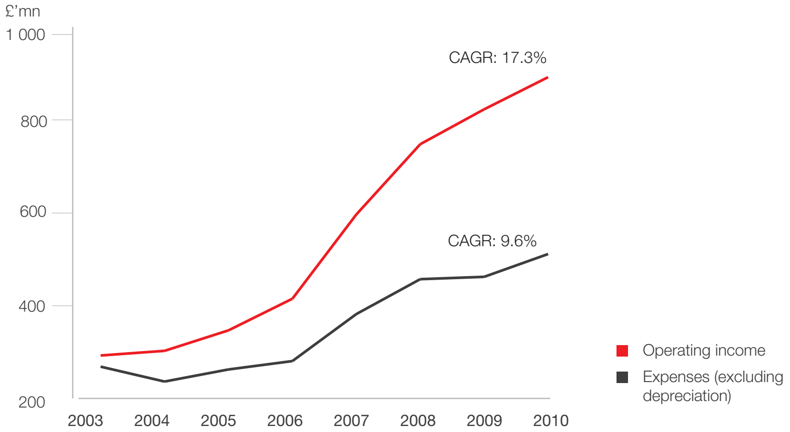


- We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses
- This ensures that we are not reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that 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

(before investments consolidated in the Private Equity portfolio)



Where CAGR is compound annual growth rate.

Leverage ratios

	31 March 2010	31 March 2009
Core loans to equity ratio	4.4x	5.1x
Core loans (excluding own originated assets which have been securitised) to customer deposits	74.3%	132.4%
Total gearing (assets to total equity)	13.3x	13.5x
Total gearing (excluding securitised assets)	11.8x	11.7x

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** in all our core geographies.

- Cost to income ratio is 62.8%
- Total expenses grew by 12.0% to £564.9 million as a result of:
  - An increase in variable remuneration in certain divisions given improved profitability
- 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 plc'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 29 to 38. 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

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.

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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
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			
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%
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	–
Australia GDP (% change over the period)	1.80%	1.60%	n/c
Per capita GDP (A$)	57 609	55 260	–

Source: Datastream, Bloomberg's, 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 the UK and Australia. 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 • Fees earned for advisory, banking and lending services	• Size of loan portfolio • Interest rate environment • Levels of activity	• Net interest income • 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

3

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
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 46 to 77
Liquidity risk may impair our ability to fund our operations	See pages 94 to 101
Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 91 to 93
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 81 to 89
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 102 to 106
Operational risk may disrupt our business or result in regulatory action	See pages 102 to 106
We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 102 to 106
We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 108 to 119
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 107
Reputational, strategic and business risk	See page 106
We may be exposed to pension risk in our UK operations	See page 107

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 plc posted an increase in operating profit, after minorities, of 37.3% to £141.9 million (2009: £103.3 million).

Income statement analysis

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

Total operating income

Total operating income before impairment losses on loans and advances of £889.3 million is 11.6% higher than the prior year. The various components of total operating income are analysed below.

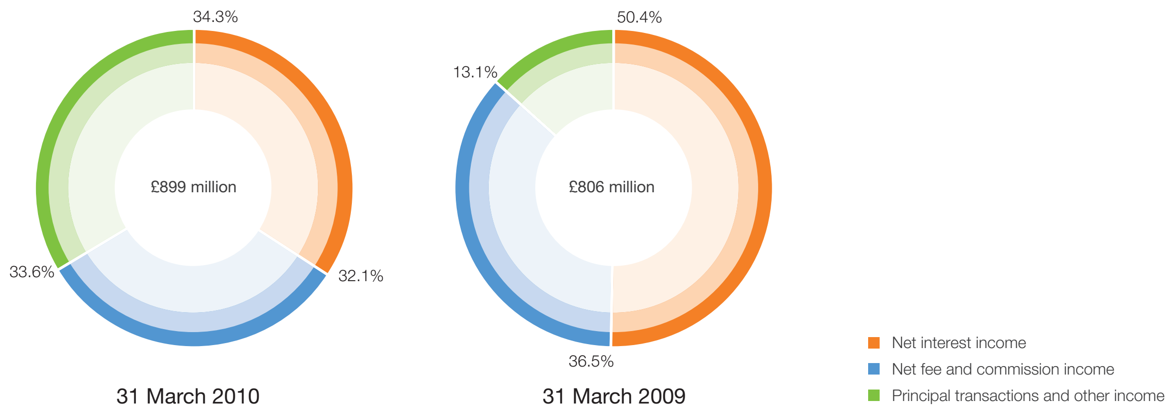
£'000	31 March 2010	% of total income	31 March 2009	% of total income	% change
Net interest income	308 484	34.3	406 356	50.4	(24.1)
Other income	590 851	65.7	399 275	49.6	48.0
Net fee and commission income	288 844	32.1	293 901	36.5	(1.7)
Principal transactions	272 758	30.3	115 930	14.5	>100.0
Operating income from associates	11 647	1.3	12 443	1.5	(6.4)
Other operating income/(loss)	17 602	2.0	(22 999)	(2.9)	>100.0
Total operating income before impairment losses on loans and advances	899 335	100.0	805 631	100.0	11.6

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

£'000	31 March 2010	% of total income	31 March 2009	% of total income	% change
Asset Management	117 815	13.2	97 548	12.1	20.8
Private Wealth*	11 637	1.3	12 044	1.6	(3.4)
Property Activities	5 709	0.6	5 467	0.7	4.4
Private Banking	208 655	23.2	230 767	28.6	(9.6)
Investment Banking	75 012	8.3	28 471	3.5	>100.0
Capital Markets	437 389	48.6	386 638	48.0	13.1
Group Services and Other Activities	43 118	4.8	44 696	5.5	(3.5)
Total operating income before impairment losses on loans and advances	899 335	100.0	805 631	100.0	11.6

**Previously Private Client Portfolio Management and Stockbroking, refer to pages 7, 29 and 224 for further information.*

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



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Net interest income

Net interest income decreased by 24.1% to £308.5 million (2009: £406.4 million) largely as a result of a lower return generated on excess capital held given the declining rate environment and a decline in core loans due to reduced activity levels.

Net fee and commission income

Net fee and commission income decreased by 1.7% to £288.8 million (2009: £293.9 million). Transactional activity remains mixed and below historic trends.

Principal transactions

Income from principal transactions increased significantly to £272.8 million. The group has benefited from the repurchase of its debt, opportunities taken in the dislocated credit markets and good trading conditions.

Other operating income/(loss)

The consolidation of the operating results of certain investments held within the group's Private Equity portfolio is partly reflected in other operating income/(loss), which improved from a loss of £23.0 million to a gain of £17.6 million.

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 £111.5 million to £134.4 million (excluding Kensington). The credit loss charge as a percentage of average gross loans and advances increased from 1.49% to 1.72% since 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 4.68% to 4.94% since 31 March 2009. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.13 times (2009: 1.10 times). Further information on our asset quality is provided on pages 61 to 76.

Impairment losses on loans and advances relating to the Kensington business amount to £81.2 million (2009: £93.2 million). The total Kensington book has reduced to £4.7 billion from £5.2 billion at 31 March 2009. The percentage of accounts in arrears has increased as the book continues to run off.

Total expenses

The ratio of total operating expenses to total operating income remained in line with the prior year at 62.8%.

Total expenses grew by 12.0% to £564.9 million (2009: £504.6 million) largely as a result of an increase in variable remuneration in certain divisions given improved profitability and the consolidation of certain investments held within the Private Equity portfolio. Total staff compensation costs increased by 11.7% to £347.6 million (2009: £311.1 million), resulting in a compensation ratio of 38.6% (2009: 38.6%). Other operating expenses increased by 12.3% to £217.4 million.

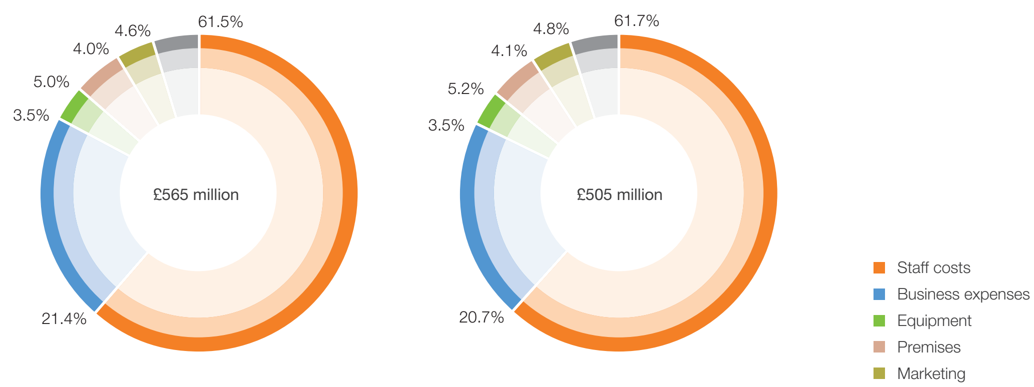
The various components of total expenses are analysed below.

£'000	31 March 2010	% of total expenses	31 March 2009	% of total expenses	% change
Staff costs (including directors' remuneration)	347 563	61.5	311 097	61.7	11.7
Business expenses	120 915	21.4	104 318	20.7	15.9
Equipment (excluding depreciation)	19 612	3.5	17 799	3.5	10.2
Premises (excluding depreciation)	28 466	5.0	26 395	5.2	7.8
Marketing expenses	22 875	4.0	20 937	4.1	9.3
Depreciation	25 511	4.6	24 045	4.8	6.1
Total expenses	564 942	100.0	504 591	100.0	12.0

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

£'000	31 March 2010	% of total expenses	31 March 2009	% of total expenses	% change
Asset Management	92 480	16.4	80 398	15.9	15.0
Private Wealth	–	–	–	–	–
Property Activities	3 812	0.6	2 554	0.5	49.3
Private Banking	126 363	22.4	113 864	22.6	11.0
Investment Banking	96 000	17.0	88 600	17.6	8.4
Capital Markets	200 089	35.4	175 074	34.7	14.3
Group Services and Other Activities	46 198	8.2	44 101	8.7	4.8
Total expenses	564 942	100.0	504 591	100.0	12.0

% of total expenses



31 March 2010

31 March 2009

Balance sheet analysis

Since 31 March 2009:

- Total shareholders' equity (including minority interests) increased by 13.6% largely as a result of retained earnings and the issue of shares
- Total assets increased by 11.3% to £21.9 billion largely as a result of increased cash holdings.

Business unit review

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

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 £'000	Asset Manage-ment	Private Wealth	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
2010								
Total operating income	117 815	11 637	5 709	208 655	75 012	437 389	43 118	899 335
Impairment losses on loans and advances	–	–	–	(74 570)	–	(128 670)	(12 500)	(215 740)
Net operating income	117 815	11 637	5 709	134 085	75 012	308 719	30 618	683 595
Operating expenses	(92 480)	–	(3 812)	(126 363)	(96 000)	(200 089)	(46 198)	(564 942)
Operating profit/(loss) attributable to minorities	–	–	–	–	16 862	(65)	6 437	23 234
Operating profit/(loss) before goodwill and after minorities	25 335	11 637	1 897	7 722	(4 126)	108 565	(9 143)	141 887
Cost to income ratio	78.5%	–	66.8%	60.6%	>100.0%	45.7%	>100.0%	62.8%
2009								
Total operating income	97 548	12 044	5 467	230 767	28 471	386 638	44 696	805 631
Impairment losses on loans and advances	–	–	–	(72 395)	–	(132 326)	–	(204 721)
Net operating income	97 548	12 044	5 647	158 372	28 471	254 312	44 696	600 910
Operating expenses	(80 398)	–	(2 554)	(113 864)	(88 600)	(175 074)	(44 101)	(504 591)
Operating profit/(loss) attributable to minorities	–	–	–	–	22 212	987	(16 200)	6 999
Operating profit/(loss) before goodwill and after minorities	17 150	12 044	2 913	44 508	(37 917)	80 225	(15 605)	103 318
Cost to income ratio	82.4%	–	46.7%	49.3%	>100.0%	45.3%	98.7%	62.6%

Asset Management

Overview of performance

Operating profit of the Asset Management division increased 47.7% to £25.3 million. The growth in profitability of the UK and international operations was underpinned by increased assets under management during the year following both positive market movements and record net flows of £3.8 billion. There were £4.2 million of performance fees for the year.

Assets under management increased on both retail and institutional sides of the business by 65.3% and now stand at record levels at £21.7 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:
  - 80% by value and 76% by number of our mutual funds based outside of Southern Africa are in the first or second quartile over three years
  - 100% 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 (previously Private Client Portfolio Management and Stockbroking)

Overview of performance

Investec's UK Private Client Stockbroking business, Carr Sheppards Crosthwaite, was sold to Rensburg plc on 6 May 2005. As at 31 March 2010 we retained a 47.1% interest in the combined entity, Rensburg Sheppards plc. Post the 6 May 2005, the results of the combined entity Rensburg Sheppards plc have been equity accounted and the results are included in the line item 'operating income from associates'.

Rensburg Sheppards plc released its results for the year ended 31 March 2010 on 21 May 2010. Salient features of the results extracted directly from the announcement released by the company include:

"Key points:

- Profit before tax of £27.0 million (2009 restated: £30.2 million*)
- Adjusted** profit before tax of £30.2 million (2009 restated: £36.3 million*)
- Basic earnings per share of 45.8 pence (2009 restated: 48.5 pence*)
- Adjusted** basic earnings per share of 50.1 pence (2009 restated: 58.8 pence*)
- Underlying rate of net organic growth in funds under management of 4.9% (2009: 1.9%)
- Group funds under management at 31 March 2010 of £12.90 billion (2009: £10.01 billion).

**As restated following a change in accounting policy resulting from the implementation of the amendment to IFRS 2.*

***Before transaction costs relating to the current offer for the company, amortisation of the client relationships intangible asset, profit on disposal of intangible assets, profit on disposal of subsidiary, loss on disposal of available-for-sale investments and share-based charges relating to the Employee Benefit Trust (EBT). These items amount to a net charge before tax of £3.2 million (2009: £6.1 million) and a net charge after tax of £1.8 million (2009: £4.5 million)."*

On 30 March 2010, it was announced that Investec plc and Rensburg Sheppards plc had reached agreement on the terms of a recommended all share offer under which Investec plc would acquire the entire issued and to be issued ordinary share capital of Rensburg Sheppards plc not already owned by it. Following shareholder and regulatory approvals and the sanction of the court, the scheme of arrangement became effective on 25 June 2010. Further details on the transaction can be found in the Scheme Document available on our website and on page 224.

Property Activities

Overview of performance

The Property division posted a decrease in operating profit of 34.9% to £1.9 million.

Developments

UK and Europe

- The Property Investments business is fully operational and the UK REITs full discretionary product has a total of £13.4 million assets under management, in addition to a £5 million proprietary investment, since its launch in July 2009
- The Investec GLL GSO Real Estate Fund has invested in eight properties in Chile (2), Argentina, USA (2), United Kingdom, Hungary and Poland. The fund will continue to invest with caution in international direct commercial real estate, and endeavour to unlock value in the investment period of the fund. A total of €375 million equity and debt was raised and of this €223 million has been invested
- The Investec Big Ben Property Fund Limited was launched on 1 December 2009 for select private, corporate and institutional clients investing alongside Investec. The company seeks to invest in the commercial property markets of Great Britain and Ireland by unearthing opportunities that generate solid income streams and unlock value for shareholders. The company is projected to raise £80 million and gear £120 million.

3

Australia

- As at 31 March 2010, the Investec Property Opportunity Fund (IPOF) had invested A$100 million, with A$16 million available for future investment and/or development opportunities
- The Property Investments division sub-underwrote the Abacus Property Group rights issue in March 2009. These rights were converted into units in April 2009, a portion of which were sold during the year
- The business is seeking to raise a second IPOF in the third quarter of 2010
- Total funds under management are A$252 million
- Investec Property Investments are in the process of developing an investment business in Australia, to complement the existing property business. Staff re-allocated from London to Sydney have been tasked with establishing a research function and developing business associations in this jurisdiction with the intention of commencing trading during the year.

Outlook

Although the global market remains volatile, the business believes that there are opportunities to acquire direct and listed property at attractive prices.

The business outlook for property for the next year remains cautiously optimistic with the annuity business supported by the diverse property product development initiatives that are underway.

UK and Europe

- The business has been able to source attractive real estate for the Investec GLL GSO Real Estate Fund in the UK and to date the fund is 62% invested and should be fully invested by the second half of 2010
- Investment in UK REITs, and now more recently Australian REITs, provides access for our clients to a diverse portfolio of prime properties across different sectors in the UK, Australia and in some cases Europe. Repricing in the sector and recapitalisation has reduced downside risks. We now have an established track record in this space and intend to leverage off this in order to increase assets under management
- Investment opportunities into Australian REITs, IPOF II, Global REITs; SA Property Fund and Investec GLL GSO Real Estate Fund II will be offered to clients as further investment options and in a concerted drive to expand product within the business.

Australia

- While debt refinancing and recapitalisation continue to be topical, access to capital is beginning to open up
- Property fundamentals are starting to stabilise and the general consensus is that the market is at or near the end of the downward cycle
- We are well positioned in current market conditions to take advantage of opportunities for property and development acquisitions together with the launch of additional funds
- The business expects to develop Australian full discretionary geared segregated portfolios by the end of 2010 and grow the investment portfolio to the value of approximately A$164 million.

3

Private Banking

Overview of performance

The Private Banking division posted an operating profit of £7.7 million (2009: £44.5 million). The division focused resources during the period on substantially increasing its deposit book by 51.2% to £7.2 billion (2009: £4.7 billion). However, while the private client core lending book increased marginally to £5.2 billion, activity levels remained muted and impairment losses on loans and advances increased. Funds under advice increased 32.1% to £2.2 billion (2009: £1.7 billion).

Developments

UK and Europe

- Exceptional growth in customer deposits throughout the period resulted in a significant strengthening of the Investec brand within the retail deposit and money managers' market
- Lending activity levels remained low, with cautious signs of increased activity during the second half of the period. The management of underperforming loans remained a focus
- The Wealth Management business continued to benefit from investment in this specialisation, resulting in increased distribution capability, a broader product platform and improved investment performance
- The Trust and Fiduciary business was subject to a rigorous strategic review. This resulted in the announcement, in April 2010, of the phased closing of the Guernsey based business.

Australia

- The Professional Finance business unit experienced record lending volumes and strong lending book growth off greater penetration of core target markets of medical and accounting professionals
- The Growth and Acquisition Finance business unit saw muted activity levels during the year. A strategic re-alignment of the business to a provider of integrated funding solutions to high net worth individuals and their businesses resulted in a significant improvement in pipelines towards the end of the year
- The withdrawal of a number of competitors from the market, the general re-pricing of risk and focused client orientation provided a unique opportunity for the Structured Property Finance business. As a result we considered record volumes of high quality transactions to strong counterparties and have funded select transactions
- Limited client loss within the Wealth Management business unit through the bottom of the cycle affirmed the quality of our offering in a competitive environment.

Outlook

- The business has come through the banking crisis intact. The objectives set last year and delivered on in the current period provided 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

The Investment Banking division recorded an operating loss of £4.1 million (2009: loss of £37.9 million). Certain of the investments within the Private Equity and Direct Investments division recorded an improved performance when compared to the prior year. The agency business was negatively impacted by challenging market conditions.

Developments

Corporate Finance

UK and Europe

- The difficult market conditions severely restricted corporate activity within our client base. There was one IPO and reduced fundraising activity
- We completed 15 M&A transactions with a value of £0.6 billion (2009: 20 transactions with a value of £3.5 billion)
- We completed 11 fundraisings during the period raising in aggregate £297 million (2009: 13 fundraisings raising in aggregate £599 million)
- We strengthened our operation by employing eight experienced corporate financiers
- We continue to build the quality and size of the corporate client list, gaining 18 new brokerships during the period. We now have 95 quoted clients with an average market cap of £320 million, of which 29 are FTSE 250 companies.

Australia

- Earnings improved during the year due to the successful closing of a number of transactions
- The Sydney team was strengthened and reorganised and is well positioned to drive the business going forward.

Institutional Research, Sales and Trading

UK and Europe

- While volatile markets and difficult market conditions have constrained secondary commission growth, there has been a steady improvement over the last few months
- We have strengthened our broking business with a number of senior hires in research and sales trading
- We continue to expand our international distribution capability.

Australia

- This is a new business and the team members who have been hired to grow the business have a considerable amount of high quality experience and an extensive client network.

Principal Investments

Australia

- The total size of the Private Equity funds is A$460 million
- Private Equity completed the successful divestment of one of its portfolio companies generating a substantial profit
- The investment portfolio continues to perform satisfactorily and is well placed to capitalise on the recovery in both global and local economies
- In the second half of the financial year the Private Equity business took a more proactive approach in identifying and evaluating new investment opportunities as the economic outlook and confidence generally continued to improve.

Outlook

Corporate Finance

- The increase in the number and size of our corporate clients in the UK has been encouraging. While market conditions remain uncertain, the pipeline is looking more positive.

Institutional Research, Sales and Trading

- Considering the improvements to our UK business through selective investment in skills, diversified revenue streams and capital provision we believe we are well positioned to gain further market share

Principal Investments

- The Australian business continues to add value to existing investments and is well placed to take advantage of new investment opportunities. The business is very active in originating new investment opportunities as the economic outlook and confidence generally improves. Two new investments were added in the first quarter of the 2011 financial year and a number of further potential opportunities have been identified and are at various stages of development.

3

Capital Markets

Overview of performance

The Capital Markets division posted an increase in operating profit of 35.3% to £108.6 million (2009: £80.2 million). The division benefited from growth in the Structured Equities business as well as increased activity in the Principal Finance business. Given the declining rate environment, the division's results have, however, been impacted by a reduced return on excess cash held. Core loans and advances decreased by 20.3% to £1.9 billion.

Kensington produced a stable performance and reported operating profit of £37.3 million. Salient information with respect to Kensington is provided below.

Developments

UK and Europe

- The Project Finance team continues to be a leader in the UK PFI advisory business, and the new office in Canada, set up to service the North American PFI market, is performing well
- The Acquisition Finance book has performed above expectations through the economic crisis and defaults were lower than expected
- The Asset Finance business is now ranked in the top three in the small ticket leasing market
- We are considered one of the top 10 European banks in aircraft finance
- The trading desks showed varied but overall improved performance benefiting from market volatility, the introduction of new products and increased staff. The Fixed Income desk was closed during the period
- The Structured Equity retail distribution platforms have been established and have recently marketed launch 17 in the UK market. Recent awards won include: Best Structured Product Provider (Professional Adviser Awards 2010), Best Structured Product Provider (Financial Times and Investors Chronicle Investment Awards 2009), Best Service to IFAs and Best Income Product for FTSE 100 Bonus Income Plan (PPR Professional Adviser Structured Products Awards 2009). We are currently one of the top two retail structured product issuers in the UK market
- The Principal Finance business has continued to take advantage of the condition of the credit markets through its credit investments and trading operations
- The Treasury Products and Distribution desk has been established to actively market structured solutions, foreign exchange and interest rates to the corporate market and is gaining traction in client acquisition and volumes traded
- The focus on raising customer deposits has significantly reduced our reliance on the wholesale markets.

Kensington

- The total value of mortgage assets on Kensington's balance sheet continues to decrease (as the book is been managed down) and as at 31 March 2010 was £4.7 billion. £2.9 billion of these assets have been securitised and the remaining £1.8 billion are in warehouse lines.
- Accounting conventions require the bank to consolidate all of these assets onto the bank's balance sheet. However, Investec plc has limited exposure to these assets.
- Kensington (and therefore Investec plc) carries risk exposure or an investment in a portion of the securitised assets and warehouse lines only. The value of this net investment as at 31 March 2010 was £590 million.
- The £1.8 billion of warehouse lines are largely provided by third party funders. These lines are non-recourse to Investec plc, other than the net investment we retain.
- The investment of £590 million would only be impaired if excess income earned and retained by the portfolio structure is not sufficient to cover costs and bad debts (as mentioned above Kensington however, remains profitable with sufficient excess spread). These exposures represent approximately 2.7% of Investec plc's assets.

Kensington – salient financial information

Summary income statement

£'000	31 March 2010	31 March 2009
Total operating income	172 020	178 125
Impairment losses on loans and advances	(81 185)	(93 246)
Admin expenses and depreciation	(53 573)	(47 738)
Operating profit before goodwill, non-operating items and taxation	37 262	37 141

Kensington key statistics

As at 31 March 2010	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 776	2 874	4 650	
IFRS adjustments	(10)	81	71	
Mortgage assets under management (£'million)	1 786	2 793	4 579	
First charge % of total mortgage assets under management	93.5%	94.4%	94.0%	
Second charge % of total mortgage assets under management	6.5%	5.6%	6.0%	
Fixed rate loans % of total mortgage assets under management	38.1%	0.7%	15.3%	
Number of accounts	16 155	30 723	46 878	
Average loan balance (first charge)	£142 214	£109 831	£120 489	
Largest loan balance	£1 126 641	£1 194 619	£1 194 619	
Weighted average loan mature margin %	4.1%	4.6%	4.4%	
Product mix (pre-IFRS adjustments) (£'million)	1 786	2 793	4 579	100.0
Prime	9	–	9	0.2
Near prime	626	468	1 094	23.9
Prime Buy to Let	1	–	1	–
Adverse	443	1 861	2 304	50.3
Adverse Buy to Let and Right to Buy	76	138	214	4.7
Start – Irish operations	631	326	957	20.9
Geographic distribution (£'million)	1 786	2 793	4 579	100.0
UK – North	359	796	1 155	25.2
UK – South West	90	173	263	5.7
UK – South East	259	513	772	16.9
Outer London	171	304	475	10.4
Inner London	86	180	266	5.8
Midlands	191	501	692	15.1
Start – Irish operations	630	326	956	20.9
Spread of value of properties	100.0%	100.0%	100.0%	
>£500 000	3.5%	1.4%	2.1%	
>£250 000 – <=£500 000	23.3%	12.5%	16.2%	
>£200 000 – <=£250 000	16.2%	12.0%	13.5%	
>£150 000 – <=£200 000	20.2%	19.5%	19.8%	
>£100 000 – <=£150 000	23.6%	28.4%	26.7%	
>£70 000 – <=£100 000	11.6%	19.5%	16.8%	
>£50 000 – <=£70 000	1.5%	5.3%	4.0%	
<£50 000	0.1%	1.4%	0.9%	
Asset quality statistics				
Weighted average current LTV of active portfolio (adjusted for house price indexation)*	82.1%	75.2%	77.9%	

**Bad debt provision is based on house price index assumptions of:*
UK: calendar year 2010: -10% and an extra -10% haircut to the price to reflect forced sale discount.
Ireland: calendar year 2010: -9.4% and an extra -13% (dropping to -10% for sales from September 2010 onwards) forced sale discount.

Kensington key statistics (continued)

As at 31 March 2010	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	22.3%	27.4%	25.4%	
>65% – <70%	4.9%	6.6%	6.0%	
>70% – <75%	5.4%	8.2%	7.1%	
>75% – <80%	6.3%	10.5%	8.9%	
>80% – <85%	7.9%	12.0%	10.4%	
>85% – <90%	8.9%	12.5%	11.1%	
>90% – <95%	12.4%	9.7%	10.8%	
>95% – <100%	12.7%	6.4%	8.8%	
>100%	19.2%	6.7%	11.5%	
% of accounts > 90 days in arrears	27.0%	29.1%	28.4%	
Number of accounts > 90 in arrears	4 368	8 946	13 314	
Total capital lent in arrears (£'million)	709	1 244	1 953	100.0
Arrears 0 – 60 days	94	191	285	14.6
Arrears 61 – 90 days	74	129	203	10.4
Arrears > 90 days	517	880	1 397	71.5
Possession	24	44	68	3.5
Debt to income ratio of clients	20.4%	19.1%	19.6%	
Investec investment/exposure to assets reflected above (£'million)	555	147	702	
On balance sheet provision (£'million)	(69)	(43)	(112)	
Investec net investment/exposure to assets reflected above (£'million)	486	104	590	

Kensington key statistics (continued)

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

**Bad debt provision is based on house price index assumption of: calendar year 2008: -15%, calendar year 2009: -15% and an extra -10% haircut to the price to reflect forced sale discount.*

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Kensington key statistics (continued)

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

Australia

- While activity in the resources sector was initially quiet, the rapid recovery of the equity and commodity markets, as well as our refocused marketing to mid-tier and larger mining companies, resulted in increased deal flow during the year for our Commodities and Resource Finance business
- A strong performance in our project advisory, debt arranging and principal lending activities was driven by improved market conditions, cross-border deals and some significant advisory and arranging mandates, notably the debt financing of the Collgar Wind Farm. In parallel, our wind farm development business finalised the sale of Collgar to institutional investors
- This was a year of consolidation for the Structured Finance business with emphasis on improved operational capability for the Investec Global Aircraft Fund (IGAF) coupled with the additional capital raising of A$45 million
- Ongoing management of the legacy book was a key priority for the Principal Finance business, but this was coupled with strong deal flow and revenue generation from new lending (in the media and entertainment sectors) as well as credit trading (in both structured credit and corporate debt)
- Wholesale capital raising under the Australian Government Guarantee Scheme continued successfully, albeit at the higher margins prevailing in the post global financial crisis market. The resultant liquidity was actively invested in high quality liquid assets and other appropriate securities and this generated strong returns
- The trading desk performed well despite operating within very narrow risk limits and it benefited from favourable positioning in the interest rate and foreign exchange markets.

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 in our core geographies
- In the UK we will continue to strive for depth and greater penetration. In Australia we continue to look for opportunities to broaden our franchise
- The current negative cycle is the time to shape the business for the future and to position ourselves for growth in a changed competitive landscape

- This stage of the cycle is likely to see continuing defaults but impairments and losses will be lower
- Looking at the environment in our core geographies:
  - In the UK the environment remains weak but is starting to recover. The changed competitive landscape is allowing us to win clients. Overall we continue to be reasonably well positioned and activity is starting to increase
  - In Australia the environment is improving and we are seeing an increase in business flows. Whilst the corporate credit environment remains a concern, overall we are positioning ourselves for growth
- The environment has changed but so too has the competitive landscape. A large amount of capacity has been removed from the market and the number of players in our core geographies has reduced substantially. This plays to our strengths of being a specialist and bespoke service provider. In the short term we expect conditions to remain challenging; however, we believe that in the medium term this is an excellent opportunity to grow market share and deepen our franchise.

UK and Europe

- We look forward to executing our first securitisations during the year as the asset backed securitisation market reopens.
- Liquidity is no longer a constraint although the cost of raising and carrying surplus liquidity is causing a negative impact on net interest income. We have very little reliance on the wholesale markets
- The UK market is showing signs of growth once more and we are well positioned to take advantage of this upturn in the market
- The outlook on bad debts is substantially lower than at the same time last year
- The corporate market has opened itself to new relationships and we are taking advantage of the opportunity.

Australia

- In resources, we continue to build a pipeline of deals focused on mid-tier and larger mining companies with one or more assets in production, where the risk and return profile remains attractive
- In aviation, we intend to work closely with Investec's aviation finance teams in London and Johannesburg to pursue aircraft leasing transactions and, in parallel, create investment opportunities for the additional capital that has been raised for the IGAF
- In renewable energy, we continue to work on a fleet of development assets in a range of technologies and will seek to exit some of these during the course of the year. In parallel our project advisory, debt arranging and principal lending business is expected to remain active based on current deal pipeline and market conditions
- Our newly established Corporate Debt business, which targets event driven borrowing by mid-tier and larger corporates, has already achieved some success in the domestic market and we expect to see strong deal flow in this business
- In our Principal Finance team, we continue to seek opportunities in the structured credit market, whether as short-term credit trading strategies or as longer term holds of quality assets at margins which remain attractive notwithstanding the compression that has already occurred
- Treasury will focus on ongoing balance sheet management priorities particularly optimising our strong liquidity position and, more urgently, will be growing our sales and structuring activities
- Our trading business remains one with modest market risk and, as our sales activities generate additional customer flow, we will look to broaden this business in order to meet the requirements of these clients.

Group Services and Other Activities

The Group Services and Other Activities division posted an operating loss of £9.1 million compared to a loss of £15.6 million in the previous year. The division benefitted from the repurchase of group debt, partially offset by a lower return on excess captial held.

Risk and governance

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 41 to 121) with further disclosures provided within the financial statements section (pages 152 to 233). 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 Investec plc 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 has specialist divisions in the UK, South Africa, Australia and smaller risk divisions in other regions to promote sound risk management practices.

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 1.72% of core loans and advances
- Limited exposure to rated and unrated structured credit investments; representing less than 3% of total assets
- A low leverage (gearing) ratio of approximately 13 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with "level 3" assets amounting to 1.5% of total assets
- Low equity (investment) risk exposure; within total investments comprising 1.0% 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 2% of total operating income
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately £3.1 billion, representing 20% to 30% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- 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
- Geographical and 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.

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

Geographic summary of the year in review from a risk perspective

Detailed information on key developments during the financial year in review is provided in the sections that follow (refer to pages 53 and 54, 89 and 101), with a high level geographic summary of the most salient aspects provided below.

UK and Europe

Credit risk: The year in review remained challenging as weak economic conditions continued to impact on clients' activities and underlying asset values. An increase in defaults largely reflects the continued poor performances of our Irish portfolios. Key focus areas have been on proactive loan book management, repositioning some of our portfolio asset mixes as well as taking advantage of opportunities that have arisen as a result of dislocated markets.

Traded market risk: The trading desks performed well, benefiting from increased customer flow and new product launches.

Cash and near cash balances

up 91.7% to

£4 755 million

Customer deposits

up 73.0% to

£9 059 million

Advances as a % of customer deposits:

74.3%

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Balance sheet risk: The economy benefitted from the return of liquidity and the resultant fall in liquidity and credit spreads which were only marginally above pre-2007 crisis levels. Cash markets have seen a similar return of risk appetite, with banks and corporates being able to access capital markets at increasingly attractive levels. Retail customer deposit demand for Investec products has been strong and we continued to significantly enhance our cash and near cash balances.

Australia

Credit risk: The credit environment remains challenging and the credit quality of our loan portfolio continued to deteriorate. We have continued to reposition our asset mix and have been successful in selectively growing our loan book within the professional finance business, which targets members of the medical and accounting professions.

Traded market risk: Trading activity remains modest, with the focus being mainly commodity hedging.

Balance sheet risk: The combination of a rapid easing of monetary policy, stimulatory fiscal policy along with only muted impacts of the global financial crisis on China and some of Australia's other Asian trading partners has seen a resilience in the Australian economy. The availability of liquidity has thus remained relatively strong. Against this backdrop, we continued to diversify the mix of our funds across distribution channels and increase client numbers. We maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year.

Salient features

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

	31 March 2010	31 March 2009
Net core loans and advances (£'million)	7 253	7 371
Gross defaults as a % of gross core loans and advances	6.69%	5.85%
Defaults (net of impairments) as a % of net core loans and advances	4.94%	4.68%
Credit loss ratio^	1.72%	1.49%
Structured credit investments as a % of total assets	3.5%	1.8%
Banking book investment and equity risk exposures as a % of total assets	1.0%	1.3%
Traded market risk: one-day value at risk (£'million)	1.8	1.0
Cash and near cash (£'million)	4 755	2 480
Customer accounts (deposits) (£'million)	9 059	5 235
Core loans to equity ratio	4.4x	5.1x
Total gearing/leverage ratio**	13.3x	13.5x
Core loans (excluding own originated assets which have been securitised) to customer deposits	74.3%	132.4%
Capital adequacy ratio	15.9%	16.2%
Tier 1 ratio	11.3%	10.1%

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

***Total assets to total equity.*

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An overview of key risks

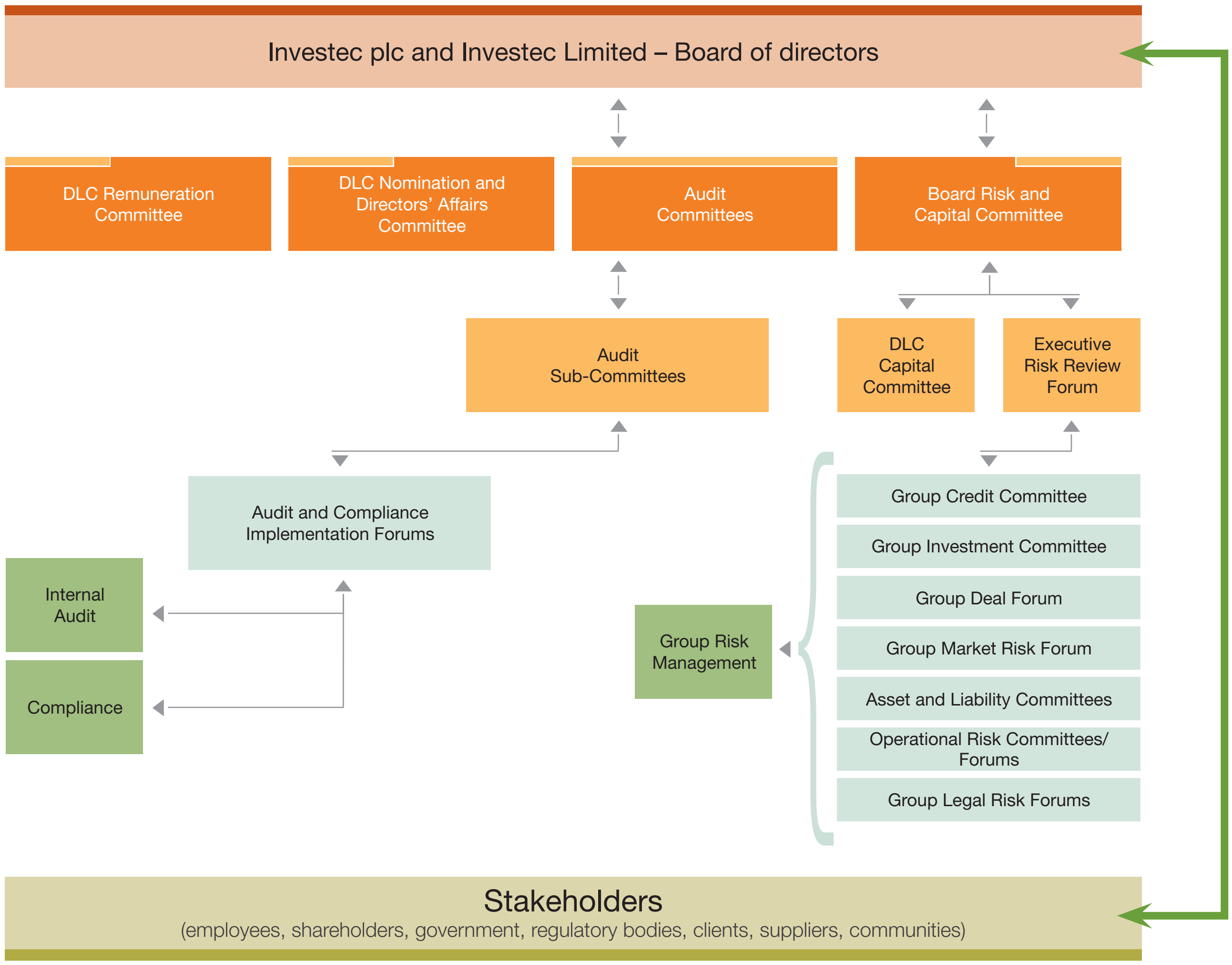
In our ordinary course of business we face a number of risks that could affect our business operations. These risks have been highlighted on page 24. The sections that follow provide information on a number of these risk areas.

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 Investec plc board. A diagram of our governance and risk framework is provided on page 45.

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
FSA	Financial Services Authority
APRA	Australian Prudential Regulatory Authority

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 loans to foreign jurisdictions. When applications are submitted to the local group credit committee, consideration of the country risk element forms part of the sanctioning process. The local group credit committee has the power to recommend to the global Credit Committee an appropriate country credit limit where undertaking a particular transaction could exceed the approved country limit. The global Credit Committee is responsible for approving country limits.

Credit and counterparty risk appetite

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

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 77 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 78 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 the UK and Europe

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

Private Banking

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

The Structured Property Finance area provides senior debt and secondary funding for property transactions covering the residential and commercial markets. Our exposure to the property market is well diversified. Our properties are well located residential or good quality commercial assets with recognised tenant covenant. Where we have had exposures to properties linked to asset performance we have experienced extremely illiquid market conditions and have had to employ appropriate strategies to exit distressed positions. Most assets are located in the UK, with limited exposure to retail property assets in Germany and Switzerland, which are anchored by major European retail covenants. Client quality and expertise are at the core of our credit philosophy. Debt service cover ratios are a core consideration in the lending process supported by reasonable loan to security values. These average at approximately 77% taking into account recent market falls. All facilities are reviewed at least annually and property values are monitored by reference to reports from our appointed panel valuation firms.

Growth and Acquisition Finance provides composite debt funding to proven management teams, running UK based mid-market companies. Transaction sizes typically range between £5 million and £15 million. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business both historically and against forecasts.

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

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

Credit risk arises mainly through our Private Banking and Capital Markets activities, although some credit and counterparty risk does arise in other businesses

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Private Client Lending provides bespoke mortgages and secured lending to high net worth and high income individuals. Credit risk is assessed against prudent debt servicing cover ratios. Lending is underpinned by good quality assets, including residential and commercial property, bank guarantees, discretionary investment portfolios and cash deposits. In determining serviceability, we also consider the liquidity of the client, including cash reserves and liquid asset holdings. Funding is characterised by long-term annuity income and a historically low probability of default. The total bespoke mortgage portfolio at 31 March 2010 was £178 million. The high sustainable income streams and liquid asset holdings exhibited by our private clients is reflected in the quality of this portfolio which has withstood the adverse market conditions and shown little increased stress during the financial year in review.

An analysis of the Private Banking loan portfolio and asset quality information is provided on pages 75 and 76.

Capital Markets

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

As part of the daily management of liquidity, the treasury function places funds with central banks (the Bank of England, the European Central Bank and, the Central Bank of Ireland) and other commercial banks and financial institutions. These market counterparties are highly rated, investment grade entities with credit risk of a systemic nature in the UK, Europe and US. A rigorous internal assessment process, supported by rating agency information, is undertaken to analyse each counterparty to which we may be potentially exposed to ascertain their credit worthiness.

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

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

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within the banking business is provided below:

- Structured and Asset Finance: loans/leases against fixed assets linked to the success of the business they are employed in. These transactions amortise from anticipated cash flows
- Project Finance: provides advisory, debt and equity arranging services to renewable energy projects and public/private projects, e.g. roads, hospitals, prisons. Loans are secured on the project itself with a high degree of due diligence around both the delivery risks and the cash flow to repay any facilities
- Acquisition Finance: participation in senior debt facilities in the leveraged buy-out market relating to medium to large corporates. Average exposure is approximately £8 million per entity, giving portfolio diversity
- Commodities and Resource Finance: provides project finance and working capital lending and hedging to existing, producing, base and precious metal entities. Provable reserves and strong cash flow are paramount considerations in the credit decision process
- Principal Finance: market dislocation over the period has presented opportunities to purchase well rated debt from forced or distressed sellers at substantial discounts. The underlying assets are in areas of our core competence. The portfolio also includes residential and mortgage assets arising out of our securitisation activities (refer to page 78 for further information).

An analysis of the Capital Markets loan portfolio and asset quality information is provided on pages 75 and 76.

Investment Banking

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

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

Asset Management

Investec Asset Management Limited regularly transact with well known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a move in the underlying security in the unlikely event a counterparty fails. Direct cash placements follow our policy, as outlined above, of only being exposed to systemic banks of investment grade quality in the UK, Europe and US.

Credit and counterparty risk in Australia

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

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

An analysis of the Private Banking and Capital Markets loan portfolios and asset quality information is provided on page 75 and 76.

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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 61 and 62). 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.

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, in all our key operating jurisdictions (UK, Ireland and Australia). 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 77.

Credit and counterparty risk year in review

UK and Europe

The year in review remained challenging as the severe deterioration in economic conditions globally continued to impact on clients' activities and underlying asset values. Increased vigilance on monitoring the existing loan portfolios coupled with early identification of clients experiencing difficulty resulted in fewer counterparties being forced to exit positions into illiquid markets with falling asset values. Risk officers working closely with clients and business units moderated large increases in impairments and defaults. Whilst impairments and defaults have risen during the financial year under review the various portfolios across the business units have proven to be resilient. The Irish market was particularly affected by economic difficulties and the local banking crisis. The fall in property asset values is as reflected in our gross default figures and increased impairments in that geography.

Given that market conditions have affected property market asset values we have curtailed our appetite for lending secured by property assets and have taken the opportunity to rebalance our portfolios with other asset classes. Where we are presented with the opportunity to consider new transactions secured by property we will continue to assess the merits of the transactions and balance the risk against the reward of assuming additional exposure in this regard. Lending supported by proven cash flow rather than asset value propositions continues to be favoured.

Core loans and advances contracted by 8.8% to £5.4 billion, primarily as a result of a cautious approach in accepting new loan exposures and a conscious effort to rebalance our existing portfolio mix.

Defaulted loans (net of impairments) have decreased from 3.51% to 3.16% of core loans and advances. The first quarter of 2010 appeared to reflect an improving economic environment as arrears, default and impairment figures tapered off and deteriorating asset quality slowed down in the final quarter.

The credit loss ratio has increased from 1.46% to 1.72%, in line with guidance previously provided. All accounts continue to be proactively managed and customers have demonstrated their ability to service loans where assets originally intended for sale have been held for longer than originally expected as a result of illiquid market conditions and cautious buyers of assets. The relatively low interest rate environment continues to favour leveraged clients with access to cash flow to meet debt servicing needs. The performance of all accounts is regularly reviewed by the independent credit function and impairments taken as necessary.

Within our Capital Markets division we have experienced increased defaults and associated write offs in our Acquisition Finance. Counterparties in the automotive, construction and leisure sectors in particular continued to experience cash flow pressures. Our exposures within this business unit are all senior secured facilities. We expect further difficulty to be experienced in this book over the next financial year, however, at a subdued level of stress. The level of impairments slowed in the third and fourth quarters of 2009 and no impairments were raised against these assets in the first quarter of 2010.

In keeping with our desire to continue sourcing better quality assets and to reposition some of our portfolios we have realigned our focus in the resource finance sector. Our intent is to attract existing, producing assets with proven reserves, good production track record and technically competent management teams in jurisdictions that we are comfortable to operate in. The resource finance exposure increased year-on-year reflecting our desire to accumulate good quality assets in this area. Exposure to resource finance transactions accounts for 1.2% of core loans and advances as at 31 March 2010.

We remained cautious with respect to lending in the Private Banking division with activity levels remaining low in the first half of the financial year and only increasing in the first quarter of 2010. We continue to work with customers who have experienced financial difficulty to arrive at an optimal solution for the client and the bank, which for example has included applying for change of use for certain property related transactions and extensions of time for properties that have continued to service their debt obligations. Where private clients have supported a transaction by way of personal guarantees, and the original exit was through the sale of assets and such sale would severely diminish the profitability of a project, in the ordinary course of business we have considered extensions to the term of the original transaction to assess market conditions and achieve an orderly exit.

The group Risk division has continued to work closely with the business units to manage the increased market risks and resultant pressure on our lending portfolios. The key focus of the group Risk division has been on proactive book management (together with the business units), repositioning some of our portfolios asset mixes as well as taking advantage of opportunities that have arisen as a result of dislocated markets.

Australia

During the year core loans and advances to customers increased by 3.4% to A$3.0 billion, predominantly through selective growth within the professional finance business unit; which provides finance to targeted members of the medical and accounting professions. This has resulted in a continued shift in portfolio mix away from lending secured by property towards other asset classes.

There has been deterioration in credit quality throughout the year under review. Defaults (net of impairments) have risen to 10.26% of core loans and advances and the credit loss ratio has decreased from 1.74% to 1.67%. A continued focus on asset quality remains fundamental to our approach to the credit environment, which is likely to remain challenging for some time.

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Credit and counterparty risk information

Pages 46 to 54 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

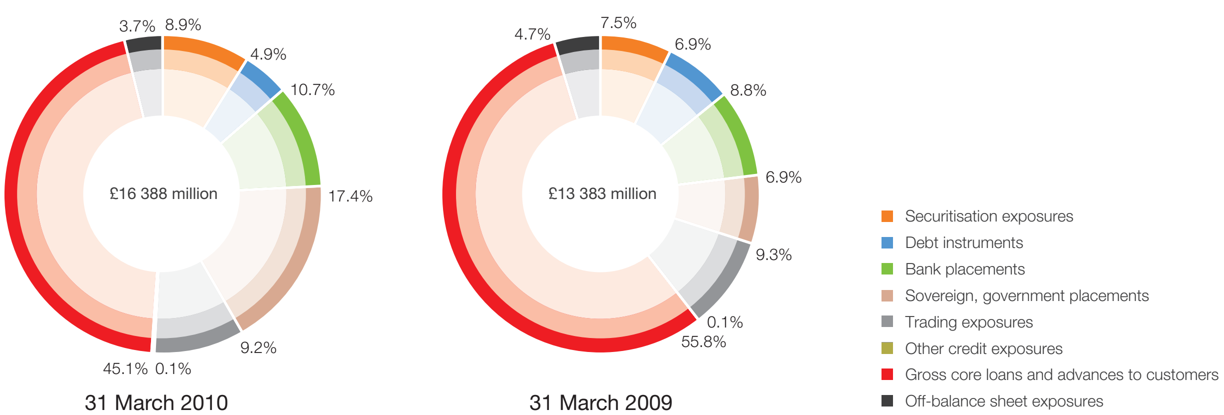
Credit and counterparty exposures increased by 22.5% to £16.4 billion largely as a result of the appreciation of the Australian Dollar against Pounds Sterling, as well as the significant increase in cash and near cash balances over the period. Cash and near cash balances increased by 91.7% to £4.8 billion and are largely reflected in the following line items in the table below: debt instruments; bank placements; sovereign, government placements.

Audited £'000	31 March 2010	31 March 2009	% change	Average*
On-balance sheet exposures	15 776 520	12 747 723	23.8	14 262 124
Securitisation exposures arising from securitisation/principal finance activities	1 456 785	1 001 191	45.5	1 228 989
Rated instruments	384 955	243 344	58.2	314 150
Unrated instruments	168 497	226 703	(25.7)	197 600
Other	903 333	531 144	70.1	717 239
Debt instruments (NCDs, bonds held, debentures)	807 625	922 974	(12.5)	865 300
Bank placements	1 744 122	1 177 147	48.2	1 460 635
Sovereign, government placements	2 854 100	916 748	>100.0	1 885 424
Trading exposures (positive fair value excluding potential future exposures)	1 507 367	1 254 697	20.1	1 381 032
Other credit exposures	17 311	12 575	37.7	14 943
Gross core loans and advances to customers**	7 389 210	7 462 391	(1.0)	7 425 801
Off-balance sheet exposures	611 024	634 977	(3.8)	623 001
Guarantees	50 393	62 250	(19.0)	56 322
Contingent liabilities, committed facilities, other	560 631	572 727	(2.1)	566 679
Total gross credit and counterparty exposures pre collateral or other credit enhancements	16 387 544	13 382 700	22.5	14 885 125

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

**As calculated on page 61.

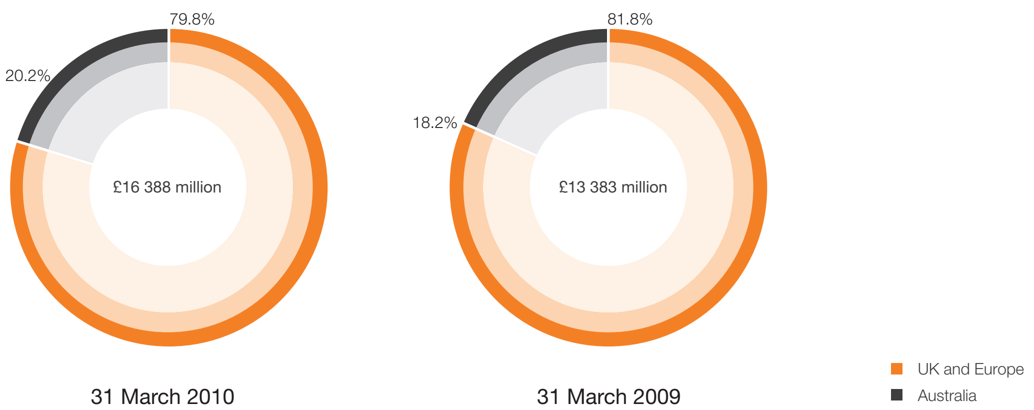
An analysis of gross credit and counterparty exposures



An analysis of gross credit and counterparty exposures by geography

Audited £'000	UK and Europe		Australia		Total	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
On-balance sheet exposures	12 637 395	10 458 449	3 139 125	2 289 274	15 776 520	12 747 723
Securitisation exposures arising from securitisation/ principal finance activities	1 387 876	1 001 191	68 909	–	1 456 785	1 001 191
Rated instruments	316 046	243 344	68 909	–	384 955	243 344
Unrated instruments	168 497	226 703	–	–	168 497	226 703
Other	903 333	531 144	–	–	903 333	531 144
Debt instruments (NCDs, bonds held, debentures)	205 834	289 838	601 791	633 136	807 625	922 974
Bank placements	1 674 189	1 044 213	69 933	132 934	1 744 122	1 177 147
Sovereign, government placements	2 348 319	916 748	505 781	–	2 854 100	916 748
Trading exposures (positive fair value excluding potential future exposures)	1 467 111	1 155 298	40 256	99 399	1 507 367	1 254 697
Other credit exposures	17 311	12 575	–	–	17 311	12 575
Gross core loans and advances to customers	5 536 755	6 038 586	1 852 455	1 423 805	7 389 210	7 462 391
Off-balance sheet exposures	442 115	486 136	168 909	148 841	611 024	634 977
Guarantees	9 947	32 909	40 446	29 341	50 393	62 250
Contingent liabilities, committed facilities,other	432 168	453 227	128 463	119 500	560 631	572 727
Total gross credit and counterparty exposures pre collateral or other credit enhancements	13 079 510	10 944 585	3 308 034	2 438 115	16 387 544	13 382 700

An analysis of gross credit and counterparty exposures by geography



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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 £'000	Securitisation exposures arising from securitisation/principal finance activities				Debt instruments (NCDs, bonds held, debentures)
	Total	Rated instruments	Unrated instruments	Other	
As at 31 March 2010					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–
Trading securities	29 063	23 305	5 758	–	–
Derivative financial instruments	22 769	–	–	22 769	–
Investment securities	62 390	62 390	–	–	807 625
Loans and advances to customers	539 280	213 513	8 035	317 732	–
Loans and advances to customers – Kensington warehouse assets	555 307	–	–	555 307	–
Securitised assets	240 451	85 747	154 704	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	7 525	–	–	7 525	–
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Total	1 456 785	384 955	168 497	903 333	807 625
As at 31 March 2009					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–
Trading securities	5 106	336	209	4 561	4 868
Derivative financial instruments*	31 733	–	–	31 733	–
Investment securities	538	–	538	–	918 106
Loans and advances to customers	200 390	141 352	43 248	15 790	–
Loans and advances to customers – Kensington warehouse assets	474 302	–	–	474 302	–
Securitised assets	284 384	101 656	182 708	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	4 758	–	–	4 758	–
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Total	1 001 191	243 344	226 703	531 144	922 974

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 81 to 83.*
2. *Relates to impairments and the impact of hedge accounting.*
3. *Whilst the group manages all risks (including credit risk) from a day to day operational perspective, these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the "total credit and counterparty exposure" with the maximum credit exposure referenced to credit providers external to the group in the column headed "assets that we do not hold legal credit risk or have no credit risk".*
4. *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 34 to 37.*

**As restated for reclassifications detailed in the accounting policies on page 157.*

Bank placements	Sovereign, government placements	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
52	2 008 668	–	–	–	2 008 720	42		2 008 762
1 464 924	–	–	–	–	1 464 924	29 043		1 493 967
121 533	–	368 961	–	–	490 494	–		490 494
–	–	234 989	–	–	264 052	85 165	1	349 217
–	–	655 579	–	–	678 348	208 947	1	887 295
100 581	845 432	–	–	–	1 816 028	58 812	1	1 874 840
–	–	–	–	6 869 699	7 408 979	(71 436)	2	7 337 543
–	–	–	–	–	555 307	1 221 218	3	1 776 525
–	–	–	–	519 511	759 962	3 674 503	4	4 434 465
–	–	–	–	–	–	98 051		98 051
57 032	–	247 838	17 311	–	329 706	282 047		611 753
–	–	–	–	–	–	99 243		99 243
–	–	–	–	–	–	144 370		144 370
–	–	–	–	–	–	249 270		249 270
–	–	–	–	–	–	27 942		27 942
1 744 122	2 854 100	1 507 367	17 311	7 389 210	15 776 520	6 107 217		21 883 737
830	870 653	934	–	–	872 417	18		872 425
1 120 429	–	–	102	–	1 120 531	48 097		1 168 628
–	–	253 247	–	–	253 247	–		253 247
–	–	243 204	–	–	253 178	108 705	1	361 883
–	–	549 555	–	–	581 288	540 239	1	1 121 527
–	46 095	–	16	–	964 755	52 008	1	1 016 763
–	–	–	–	7 019 794	7 220 184	(74 065)	2	7 146 119
–	–	–	–	–	474 302	1 423 576	3	1 897 878
–	–	–	–	442 597	726 961	3 942 788	4	4 669 749
–	–	–	–	–	–	99 301		99 301
55 888	–	207 757	12 457	–	280 860	265 422		546 282
–	–	–	–	–	–	91 005		91 005
–	–	–	–	–	–	160 551		160 551
–	–	–	–	–	–	233 371		233 371
–	–	–	–	–	–	27 883		27 883
1 177 147	916 748	1 254 697	12 575	7 462 391	12 747 723	6 918 899		19 666 622

4

Detailed analysis of gross credit and counterparty exposures by industry

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
As at 31 March 2010					
On-balance sheet exposures	5 331 195	18 247	184 846	2 940 033	158 696
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs, bonds held, debentures)	–	–	–	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	2 854 100	–
Trading exposures (positive fair value excluding potential future exposures)	536	–	329	–	13 486
Other credit exposures	3 037	–	–	–	–
Gross core loans and advances to customers	5 327 622	18 247	184 517	85 933	145 210
Off-balance sheet exposures	405 819	8 977	8 155	4 961	38
Guarantees	28 119	–	2 287	–	–
Contingent liabilities, committed facilities, other	377 700	8 977	5 868	4 961	38
Total gross credit and counterparty exposures pre collateral or other credit enhancements	5 737 014	27 224	193 001	2 944 994	158 734
As at 31 March 2009					
On-balance sheet exposures	4 953 627	47 909	108 599	1 028 635	61 359
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–	–
Rated instruments	–	–	–	–	–
Unrated instruments	–	–	–	–	–
Other	–	–	–	–	–
Debt instruments (NCDs, bonds held, debentures)	–	–	–	–	–
Bank placements	–	–	–	–	–
Sovereign, government placements	–	–	–	916 748	–
Trading exposures (positive fair value excluding potential future exposures)	6 866	–	–	186	498
Other credit exposures	9 311	8	9	82	15
Gross core loans and advances to customers	4 937 450	47 901	108 590	111 619	60 846
Off-balance sheet exposures	457 542	–	21 623	6 996	416
Guarantees	44 135	–	–	–	–
Contingent liabilities, committed facilities, other	413 407	–	21 623	6 996	416
Total gross credit and counterparty exposures pre collateral or other credit enhancements	5 411 169	47 909	130 222	1 035 631	61 775

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

Finance and insurance	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport and communi-cation	Other*	Total
4 395 290	137 469	387 319	1 663 694	121 963	123 319	314 449	–	15 776 520
260 062	–	–	1 196 723	–	–	–	–	1 456 785
230 298	–	–	154 657	–	–	–	–	384 955
13 793	–	–	154 704	–	–	–	–	168 497
15 791	–	–	887 362	–	–	–	–	903 333
807 625	–	–	–	–	–	–	–	807 625
1 744 122	–	–	–	–	–	–	–	1 744 122
–	–	–	–	–	–	–	–	2 854 100
1 412 076	2 537	5 078	35 609	35 240	1 156	1 320	–	1 507 367
13 797	–	–	477	–	–	–	–	17 311
157 608	134 932	382 241	430 885	86 723	122 163	313 129	–	7 389 210
73 216	4 483	56 030	–	39 680	7 494	2 171	–	611 024
–	–	110	–	19 877	–	–	–	50 393
73 216	4 483	55 920	–	19 803	7 494	2 171	–	560 631
4 468 506	141 952	443 349	1 663 694	161 643	130 813	316 620	–	16 387 544
3 741 114	120 240	420 427	1 522 333	191 164	225 183	245 178	81 955	12 747 723
178 662	–	–	740 574	–	–	–	81 955	1 001 191
122 966	–	–	57 438	–	–	–	62 940	243 344
43 248	–	–	182 708	–	–	–	747	226 703
12 448	–	–	500 428	–	–	–	18 268	531 144
922 974	–	–	–	–	–	–	–	922 974
1 177 147	–	–	–	–	–	–	–	1 177 147
–	–	–	–	–	–	–	–	916 748
1 137 460	895	826	–	106 209	71	1 686	–	1 254 697
958	22	291	632	1 090	147	10	–	12 575
323 913	119 323	419 310	781 127	83 835	224 965	243 482	–	7 462 391
2 217	2 656	72 999	21 735	32 975	11 202	4 616	–	634 977
–	–	–	–	18 115	–	–	–	62 250
2 217	2 656	72 999	21 735	14 860	11 202	4 616	–	572 727
3 743 331	122 896	493 426	1 544 068	224 139	236 385	249 794	81 955	13 382 700

4

Summary analysis of gross credit and counterparty exposures by industry

Private Banking loans account for 72.1% 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 pages 48 and 49, and a more detailed analysis of the Private Banking loan portfolio is provided on pages 75 and 76. 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 pages 49, and a more detailed analysis of the Capital Markets loan portfolio is provided on pages 75 and 76.

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.

£'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
HNW and professional individuals	5 327 622	4 937 450	409 392	473 719	5 737 014	5 411 169
Agriculture	18 247	47 901	8 977	8	27 224	47 909
Electricity, gas and water (utility services)	184 517	108 590	8 484	21 632	193 001	130 222
Public and non-business services	85 933	111 619	2 859 061	924 012	2 944 994	1 035 631
Business services	145 210	60 846	13 524	929	158 734	61 775
Finance and insurance	157 608	323 913	4 310 898	3 419 418	4 468 506	3 743 331
Retailers and wholesalers	134 932	119 323	7 020	3 573	141 952	122 896
Manufacturing and commerce	382 241	419 310	61 108	74 116	443 349	493 426
Real estate	430 885	781 127	1 232 809	762 941	1 663 694	1 544 068
Mining and resources	86 723	83 865	74 920	140 274	161 643	224 139
Leisure, entertainment and tourism	122 163	224 965	8 650	11 420	130 813	236 385
Transport and communication	313 129	243 482	3 491	6 312	316 620	249 794
Other*	–	–	–	81 955	–	81 955
Total	**7 389 210**	**7 462 391**	**8 998 334**	**5 920 309**	**16 387 544**	**13 382 700**

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

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 £'000	31 March 2010	31 March 2009
Loans (pre-impairments and intercompany loans) as per balance sheet	7 408 979	7 237 783
Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments)	(539 280)	(217 989)
Add: own-originated securitised assets	519 511	442 597
Gross core loans and advances to customers (pre-impairments)	**7 389 210**	**7 462 391**

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 53 and 54.

Audited £'000	31 March 2010	31 March 2009
Gross core loans and advances to customers	7 389 210	7 462 391
Total impairments	(135 889)	(91 691)
Portfolio impairments	(19 910)	(3 032)
Specific impairments	(115 979)	(88 659)
Net core loans and advances to customers	7 253 321	7 370 700
Average gross core loans and advances to customers	7 425 801	7 035 749
Current loans and advances to customers	6 589 778	6 533 933
Total gross non-current loans and advances to customers	799 432	928 458
Past due loans and advances to customers (1 – 60 days)	200 040	459 609
Special mention loans and advances to customers	105 396	32 284
Default loans and advances to customers	493 996	436 565
Gross core loans and advances to customers	7 389 210	7 462 391
Total gross non-current core loans and advances to customers	799 432	928 458
Default loans that are current and not impaired	4 985	11 057
Gross core loans and advances to customers that are past due but not impaired	485 453	708 653
Gross core loans and advances to customers that are impaired	308 994	208 748
Total income statement charge for impairments on core loans and advances	(134 360)	(111 474)
Gross default loans and advances to customers	493 996	436 565
Specific impairments	(115 979)	(88 659)
Portfolio impairments	(19 910)	(3 032)
Defaults net of impairments	358 107	344 874
Collateral and other credit enhancements	405 645	381 452
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Specific impairments as a % of gross core loans and advances to customers	1.57%	1.19%
Portfolio impairments as a % of gross core loans and advances to customers	0.27%	0.04%
Total impairments as a % of gross core loans and advances to customers	1.84%	1.23%
Specific impairments as a % of gross default loans	23.48%	20.31%
Gross defaults as a % of gross core loans and advances to customers	6.69%	5.85%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.94%	4.68%
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)	1.72%	1.49%

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

Audited £'000	UK and Europe 31 March 2010	UK and Europe 31 March 2009	Australia 31 March 2010	Australia 31 March 2009	Total 31 March 2010	Total 31 March 2009
Gross core loans and advances to customers	5 536 755	6 038 586	1 852 455	1 423 805	7 389 210	7 462 391
Total impairments	(99 974)	(76 057)	(35 915)	(15 634)	(135 889)	(91 691)
Portfolio impairments	(18 673)	(3 032)	(1 237)	–	(19 910)	(3 032)
Specific impairments	(81 301)	(73 025)	(34 678)	(15 634)	(115 979)	(88 659)
Net core loans and advances to customers	5 436 781	5 962 529	1 816 540	1 408 171	7 253 321	7 370 700
% of total	75.0%	80.9%	25.0%	19.1%	100.0%	100.0%
% change since 31 March 2009	(8.8%)	–	29.0%	–	(1.6%)	–
Average gross core loans and advances to customers	5 787 671	5 733 028	1 638 130	1 302 720	7 425 801	7 035 749
Current loans and advances to customers	5 002 250	5 287 745	1 587 528	1 246 188	6 589 778	6 533 933
Total gross non current loans and advances to customers	534 505	750 841	264 927	177 617	799 432	928 458
Past due loans and advances to customers (1 – 60 days)	165 540	442 966	34 500	16 643	200 040	459 609
Special mention loans and advances to customers	97 344	22 445	8 052	9 839	105 396	32 284
Default loans and advances to customers	271 621	285 430	222 375	151 135	493 996	436 565
Gross core loans and advances to customers	5 536 755	6 038 586	1 852 455	1 423 805	7 389 210	7 462 391
Total gross non-current loans and advances to customers	534 505	750 841	264 927	177 617	799 432	928 458
Default loans that are current and not impaired	4 985	11 057	–	–	4 985	11 057
Gross core loans and advances to customers that are past due but not impaired	327 925	590 725	157 528	117 928	485 453	708 653
Gross core loans and advances to customers that are impaired	201 595	149 059	107 399	59 689	308 994	208 748
Total income statement charge for impairments on core loans	(106 950)	(88 789)	(27 410)	(22 685)	(134 360)	(111 474)
Gross default loans and advances to customers	271 621	285 430	222 375	151 135	493 996	436 565
Specific impairments	(81 301)	(73 025)	(34 678)	(15 634)	(115 979)	(88 659)
Portfolio impairments	(18 673)	(3 032)	(1 237)	–	(19 910)	(3 032)
Defaults net of impairments	171 647	209 373	186 460	135 501	358 107	344 874
Collateral and other credit enhancements	192 491	218 000	213 154	163 452	405 645	381 452
Net defaults loans and advances to customers (limited to zero)	–	–	–	–	–	–

Audited	UK and Europe		Australia		Total	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Specific impairments as a % of gross core loans and advances to customers	1.47%	1.21%	1.87%	1.10%	1.57%	1.19%
Portfolio impairments as a % of gross core loans and advances to customers	0.34%	0.05%	0.07%	–	0.27%	0.04%
Total impairments as a % of gross core loans and advances to customers	1.81%	1.26%	1.94%	1.10%	1.84%	1.23%
Specific impairments as a % of gross default loans	29.93%	25.58%	15.59%	10.34%	23.48%	20.31%
Gross defaults as a % of gross core loans and advances to customers	4.91%	4.73%	12.00%	10.61%	6.69%	5.85%
Gross defaults (net of impairments) as a % of net core loans and advances to customers	3.16%	3.51%	10.26%	9.62%	4.94%	4.68%
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)	1.72%	1.46%	1.67%	1.74%	1.72%	1.49%

4

An analysis of core loans and advances to customers and asset quality by geography and division – As at 31 March 2010

Audited £'000	Private Bank UK and Europe	Private Bank Australia	Private Bank Total
Gross core loans and advances to customers	3 647 607	1 680 015	5 327 622
Total impairments	(62 621)	(31 048)	(93 669)
Portfolio impairments	(4 459)	(1 237)	(5 696)
Specific impairments	(58 162)	(29 811)	(87 973)
Net core loans and advances to customers	3 584 986	1 648 967	5 233 953
Average gross core loans and advances	3 665 184	1 466 415	5 131 599
Current loans and advances to customers	3 205 251	1 426 910	4 632 161
Total gross non current loans and advances to customers	442 356	253 105	695 461
Past due loans and advances to customers (1 – 60 days)	146 705	34 500	181 205
Special mention loans and advances to customers	90 294	8 052	98 346
Default loans and advances to customers	205 357	210 553	415 910
Gross core loans and advances to customers	3 647 607	1 680 015	5 327 622
Total gross non-current loans and advances to customers	442 356	253 105	695 461
Default loans that are current and not impaired	4 985	–	4 985
Gross core loans and advances to customers that are past due but not impaired	277 180	155 275	432 455
Gross core loans and advances to customers that are impaired	160 191	97 830	258 021
Total income statement charge for impairments on core loans	(55 434)	(19 136)	(74 570)
Gross default loans and advances to customers	205 357	210 553	415 910
Specific impairments	(58 162)	(29 811)	(87 973)
Portfolio impairments	(4 459)	(1 237)	(5 696)
Defaults net of impairments	142 736	179 505	322 241
Collateral and other credit enhancements	148 862	206 198	355 060
Net default loans and advances to customers (limited to zero)	–	–	–
Specific impairments as a % of gross core loans and advances to customers	1.59%	1.77%	1.65%
Portfolio impairments as a % of gross core loans and advances to customers	0.12%	0.07%	0.11%
Total impairments as a % of gross core loans and advances to customers	1.72%	1.85%	1.76%
Specific impairments as a % of gross default loans	28.32%	14.16%	21.15%
Gross defaults as a % of gross core loans and advances to customers	5.63%	12.53%	7.81%
Gross defaults (net of impairments) as a % of net core loans and advances to customers	3.98%	10.89%	6.16%
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)	1.51%	1.30%	1.45%

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

Capital Markets			Other*			
UK and Europe	Australia	Total	UK and Europe	Australia	Total	Total
1 777 498	170 692	1 948 190	111 649	1 749	113 398	7 389 210
(24 853)	(4 867)	(29 720)	(12 500)	–	(12 500)	(135 889)
(1 714)	–	(1 714)	(12 500)	–	(12 500)	(19 910)
(23 139)	(4 867)	(28 006)	–	–	–	(115 979)
1 752 645	165 825	1 918 470	99 149	1 749	100 898	7 253 321
2 028 407	170 220	2 198 627	94 079	1 496	95 575	7 425 801
1 685 350	158 869	1 844 219	111 649	1 749	113 398	6 589 778
92 148	11 823	103 971	–	–	–	799 432
18 835	–	18 835	–	–	–	200 040
7 050	–	7 050	–	–	–	105 396
66 263	11 823	78 086	–	–	–	493 996
1 777 498	170 692	1 948 190	111 649	1 749	113 398	7 389 210
92 148	11 823	103 971	–	–	–	799 432
–	–	–	–	–	–	4 985
50 744	2 254	52 998	–	–	–	485 453
41 404	9 569	50 973	–	–	–	308 994
(39 016)	(8 274)	(47 290)	(12 500)	–	(12 500)	(134 360)
66 263	11 823	78 086	–	–	–	493 996
(23 139)	(4 867)	(28 006)	–	–	–	(115 979)
(1 714)	–	(1 714)	(12 500)	–	(12 500)	(19 910)
41 410	6 956	48 366	(12 500)	–	(12 500)	358 107
43 629	6 956	50 585	–	–	–	405 645
–	–	–	–	–	–	–
1.30%	2.85%	1.44%	–	–	–	1.57%
0.10%	–	0.09%	11.20%	–	11.02%	0.27%
1.40%	2.85%	1.53%	11.20%	–	11.02%	1.84%
34.92%	41.17%	35.87%	–	–	–	23.48%
3.73%	6.93%	4.01%	–	–	–	6.69%
2.36%	4.19%	2.52%	(12.61%)	–	(12.39%)	4.94%
–	–	–	–	–	–	–
1.65%	4.86%	1.85%	13.29%	–	13.08%	1.72%

4

An analysis of core loans and advances to customers and asset quality by geography and division – As at 31 March 2009

Audited £'000	Private Bank UK and Europe	Private Bank Australia	Private Bank Total
Gross core loans and advances to customers	3 682 761	1 252 814	4 935 575
Total impairments	(37 727)	(13 050)	(50 777)
Portfolio impairments	(2 133)	–	(2 133)
Specific impairments	(35 594)	(13 050)	(48 644)
Net core loans and advances to customers	3 645 035	1 239 764	4 884 798
Average gross core loans and advances	3 513 898	1 145 563	4 659 461
Current loans and advances to customers	3 124 164	1 088 511	4 212 675
Total gross non current loans and advances to customers	558 597	164 303	722 900
Past due loans and advances to customers (1 – 60 days)	386 846	15 975	402 821
Special mention loans and advances to customers	3 087	9 611	12 698
Default loans and advances to customers	168 664	138 717	307 381
Gross core loans and advances to customers	3 682 761	1 252 814	4 935 575
Total gross non-current loans and advances to customers	558 597	164 303	722 900
Default loans that are current and not impaired	6 399	–	6 399
Gross core loans and advances to customers that are past due but not impaired	463 215	116 611	579 826
Gross core loans and advances to customers that are impaired	88 983	47 692	136 675
Total income statement charge for impairments on core loans	(52 194)	(20 200)	(72 394)
Gross default loans and advances to customers	168 664	138 717	307 381
Specific impairments	(35 594)	(13 050)	(48 644)
Portfolio impairments	(2 133)	–	(2 133)
Defaults net of impairments	130 937	125 667	256 603
Collateral and other credit enhancements	136 986	153 617	290 603
Net default loans and advances to customers (limited to zero)	–	–	–
Specific impairments as a % of gross core loans and advances to customers	0.97%	1.04%	0.99%
Portfolio impairments as a % of gross core loans and advances to customers	0.06%	–	0.04%
Total impairments as a % of gross core loans and advances to customers	1.02%	1.04%	1.03%
Specific impairments as a % of gross default loans	21.10%	9.41%	15.83%
Gross defaults as a % of gross core loans and advances to customers	4.58%	11.07%	6.23%
Gross defaults (net of impairments) as a % of net core loans and advances to customers	3.59%	10.14%	5.25%
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)	1.49%	1.76%	1.55%

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

Capital Markets			Other*			
UK and Europe	Australia	Total	UK and Europe	Australia	Total	Total
2 279 316	169 748	2 449 064	76 509	1 243	77 752	7 462 391
(38 331)	(2 583)	(40 914)	–	–	–	(91 691)
(899)	–	(899)	–	–	–	(3 032)
(37 432)	(2 583)	(40 015)	–	–	–	(88 659)
2 240 985	167 165	2 408 150	76 509	1 243	77 752	7 370 700
2 139 842	155 930	2 295 772	79 289	1 227	80 516	7 035 749
2 087 437	156 434	2 243 871	76 144	1 243	77 387	6 533 933
191 879	13 314	205 193	365	–	365	928 458
56 120	668	56 788	–	–	–	459 609
19 358	228	19 586	–	–	–	32 284
116 401	12 418	128 819	365	–	365	436 565
2 279 316	169 748	2 449 064	76 509	1 243	77 752	7 462 391
191 879	13 314	205 193	365	–	365	928 458
4 658	–	4 658	–	–	–	11 057
127 511	1 316	128 827	–	–	–	708 653
59 710	11 998	71 708	365	–	365	208 748
(36 596)	(2 484)	(39 080)	–	–	–	(111 474)
116 401	12 418	128 819	365	–	365	436 565
(37 431)	(2 583)	(40 015)	–	–	–	(88 659)
(899)	–	(899)	–	–	–	(3 032)
78 070	9 835	87 905	365	–	365	344 874
80 684	9 835	90 519	330	–	330	381 452
–	–	–	35	–	35	–
1.64%	1.52%	1.63%	–	–	–	1.19%
0.04%	–	0.04%	–	–	–	0.04%
1.68%	1.52%	1.67%	–	–	–	1.23%
32.16%	20.80%	31.06%	–	–	–	20.31%
5.11%	7.32%	5.26%	0.47%	–	0.47%	5.85%
3.48%	5.88%	3.65%	0.47%	–	0.47%	4.68%
–	–	–	0.05%	–	0.05%	–
1.71%	1.59%	1.44%	–	–	–	1.49%

4

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

Audited £'000	31 March 2010	31 March 2009
Default loans that are current	13 435	26 411
1 – 60 days	203 844	484 702
61 – 90 days	106 743	38 024
91 – 180 days	163 465	192 696
181 – 365 days	91 870	110 086
>365 days	220 075	76 539
Total gross non-current loans and advances to customers (actual capital exposure)	799 432	928 458
1 – 60 days	7 925	15 795
61 – 90 days	4 510	6 999
91 – 180 days	6 366	17 657
181 – 365 days	84 473	50 043
>365 days	146 074	43 363
Total gross non-current loans and advances to customers (actual amount in arrears)	249 348	133 857

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

Audited £'000	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	4 985	–	–	–	–	–	4 985
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	200 122	105 314	52 336	51 517	76 164	485 453
Amount in arrears	–	4 321	4 094	2 489	45 220	59 558	115 682
Gross core loans and advances to customers that are impaired							
Total capital exposure	8 450	3 722	1 429	111 129	40 353	143 911	308 994
Amount in arrears	–	3 604	416	3 877	39 253	86 516	133 666
As at 31 March 2009							
Default loans that are current and not impaired							
Total capital exposure	11 057	–	–	–	–	–	11 057
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	461 278	33 209	78 184	86 988	48 994	708 653
Amount in arrears	–	5 663	5 025	13 784	37 369	23 711	85 552
Gross core loans and advances to customers that are impaired							
Total capital exposure	15 354	23 424	4 815	114 512	23 098	27 545	208 748
Amount in arrears	–	10 132	1 974	3 873	12 674	19 652	48 305

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

Audited £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	200 040	–	–	–	–	200 040
Special mention	–	82	105 314	–	–	–	105 396
Special mention (1 – 90 days)	–	82	2 510	–	–	–	2 592
Special mention (61 – 90 days and item well secured)	–	–	102 804	–	–	–	102 804
Default	13 435	3 722	1 429	163 465	91 870	220 075	493 996
Sub-standard	11 218	–	1 013	88 223	51 517	117 405	269 376
Doubtful	1 674	3 722	416	18 784	39 457	102 314	166 367
Loss	543	–	–	56 458	896	356	58 253
Total	13 435	203 844	106 743	163 465	91 870	220 075	799 432

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 £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	4 319	–	–	–	–	4 319
Special mention	–	2	4 094	–	–	–	4 096
Special mention (1 – 90 days)	–	2	2 191	–	–	–	2 193
Special mention (61 – 90 days and item well secured)	–	–	1 903	–	–	–	1 903
Default	–	3 604	416	6 366	84 473	146 074	240 933
Sub-standard	–	–	–	2 987	45 220	59 558	107 765
Doubtful	–	3 604	416	3 335	39 253	86 516	133 124
Loss	–	–	–	44	–	–	44
Total	–	7 925	4 510	6 366	84 473	146 074	249 348

4

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

Audited £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	459 609	–	–	–	–	459 609
Special mention	–	88	32 196	–	–	–	32 284
Special mention (1 – 90 days)	–	88	–	–	–	–	88
Special mention (61 – 90 days and item well secured)	–	–	32 196	–	–	–	32 196
Default	26 411	25 005	5 828	191 696	110 086	76 539	436 565
Sub-standard	13 782	1 581	5 170	126 641	95 087	50 520	292 781
Doubtful	12 629	23 424	658	48 440	14 999	24 943	125 093
Loss	–	–	–	17 615	–	1 076	18 691
Total	26 411	484 702	38 024	192 696	110 086	76 539	928 458

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

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

An analysis of core loans and advances to customers

Audited £'000	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 impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 31 March 2010								
Current core loans and advances	6 589 778	–	–	6 589 778	–	(16 689)	6 573 089	–
Past due (1 – 60 days)	–	200 040	–	200 040	–	–	200 040	4 319
Special mention	–	105 396	–	105 396	–	–	105 396	4 096
Special mention (1 – 90 days)	–	2 592	–	2 592	–	–	2 592	2 193
Special mention (61 – 90 days and item well secured)	–	102 804	–	102 804	–	–	102 804	1 903
Default	4 985	180 017	306 994	493 996	(115 979)	(3 221)	374 796	240 933
Sub-standard	4 985	177 935	86 456	269 376	(23 532)	(1 984)	243 860	107 765
Doubtful	–	–	166 367	166 367	(66 694)	(1 237)	98 436	133 124
Loss	–	2 082	56 171	58 253	(25 753)	–	32 500	44
Total	6 594 763	485 453	308 994	7 389 210	(115 979)	(19 910)	7 253 321	249 348
As at 31 March 2009								
Current core loans and advances	6 533 933	–	–	6 533 933	–	(3 032)	6 530 901	–
Past due (1 – 60 days)		459 609	–	459 609	–	–	459 609	5 650
Special mention	–	32 284	–	32 284	–	–	32 284	5 012
Special mention (1 – 90 days)	–	88	–	88	–	–	88	2
Special mention (61 – 90 days and item well secured)	–	32 196	–	32 196	–	–	32 196	5 010
Default	11 057	216 760	208 748	436 565	(88 659)	–	347 906	123 195
Sub-standard	11 057	216 760	64 964	292 781	(46 061)	–	246 720	76 539
Doubtful	–	–	125 093	125 093	(34 203)	–	90 890	45 566
Loss	–	–	18 691	18 691	(8 395)	–	10 296	1 090
Total	6 544 990	708 653	208 748	7 462 391	(88 659)	(3 032)	7 370 700	133 857

4

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

Audited £'000	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	4 632 161	181 205	2 592
Corporate sector	1 631 111	18 835	–
Banking, insurance, financial services (excluding sovereign)	156 988	–	–
Public and government sector (including central banks)	85 140	–	–
Trade finance	84 378	–	–
Total gross core loans and advances to customers	6 589 778	200 040	2 592
As at 31 March 2009			
Private Banking professional and HNW individuals	4 210 867	402 821	88
Corporate sector	1 866 578	56 788	–
Banking, insurance, financial services (excluding sovereign)	323 692	–	–
Public and government sector (including central banks)	111 255	–	–
Trade finance	21 541	–	–
Total gross core loans and advances to customers	6 533 933	459 609	88

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

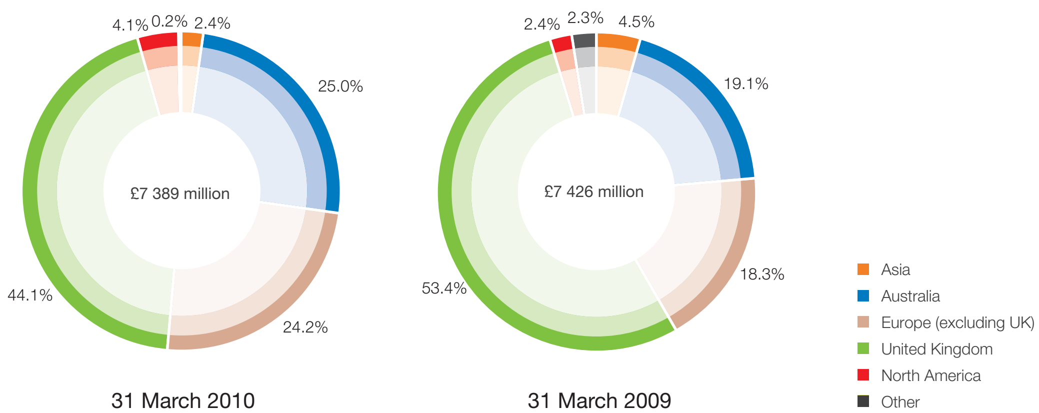
Audited £'000	31 March 2010	31 March 2009
Private Banking professional and HNW individuals	5 327 622	4 937 450
Corporate sector	1 733 669	2 067 504
Banking, insurance, financial services (excluding sovereign)	157 608	323 913
Public and government sector (including central banks)	85 933	111 619
Trade finance	84 378	21 903
Total gross core loans and advances to customers	7 389 210	7 462 391

	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
	95 754	232 627	125 030	58 253	5 327 622	(5 696)	(87 974)	(93 670)
	7 050	36 749	39 924	–	1 733 669	(1 714)	(26 945)	(28 659)
	–	–	620	–	157 608	(12 500)	(507)	(13 007)
	–	–	793	–	85 933	–	(553)	(553)
	–	–	–	–	84 378	–	–	–
	102 804	269 376	166 367	58 253	7 389 210	(19 910)	(115 979)	(135 889)
	16 291	194 540	94 847	17 996	4 937 450	(2 133)	(48 645)	(50 778)
	15 905	98 170	29 368	695	2 067 504	(899)	(39 626)	(40 525)
	–	–	220	–	323 913	–	(161)	(161)
	–	–	364	–	111 619	–	(227)	(227)
	–	71	294	–	21 903	–	–	–
	32 196	292 781	125 093	18 691	7 462 391	(3 032)	(88 659)	(91 691)

4

Additional information

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



31 March 2010

31 March 2009

4

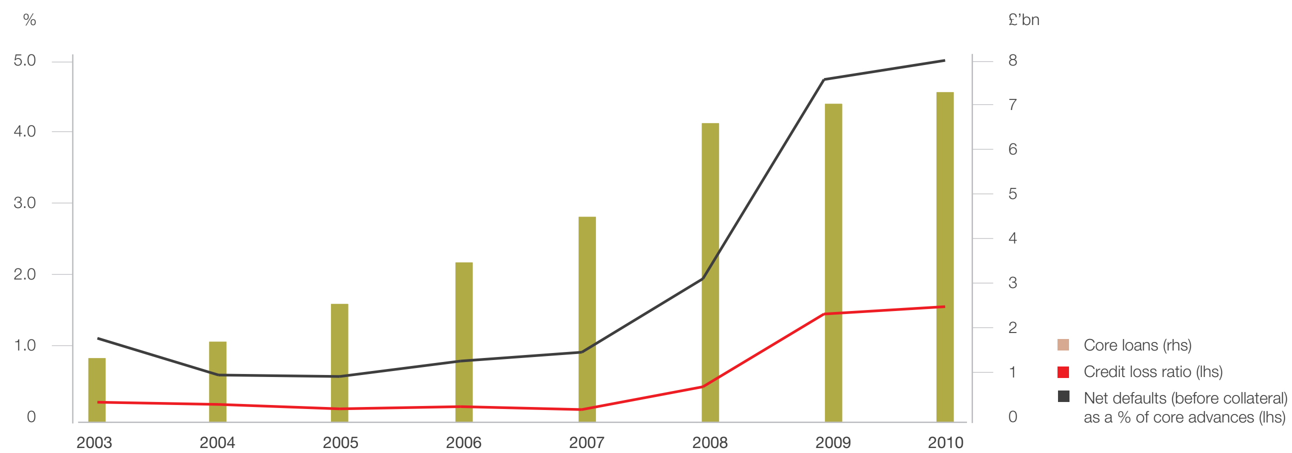
An analysis of default core loans and advances as at 31 March 2010

£'million	UK and Europe Gross core loans	UK and Europe Gross defaults	UK and Europe Collateral	UK and Europe Impairments	Australia Gross core loans	Australia Gross defaults	Australia Collateral	Australia Impairments
Private Bank								
Residential property investment	532	–	–	–	146	71	58	(13)
Residential mortgages (owner occupied and second homes)	178	–	–	–	41	–	–	–
Residential property development	792	133	99	(36)	196	8	4	(4)
Commercial property investment	1 160	13	10	(3)	568	109	118	(13)
Commercial property development	421	49	34	(16)	34	9	12	–
Cash and securities backed lending	190	1	1	–	19	–	–	–
Asset backed lending	226	1	–	–	529	14	14	(1)
Unlisted securities and general corporate lending	75	–	–	–	99	–	–	–
Unsecured lending	74	8	5	(3)	48	–	–	–
Other*	–	–	–	(5)	–	–	–	–
Total Private Bank	3 648	205	149	(63)	1 680	211	206	(31)
Capital Markets								
Acquisition finance	638	–	–	–	–	–	–	–
Small ticket asset finance	351	28	7	(21)	–	–	–	–
Principal finance	432	26	23	(3)	61	3	3	–
Project finance	134	–	3	–	69	–	–	–
Structured finance	157	12	11	(1)	10	–	–	–
Resource finance and commodities	65	–	–	–	31	9	4	(5)
Total Capital Markets	1 777	66	44	(25)	171	12	7	(5)
Other**	112	–	–	(12)	2	–	–	–
Total group	5 537	271	193	(100)	1 853	223	213	(36)

*Relates to portfolio impairments.

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

UK, Europe and Australia



Total group			
Gross core loans	Gross defaults	Collateral	Impairments
678	71	58	(13)
219	–	–	–
988	141	103	(40)
1 728	122	128	(16)
455	58	46	(16)
209	1	1	–
755	15	14	(1)
174	–	–	–
122	8	5	(3)
–	–	–	(5)
5 328	416	355	(94)
638	–	–	–
351	28	7	(21)
493	29	26	(3)
203	–	3	–
167	12	11	(1)
96	9	4	(5)
1 948	78	51	(30)
114	–	–	(12)
7 390	494	406	(136)

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4

Collateral

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

£'000	Collateral held against: Gross core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
As at 31 March 2010			
Eligible financial collateral	315 508	51 704	367 212
Listed shares	119 853	24 808	144 661
Cash	195 655	26 896	222 551
Debt securities issued by sovereigns	–	–	–
Mortgage bonds	6 451 387	24 273	6 475 660
Residential mortgages	1 472 205	789	1 472 994
Residential development	1 592 869	15 580	1 608 449
Commercial property development	846 895	7 839	854 734
Commercial property investments	2 539 418	65	2 539 483
Other collateral	3 615 480	9 884	3 625 364
Unlisted shares	364 706	4 111	368 817
Bonds other than mortgage bonds	67 408	–	67 408
Debtors, stock and other corporate assets	2 054 324	5 773	2 060 097
Guarantees	390 812	–	390 812
Other	738 230	–	738 230
Total collateral	10 382 375	85 861	10 468 236
As at 31 March 2009			
Eligible financial collateral	400 128	277 976	678 104
Listed shares	26 540	4 408	30 948
Cash	373 588	44 021	417 609
Debt securities issued by sovereigns	–	229 547	229 547
Mortgage bonds	7 161 107	18 391	7 179 498
Residential mortgages	1 628 857	4 259	1 633 116
Residential development	1 981 052	12 167	1 993 219
Commercial property development	1 009 930	1 954	1 011 884
Commercial property investments	2 541 268	11	2 541 279
Other collateral	3 030 853	10 715	3 041 568
Unlisted shares	125 844	4 788	130 632
Bonds other than mortgage bonds	25 252	–	25 252
Debtors, stock and other corporate assets	2 465 205	5 924	2 471 129
Guarantees	52 056	3	52 059
Other	362 496	–	362 496
Total collateral	10 592 088	307 082	10 899 170

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

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.

UK and Europe

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

We retain residual net exposures amounting to £590 million to the assets originated, warehoused and securitised by Kensington. Further information is provided on pages 34 and 37.

Australia

Investec Bank (Australia) Limited acquired Experien in October 2007. As is the case in the South African Private Banking division assets originated by the business have been securitised. These amount to A$860 million (2009: A$914 million) and include leases and instalment debtors (A$500 million), residential mortgages (A$41 million), commercial mortgages (A$187 million) and other loans, for example overdrafts (A$132 million).These securitisation structures have all been rated by Standard and Poor's.

Accounting treatment Audited

Refer to pages 199 to 201.

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.

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

Nature of exposure/ activity	Exposure as at 31 March 2010 £'mn	Exposure as at 31 March 2009 £'mn	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	783	358	On-balance sheet securitisation/ principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	385	243			
Unrated	50	58			
Other	348	57			
Kensington – mortgage assets: Net exposures (after impairments) to the securitised book (i.e. those assets have been securitised)	104	103	On-balance sheet securitisation/ principal finance exposure. Classified as 'unrated'. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures".	Refer to pages 34 and 35.	Risk-weighted or supervisory deductions against primary and secondary capital.
Kensington – mortgage assets: Net exposures (after impairments) to the warehouse book (i.e. those assets that have been originated and placed in special purpose vehicles awaiting securitisation)	486	413	On-balance sheet securitisation/ principal finance exposure. Classified as 'other'. We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are legally at risk are reflected in this analysis with the balance reflected under "no credit exposures".	Refer to pages 34 and 35.	Risk-weighted.
Private Banking division assets which have been securitised	519	443	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 61.	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.

*A further analysis of structured credit investments

£'million	Rated**	Unrated	Other	Total
US sub-prime	1	–	–	1
US corporate loans	34	6	–	40
European ABS	5	8	–	13
European RMBS	229	36	315	580
European CMBS	62	–	–	62
European credit cards	5	–	–	5
South African RMBS	12	–	–	12
Australian RMBS	37	–	–	37
Other (credit default swaps)	–	–	33	33
Total	385	50	348	783

**A further analysis of rated structured credit investments

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US sub-prime	–	–	–	–	–	–	1	1
US corporate loans	–	–	–	–	6	7	21	34
European ABS	–	–	5	–	–	–	–	5
European RMBS	104	48	13	19	23	1	21	229
European CMBS	11	12	13	18	8	–	–	62
European credit cards	–	–	5	–	–	–	–	5
South African RMBS	–	12	–	–	–	–	–	12
Australian RMBS	22	6	5	4	–	–	–	37
Total	137	78	41	41	37	8	43	385

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.
- Lending transactions (within the Private Banking and Capital Markets divisions): The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- Property Activities: We source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters.

Management of equity and investment risk

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

Nature of equity and investment risk	Management of risk
Listed equities	Investment Committee, market risk management and ERRF
Investment Banking Principal Finance investments	Investment Committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit Risk Management Committees and ERRF
Investment and trading properties	Investment Committee and ERRF
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 page 160 and pages 191 to 196 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 1.5% of total assets (refer to page 191 for further information).

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

Audited £'000 Country/category	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	(1 177)	12 052	(518)	10 357	(929)
UK and Europe	(1 177)	9 911	(1 278)	7 456	(1 689)
Australia	–	2 141	760	2 901	760
Listed equities	2 705	12 244	(15 453)	(504)	3 611
UK and Europe	2 705	9 919	(15 487)	(2 863)	(84)
Australia	–	2 325	34	2 359	3 695
Investment and trading properties	–	65	171	236	4
UK and Europe	–	65	171	236	4
Warrants, profit shares and other embedded derivatives	633	14 409	(1 745)	13 297	–
UK and Europe	980	14 409	(1 744)	13 645	–
Australia	(347)	–	(1)	(348)	–
Total	2 161	38 770	(17 545)	23 386	2 686
For the year ended 31 March 2009					
Unlisted investments	(14 719)	(2 807)	(16 472)	(33 998)	(1 012)
UK and Europe	(13 373)	832	(16 829)	(29 370)	(572)
Australia	(1 346)	(3 639)	357	(4 628)	(440)
Listed equities	(11 708)	(1 538)	1 252	(11 994)	(5 366)
UK and Europe	(11 392)	(1 529)	1 588	(11 333)	(4 582)
Australia	(316)	(9)	(336)	(661)	(784)
Investment and trading properties	–	42	–	42	–
UK and Europe	–	42	–	42	–
Warrants, profit shares and other embedded derivatives	(1 083)	20 277	273	19 467	–
UK and Europe	1 868	20 277	273	22 418	–
Australia	(2 951)	–	–	(2 951)	–
Total	(27 510)	15 974	(14 947)	(26 483)	(6 378)

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

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Summary of investments held and stress testing analyses

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

Audited £'000 Country/category	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	147 613	22 142	140 618	21 092
UK and Europe*	135 356	20 303	120 689	18 103
Australia	12 257	1 839	19 929	2 989
Listed equities	24 556	6 139	38 235	8 239
UK and Europe*	16 472	4 118	37 060	7 945
Australia	8 084	2 021	1 175	294
Investment and trading properties	10 810	2 162	8 480	1 696
UK and Europe	10 810	2 162	8 480	1 696
Warrants, profit shares and other embedded derivatives	34 150	11 952	64 333	22 517
UK and Europe	34 150	11 952	63 463	22 212
Australia	–	–	870	305
Total	217 129	42 395	251 666	53 544

Includes investments held within the Private Equity division which are required to be consolidated for accounting purposes.

**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 £42 million reversal in revenue (which assumes a year in which there is a "worst case scenario"). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period.

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

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of "Equity risk", profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 117 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 the UK, all desks are currently on Capital Adequacy (CAD) 1 level.

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VaR

Audited	UK and Europe 95% (one-day) Year end £'000	Average £'000	High £'000	Low £'000
31 March 2010				
Commodities	27	28	91	19
Equity derivatives	1 798	1 450	2 333	683
Foreign exchange	16	29	162	4
Interest rates	501	593	1 474	101
Consolidated*	1 791	1 607	2 598	995
31 March 2009				
Commodities	42	45	93	23
Equity derivatives	629	431	958	192
Foreign exchange	25	21	65	4
Interest rates	759	576	2 397	185
Consolidated*	996	738	2 497	341

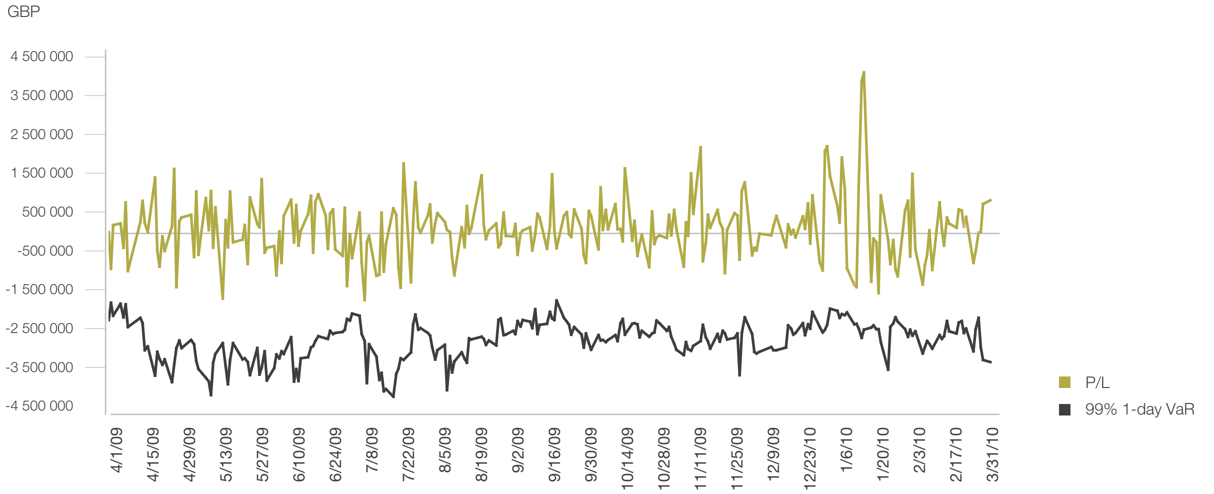
**The consolidated VaR for each desk at year end is lower than the sum of the individual VaRs. This arises from the consolidation offset between various asset classes.*

The graphs below show total daily VaR and profit and loss figures for our trading activities over the reporting period. The values 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.

UK and Europe

There have been no exceptions i.e. where the loss is greater than the VaR. This is less than the expected two exceptions per year at the 99% level. The reason for this is that our data series contains data spanning the credit crunch whereas markets have calmed to a large extent since then.

99% 1-day VaR backtesting



	Australia 99% (one-day)			
	Year end A$'000	Average A$'000	High A$'000	Low A$'000
	–	–	–	–
	–	–	–	–
	9	11	69	1
	146	130	205	53
	154	141	230	69
	–	–	–	–
	–	–	–	–
	14	32	144	5
	52	106	204	42
	66	139	307	60

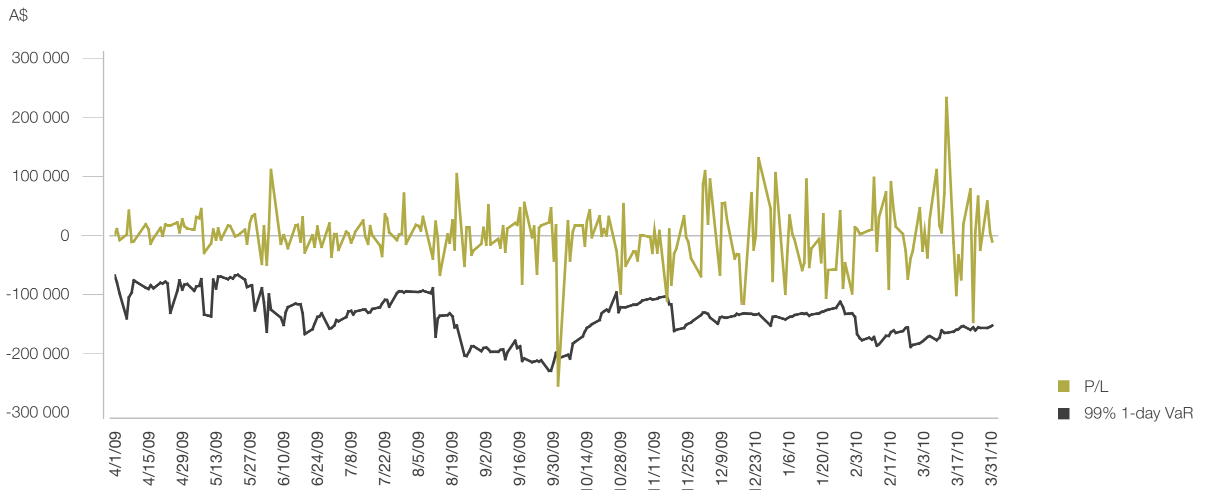
4

Australia

There have been two exceptions i.e. where the loss is greater than the VaR. This is in line with expectations at the 99% level.

The breach on 2 October 2009 was caused by a combination of a large increase in the A$ 3-month interest rate and a large decrease in USD 1 and 2-year interest rates. The breach on 16 November 2009 was caused by a large decrease in A$ and USD 3-year interest rates.

99% 1-day VaR backtesting



ETL

Audited	95% (one-day) £'000
31 March 2010	
Commodities	43
Equity derivatives	2 648
Foreign exchange	24
Interest rates	783
Consolidated*	2 663
31 March 2009	
Commodities	78
Equity derivatives	929
Foreign exchange	39
Interest rates	1 359
Consolidated*	1 653

**The consolidated ETL for each desk is lower than the sum of the individual ETLs. 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).

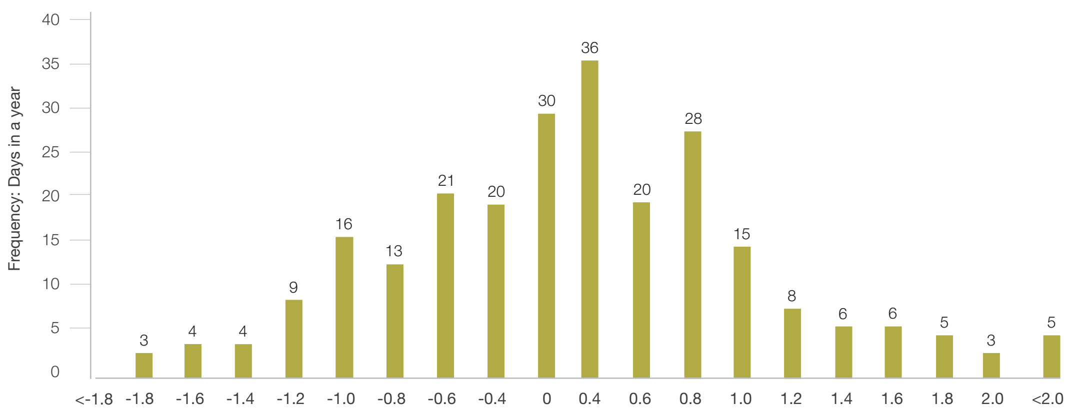
Audited	UK and Europe Using VaR £'000	Australia Using VaR A$'000
31 March 2010		
Commodities	207	–
Equity derivatives	13 760	–
Foreign exchange	122	50
Interest rates	3 834	846
Consolidated	17 923	896
31 March 2009		
Commodities	324	–
Equity derivatives	4 812	–
Foreign exchange	193	81
Interest rates	5 812	302
Consolidated	11 141	383

Profit and loss histograms

UK and Europe

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 162 days out of a total of 252 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2010 was £60 261 (2009:£244 000).

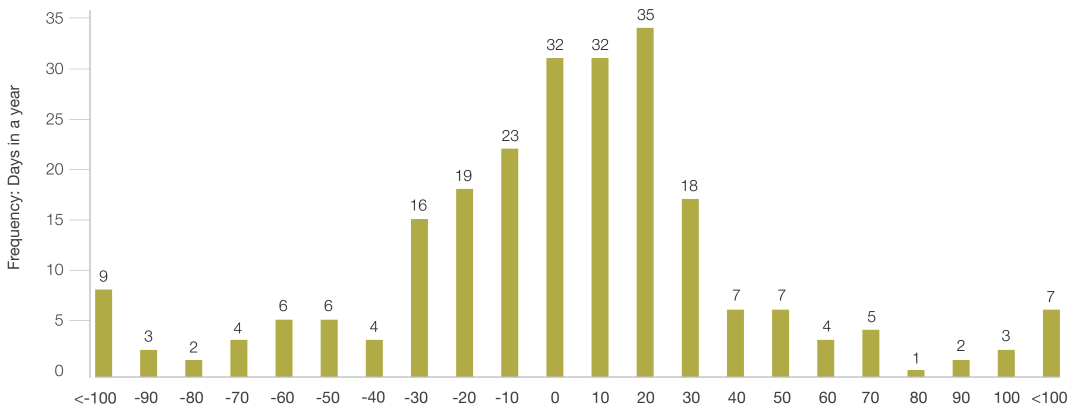
Profit and loss (£'mn)



Australia

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 153 days out of a total of 252 days in the trading business. The average daily trading loss generated for the year ended 31 March 2010 was A$4 000 (2009: revenue of A$5 000).

Profit and loss (A$'000)



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.

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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 the UK the Structured Equity desk has continued to experience strong growth in their retail product sales and they continue to expand their product range. The Interest Rate and Forex desks have also performed well benefiting from both increased volatility and flows. The Fixed Income desk was closed during the course of the year.

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

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

Market risk – derivatives Audited

We enter 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 pages 197 and 198.

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

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

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

UK and Europe – interest rate sensitivity as at 31 March 2010

£'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	2 639	–	–	–	–	19	2 658
Investment/trading assets	1 417	13	96	30	205	250	2 011
Securitised assets	3 903	9	–	4	–	1	3 917
Advances	6 534	571	157	383	89	53	7 787
Other assets	–	–	–	–	–	1 018	1 018
Assets	14 493	593	253	417	294	1 341	17 391
Deposits – banks	(2 355)	(92)	(31)	(107)	–	–	(2 585)
Deposits – non-banks	(6 454)	(294)	(348)	(846)	(80)	(3)	(8 025)
Negotiable paper	(474)	(11)	(6)	(165)	(6)	–	(662)
Securitised liabilities	(3 465)	–	–	–	–	–	(3 465)
Investment/trading liabilities	(408)	–	–	–	–	(37)	(445)
Subordinated liabilities	–	–	(286)	–	(256)	(45)	(587)
Other liabilities	–	–	–	–	–	(622)	(622)
Liabilities	(13 156)	(397)	(671)	(1 118)	(342)	(707)	(16 391)
Intercompany loans	(9)	–	–	1	–	(9)	(17)
Shareholders' funds	–	–	–	–	–	(1 237)	(1 237)
Balance sheet	1 328	196	(418)	(700)	(48)	(612)	(254)
Off-balance sheet	(295)	(22)	112	749	(208)	1	337
Repricing gap	1 033	174	(306)	49	(256)	(611)	83
Cumulative repricing gap	1 033	1 207	901	950	694	83	–

Australia – interest rate sensitivity as at 31 March 2010

A$'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	953	–	–	–	–	–	953
Investment/trading assets	933	5	1	170	15	92	1 216
Securitised assets	230	60	110	450	7	–	857
Advances	1 822	60	40	195	8	25	2 150
Other assets	–	–	–	–	–	161	161
Assets	3 938	125	151	815	30	278	5 337
Deposits – banks	–	–	–	–	–	–	–
Deposits – non-banks	(1 309)	(153)	(70)	(144)	(8)	(11)	(1 695)
Negotiable paper	(1 050)	(13)	(2)	(845)	–	–	(1 910)
Securitised liabilities	(853)	–	–	–	–	–	(853)
Investment/trading liabilities	(25)	–	–	–	–	–	(25)
Subordinated liabilities	(46)	–	–	–	–	–	(46)
Other liabilities	–	–	–	–	–	(127)	(127)
Liabilities	(3 283)	(166)	(72)	(989)	(8)	(138)	(4 656)
Intercompany loans	(20)	–	–	(3)	–	24	1
Shareholders' funds	–	–	–	–	–	(684)	(684)
Balance sheet	635	(41)	79	(177)	22	(520)	(2)
Off-balance sheet	31	(46)	(84)	125	(24)	–	2
Repricing gap	666	(87)	(5)	(52)	(2)	(520)	–
Cumulative repricing gap	666	579	574	522	520	–	

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.

UK and Europe

	Sensitivity to the following interest rates (expressed in original currencies)				
'million	GBP	USD	EUR	Other (GBP)	All (GBP)
200bp Down	(34.0)	(0.6)	1.0	0.1	(34.0)
200bp Up	34.0	0.6	(1.0)	(0.1)	34.0

Australia

'million	AUD
200bp Down	(1.39)
200bp Up	1.39

Liquidity risk

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

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Liquidity risk description

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 the FSA and APRA
- 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 51.2% from 1 April 2009 to £7.2 billion at 31 March 2010. We have also introduced a number of innovative retail deposit initiatives within our Capital Markets division and these continued to experience strong inflows during the financial year. Our total retail customer deposit base increased by 73.0% from 1 April 2009 to £9.1 billion at 31 March 2010. On average our fixed and notice customer deposits have amounted to approximately 85% 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.

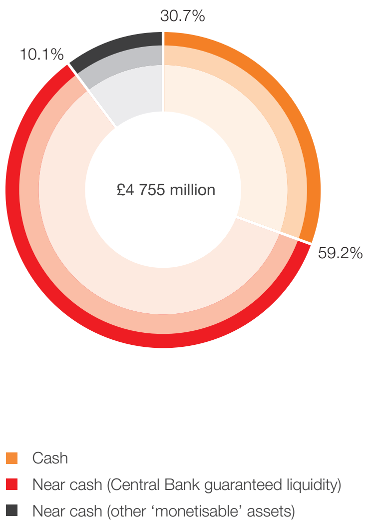
As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against 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 £3.1 billion (£2.3 billion in UK and Europe; and A$1.4 billion in Australia).

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.

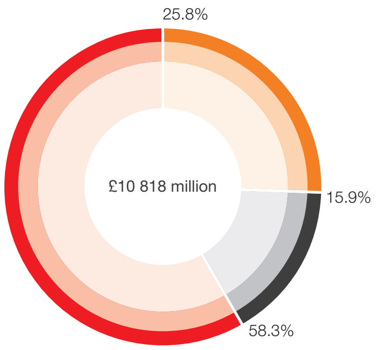
Each banking entity within the group maintains a contingency funding plan to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The liquidity contingency plans outline extensive early warning indicators 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 plc (UK, Europe and Australia) cash and near cash trend

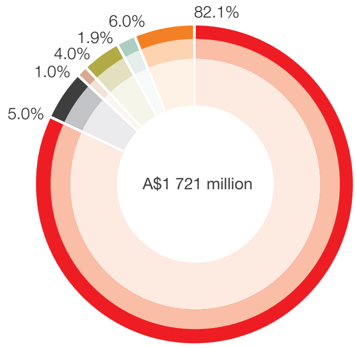
An analysis of cash and near cash



Bank and non-bank depositor concentration by type



UK and Europe



Australia

- Financial institutions/banks
- Corporate
- Private Banking clients
- Fund managers
- Public sector
- Other

Liquidity mismatch

The tables that follow show 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.

We maintained a strong liquidity profile throughout the year

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UK and Europe

Contractual liquidity as at 31 March 2010

£'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	2 040	424	414	–	18	2	–	2 898
Investment/trading assets	833	756	166	144	144	382	540	2 965
Securitised assets	10	–	1	1	2	17	3 886	3 917
Advances	24	663	453	338	900	2 177	3 260	7 815
Other assets	199	321	50	3	5	109	347	1 034
Assets	3 106	2 164	1 084	486	1 069	2 687	8 033	18 629
Deposits – banks	(173)^	(379)	(94)	(123)	(357)	(877)	(790)	(2 793)
Deposits – non-banks	(534)	(1 783)	(1 792)	(2 592)	(356)	(909)	(59)	(8 025)
Negotiable paper	–	(10)	(13)	(10)	(4)	(455)	(167)	(659)
Securitised liabilities	–	–	–	–	–	–	(3 465)	(3 465)
Investment/trading liabilities	(501)	(96)	(66)	(230)	(106)	(224)	–	(1 223)
Subordinated liabilities	–	–	–	–	(223)	–	(364)	(587)
Other liabilities	(169)	(277)	(42)	(35)	(62)	(36)	(2)	(623)
Liabilities	(1 377)	(2 545)	(2 007)	(2 990)	(1 108)	(2 501)	(4 847)	(17 375)
Intercompany loans	(2)	19	(24)	–	–	1	(11)	(17)
Shareholders' funds	–	–	–	–	–	–	(1 237)	(1 237)
Liquidity gap	1 727	(362)	(947)	(2 504)	(39)	187	1 938	–
Cumulative liquidity gap	1 727	1 365	418	(2 086)	(2 125)	(1 938)	–	

Behavioural liquidity (as discussed on page 98)

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	1 980	(362)	(534)	(1 887)	(39)	(813)	1 655	–
Cumulative	1 980	1 618	1 084	(803)	(842)	(1 655)	–	–

^The deposits shown in the demand column at 31 March 2010 reflect cash margin deposits held.

Australia

Contractual liquidity as at 31 March 2010

A$'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	948	5	–	–	–	–	–	953
Investment/trading assets*	974	2	8	3	7	86	134	1 214
Securitised assets	5	24	55	87	173	504	11	859
Advances**	6	210	204	280	569	788	93	2 150
Other assets	–	–	–	–	–	–	161	161
Assets	1 933	241	267	370	749	1 378	399	5 337
Deposits – banks	–	–	(25)	–	–	–	–	(25)
Deposits – non banks	(458)^	(298)	(525)	(170)	(83)	(154)	(8)	(1 696)
Negotiable paper	–	(152)	(170)	(29)	(36)	(1 521)	–	(1 908)
Securitised liabilities	(5)	(24)	(54)	(87)	(557)	(126)	–	(853)
Investment/trading liabilities	–	(13)	(8)	(3)	(3)	(32)	(18)	(77)
Subordinated liabilities	–	–	–	(25)	–	(20)	–	(45)
Other liabilities	–	–	–	–	–	–	(49)	(49)
Liabilities	(463)	(487)	(782)	(314)	(679)	(1 853)	(75)	(4 653)
Intercompany loans	21	–	–	–	(1)	(23)	3	–
Shareholders' funds	–	–	–	–	–	–	(684)	(684)
Liquidity gap	1 491	(246)	(515)	56	69	(498)	(357)	–
Cumulative liquidity gap	1 491	1 245	730	786	855	357	–	

Note: contractual liquidity adjustments (as discussed on page 98)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
*Investment/trading assets	2	65	58	20	39	878	154	1 216
**Advances	384	191	167	179	367	769	93	2 150

Behavioural liquidity (as discussed on page 88)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	1 881	(312)	(689)	(27)	(1)	(497)	(355)	–
Cumulative	1 881	1 569	880	853	852	355	–	

^Includes call deposits of A$433 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity.

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Balance sheet risk year in review

UK and Europe

A consistent theme is the return of liquidity and the resultant fall in liquidity and credit spreads. The spread between 3-month SONIA and 3- month Libor, a straightforward measure of the liquidity premium, fell from 162.5bp to its current level of 17bp, only a few basis points above where this same measure was prior to the 2007 crisis. Cash markets have seen a similar return of risk appetite, with banks and corporates being able to access capital markets at increasingly attractive levels. Retail demand for Investec products has been strong with net retail deposit growth for the year of £3.6 billion. Of this total, the Private Bank raised a total of £2.2 billion and term retail funding, via structured equity deposits (within the Capital Markets division), raised £800 million with a weighted average expected term of 3.4 years. In addition, strong inroads into the SME corporate market has resulted in corporate deposits increasing by £600 million over the year. Total customer deposits increased by 83.4% from 1 April 2009 to £8.0 billion at 31 March 2010 (comprising Private Bank deposits of £6.3 billion, structured equity deposits of £836 million and corporate deposits of £763 million). Cash and near cash balances more than doubled from 1 April 2009 to £3.7 billion at 31 March 2010. The challenge for the year ahead will be to curtail the strong inflow of deposits and manage the resultant surplus liquidity without damaging the franchises that have been built up so successfully.

Australia

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

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

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

Investec plc

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

- Investec Bank plc (IBP):
  - A £170 million one year Schuldschein facility was arranged in April 2009
  - As retail funding initiatives provided excellent levels of liquidity, IBP scaled back it's activity in the wholesale market accordingly
- Investec Bank (Australia) Limited:
  - During December 2009 IBAL undertook a domestic term debt issue in government guaranteed format, raising A$450 million of fixed rate funds with a term of 5 years, and paying a coupon equal to BBSW + 0.58% (before issuance and government guarantee fees)
  - During March 2010 IBAL undertook a further domestic term debt issue in government guaranteed format, raising A$300 million of fixed rate funds with a term of 5 years, and paying a coupon equal to BBSW + 0.40% (before issuance and government guarantee fees).

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.

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.

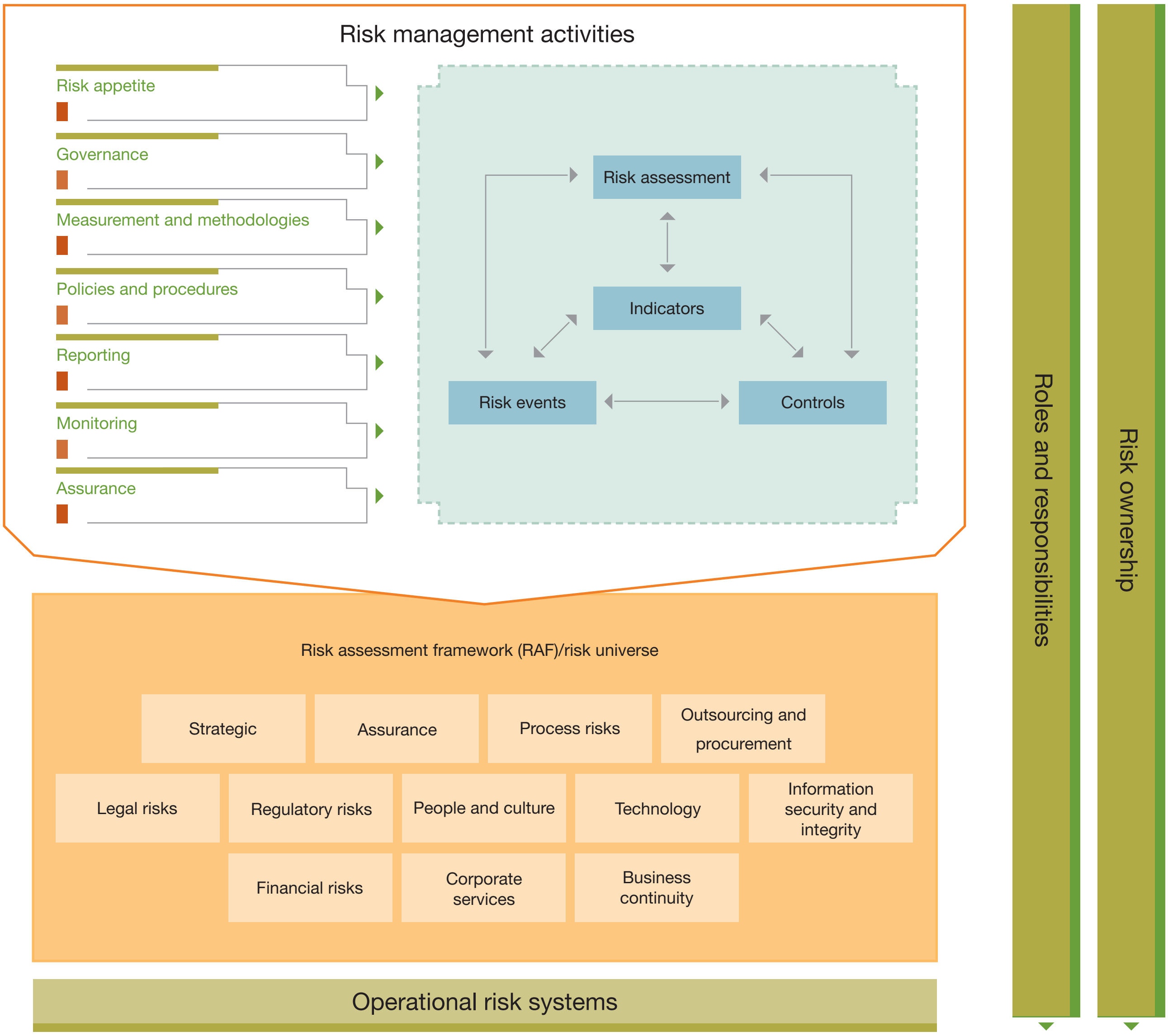
Operational risk management framework

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.

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

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.

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 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 FSA and APRA.

We have actively participated in the FSA's "Raising the Bar" discussion groups. Regular engagement with industry groups and fora enables the group to be informed of developments and thus advance operational risk management practices.

Areas of focus include:

- Embedding more sophisticated operational risk practices within the group
- Business continuity capability: rigorous and ongoing simulations and readiness evaluation.
- 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.

Pension risk

Pension risk arises from defined benefit scheme, where the group is required to fund any deficit in the scheme.

The benefit scheme within the Investec plc group is closed to new business. Pension risk arises if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary causes of any deficit include:

- A mismatch in the duration of the assets relative to the liabilities
- Market driven asset price volatility
- Increased life expectancy of individuals leading to increased liabilities.

The Investec plc group monitors the position of the funds closely, regularly assessing potential adverse movements in the scheme. Further information is provided on pages 210 to 212.

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 an Investec plc 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 Bank plc is regulated by the FSA in the UK. 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. 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 plc and Investec Limited, respectively.

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.

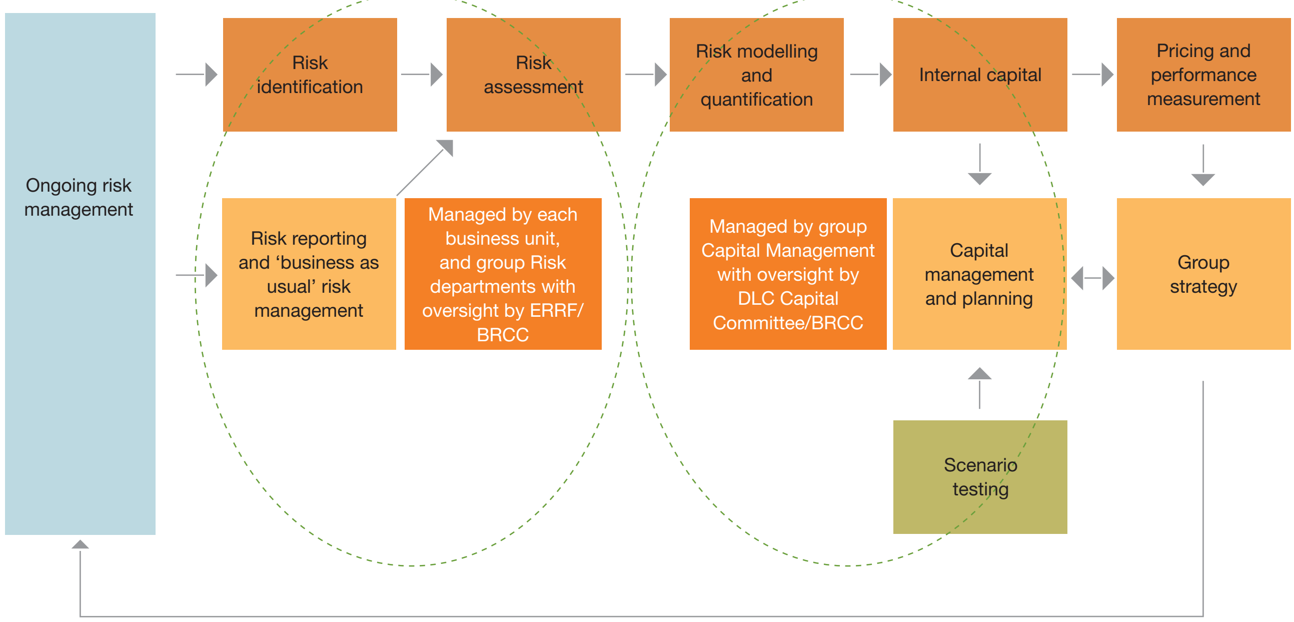
Consequently the objectives of the internal capital framework are to:

- 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
- Pension risk (UK only).

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

Capital management, planning and scenario testing

A group capital plan is prepared at least three times annually considering the impact of business strategy and market conditions on our capital sufficiency. This plan is designed to determine capital sufficiency under a range of economic and internal conditions over the medium term (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.

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

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.

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 and their roles and responsibilities are discussed in the Investec group's 2010 annual report.

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. 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

Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank plc (IBP) and Investec Bank Limited (IBL) are the main banking subsidiaries of Investec plc and Investec Limited, respectively. Investec Bank (Australia) Limited (IBAL) is a subsidiary of IBP. The regulatory treatment of the group's principal subsidiaries and associates is set out below:

Investec plc

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 plc	Subject to consolidated supervision				UK	None
Investec 1 Limited	Subject to consolidated supervision	100%	Yes		UK	None
Regulated subsidiaries						
Banking and securities trading						
Investec Bank (Australia) Limited	Australian Prudential Regulation Authority ASIC AUSTRAC	100%	Yes		Australia	Subject to regulatory rules
Investec Bank plc (formerly Investec Bank (UK) Limited)	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Bank (Channel Islands) Limited	Guernsey Financial Services Commission/ Jersey Financial Services Commission	100%	Yes		Guernsey and Jersey	Subject to regulatory rules
Investec Bank (Switzerland) AG	Swiss Financial Market Supervisory Authority	100%	Yes		Switzerland	Subject to regulatory rules
Investec Ireland Limited	The Financial Regulator of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Investec Trust (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Trust (Jersey) Limited	Jersey Financial Services Commission	100%	Yes		Jersey	Subject to regulatory rules
Investec Trust (Switzerland) S.A.	Association Roman des Intermediaries Financiers	100%	Yes		Switzerland	Subject to regulatory rules
Investec Securities (US) LLC	Securities and Exchange Commission and Financial Industry Regulatory Authority	100%	Yes		USA	Subject to regulatory rules

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
Kensington Mortgage Company Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Kensington Personal Loans Limited	FSA	100%	Yes		UK	Subject to regulatory rules
NUA Homeloans Limited	The Financial Regulator of Ireland	100%	Yes		Ireland	Subject to regulatory rules
NUA Mortgages Limited	The Financial Regulator of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Start Mortgages Limited	The Financial Regulator of Ireland	66.4%	Yes		Ireland	Subject to regulatory rules
Rensburg Sheppards Investment Management Limited	FSA	47.1%	Proportionately Consolidated		UK	Subject to regulatory rules
Rensburg Fund Management Limited	FSA	47.1%	Proportionately Consolidated		UK	Subject to regulatory rules
Rensburg Sheppards Trustees Limited	FSA	47.1%	Proportionately Consolidated		UK	Subject to regulatory rules
Hargreave Hale Limited	FSA	35.0%	Proportionately Consolidated		UK	Subject to regulatory rules
Asset Management						
Investec Asset Management Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management US Limited	FSA and Securities and Exchange Commission	100%	Yes		UK	Subject to regulatory rules
Investec Fund Managers Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Investment Management Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Management Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management Asia Ltd	Hong Kong Securities and Futures Commission	100%	Yes		Hong Kong	Subject to regulatory rules
Investec Asset Management (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Asset Management Channel Islands Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Asset Management (Ireland) Limited	The Financial Regulator of Ireland	100%	Yes		Ireland	Subject to regulatory rules

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Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment		Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the group
			Fully consolidated	Entities that are given a deduction treatment		
Investec Asset Management Taiwan Limited	Taiwan Securities and Futures Commission	100%	Yes		Taiwan	Subject to regulatory rules
Investec Asset Management Australia Pty Ltd	Australian Securities and Investment Commission	100%	Yes		Australia	Subject to regulatory rules
Unregulated subsidiaries	**Not regulated subject to consolidated supervision**					
Investec Holding Company Limited		100%	Yes		UK	None
Investec Holdings (UK) Limited		100%	Yes		UK	None
Investec Group (UK) plc		100%	Yes		UK	None
Investec Asset Finance plc		100%	Yes		UK	None
Leasedirect Finance Limited		75%	Yes		UK	None
Investec Finance plc		100%	Yes		UK	None
Investec Group Investments (UK) Limited		100%	Yes		UK	None
Investec Trust Holdings AG (Formerly Investec Investment Holdings AG)		100%	Yes		Switzerland	None
Investec Trust (Switzerland) S.A.		100%	Yes		Switzerland	None
Kensington Group plc		100%	Yes		UK	None
Kensington Mortgages Limited		100%	Yes		UK	None
Newbury Park Mortgage Funding Limited		100%	Yes		UK	None
St James's Park Mortgage Funding Limited		100%	Yes		UK	None
Investec Experien Pty Limited		100%	Yes		Australia	None
Guinness Mahon & Co Limited		100%	Yes		UK	None
Unregulated subsidiaries	**Not regulated and not subject to consolidated supervision**					
Global Ethanol Holdings Limited and subsidiaries		44.4%		Deduction	USA	Minority interests
Ida Tech plc and subsidiaries		69.2%		Deduction	USA	Minority interests

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 215 and 216.

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn
As at 31 March 2010			
Regulatory capital			
Tier 1			
Called up share capital	–	748	292
Share premium	932	71	–
Retained income	419	343	360
Treasury shares	(3)	–	–
Other reserves	111	67	(7)
Minority interests in subsidiaries	168	(10)	–
Goodwill	(319)	(96)	(89)
Primary capital (Tier 1)	1 308	1 123	556
Less: deductions	(33)	(14)	(76)
	1 275	1 109	480
Tier 2 capital			
Aggregate amount	623	525	88
Less: deductions	(33)	(14)	(11)
	590	511	77
Other deductions from Tier 1 and Tier 2	(72)	(101)	–
Total capital	1 793	1 519	557
As at 31 March 2009			
Regulatory capital			
Tier 1			
Called up share capital	–	655	292
Share premium	839	37	–
Retained income	340	275	336
Treasury shares	(39)	–	–
Other reserves	115	50	(7)
Minority interests in subsidiaries	156	(11)	–
Goodwill	(296)	(72)	(89)
Total Tier 1	1 115	934	532
Less: deductions	(41)	(18)	(94)
	1 074	916	438
Tier 2			
Aggregate amount	745	604	134
Less: deductions	(41)	(18)	(17)
	704	586	117
Tier 3			
Aggregate amount	10	10	–
Other deductions from Tier 1 and Tier 2	(67)	(105)	–
Total capital	1 721	1 407	555

Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited. The information for Investec plc includes the information for IBP and IBAL. The information for IBP includes the information for IBAL.

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Capital requirements

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn
As at 31 March 2010			
Capital requirements	901	720	376
Credit risk – prescribed standardised exposure classes	724	591	323
Corporates	234	230	232
Secured on real estate property	237	190	5
Counterparty risk on trading positions	20	20	5
Short term claims on institutions and corporates	33	28	4
Retail	44	44	16
Institutions	10	10	9
Other exposure classes	146	69	52
Securitisation exposures	20	19	–
Equity risk – standardised approach	16	16	8
Listed equities	2	2	2
Unlisted equities	14	14	6
Market risk – portfolios subject to internal models approach	23	23	2
Interest rate	12	12	2
Foreign Exchange	1	1	–
Commodities	–	–	–
Equities	10	10	–
Operational risk – standardised approach	118	71	43
As at 31 March 2009			
Capital requirements	852	709	394
Credit risk – prescribed standardised exposure classes	680	578	340
Corporates	211	216	245
Secured on real estate property	245	197	6
Counterparty risk on trading positions	25	25	18
Short term claims on institutions and corporates	29	25	23
Retail	41	41	16
Institutions	17	14	11
Other exposure classes	112	60	21
Securitisation exposures	17	16	–
Equity risk – standardised approach	16	16	11
Listed equities	2	2	1
Unlisted equities	14	14	10
Market risk – portfolios subject to internal models approach	29	29	1
Interest rate	14	14	1
Foreign Exchange	1	1	–
Commodities	–	–	–
Equities	14	14	–
Operational risk – standardised approach	110	70	42

**Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited. The information for Investec plc includes the information for IBP and IBAL. The information for IBP includes the information for IBAL.*

Capital adequacy

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn
As at 31 March 2010			
Tier 1 capital	1 308	1 123	556
Less: deductions	(33)	(14)	(76)
	1 275	1 109	480
Tier 2 capital			
Aggregate amount	623	525	88
Less: deductions	(33)	(14)	(11)
	590	511	77
Other deductions from Tier 1 and Tier 2	(72)	(101)	–
Total capital	1 793	1 519	557
Risk-weighted assets (banking and trading)	11 266	8 997	2 899
Credit risk – prescribed standardised exposure classes	9 057	7 380	2 485
Corporates	2 923	2 874	1 781
Secured on real estate property	2 962	2 371	37
Counterparty risk on trading positions	248	245	41
Short term claims on institutions and corporates	416	346	34
Retail	550	550	121
Institutions	131	131	69
Other exposure classes	1 827	863	402
Securitisation exposures	247	243	–
Equity risk – standardised approach	207	203	62
Listed equities	28	25	16
Unlisted equities	179	178	46
Market risk – portfolios subject to internal models approach	285	285	17
Interest rate	149	149	16
Foreign Exchange	11	11	1
Commodities	–	–	–
Equities	125	125	–
Operational risk – standardised approach	1 470	886	335
Capital adequacy ratio	15.9%	16.9%	19.2%
Tier 1 ratio	11.3%	12.3%	16.6%
Capital adequacy ratio – pre operational risk	18.3%	18.7%	21.7%
Tier 1 ratio – pre operational risk	13.0%	13.7%	18.7%

**Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited. The information for Investec plc includes the information for IBP and IBAL. The information for IBP includes the information for IBAL.*

Capital adequacy (continued)

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn
As at 31 March 2009			
Tier 1 capital	1 115	934	532
Less: deductions	(41)	(18)	(94)
	1 074	916	438
Tier 2			
Aggregate amount	745	604	134
Less: deductions	(41)	(18)	(17)
	704	586	117
Tier 3	10	10	–
Other deductions from Tier 1 and Tier 2	(67)	(105)	–
Total capital	1 721	1 407	555
Risk-weighted assets (banking and trading)	10 645	8 855	3 028
Credit risk – prescribed standardised exposure classes	8 492	7 220	2 612
Corporates	2 641	2 701	1 882
Secured on real estate property	3 060	2 459	44
Counterparty risk on trading positions	308	308	136
Short term claims on institutions and corporates	365	312	176
Retail	514	514	126
Institutions	199	175	83
Other exposure classes	1 405	751	165
Securitisation exposures	218	206	–
Equity risk – standardised approach	199	197	83
Listed equities	29	27	7
Unlisted equities	170	170	76
Market risk – portfolios subject to internal models approach	359	359	11
Interest rate	171	171	10
Foreign Exchange	12	12	1
Commodities	2	2	–
Equities	174	174	–
Operational risk – standardised approach	1 377	873	322
Capital adequacy ratio	16.2%	15.9%	18.3%
Tier 1 ratio	10.1%	10.3%	14.5%
Capital adequacy ratio – pre operational risk	18.6%	17.6%	20.5%
Tier 1 ratio – pre operational risk	11.6%	11.5%	16.2%

**Where: IBP is Investec Bank plc; IBAL is Investec Bank (Australia) Limited. The information for Investec plc includes the information for IBP and IBAL. The information for IBP includes the information for IBAL.*

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Analysis of rated counterparties in each standardised credit risk exposure class

Investec plc

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

		31 March 2010		31 March 2009	
Credit quality step	Risk weight	Exposure £'mn	Exposure after Credit Risk Mitigation £'mn	Exposure £'mn	Exposure after Credit Risk Mitigation £'mn
Central Banks and Sovereigns					
1	–	3 058	3 058	1 117	1 117
2	20%	–	–	–	–
3	50%	–	–	–	–
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	665	665	657	492
2	50%	98	98	173	173
3	50%	8	8	85	57
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short term claims on institutions					
1	20%	595	595	680	680
2	20%	886	886	497	497
3	20%	49	49	36	36
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Counterparty Credit Risk – effective original maturity of more than three months*					
1	20%	283	246	–	–
2	50%	99	55	–	–
3	50%	52	12	–	–
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Counterparty Credit Risk – effective original maturity of less than three months*					
1	20%	215	63	–	–
2	20%	7	7	–	–
3	20%	206	5	–	–
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	42	42	2	2
2	50%	17	17	–	–
3	100%	–	–		
4	100%	5	5	5	5
5	150%	–	–	–	–
6	150%	–	–	–	–
Securitisation positions					
1	20%	109	109	113	113
2	50%	18	18	15	15
3	100%	18	18	66	66
4	350%	21	21	14	14
5	1 250%	10	10	4	4
Total rated counterparty exposure		6 461	5 987	3 464	3 271

**The capital requirement disclosed as held against credit risk as at 31 March 2009 included a small amount of capital held against counterparty credit risk, mainly with the groups trading businesses. On the basis of materiality no detail was provided as at 31 March 2009.*

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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 plc	Investec Bank plc – a subsidiary of Investec plc	Investec Bank (Australia) Limited – a subsidiary of Investec Bank plc
Fitch	Individual rating		C	C
	Support rating		5	2
	Foreign currency			
	Short-term		F3	F2
	Long-term		BBB	BBB
	National			
	Short-term			
	Long-term			
Moody's	Bank financial strength rating		D+	C-
	Foreign currency			
	Short-term deposit rating	Non prime	Prime-3	Prime-2
	Long-term deposit rating	Ba1	Baa3	Baa2
	National			
	Short-term			
	Long-term			
Global Credit Ratings	Local currency			
	Short-term rating		A2	
	Long-term rating		BBB+	

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. 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.

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

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

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

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

Under the DLC structure, both Investec plc and Investec Limited maintain separate Compliance structures. Each Compliance structure operates under terms of reference which are approved by its listed company board and Audit Committee. Each Compliance structure is headed by a group Compliance Officer, who operates independently from operational management and is responsible for ensuring adequate management of Compliance risk within their 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.

UK and Europe – year in review

The turmoil in the financial systems has led to a number of suggested and actual reforms to the international and domestic regulatory and supervisory framework. Significant work has been undertaken at the G20 level and by supra national bodies such as the Financial Stability Board and global standard setters including the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions.

In the UK a significant contribution to the debate was provided by the Chairman of the UK's Financial Services Authority in the form of the Turner Review. This report had a wide scope which included a review of the causes of the crisis, and proposed changes in regulation and supervisory approach needed to create a more robust banking system for the future. Since then Sir David Walker has published recommendations on corporate governance in financial institutions. The FSA has responded to Sir David's recommendations with a range of corporate governance proposals regarding supervision of governance, risk oversight and shareholder engagement.

Capital

The regulation and supervision of financial institutions is currently undergoing a period of significant change in response to the global financial crisis. Increased capital requirements for market risk and securitisations have already been announced by the FSA, and are due for implementation in the UK in 2011.

In December 2009 the Basel Committee on Banking Supervision issued a consultative document that outlined proposed changes to the definition of regulatory capital. These proposals are going through a period of consultation and are expected to be introduced by the beginning of 2013, with substantial transitional arrangements. Proposals have included:

- Requiring banks to hold a greater proportion of capital in the form of core tier 1 capital
- More restrictive definitions of hybrid capital instruments eligible as capital
- Introduction of a gross leverage ratio
- Requirement for capital buffers in excess of then-current levels to serve as capital in the event of a downturn.

Liquidity

The FSA has now implemented parts of its far-reaching liquidity requirements for banks, building societies and investment firms. The nature and scale of these changes are clearer in the UK than in many other countries because the FSA's rules have already been published. However, it is expected that international developments will move in the same direction.

The new FSA rules are based on agreed international liquidity standards, in particular the BCOB Principles for Sound Liquidity Risk Management and Supervision, and are focused on two high-level principles. Firstly, all FSA-regulated entities must have adequate liquidity and, secondly, they must not depend on other parts of their group to survive liquidity stresses, unless permitted to do so by the FSA.

Aside from corporate governance, during the period under review regulatory activity in the UK has also been focused on the following:

- Capital requirements for banks
- Liquidity and stress testing
- Remuneration
- Resolution arrangements for banks
- Banking Conduct of Business (BCOB)
- Payment services
- Financial Services Compensation Scheme
- Anti-money laundering (AML)

Stress testing

The FSA made changes to its rules and guidance on stress and scenario testing. The key changes were:

- Introduction of a 'reverse-stress test' requirement. This requires firms to consider the scenarios most likely to cause their current business model to become unviable
- Changes to the existing requirements on Pillar 2 capital stress and scenario testing (the ICAAP provisions), or where firms use internal models to assess their Pillar 1 capital requirements. These changes are intended to clarify the FSA's current policy on stress and scenario testing.

This regime will be in force from December 2010.

Remuneration practices in financial services

The FSA's Remuneration Code for large companies in the financial services sector took effect from 1 January 2010. The Code is designed to achieve two objectives: firstly, that boards focus more closely on ensuring that the total amount distributed by a firm is consistent with good risk management and sustainability; and secondly that individual compensation practices provide the right incentives.

The Code has a general requirement that a firm must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote effective risk management. Eight principles have been added to the FSA's handbook to ensure firms understand how the FSA will assess compliance.

Resolution arrangements

The Financial Services Act 2010 has placed a duty on the FSA to make rules requiring financial institutions to create and maintain Recovery and Resolution Plans (often referred to as 'living wills') to reduce the likelihood of, and the systemic risks associated with, the failure of such institutions. These living wills will set out the options that firms have if they face financial difficulty (the "Recovery" aspect). The plan will also describe how the business is run so that, if the Recovery Plan does not work, an administrator has a guide to how to resolve the position (the "Resolution" aspect).

Banking Conduct of Business

From 1 November 2009 the FSA commenced regulating the way banks treat their clients. The new regime creates high level rules in a Banking Conduct of Business Sourcebook (BCOBS), alongside the extension of the application of the FSA's General Principles to include the regulated activities of accepting deposits and issuing e-money.

Payment Services Directive

The Payment Services Regulations 2009 (PSR) were introduced in the UK from 1 November 2009. The PSRs are the UK interpretation of the Payment Services Directive (PSD), a European Union initiative to support the Single Euro Payments Area (SEPA) and to create a single market for payments across Europe. These regulations came into force in the UK on 1 November 2009.

Under PSD, there is no difference between "domestic" and "cross-border" payments. The PSD makes the payment service activities of banks subject to statutory regulation (payment services were previously not the subject of any regulatory conduct of business requirement in the UK and were largely left to industry self-regulation under the Banking Codes). Payment services covered by the PSD include: direct debits, credit transfers, card payments, transferring e-money, money transfers, cash deposits on an account used for the execution of payment transactions, current accounts, flexible savings accounts, combined savings and mortgage accounts.

The additional conduct of business requirements consist of:

- Rules governing the information that needs to be provided to customers before and after the execution of a payment transaction
- Rules governing the rights and obligations of both firms and their customers in relation to payment transactions.

Financial Services Compensation Scheme

The FSA have introduced a new regime which outlines how the FSA intends to raise awareness and understanding of the Financial Services Compensation Scheme. The FSA's intention is to increase public confidence in the scheme and the protection it provides. The FSA has also put in place a system that ensures that compensation can be paid to the majority of depositors in a target of seven days following the failure of a deposit taker. The FSA expects the fast payout proposals to provide rapid access to liquid funds for depositors, minimise hardship and increase consumer confidence.

Anti-money laundering

We continue to maintain adequate systems and controls to manage the risk from being used in money laundering, terrorist financing and other financial crime. In April 2009 the Bribery Act was enacted replacing the existing legislation in relation to bribery and corruption. The Act created four main offences including a corporate offence of failing to have adequate systems and controls to prevent bribery. Senior management has the responsibility to ensure that such systems and controls are in place.

Australia – year in review

There has been increased activity as a result of our regulators, namely the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC), introducing reforms to their supervisory and regulatory frameworks. During the period under review APRA regulatory activity focused on:

- Liquidity and risk management
- Remuneration practices
- Enhancement of the Basel II framework in Australia.

APRA released its final prudential requirements on remuneration for Australian deposit taking institutions. APRA's approach recognises that poorly structured remuneration practices may result in excessive risk taking. These revised governance standards came into effect on 1 April 2010. The Investec Australia board has reviewed its remuneration practices in light of the new standard and has implemented a Remuneration Policy and Committee.

The introduction of the National Credit Code (which replaces the Uniform Consumer Credit Code) covers credit activities. ASIC will become the national regulator for consumer credit. This means that home loans, personal loans and consumer leases, among other products and services, will be regulated under Commonwealth legislation and administered by ASIC. Investec Bank Australia is currently assessing the registration and licensing requirements of this legislation.

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.

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.

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 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 are in full support of and committed to complying with the Disclosure and Transparency Rules and Listing Rules of the United Kingdom Listing Authority (UKLA), regulatory requirements in the countries in which we operate and, the London Combined Code (2008), whereby all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

London Combined Code (2008)

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, Investec has complied with the Principles of Good Governance and Code of Best Practice contained in Section 1 of the London Combined Code (2008), excluding the following:

- Independence of the Chairman: 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.

- Board evaluation: The last evaluation of the board, as required by the London Combined Code A.6, was conducted in 2008. The next evaluation of the board, its committees and individual directors will be conducted during 2010 and annually thereafter.

Financial reporting and going concern

The directors are required to confirm that they are satisfied that the group 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.

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

Our financial statements are prepared on a going concern basis.

The board is of the opinion, based on its knowledge of the group, key processes in operation and specific enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 94 to 101 and pages 108 to 119.

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 plc is set out on pages 135 to 138.

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

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

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

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

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

Board committees

The board is supported by key committees, as follows:

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

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.

Internal control

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

We have adopted the Turnbull guidance (Internal Control: Guidance for Directors on the Combined Code issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed these principles throughout the group during the year under review.

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Investec plc 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 which comply with the Turnbull guidance 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.

External audit

Investec's external auditors are Ernst & Young LLP. 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 the UK Auditing Practices Board Ethical Standard 3, were adhered to during the period under review.

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

Regulation and supervision

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

Communication, public disclosure obligations and stakeholder relations

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

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

Values and code of conduct

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

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

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

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Additional information

Additional information | **FIVE**

As at 31 March 2010 Investec plc had 471.1 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2010

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
6 546	1 to 500	32.2	1 897 705	0.4
4 845	501 – 1000	23.8	3 866 529	0.8
6 063	1001 – 5000	29.8	14 247 830	3.0
1 078	5001 – 10000	5.3	8 049 291	1.7
1 056	10001 – 50 000	5.2	23 579 765	5.0
264	50 001 – 100 000	1.3	19 021 078	4.0
492	100 001 and over	2.4	400 450 866	85.1
20 344		100.0	471 113 064	100.0

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Shareholder classification as at 31 March 2010

	Investec plc number of shares	% holding
Public*	454 040 206	96.4
Non-public	17 072 858	3.6
Non-executive directors of Investec plc/Investec Limited**	5 349 165	1.1
Executive directors of Investec plc/Investec Limited	7 289 793	1.6
Investec staff share schemes	4 433 900	0.9
Total	471 113 064	100.0

**As per the JSE listing requirements.*

Largest shareholders as at 31 March 2010

In accordance with the terms provided for in Section 793 of the UK Companies Act 2006, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

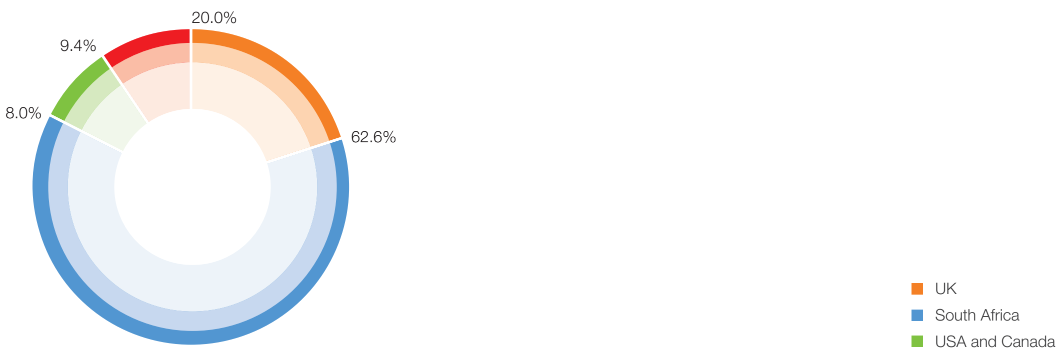
Investec plc

	Shareholder analysis by manager group	Number of shares	% holding
1	PIC (ZA)	60 675 108	12.9
2	STANLIB Asset Management (ZA)	29 849 813	6.3
3	Old Mutual Asset Managers (ZA)	25 192 770	5.3
4	Investec Asset Management (ZA)*	20 596 945	4.4
5	Legal & General Investment Management Ltd (UK)	19 163 802	4.1
6	BlackRock Inc (UK)	18 814 574	4.0
7	Investec Securities (Pty) Limited (ZA)*	18 111 805	3.8
8	M&G Investment Management Ltd (UK)	16 972 356	3.6
9	State Street Global Advisors (UK)	16 308 366	3.5
10	Sanlam Investment Management (ZA)	15 485 297	3.3
	Cumulative total	241 170 836	51.2

The top 10 shareholders account for 51.2% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

**Managed on behalf of clients.*

Geographic holding by beneficial owner as at 31 March 2010



Investec plc

Share statistics

Investec plc ordinary shares in issue

For the year ended 31 March	2010	2009	2008	2007	2006	2005	2004
Closing market price per share (Pounds)[1]							
– year end	5.39	2.92	3.39	6.58	5.88	3.11	2.18
– highest	5.62	4.21	7.65	6.76	6.07	3.47	2.36
– lowest	2.87	1.69	2.94	4.95	3.04	1.84	1.22
Number of ordinary shares in issue (million)[1]	471.1	444.9	423.3	381.6	373.0	373.0	373.0
Market capitalisation (£'million)[2]	2 539	1 299	1 435	2 511	2 194	1 160	812
Daily average volume of shares traded ('000)	1 932.6	2 603.6	3 925.9	2 832.5	1 489.0	741.0	498.0

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 LSE only include the shares in issue for Investec plc i.e. 471.1 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*

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.
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.

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Name	Age at 31 March 2010	Qualifications	Current directorships	Investec committee membership	Brief biography
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.
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.

Name	Age at 31 March 2010	Qualifications	Current directorships	Investec committee membership	Brief biography
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

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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 in two principal markets: the UK and Australia, as well as certain other markets. 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 38.

Authorised and issued share capital

Details of the share capital are set out in note 32 to the financial statements.

During the year the following shares were issued:

- 64 516 special converting shares on 17 April 2009 at par
- 309 893 special converting shares on 05 June 2009 at par
- 1 725 000 ordinary shares on 5 June 2009 at par
- 283 924 ordinary shares on 5 June 2009 at 285 pence per share
- 22 000 000 ordinary shares on 31 July 20009 at 390 pence per share
- 652 146 special converting shares on 23 October 2009 at par
- 193 788 ordinary shares on 27 November 2009 at 447.5 pence per share
- 405 120 special converting shares on 27 November 2009 at par
- 1 973 114 ordinary shares on 26 February 2010 at 461.2 pence per share.

Financial results

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

Ordinary dividends

An interim dividend was declared to shareholders as follows:

- 8.0 pence per ordinary share to non-South African resident shareholders (2009: 8.0 pence) registered on 11 December 2009
- for South African resident shareholders of Investec plc, a dividend payment by Investec plc of 3.0 pence per ordinary share and through a dividend paid on the SA DAS share equivalent to 5.0 pence per ordinary share.

The dividends were paid on 11 December 2009.

The directors have proposed a final dividend to shareholders registered on 31 July 2010, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 12 August 2010 and, if approved, will be paid on 17 August 2010 as follows:

- 8.0 pence per ordinary share to non-South African resident shareholders (2009: 5.0 pence) registered on 31 July 2010
- for South African resident shareholders of Investec plc, through a dividend payment by Investec plc of 1.5 pence per ordinary share and through a dividend payment on the SA DAS share of 6.5 pence per ordinary share.

Preference dividends

Perpetual preference shares

Preference dividend number 7 for the period 1 April 2009 to 30 September 2009, amounting to 7.52 pence per share, was declared to members holding preference shares registered on 27 November 2009 and was paid on 8 December 2009.

Preference dividend number 8 for the period 1 October 2009 to 31 March 2010, amounting to 7.48 pence per share was declared to members holding preference shares registered on 11 June 2010 and will be paid on 1 July 2010.

Preferred securities

The fourth annual distribution, fixed at 7.075 per cent, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005, was paid on 24 June 2010.

Directors and secretaries

Details of directors and secretaries of Investec plc are reflected on pages 135 to 138 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.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 45 and 126.

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 LLP have indicated their willingness to continue in office as auditors of Investec plc. A resolution to reappoint them as auditors will be proposed at the next Annual General Meeting scheduled to take place on 12 August 2010.

Contracts

Refer to the Investec group's 2010 annual report for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 229 and 230.

Major shareholders

The largest shareholders of Investec plc are reflected on page 133.

Special resolutions

At the Annual General Meeting held on 13 August 2009, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to allot shares for cash in terms of Section 89 of the Companies Act, 1985. A renewable authority was granted to Investec plc to acquire its own shares in terms of Section 166 of the Companies Act, 1985
- Authority to increase the number of authorised special converting shares of £0.0002 each in the authorised share capital of Investec plc to 450 000 000
- Amendments to the Articles of Association to reflect provisions of the Companies Act 2006 already in force since 1 October 2009.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and International Financial Reporting Standards. These policies are set out on pages 157 to 168.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the Risk Management report on pages 41 to 121. Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 160 to 163 and in notes 16 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 plc made donations for charitable purposes, totalling £1.6 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.

Post balance sheet events

On 30 March 2010, the independent Rensburg Sheppards directors and the board of directors of Investec announced that they had reached agreement on the terms of a recommended all share offer under which Investec plc will acquire the entire issued and to be issued ordinary share capital of Rensburg Sheppards not already owned by it, to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the Scheme).

On 6 May 2010 the Financial Services Authority (FSA) formally approved Investec and any relevant affiliate of Investec which would be deemed to be acquiring control (as such term is defined in FSMA) as a controller of all and any relevant entities within the Rensburg Sheppards group which are authorised in the UK by the FSA under FSMA.

Following court sanction and confirmation of the capital reduction, the scheme of arrangement became effective on 25 June 2010 and 37 907 652 new ordinary shares of Investec plc were issued to complete the acquisition of the entire issued ordinary share capital of Rensburg Sheppards, not already directly or indirectly owned by Investec plc, on 25 June 2010.

For further information refer to note 42.

Additional information for shareholders

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

David Miller
Company Secretary
Investec plc

28 June 2010

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the Companies Act 2006, the Companies Act). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required. Certain amendments will be proposed to the Articles at the annual general meeting to be held on 12 August 2010.

Share capital

The issued share capital of Investec plc at 9 June 2010 consists of 471 890 178 plc ordinary shares of £0.0002 each, 15 081 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 269 874 780 plc special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 2006, the Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc's articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

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

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

Voting rights

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

Restrictions on voting

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

Deadlines for exercising voting rights

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

Variation of rights

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

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

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transfer or and (except in the case of fully-paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

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

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

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

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

plc preference shares

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

- To receive a non-cumulative preferential dividend out of the profits of Investec plc in priority to the plc ordinary shares but pari passu with the perpetual preference shares, on such dates in respect of such periods and on such other terms and conditions as may be determined by the directors prior to the allotment thereof
- The plc preference shares will rank as regards participation in profits pari passu inter se and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with the perpetual preference shares

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, pari passu inter se and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with any other shares of Investec plc that are expressed to rank pari passu therewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

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

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

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

Shares required for the DLC structure

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

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

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

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

Appointment and replacement of directors

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

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

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

Powers of directors

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

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

Significant agreements: change of control

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

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

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

The following statement, which should be read in conjunction with the Auditor's report set out on pages 150 and 151, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the consolidated financial statements.

The directors are responsible for the preparation, integrity and objectivity of the consolidated financial statements that fairly present the state of affairs of the company and the group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties
- The Investec plc group's Internal Audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group Audit Committee, appraises and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business
- The Investec plc group Audit Committee, together with the Internal Audit department, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in International Financial Reporting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.

The financial statements of the company and the group have been prepared in accordance with the Companies Act 2006 and comply with IFRS and Article 4 of the IAS regulation.

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

It is the responsibility of the independent auditors to report on the consolidated financial statements. Their report to the members of the group is set out on pages 150 and 151 of this report. As far as the directors are aware, there is no relevant audit information of which the companies' auditors are unaware. All steps which ought to have been taken as directors have been completed in order to be aware of the relevant audit information and to establish that the group's auditors are aware of that information.

Approval of financial statements

The Directors' report and the financial statements of the group, which appear on pages 140 to 144 and pages 152 to 233, were approved by the board of directors on 28 June 2010.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board

Stephen Koseff	Bernard Kantor
Chief Executive Officer	Managing Director

28 June 2010

Independent auditor's report to the members of Investec plc

We have audited these special purpose financial statements of Investec plc for the year ended 31 March 2010 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 45. These financial statements have been prepared on the basis of the accounting policies set out therein.

Under the contractual arrangements implementing the Dual Listed Companies structure, Investec plc and Investec Limited effectively form a single economic enterprise, in which the economic and voting rights of 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. The combined consolidated financial statements of Investec plc and Investec Limited showing a true and fair view in accordance with International Financial Reporting Standards are included in the Investec group's 2010 annual report.

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

This report is made solely to the board of Investec plc, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of Investec plc, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities statement set out on page 149, the directors are responsible for the preparation of the financial statements in accordance with the accounting policies as set out in note 1. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the special purpose financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion the special purpose financial statements for the year ended 31 March 2010 have been properly prepared, in all material aspects, in accordance with the accounting policies as set out in note 1.

Restriction on use of the Auditors' report

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

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

28 June 2010

Notes:

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

Consolidated income statement

For the year to 31 March £'000	Notes	2010	2009
Interest income		754 064	1 199 548
Interest expense		(445 580)	(793 192)
Net interest income		308 484	406 356
Fee and commission income		347 116	343 520
Fee and commission expense		(58 272)	(49 619)
Principal transactions	8	272 758	115 930
Operating income from associates	20	11 647	12 443
Other operating income/(loss)	8	17 602	(22 999)
Other income		590 851	399 275
Total operating income		899 335	805 631
Impairment losses on loans and advances	18	(215 740)	(204 721)
Operating income		683 595	600 910
Administrative expenses	3	(539 431)	(480 546)
Depreciation, amortisation and impairment of property,equipment and intangibles	23/25	(25 511)	(24 045)
Operating profit before goodwill		118 653	96 319
Impairment of goodwill	24	–	(30 265)
Profit before taxation		118 653	66 054
Taxation	5	(13 302)	(8 873)
Profit after taxation		105 351	57 181
Losses attributable to minority interests		23 234	22 253
Earnings attributable to shareholders		128 585	79 434

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Summarised consolidated statement of comprehensive income

For the year to 31 March £'000	2010	2009
Profit after taxation	105 351	57 181
Other comprehensive income:		
Fair value movements on available for sale assets*	19 205	1 537
(Profit)/loss on realisation of available for sale assets recycled through income*	(7 967)	1 307
Fair value movements on cash flow hedges*	12 584	(16 201)
Foreign currency movements	3 726	46 338
Pension fund acturial losses	(8 180)	(9 722)
Total comprehensive income	124 719	80 440
Total comprehensive income attributable to minority shareholders	(24 774)	(8 022)
Total comprehensive income attributable to ordinary shareholders	133 904	67 796
Total comprehensive income attributable to preferred securities and perpetual preference shareholders	15 589	20 666
Total comprehensive income	124 719	80 440

**Net of taxation of £9.264 million (2009: £5.194 million).*

Consolidated balance sheet

At 31 March £'000	Notes	2010	2009*
Assets			
Cash and balances at central banks		2 008 762	872 435
Loans and advances to banks		1 493 967	1 168 628
Reverse repurchase agreements and cash collateral on securities borrowed	14	490 494	253 247
Trading securities	15	349 217	361 883
Derivative financial instruments	16	887 295	1 121 527
Investment securities	17	1 874 840	1 016 763
Loans and advances to customers	18	7 337 543	7 146 119
Loans and advances to customers – Kensington warehouse assets	18	1 776 525	1 897 878
Securitised assets	19	4 434 465	4 669 749
Interests in associated undertakings	20	99 243	91 005
Deferred taxation assets	21	98 051	99 301
Other assets	22	611 753	546 282
Property and equipment	23	144 370	160 551
Goodwill	24	249 270	233 371
Intangible assets	25	27 942	27 883
		21 883 737	19 666 622
Liabilities			
Deposits by banks		1 623 534	2 971 745
Deposits by banks - Kensington warehouse funding		1 213 042	1 412 961
Derivative financial instruments	16	553 452	695 222
Other trading liabilities	27	190 295	191 897
Repurchase agreements and cash collateral on securities lent	14	545 018	1 048 550
Customer accounts (deposits)		9 059 074	5 235 093
Debt securities in issue	28	1 815 034	944 619
Liabilities arising on securitisation	19	3 980 657	4 385 818
Current taxation liabilities		69 250	61 267
Deferred taxation liabilities	21	52 929	50 022
Other liabilities	29	528 972	437 576
Pension fund liabilities	30	1 285	1 212
		19 632 542	17 435 982
Subordinated liabilities	31	601 576	778 342
		20 234 118	18 214 324
Equity			
Called up share capital	32	148	143
Perpetual preference share capital	33	151	151
Share premium	34	931 924	838 911
Treasury shares	35	(3 099)	(39 292)
Other reserves		100 103	91 882
Profit and loss account		439 304	356 274
Shareholders' equity excluding minority interests		1 468 531	1 248 069
Minority interests	36	181 088	204 229
– Perpetual preferred securities issued by subsidiaries		178 307	185 251
– Minority interests in partially held subsidiaries		2 781	18 978
Total equity		1 649 619	1 452 298
Total liabilities and equity		21 883 737	19 666 622

**As restated for reclassifications detailed in the accounting policies on page 157.*

Approved and authorised for issue by the board of directors on 28 June 2010 and signed on its behalf by:

Stephen Koseff
Chief Executive Officer

For the year to 31 March £'000	Notes	2010	2009*
Operating profit adjusted for non-cash items	38	378 497	341 367
Taxation paid		(8 789)	(15 269)
Increase in operating assets		(1 195 569)	(572 247)
Increase in operating liabilities		2 121 616	352 744
Net cash inflow from operating activities		1 295 755	106 595
Cash flow on acquisition of group operations	26	(460)	–
Cash flow on net acquisition of associates		(483)	(1 224)
Cash flow on acquisition and disposal of property, equipment and intangible assets		(15 599)	(11 894)
Net cash outflow from investing activities		(16 542)	(13 118)
Dividends paid to ordinary shareholders		(34 532)	(48 293)
Dividends paid to other equity holders		(15 725)	(20 666)
Proceeds on issue of shares, net of related costs		94 160	61 807
Proceeds on issue of other equity instruments**		8 873	(31 507)
Proceeds from subordinated debt raised		3 947	–
Reduction in subordinated debt		(172 723)	(43 470)
Net cash (outflow)/inflow from financing activities		(116 000)	(82 129)
Effects of exchange rates on cash and cash equivalents		38 420	(22 391)
Net increase in cash and cash equivalents		1 201 633	(11 043)
Cash and cash equivalents at the beginning of the year		1 485 115	1 496 158
Cash and cash equivalents at the end of the year		2 686 748	1 485 115
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		2 008 762	872 435
On demand loans and advances to banks		677 986	612 680
Cash and cash equivalents at the end of the year		2 686 748	1 485 115

**As restated for reclassifications detailed in the accounting policies on page 157.*

***Includes equity instruments issued by subsidiaries.*

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

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Consolidated statement of changes in equity

For the year to 31 March £'000	Called up share capital	Perpetual preference share capital	Share premium	Treasury shares
At 31 March 2008	131	151	780 430	(16 511)
Movement in reserves 1 April 2008 – 31 March 2009				
Total comprehensive income for the year	–	–	–	–
Share based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends paid to minorities	–	–	–	–
Dividends paid on perpetual preferred securities	–	–	–	–
Issue of ordinary shares	12	–	58 481	–
Issue of equity by subsidiaries	–	–	–	–
Minorities arising on acquisition of subsidiaries	–	–	–	–
Share issue expenses	–	–	–	–
Movement of treasury shares	–	–	–	(22 781)
Transfer to capital reserves	–	–	–	–
Transfer from regulatory general risk reserve	–	–	–	–
Transfer between reserves				
At 31 March 2009	143	151	838 911	(39 292)
Movement in reserves 1 April 2009 – 31 March 2010				
Total comprehensive income for the year	–	–	–	–
Share based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends paid on perpetual preferred securities	–	–	–	–
Dividends paid to minorities	–	–	–	–
Issue of ordinary shares	5	–	96 572	–
Issue of equity by subsidiaries	–	–	–	–
Minorities arising on acquisition of subsidiaries	–	–	–	–
Share issue expenses	–	–	(3 559)	–
Movement of treasury shares	–	–	–	36 193
Transfer to capital reserves	–	–	–	–
Transfer from regulatory general risk reserve	–	–	–	–
At 31 March 2010	148	151	931 924	(3 099)

Other reserves						Shareholder's equity excluding minority interests		
Capital reserve account	Available for sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserve	Profit and loss account		Minority interests	Total equity
55 712	(12 366)	10 639	–	25 142	306 858	1 150 186	208 765	1 358 951
–	2 846	468	(16 201)	28 773	72 576	88 462	(8 022)	80 440
–	–	–	–	–	51 394	51 394	–	51 394
–	–	–	–	–	(48 293)	(48 293)	–	(48 293)
–	–	–	–	–	(9 472)	(9 472)	–	(9 472)
–	–	–	–	–	–	–	–	–
–	–	–	–	–	(11 194)	(11 194)		(11 194)
–	–	–	–	–	–	58 493	–	58 493
–	–	–	–	–	–	–	3 486	3 486
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
(8 726)	–	–	–	–	–	(31 507)	–	(31 507)
252	–	–	–	–	(252)	–	–	–
–	–	5 343	–	–	(5 343)	–	–	–
						–		–
47 238	(9 520)	16 450	(16 201)	53 915	356 274	1 248 069	204 229	1 452 298
–	10 889	4 067	8 691	3 964	121 882	149 493	(24 774)	124 719
–	–	–	–	–	24 550	24 550	274	24 824
–	–	–	–	–	(34 532)	(34 532)	–	(34 532)
–	–	–	–	–	(3 552)	(3 552)	–	(3 552)
–	–	–	–	–	(12 037)	(12 037)		(12 037)
–	–	–	–	–	–	–	(136)	(136)
–	–	–	–	–	–	96 577	–	96 577
–	–	–	–	–	–	–	1 142	1 142
–	–	–	–	–	–	–	353	353
–	–	–	–	–	–	(3 559)	–	(3 559)
(18 216)	–	–	–	–	(14 455)	3 522	–	3 522
71	–	–	–	–	(71)	–	–	–
–	–	(1 245)	–	–	1 245	–	–	–
29 093	1 369	19 272	(7 510)	57 879	439 304	1 468 531	181 088	1 649 619

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Basis of presentation

The group financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with the IFRSs as issued by the International Accounting Standards Board, except as detailed below. At 31 March 2010, IFRS standards as endorsed by the EU are identical to current IFRSs applicable to the group.

The group financial statements have been prepared on a historical cost basis, except for 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, liabilities for cash-settled share based payments and pension fund surpluses and deficits that have been measured at fair value.

Accounting policies applied are consistent with those of the prior year, except 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 statement of comprehensive income.

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

Restatements

The group applies a policy of offsetting financial assets and financial liabilities when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists. With regard to derivative instruments, the group identified that in certain isolated instances offsetting was applied in prior financial periods to derivative assets and liabilities where it is not market practice to settle net, whilst the legal right to settle net exists. The impact of this restatement on the balance sheet of the two prior years is noted below:

£'000	31 Mar 2009	31 Mar 2008
Restated		
Derivative financial instrument assets	1 121 527	839 744
Derivative financial instrument liabilities	695 222	376 446
As previously reported		
Derivative financial instrument assets	861 292	719 421
Derivative financial instrument liabilities	434 987	256 123
Change to previously reported		
Derivative financial instrument assets	260 235	120 323
Derivative financial instrument liabilities	260 235	120 323

On the basis that the above restatements had no impact on equity, nor the net cash position and materiality, a balance sheet for 2008 has not been presented.

Basis of consolidation

Under the contractual arrangements implementing the Dual Listed Companies (DLC) structure. Investec plc and Investec Limited, the latter a company incorporated in South Africa, effectively form a single economic enterprise in which 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. These combined financial statements have been separately prepared.

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

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.

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

The consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at 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.

For further detail on the group's segmental reporting basis refer to pages 28 to 38 of the Divisional review section of the annual report.

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 (Pounds Sterling) at the applicable closing rate.

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

Share-based payments to employees

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

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, 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 Pounds Sterling, being the functional currency of Investec plc.

Foreign operations are subsidiaries, associates, joint ventures or branches of the group, the activities of which are based in a functional currency other than that of 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 profit and loss 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 profit and loss
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment
- 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. Fees 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. Trading profits gross of funding costs are disclosed in note 8.

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

Financial instruments

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

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

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

Financial instruments 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 the 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 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 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
- 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, homogenous 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 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 profit and loss 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 plc are recorded as minority interests on balance sheet.

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

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

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

Sale and repurchase agreements (including securities borrowing and lending)

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

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

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

Property and equipment

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

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.

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 taxation and deferred taxation.

Employee benefits

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

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

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

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 a material 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 13, Trading securities and note 15, 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 21 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 judgement in determining the timing and extent of future cash flows.

For the year to 31 March £'000	Asset Management	Private Wealth^
2. Consolidated segmental analysis		
Business analysis 2010		
Net interest income	(1 110)	–
Fee and commission income	165 981	–
Fee and commission expense	(47 056)	–
Principal transactions	–	–
Operating income from associates	–	11 637
Other operating income	–	–
Other income	118 925	11 637
Total operating income	117 815	11 637
Impairment losses on loans and advances	–	–
Operating income	117 815	11 637
Administrative expenses	(92 295)	–
Depreciation, amortisation and impairment of property, equipment and intangibles	(185)	–
Operating profit before goodwill	25 335	11 637
Operating profit before goodwill attributable to minorities		–
Operating profit before goodwill and after minorities	25 335	11 637
Goodwill		–
Goodwill attributable to minorities		–
Operating profit after minorities	25 335	11 637
Reconciliation to profit before taxation		
Operating profit after minorities		
Operating profit before goodwill attributable to minorities		
Goodwill attributable to minorities		
Profit before taxation		
Cost to income ratio	78.5%	–
Number of permanent employees	272	–
Total assets (£'million)	195	80

Refer to the divisional review on pages 28 to 38 for further information.

^Formerly, Private Client Portfolio Management and Stockbroking.

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	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
	(571)	142 207	(10 294)	205 090	(26 838)	308 484
	5 403	64 927	49 140	63 487	(1 822)	347 116
	(1 550)	(4 840)	(4 018)	(9)	(799)	(58 272)
	2 427	6 965	23 946	168 742	70 678	272 758
	–	(604)	181	79	354	11 647
	–	–	16 057	–	1 545	17 602
	6 280	66 448	85 306	232 299	69 956	590 851
	5 709	208 655	75 012	437 389	43 118	899 335
	–	(74 570)	–	(128 670)	(12 500)	(215 740)
	5 709	134 085	75 012	308 719	30 618	683 595
	(3 812)	(123 826)	(81 819)	(195 060)	(42 619)	(539 431)
	–	(2 537)	(14 181)	(5 029)	(3 579)	(25 511)
	1 897	7 722	(20 988)	108 630	(15 580)	118 653
		–	16 862	(65)	6 437	23 234
	1 897	7 722	(4 126)	108 565	(9 143)	141 887
		–				–
		–				–
	1 897	7 722	(4 126)	108 565	(9 143)	141 887
						141 887
						(23 234)
						–
						118 653
	66.8%	60.6%	128.0%	45.7%	107.1%	62.8%
	13	681	218	630	328	2 142
	20	6 727	537	12 688	1 637	21 884

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For the year to 31 March £'000	Asset Management	Private Wealth^
2. Consolidated segmental analysis (continued)		
Business analysis 2009		
Net interest income	4 201	–
Fee and commission income	133 985	–
Fee and commission expense	(40 638)	–
Principal transactions		–
Operating income from associates		12 044
Other operating income/(losses)		–
Other income	93 347	12 044
Total operating income	97 548	12 044
Impairment losses on loans and advances	–	–
Operating income	97 548	12 044
Administrative expenses	(80 237)	–
Depreciation, amortisation and impairment of property, equipment and intangibles	(161)	–
Operating profit before goodwill	17 150	12 044
Losses attributable to minorities		–
Operating profit before goodwill and after minorities	17 150	12 044
Goodwill		–
Goodwill attributable to minorities		
Operating profit after minorities	17 150	12 044
Reconciliation to profit before taxation		
Operating profit after minorities		
Operating profit before goodwill attributable to minorities		
Goodwill attributable to minorities		
Profit before taxation		
Cost to income ratio	82.4%	–
Number of permanent employees	273	–
Total assets (£ million)	195	73

Refer to the divisional review on pages 28 to 38 for further information.

^Formerly, Private Client Portfolio Management and Stockbroking.

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	Property Activities	Private Banking	Investment Banking	Capital Markets	Group Services and Other Activities	Total group
	(472)	160 564	(1 249)	205 235	38 077	406 356
	5 783	68 884	48 310	84 587	1 971	343 520
	(692)	(3 349)	(4 164)	(775)	(1)	(49 619)
	848	4 518	10 100	97 591	2 873	115 930
		(180)	248		331	12 443
		330	(24 774)	–	1 445	(22 999)
	5 939	70 203	29 720	181 403	6 619	399 275
	5 467	230 767	28 471	386 638	44 696	805 631
	–	(72 395)		(132 326)		(204 721)
	5 467	158 372	28 471	254 312	44 696	600 910
	(2 554)	(112 218)	(77 681)	(166 947)	(40 909)	(480 546)
		(1 646)	(10 919)	(8 127)	(3 192)	(24 045)
	2 913	44 508	(60 129)	79 238	595	96 319
	–	–	22 212	987	(16 200)	6 999
	2 913	44 508	(37 917)	80 225	(15 605)	103 318
	–	–	(27 900)	(2 365)	–	(30 265)
			15 254			15 254
	2 913	44 508	(50 563)	77 860	(15 605)	88 307
						88 307
						(6 999)
						(15 254)
						66 054
	46.7%	49.3%	311.2%	45.3%	98.7%	62.6%
	13	702	197	584	313	2 082
	17	5 559	446	12 872	505	19 667

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For the year to 31 March 2010 £'000	UK and Europe	Australia	Total group
2. Consolidated segmental analysis (continued)			
Geographical income statement analysis			
Net interest income	250 928	57 556	308 484
Fee and commission income	299 992	47 124	347 116
Fee and commission expense	(54 944)	(3 328)	(58 272)
Principal transactions	253 135	19 623	272 758
Operating income from associates	12 251	(604)	11 647
Other operating income	21 291	(3 689)	17 602
Other income	531 725	59 126	590 851
Total operating income net of insurance claims	782 653	116 682	899 335
Impairment losses on loans and advances	(188 330)	(27 410)	(215 740)
Operating income	594 323	89 272	683 595
Administrative expenses	(469 058)	(70 373)	(539 431)
Depreciation, amortisation and impairment of property, equipment and intangibles	(24 148)	(1 363)	(25 511)
Operating profit before goodwill	101 117	17 536	118 653
Losses attributable to minorities	22 578	656	23 234
Operating profit before goodwill and after minorities	123 695	18 192	141 887
Goodwill	–	–	–
Goodwill attributable to minorities	–	–	–
Operating profit after minorities	123 695	18 192	141 887
Taxation	(9 426)	(3 876)	(13 302)
Earnings attributable to shareholders	114 269	14 316	128 585
Cost to income ratio	63.0%	61.5%	62.8%
Effective operational tax rate	10.6%	21.4%	12.4%
Number of permanent employees	1 786	356	2 142

For the year to 31 March 2009 £'000	UK and Europe	Australia	Total group
2. Consolidated segmental analysis (continued)			
Geographical income statement analysis			
Net interest income	352 188	54 168	406 356
Fee and commission income	319 629	23 891	343 520
Fee and commission expense	(48 270)	(1 349)	(49 619)
Principal transactions	114 650	1 280	115 930
Operating income from associates	12 624	(181)	12 443
Other operating income	(18 013)	(4 986)	(22 999)
Other income	380 620	18 655	399 275
Total operating income	732 808	72 823	805 631
Impairment losses on loans and advances	(182 036)	(22 685)	(204 721)
Operating income	550 772	50 138	600 910
Administrative expenses	(431 478)	(49 068)	(480 546)
Depreciation, amortisation and impairment of property, equipment and intangibles	(22 978)	(1 067)	(24 045)
Operating profit before goodwill	96 316	3	96 319
Operating profit before goodwill attributable to minorities	4 554	2 445	6 999
Operating profit before goodwill and after minorities	100 870	2 448	103 318
Goodwill	(24 825)	(5 440)	(30 265)
Goodwill attributable to minorities	12 127	3 127	15 254
Operating profit after minorities	88 172	135	88 307
Taxation	(13 203)	4 330	(8 873)
Earnings attributable to shareholders	74 969	4 465	79 434
Net intersegment revenue	(193)	193	–
Cost to income ratio	62.0%	68.8%	62.6%
Effective operational tax rate	15.8%	n/a	10.6%
Number of permanent employees	1 728	354	2 082

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At 31 March 2010 £'000	UK and Europe	Australia	Total group
2. Consolidated segmental analysis (continued)			
Geographical analysis of assets and liabilities			
Assets			
Cash and balances at central banks	1 502 981	505 781	2 008 762
Loans and advances to banks	1 424 034	69 933	1 493 967
Reverse repurchase agreements and cash collateral on securities borrowed	490 494	–	490 494
Trading securities	349 217	–	349 217
Derivative financial instruments	847 039	40 256	887 295
Investment securities	1 183 798	691 042	1 874 840
Loans and advances to customers	6 038 943	1 298 600	7 337 543
Loans and advances to customers – Kensington warehouse assets	1 776 525	–	1 776 525
Securitised assets	3 916 526	517 939	4 434 465
Interests in associated undertakings	96 460	2 783	99 243
Deferred taxation assets	76 718	21 333	98 051
Other assets	598 755	12 998	611 753
Property plant and equipment	140 032	4 338	144 370
Goodwill	207 892	41 378	249 270
Intangible assets	23 142	4 800	27 942
Total assets	18 672 556	3 211 181	21 883 737
Liabilities			
Deposits by banks	1 623 534	–	1 623 534
Deposits by banks– Kensington warehouse funding	1 213 042	–	1 213 042
Derivative financial instruments	506 178	47 274	553 452
Other trading liabilities	190 295	–	190 295
Repurchase agreements and cash collateral on securities lent	529 690	15 328	545 018
Customer accounts	8 035 064	1 024 010	9 059 074
Debt securities in issue	661 414	1 153 620	1 815 034
Liabilities arising on securitisation	3 465 297	515 360	3 980 657
Current taxation liabilities	71 320	(2 070)	69 250
Deferred taxation liabilities	52 929	–	52 929
Other liabilities	497 250	31 722	528 972
Pension fund liabilities	1 285	–	1 285
	16 847 298	2 785 244	19 632 542
Subordinated liabilities	587 074	14 502	601 576
Total liabilities	17 434 372	2 799 746	20 234 118

At 31 March 2009* £'000	UK and Europe	Australia	Total group
2. Consolidated segmental analysis (continued)			
Geographical analysis of assets and liabilities			
Assets			
Cash and balances at central banks	872 101	334	872 435
Loans and advances to banks	1 035 957	132 671	1 168 628
Reverse repurchase agreements and cash collateral on securities borrowed	253 247	–	253 247
Trading securities	356 147	5 736	361 883
Derivative financial instruments	1 022 197	99 330	1 121 527
Investment securities	367 456	649 307	1 016 763
Loans and advances to customers	6 179 534	966 585	7 146 119
Loans and advances to customers – Kensington warehouse assets	1 897 878	–	1 897 878
Securitised assets	4 228 165	441 584	4 669 749
Interests in associated undertakings	87 164	3 841	91 005
Deferred taxation assets	74 325	24 976	99 301
Other assets	527 553	18 729	546 282
Property, plant and equipment	156 495	4 056	160 551
Goodwill	200 215	33 156	233 371
Intangible assets	24 024	3 859	27 883
Total assets	17 282 458	2 384 164	19 666 622
Liabilities			
Deposits by banks	2 869 633	102 112	2 971 745
Deposits by banks – Kensington warehouse funding	1 412 961	–	1 412 961
Derivative financial instruments	622 165	73 057	695 222
Other trading liabilities	191 897	–	191 897
Repurchase agreements and cash collateral on securities lent	1 048 550	–	1 048 550
Customer accounts	4 384 373	850 720	5 235 093
Debt securities in issue	314 429	630 190	944 619
Liabilities arising on securitisation	3 946 872	438 946	4 385 818
Current taxation liabilities	68 641	(7 374)	61 267
Deferred taxation liabilities	50 022	–	50 022
Other liabilities	416 449	21 127	437 576
Pension fund liabilities	1 212	–	1 212
	15 327 204	2 108 778	17 435 982
Subordinated liabilities	739 819	38 523	778 342
Total liabilities	16 067 023	2 147 301	18 214 324

**As restated for restatements detailed in the accounting policies on page 157.*

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For the year to 31 March £'000	UK & Europe	Australia	Total group
2. Consolidated segmental analysis (continued)			
A geographical breakdown of business operating profit before goodwill, non–operating items, taxation and after minorities is shown below			
2010			
Asset Management	25 335	–	25 335
Private Wealth	11 637	–	11 637
Property Activities	825	1 072	1 897
Private Banking	6 545	1 177	7 722
Investment Banking	(4 399)	273	(4 126)
Capital Markets	93 161	15 404	108 565
Group Services and Other Activities	(9 409)	266	(9 143)
	123 695	18 192	141 887
Minority interest – equity			(23 234)
Operating profit before goodwill			118 653
2009			
Asset Management	17 150	–	17 150
Private Wealth	12 044	–	12 044
Property Activities	775	2 138	2 913
Private Banking	42 033	2 475	44 508
Investment Banking	(30 828)	(7 089)	(37 917)
Capital Markets	78 016	2 209	80 225
Group Services and Other Activities	(18 320)	2 715	(15 605)
	100 870	2 448	103 318
Minority interest – equity			(6 999)
Operating profit before goodwill			96 319

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

For the year to 31 March £'000	2010	2009
Asset Management	25 335	17 150
Private Wealth^	11 637	12 044
Property Activities	1 897	2 913
Private Banking	7 722	44 508
Investment Banking		
Corporate Finance	(3 394)	109
Institutional Research, Sales and Trading	3 283	4 719
Direct Investments	14 218	(5 237)
Principal Investments	(18 233)	(37 508)
	(4 126)	(37 917)
Capital Markets	108 565	80 225
Group Services and Other Activities		
International Trade Finance	2 454	3 026
Central Funding	26 799	17 366
Central Costs	(38 396)	(35 997)
	(9 143)	(15 605)
Total group	141 887	103 318

^Formerly Private Client Portfolio Management and Stockbroking.

For the year to 31 March £'000	2010	2009
3. Administrative expenses		
Staff costs	347 563	311 097
– Salaries and wages (including directors' remuneration)	281 061	252 328
– Share-based payment expense	24 550	23 761
– Social security costs	29 553	22 329
– Pensions and provident fund contributions	12 399	12 679
Premises (excluding depreciation)	28 466	26 395
Equipment (excluding depreciation)	19 612	17 799
Business expenses*	120 915	104 318
Marketing expenses	22 875	20 937
	539 431	480 546
The following amounts were paid to the auditors:		
Ernst & Young fees		
Fees payable to the company's auditors for the audit of the company's accounts	2 862	2 557
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	1 059	1 534
Other services pursuant to legislation	375	33
Tax services	475	–
All other services	436	228
	5 207	4 352
Other auditors		
Fees payable to the company's auditors for the audit of the company's accounts	–	–
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	419	414
Other services pursuant to legislation	–	–
Tax services	88	7
All other services	102	86
	609	507
Total	5 816	4 859

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

The 2010 UK Finance Bill contained provisions for a bank payroll tax applying to certain bonuses awarded in the period from 9 December 2009 to 5 April 2010. The estimated tax payable by the group, for which provision has been made in the financial statements for the ended 31 March 2010, is £209 000.

4. Share-based payments

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

Expense charged to the income statement (included in administrative expenses)	AM*	PA*	PB*	IB*	CM*	GSO*	Total group
2010							
Equity settled	2 653	162	5 280	5 365	4 176	6 914	24 550
Cash settled	–	–	–	–	–	–	–
Total income statement charge	2 653	162	5 280	5 365	4 176	6 914	24 550
2009							
Equity settled	2 444	35	4 184	4 660	3 353	8 472	23 148
Cash settled	–	–	(4)	9	(23)	3	–
Total income statement charge	2 444	35	4 180	4 669	3 330	8 475	23 133

Included in the above income statement charge is an accelerated share based payment charge as a result of modifications to certain options granted. The expense for the year was £1 046 744 (2009: £1 002 361).

For the year to 31 March £'000	2010	2009
Liabilities on cash settled options		
Total liability included in other liabilities	–	–
Total fair value for vested appreciation rights	–	–
Weighted average fair value of options granted in the year		
UK schemes	29 554	9 018

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

Details of options outstanding during the year	UK schemes 2010 Number of share options	UK schemes 2010 Weighted average exercise price £	UK schemes 2009 Number of share options	UK schemes 2009 Weighted average exercise price £
Outstanding at the beginning of the year	30 887 992	0.36	28 304 271	0.53
Granted during the year	12 450 500	0.03	6 251 281	0.07
Exercised during the year*	(8 839 040)	0.39	(2 592 134)	0.88
Expired during the year	(1 788 091)	1.34	(1 075 426)	3.69
Outstanding at the end of the year	32 711 361	0.17	30 887 992	0.89
Exercisable at the end of the year	235 402	2.11	866 078	3.13

**Weighted average share price during the year was £4.43 (2009: £3.01).*

	UK Schemes	
	2010	2009
4. Share-based payments (continued)		
The exercise price range and weighted average remaining contractual life for the options are as follows:		
Options with strike prices		
Exercise price range	£1.55 – £6.52	£1.55 – £6.52
Weighted average remaining contractual life	2.01 years	2.47 years
Long-term incentive grants with no strike price		
Exercise price range	£0	£0
Weighted average remaining contractual life	2.98 years	2.79 years
The fair values of options granted were calculated using a Black–Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£3.20 – £4.36	£2.60 – £3.02
– Exercise price	£0, £3.20 – £4.36	£0, £2.60 – £3.02
– Expected volatility	33% – 45%	34% – 45%
– Option life	5 – 5.25 years	5 – 5.25 years
– Expected dividend yields	3.97%	11.55% – 11.95%
– Risk–free rate	2.14% – 2.58%	2.85% – 6.12%

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

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting. Please refer to the remuneration report for details on terms and conditions of share options.

For the year to 31 March £'000	2010	2009
5. Taxation		
Current taxation		
UK		
Current taxation on income for the year	(375)	25 324
Adjustments in respect of prior years	2 983	(2 930)
Corporation taxation before double tax relief	2 608	22 394
– Double taxation relief	(18 273)	(23 461)
	(15 665)	(1 067)
Europe	1 424	8 846
Australia	5 682	(6 062)
Other	17 809	19 251
	24 915	22 035
Total current taxation	9 250	20 968
Deferred taxation		
UK	6 962	(7 395)
Europe	14	–
Australia	(1 807)	1 732
Other	(1 117)	(6 432)
Total deferred taxation	4 052	(12 095)
Total tax charge for the year	13 302	8 873
Deferred taxation comprises:		
Origination and reversal of temporary differences	10 627	(16 199)
Adjustment in respect of prior years	(6 575)	4 104
	4 052	(12 095)

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For the year to 31 March £'000	2010	2009
5. Taxation (continued)		
Items which affect the tax rate going forward are:		
Estimated tax losses arising from trading activities available for relief against future taxable income		
UK	Nil	Nil
Europe	Nil	Nil
The rates of corporation tax for the relevant years are:	%	%
UK	28	28
Europe (average)	10	10
Australia	30	30
USA	35	35
Profit on ordinary activities before taxation	118 653	66 054
Tax on profit on ordinary activities	13 302	8 873
Effective tax rate	11.2%	13%
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation at UK rate of 28% (2008: 28%)	33 223	18 495
Tax calculated at a rate of 28% (2008: 28%)		
Tax adjustments relating to foreign earnings	3 788	(2 962)
Taxation relating to prior years	(3 592)	1 175
Share options accounting expense	9 392	4 353
Share options exercised during the year	(11 524)	(1 228)
Unexpired share options future tax deduction	(7 102)	(1 091)
Non-taxable income	(22 622)	(24 708)
Net other permanent differences	9 333	9 916
Unrealised capital losses	2 406	5 748
Utilisation of brought forward capital losses	–	(825)
Total tax charge	13 302	8 873

For the year to 31 March	2010 Pence per share	2010 Total £'million	2009 Pence per share	2009 Total £'million
6. Dividends				
Ordinary dividend				
Final dividend for prior year	5.00	10 877	13.5	33 683
Interim dividend for current year	8.00	23 655	8.0	14 610
Total dividend attributable to ordinary shareholder recognised in current financial year	13.00	34 532	21.5	48 293

The directors have proposed a final dividend in respect of the financial year ended 31 March 2010 of 8.0 pence per ordinary share (31 March 2009: 5.0 pence).

This will be paid as follows:

- For Investec plc non–South African shareholders, through a dividend paid by Investec plc of 8.0 pence per ordinary share
- For Investec plc South African resident shareholders, through a dividend payment by Investec plc of 1.5 pence per ordinary share and through a dividend payment on the on the SA DAS share of 6.5 pence per ordinary share.

For the year to 31 March	2010 Pence per share^	2010 Total £'million	2009 Pence per share^	2009 Total £'million
Perpetual preference dividend				
The final dividend will be payable on 17 August 2010 to shareholders on the register at the close of business on 30 July 2010.				
Final dividend for prior year	16.03	2 418	32.67	4 927
Interim dividend for current year	7.52	1 134	30.14	4 545
Total dividend attributable to perpetual preference shareholder recognised in current financial year	23.55	3 552	62.81	9 472

The directors have declared a final dividend in respect of the financial year ended 31 March 2010 of 7.48 pence (Investec plc shares traded on the JSE Limited) and 7.48 pence (Investec plc shares traded on the Channel Island Stock Exchange). The final dividend will be payable on 1 July 2010 to shareholders on the register at the close of business on 18 June 2010.

^Perpetual preference share dividends from Investec Tier I (UK) LP.

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For the year to 31 March £'000	2010	2009
7. Miscellaneous income statement items		
Total foreign currency losses recognised in margin except for trading income	9 424	44 551
Operating lease expenses recognised in administrative expense split as follows:		
Minimum lease payments	19 472	20 769
	19 472	20 769
Operating lease income recognised in income split as follows:		
Minimum lease payments	5 612	17 236
Sublease payments	–	865
	5 612	18 101

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For the year to 31 March £'000	At fair value through profit and loss Trading	 Designated at inception
8. Analysis of income and expenses by financial instrument classification		
2010		
Net interest income	(6 681)	394
Fee and commission income	27 448	9 586
Fee and commission expense	–	(2 757)
Principal transactions*	101 181	16 683
Operating income from associates		
Other operating income**		
Other income including net interest income	121 948	23 906
Impairment losses on loans and advances	–	–
Operating income	121 948	23 906
2009		
Net interest income	26 505	48 173
Fee and commission income	68 922	10 427
Fee and commission expense	–	(3 394)
Principal transactions*	143 018	(22 721)
Operating income from associates	–	–
Other operating income**	–	
Other income including net interest income	238 445	32 485
Impairment losses on loans and advances	–	–
Operating income	238 445	32 485

**Included in principal transactions are funding costs of £899 000 (2009: £4 909 000) and dividend income of £2 695 000 (2009: £1 782 000).*

***Included in other operating income is the net operating income of certain private equity investments that have been consolidated of £16.1 million (2009: operating loss of £24.8 million). The net operating income includes gross income of £181.6 million (2009: £192.7 million) net of all direct cost of sales. Their other indirect costs are included in administrative expenses.*

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	Held-to-maturity	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	18 617	702 858	41 636	(448 340)	–	–	308 484
	682	23 904	47	(642)	816	285 275	347 116
	–	(858)	–	(1 623)	(1 528)	(51 506)	(58 272)
	–	32 600	8 766	109 737	1 096	2 695	272 758
					11 647	–	11 647
		–	–		–	17 602	17 602
	19 299	758 504	50 449	(340 868)	12 031	254 066	899 335
	(13 296)	(202 444)					(215 740)
	6 003	**556 060**	**50 449**	**(340 868)**	**12 031**	**254 066**	**683 595**
	43 245	1 029 852	45 154	(786 573)	–	–	406 356
	451	55 806	–	238	22 093	185 583	343 520
	(166)	(1 398)	–	(82)	(782)	(43 797)	(49 619)
	–	–	(1 308)	(4 909)	68	1 782	115 930
	–	–	–	–	12 443	–	12 443
	–	–	–	–	330	(23 329)	(22 999)
	43 530	1 084 260	43 846	(791 326)	34 152	120 239	805 631
	(19 332)	(185 389)	–	–	–	–	(204 721)
	24 198	**898 871**	**43 846**	**(791 326)**	**34 152**	**120 239**	**600 910**

At 31 March 2010 £'000	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
9. Analysis of assets and liabilities by financial instrument classification				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	55	32 171	–	32 226
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	155 746	–	–	155 746
Trading securities	293 642	55 575	–	349 217
Derivative financial instruments*	887 295	–	–	887 295
Investment securities	–	–	1 259 291	1 259 291
Loans and advances to customers	–	197 875	–	197 875
Loans and advances to customers – Kensington warehouse assets	–	–	–	–
Securitised assets	–	66 156	–	66 156
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	160 613	–	–	160 613
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	1 497 351	351 777	1 259 291	3 108 419
Liabilities				
Deposits by banks	–	–	–	–
Deposits by banks – Kensington warehouse funding	–	–	–	–
Derivative financial instruments *	553 452	–	–	553 452
Other trading liabilities	190 295	–	–	190 295
Repurchase agreements and cash collateral on securities lent	204 562	–	–	204 562
Customer accounts (deposits)	480	–	–	480
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	–	–	–
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	161 839	–	–	161 839
Pension fund liabilities	–	–	–	–
	1 110 628	–	–	1 110 628
Subordinated liabilities	–	–	–	–
	1 110 628	–	–	1 110 628

**Derivative financial instruments have been classified as held for trading and include derivatives held as hedges. For more information on hedges please refer to note 43 on page 225.*

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	Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non financial instruments	Total
	–	2 008 762	–	2 008 762	–	–	2 008 762
	–	1 461 741	–	1 461 741	–	–	1 493 967
	–	–	–	–	–	–	–
	–	334 748	–	334 748	–	–	490 494
	–	–	–	–	–	–	349 217
	–	–	–	–	–	–	887 295
	615 549	–	–	615 549	–	–	1 874 840
	480 792	6 658 876	–	7 139 668	–	–	7 337 543
	–	1 776 525	–	1 776 525	–	–	1 776 525
	–	4 368 309	–	4 368 309	–	–	4 434 465
	–	–	–	–	–	99 243	99 243
	–	–	–	–	–	98 051	98 051
	–	197 350	–	197 350	–	253 790	611 753
	–	–	–	–	–	144 370	144 370
	–	–	–	–	–	–	–
	–	–	–	–	–	249 270	249 270
	–	–	–	–	–	27 942	27 942
	1 096 341	16 806 311	–	17 902 652	–	872 666	21 883 737
	–	–	1 623 534	1 623 534	–	–	1 623 534
	–	–	1 213 042	1 213 042	–	–	1 213 042
	–	–	–	–	–	–	553 452
	–	–	–	–	–	–	190 295
	–	–	340 456	340 456	–	–	545 018
	–	–	9 058 594	9 058 594	–	–	9 059 074
	–	–	1 815 034	1 815 034	–	–	1 815 034
	–	–	3 980 657	3 980 657	–	–	3 980 657
	–	–	–	–	–	69 250	69 250
	–	–	–	–	–	52 929	52 929
	–	–	45 446	45 446	–	321 687	528 972
	–	–	–	–	–	1 285	1 285
	–	–	18 076 763	18 076 763	–	445 151	19 632 542
	–	–	601 576	601 576			601 576
	–	–	18 678 339	18 678 339	–	445 151	20 234 118

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9. Analysis of assets and liabilities by financial instrument classification (continued)

At 31 March 2009 £'000	At fair value through profit and loss Trading	 Designated at inception	Available for sale	Total instruments at fair value
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	11 520		–	11 520
Cash equivalent advances to customers		–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	170 835	–	–	170 835
Trading securities	280 587	81 296	–	361 883
Derivative financial instruments*	1 121 527	–	–	1 121 527
Investment securities			1 016 763	1 016 763
Loans and advances to customers	–	221 302	7 797	229 099
Loans and advances to customers – Kensington warehouse assets	–	–	–	–
Securitised assets	–	77 434	–	77 434
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	174 196	–	–	174 196
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	1 758 665	380 032	1 024 560	3 163 257
Liabilities				
Deposits by banks	5 546	–	–	5 546
Deposits by banks – Kensington warehouse funding	–	–	–	–
Derivative financial instruments*	695 222	–	–	695 222
Other trading liabilities	191 897	–	–	191 897
Repurchase agreements and cash collateral on securities lent	213 365	–	–	213 365
Customer accounts (deposits)	17 684		–	17 684
Debt securities in issue	–		–	–
Liabilities arising on securitisation	–		–	–
Current taxation liabilities	–		–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	142 109		–	142 109
Pension fund liabilities	–	–	–	–
	1 265 823	–	–	1 265 823
Subordinated liabilities	–	–	–	–
	1 265 823	–	–	1 265 823

*Derivative financial instruments have been classified as held for trading and include derivatives held as hedges. For more information on hedges please refer to note 43 on page 225.

Held to maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non financial instruments	Total
–	872 435	–	872 435	–	–	872 435
–	1 157 108	–	1 157 108	–	–	1 168 628
–		–	–	–	–	–
–	82 412	–	82 412	–	–	253 247
–	–	–	–	–	–	361 883
–	–	–	–	–	–	1 121 527
		–	–	–	–	1 016 763
641 288	6 275 732	–	6 917 020	–	–	7 146 119
–	1 897 878	–	1 897 878	–	–	1 897 878
–	4 592 315	–	4 592 315	–	–	4 669 749
–	–	–	–	–	91 005	91 005
–	–	–	–	–	99 301	99 301
	111 600	–	111 600	–	260 486	546 282
–	–	–	–	–	160 551	160 551
–	–	–	–	–		–
–	–	–	–	–	233 371	233 371
–	–	–	–	–	27 883	27 883
641 288	14 989 480	–	15 630 768	–	872 597	19 666 622
–	–	2 966 199	2 966 199	–	–	2 971 745
–	–	1 412 961	1 412 961	–	–	1 412 961
–	–	–	–	–	–	695 222
–	–	–	–	–	–	191 897
–	–	835 185	835 185	–	–	1 048 550
–	–	5 217 409	5 217 409	–	–	5 235 093
–	–	944 619	944 619	–	–	944 619
–	–	4 385 818	4 385 818	–	–	4 385 818
–	–	–	–	–	61 267	61 267
–	–	–	–	–	50 022	50 022
–	–	66 366	66 366	–	229 101	437 576
–	–	–	–	–	1 212	1 212
–	–	15 828 557	15 828 557	–	341 602	17 435 982
–	–	778 342	778 342	–	–	778 342
–	–	16 606 899	16 606 899	–	341 602	18 214 324

10. Reclassifications of financial instruments

During the prior year the group reclassified certain financial instruments out of fair value through profit and loss. These assets were originally classified as held for trading but the group's intentions in regard to these assets changed and the group reclassified £112.3 million and £7.8 million to the loans and receivables and available for sale classifications respectively. The amount reclassified reflected the fair value of the financial assets at the date of reclassification.

The group did not undertake any further reclassifications under the amendment to IAS 39 in the current year.

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

£'000	Carrying value as at 31 March 2010	Fair value as at 31 March 2010	Carrying value as at 31 March 2009	Fair value as at 31 March 2009
Trading assets reclassified to loans and receivables	89 662	79 703	112 402	106 189
Trading assets reclassified to available for sale	–	–	7 797	7 797
	89 662	79 703	120 199	113 986

If the reclassifications had not been made, the group's income before tax in 2010 would have reduced by £8.1 million (2009: a reduction of 6.2 million).

In the current year the reclassified assets have contributed £2.6 million to net interest income (2009: after reclassification, a net interest expense of £0.3 million). As at the date of reclassification, the effective interest rates on reclassified trading assets ranged from 4.61% to 18.29%.

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11. Fair value hierarchy

IFRS 7 requires that an entity disclose for each class of financial instruments measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy shall have the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table includes investment properties in the analysis as this is an asset carried at fair value with fair value adjustments recognised through profit and loss. Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

At 31 March £'000	Total instruments at fair value	Valuation technique applied		
		Level 1	Level 2	Level 3

11. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Level 1	Level 2	Level 3
2010				
Assets				
Loans and advances to banks	32 226	32 171	55	–
Reverse repurchase agreements and cash collateral on securities borrowed	155 746	–	155 746	–
Trading securities	349 217	280 408	45 713	23 096
Derivative financial instruments	887 295	63 801	789 594	33 900
Investment securities	1 259 291	553 789	680 583	24 919
Loans and advances to customers	197 875	–	–	197 875
Securitised assets	66 156	9 049	–	57 107
Other assets	160 613	160 559	54	–
	3 108 419	1 099 777	1 671 745	336 897
Liabilities				
Derivative financial instruments	553 452	58 582	494 870	–
Other trading liabilities	190 295	190 295	–	–
Repurchase agreements and cash collateral on securities lent	204 562	–	204 562	–
Customer accounts	480	–	480	–
Liabilities arising on securitisation	–	–	–	–
Other liabilities	161 839	161 839	–	–
	1 110 628	410 716	699 912	–
2009				
Assets				
Loans and advances to banks	11 520	11 520		–
Reverse repurchase agreements and cash collateral on securities borrowed	170 835		170 835	–
Trading securities	361 883	275 154	76 914	9 815
Derivative financial instruments	1 121 527	60 451	973 119	87 957
Investment securities	1 016 763	835 311	155 344	26 108
Loans and advances to customers	229 099	–	4 214	224 885
Securitised assets	77 434	15 239	17 896	44 299
Other assets	174 196	174 196		–
Investment properties	–	–		–
	3 163 527	1 371 871	1 398 322	393 064
Liabilities				
Deposits by banks	5 546	5 546	–	–
Derivative financial instruments	695 222	75 085	620 137	–
Other trading liabilities	191 897	191 897	–	–
Repurchase agreements and cash collateral on securities lent	213 365	–	213 365	–
Customer accounts	17 684	–	17 684	–
Liabilities arising on securitisation	–	–	–	–
Other liabilities	142 109	132 252	9 857	–
	1 265 823	404 780	861 043	–

11. Fair value hierarchy (continued)

Transfers between level 1 and 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 2010	Transfers from level 2 to level 1	Transfers from level 1 to level 2
Assets		
Derivative financial instruments	7 158	–
Securitised assets	–	–
Other assets		
Investment properties		
Liabilities		
Derivative financial instruments	–	–
Liabilities arising on securitisation	–	–

The above financial assets were transferred from level 1 to level 2 as third party valuations were acquired in the current year. There were no transfers for 2009 between level 1 and level 2.

At 31 March 2010 £'000	Total level 3 financial instruments	Fair value movements through profit and loss	Fair value movements through equity
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:			
Group			
Opening balance	393 064	363 987	29 077
Total gains or losses	1 401	(1 301)	2 702
In profit and loss	1 323	(1 301)	2 624
In the statement of changes in equity	78	–	78
Purchases	32 702	21 006	11 696
Sales	(19 182)	–	(19 182)
Issues	–	–	–
Settlements	(48 949)	(43 139)	(5 810)
Transfers into level 3	9 806	7 817	1 989
Transfers out of level 3	(37 636)	(37 636)	–
Forex adjustments	5 691	5 822	(131)
Closing balance	**336 897**	**316 556**	**20 341**

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£'000	Total
11. Fair value hierarchy (continued)	
The following table quantifies the changes in fair values recognised on level 3 financial instruments:	
Total gains or losses included in profit or loss for the period	
Net interest income	–
Fee and commission income	2 661
Fee and commission expense	–
Principal transactions	(1 337)
Other operating income	–
	1 324
Total gains and losses for the period included in profit or loss for assets and liabilities held at the end reporting period	
Net interest income	–
Fee and commission income	1 828
Fee and commission expense	–
Principal transactions	(9 884)
Other operating income	–
	(8 056)

At 31 March 2010 £'000	Reflected in profit and loss Favourable changes	Reflected in profit and loss Unfavourable changes	Reflected in equity Favourable changes	Reflected in equity Unfavourable changes
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:				
Trading securities	13 821	(6 754)	–	–
Derivative financial instruments	11 297	(2 221)	–	–
Investment securities	–	–	16 557	(10 061)
Loans and advances to customers	3 052	(2 157)	–	–
Securitised assets	6 325	(3 900)	–	–
	34 495	(15 032)	16 557	(10 061)

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At 31 March £'000	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
12. Fair value of financial instruments at amortised cost				
Assets				
Cash and balances at central banks	2 008 762	2 008 762	872 435	872 435
Loans and advances to banks	1 461 741	1 461 741	1 157 108	1 157 108
Reverse repurchase agreements and cash collateral on securities borrowed	334 748	334 748	82 412	82 412
Investment securities	615 549	615 549	–	–
Loans and advances to customers	7 139 668	6 995 806	6 917 020	6 876 543
Loans and advances to customers – Kensington warehouse assets	1 776 525	1 776 525	1 897 878	1 897 878
Securitised assets	4 368 309	4 351 328	4 592 315	4 608 464
Other assets	197 350	197 350	111 600	111 600
	17 902 652	17 741 809	15 630 768	15 606 440
Liabilities				
Deposits by banks	1 623 534	1 619 712	2 966 199	2 957449
Deposits by banks – Kensington warehouse funding	1 213 042	1 213 042	1 412 961	1 412 961
Repurchase agreements and cash collateral on securities lent	340 456	340 456	835 185	835 185
Customer accounts	9 058 594	9 053 045	5 217 409	5 215 831
Debt securities in issue	1 815 034	1 821 186	944 619	941 361
Liabilities arising on securitisation	3 980 657	3 980 657	4 385 818	4 414 354
Other liabilities	45 446	45 446	66 366	66 366
Subordinated liabilities (including convertible debt)	601 576	498 574	778 342	410 209
	18 678 339	18 572 118	16 606 899	16 253 716

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.

Financial instruments for which fair value approximates carrying value

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

Fixed rate financial instruments

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

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.

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

Loans and receivables designated at fair value through profit or loss £'000	Carrying value	Fair value adjustment Year to date	Fair value adjustment Cumula–tive	Change in fair value attributable to credit risk Year to date	Change in fair value attributable to credit risk Cumula–tive	Maximum exposure to credit risk	Carrying value of related credit derivatives or similar instru–ment	Change in fair value of credit derivative since designation of loan or receivable Year to date	Change in fair value of credit derivative since designation of loan or receivable Cumula–tive
At 31 March 2010									
Loans and advances to banks	–	–	–	–	–	–	–	–	–
Loans and advances to customers	197 875	(5 442)	12 137	–	–	197 875	–	–	–
Securitised assets	66 156	(5 999)	21 537	–	–	66 156	–	–	–
Other assets		–	–	–	–	–	–	–	–
	264 031	(11 441)	33 674	–	–	264 031	–	–	–
At 31 March 2009									
Loans and advances to banks	–	–	–	–	–	–	–	–	–
Loans and advances to customers	221 302	13 270	11 056	–	–	221 302	–	–	–
Securitised assets	77 434	(2 854)	7 188	(5 927)	8 629	77 434	18 267	15 725	18 267
Other assets	–	–	–	–	–	–	–	–	–
	298 736	10 416	18 244	(5 927)	8 629	298 736	18 267	15 725	18 267

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At 31 March £'000	2010	2009
14. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	277 279	169 392
Cash collateral on securities borrowed	213 215	83 855
	490 494	253 247
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re–pledge. £425 million (2009: £266 million) has been resold or re–pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	528 837	1 041 807
Cash collateral on securities lent	16 181	6 743
	545 018	1 048 550

At 31 March £'000	2010 Carrying value	2010 Cumulative unrealised gains/(losses)	2009 Carrying value	2009 Cumulative unrealised gains/(losses)
15. Trading securities				
Listed equities	65 370	(3 029)	25 247	(2 225)
Unlisted equities	52 122	(6 956)	69 795	(11 816)
Bonds	231 725	3 881	266 841	(16 366)
	349 217	(6 104)	361 883	(30 407)

16. Derivative financial instruments

Derivatives

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 that follow, 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.

16. Derivative financial instruments (continued)

At 31 March £'000	2010 Notional principal amounts	2010 Positive fair value	2010 Negative fair value	2009* Notional principal amounts	2009* Positive fair value	2009* Negative fair value
Foreign exchange derivatives						
Forward foreign exchange	1 634 672	44 879	(32 494)	2 680 939	112 835	(59 343)
Currency swaps	4 064 338	208 104	(28 050)	2 742 281	273 628	(33 133)
OTC options bought and sold	184 437	2 731	(3 379)	73 139	2 016	(1 856)
Other foreign exchange contracts	150 951	6 762	–	618 038	18 807	(17 826)
OTC derivatives	6 034 398	262 476	(63 923)	6 114 397	407 286	(112 158)
Exchange traded futures	–	–	–	–	–	–
	6 034 398	262 476	(63 923)	6 114 397	407 286	(112 158)
Interest rate derivatives						
Caps and floors	1 072 391	1 234	(1 554)	244 194	104	(523)
Swaps	13 881 730	168 714	(145 048)	14 337 138	198 658	(188 157)
Forward rate agreements	220 655	–	(61)	200 000	37	(58)
OTC options bought and sold	–	–	–	1 702	27	(27)
Other interest rate contracts	2 719 590	786	(1 017)	2 859 905	2 224	(910)
OTC derivatives	17 894 366	170 734	(147 680)	17 642 939	201 050	(189 675)
Exchange traded futures	140 376	181	–	28 817 996	844	–
Exchange traded options	281 736	254	(141)	720 391 308	2 107	(3 384)
	18 316 478	171 169	(147 821)	766 852 243	204 001	(193 059)
Equity and stock index derivatives						
OTC options bought and sold	1 373 158	41 403	(659)	356 462	15 881	(39 097)
Equity swaps and forwards	30 647	635	(982)	–	165	(134)
OTC derivatives	1 403 805	42 038	(1 641)	356 462	16 046	(39 231)
Exchange traded futures	7 123	1 237	(1 237)	13	–	–
Exchange traded options	693 728	35 990	(42 239)	141 767	11 060	(22 402)
Warrants	–	449	–	–	819	–
	2 104 656	79 714	(45 117)	498 242	27 925	(61 633)
Commodity derivatives						
OTC options bought and sold	115 480	1 590	(1 517)	229 529	4 955	(18 274)
Commodity swaps and forwards	1 678 547	276 655	(316 603)	3 028 662	398 236	(447 438)
OTC derivatives	1 794 027	278 245	(318 120)	3 258 191	403 191	(465 712)
Exchange traded futures	848 954	227 809	(150 935)	2 071 590	294 340	(170 617)
Exchange traded options		991	(3 532)	35 544	9 110	(1 138)
	2 642 981	507 045	(472 587)	5 365 325	706 641	(637 467)
Credit derivatives						
Credit linked notes bought and sold	–	–	–	–	–	–
Credit swaps bought and sold	69 516	13 029	(3 842)	78 614	26 232	(4 107)
	69 516	13 029	(3 842)	78 614	26 232	(4 107)
Embedded derivatives**		33 700	–		62 644	–
Gross fair values		1 067 133	(733 290)		1 434 729	(1 008 424)
Effect of on balance sheet netting		(179 838)	179 838		(313 202)	313 202
Derivatives per balance sheet		887 295	(553 452)		1 121 527	(695 222)

As restated for reclassifications detailed in the accounting policies on page 157.

***Mainly includes profit shares received as part of lending transactions.*

At 31 March £'000	2010 Carrying value	2010 Cumulative unrealised gains/(losses)	2009 Carrying value	2009 Cumulative unrealised gains/(losses)
17. Investment securities				
Listed equities	12 447	(5 702)	6 627	(7 017)
Unlisted equities	58 324	3 917	43 873	11 919
Bonds	793 785	(411)	344 853	(1 182)
Floating rate notes	612 677	7 352	488 618	(2 565)
Commercial paper	396 940	136	132 627	(15 539)
Other investments	667	–	165	–
	1 874 840	5 292	1 016 763	(14 384)

At 31 March £'000	2010	2009
18. Loans and advances to customers		
Loans and advances to customers	7 337 543	7 146 119
Loans and advances to customers - Kensington warehouse assets	1 776 525	1 897 878
Specific and portfolio impairments included above	214 922	154 042
Gross loans and advances to customers	9 328 990	9 198 039
Less: warehouse facilities and warehouse assets arising from securitisation and principal finance activities*	(2 459 226)	(2 176 979)
Less: intergroup loans	(65)	(1 265)
Own originated securitised assets (refer to note 19)	519 511	442 597
Gross core loans and advances to customers	7 389 210	7 462 392
For further analysis on gross core loans and advances refer to pages 61 to 76 in the Risk Management section.		
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at beginning of year	89 915	28 053
Charge to the income statement	115 805	109 635
Acquired	–	–
Utilised	(82 432)	(49 780)
Exchange adjustment	3 213	2 006
Balance at end of year	126 501	89 914
Portfolio impairment		
Balance at beginning of year	3 032	2 236
Charge to the income statement	16 244	700
Acquired	–	–
Utilised	–	–
Exchange adjustment	(33)	96
Balance at end of year	19 243	3 032

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

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At 31 March £'000	2010	2009
18. Loans and advances to customers (continued)		
Kensington warehouse loans		
Specific impairment		
Balance at beginning of year	26 647	21 874
Charge to the income statement	41 442	8 100
Acquired		–
Utilised	(30 375)	(3 327)
Exchange adjustment	(499)	–
Balance at end of year	37 215	26 647
Portfolio impairment		
Balance at beginning of year	34 449	–
Charge to the income statement	(2 486)	34 449
Acquired		–
Utilised		–
Exchange adjustment		–
Balance at end of year	31 963	34 449
Total specific impairments	163 716	116 561
Total portfolio impairments	51 206	37 481
Total impairments	214 922	154 042
Interest income recognised on loans that have been impaired	14 632	15 789
Amounts charged to income statement		
Loans and advances	132 049	110 335
Specific impairment charged to income statement	115 805	109 635
Portfolio impairment charged to income statement	16 244	700
Securitised assets (refer to note 19)	44 734	51 837
Specific impairment charged to income statement	48 050	24 138
Portfolio impairment charged to income statement	(3 316)	27 699
Kensington warehouse loans	38 957	42 549
Specific impairment charged to income statement	41 442	8 100
Portfolio impairment charged to income statement	(2 485)	34 449
Bad debts written off directly to the income statement	–	–
Total income statement charge	215 740	204 721

At 31 March £'000	2010	2009
19. Securitised assets		
Securitised assets are made up of the following categories of assets:		
Loans and advances to banks		
Cash and cash equivalents	456 461	567 449
Loans and advances to customers	3 956 332	4 092 067
Other financial instruments at fair value	66 156	77 435
	4 478 949	4 736 951
Total impairment of securitised assets	(44 484)	(67 202)
Total securitised assets	4 434 465	4 669 749
The associated liabilities are recorded on balance sheet in "Liabilities arising on securitisation"		
Carrying value at 31 March	3 980 657	4 385 818
Analysis of securitised assets by risk exposure		
Own originated securitised assets	519 511	442 597
Securitisation exposures arising from securitisation/principal finance activities	240 451	284 364
Total credit and counterparty exposure	759 962	726 961
Securitised assets with no legal credit exposure	3 674 503	3 942 788
Gross securitised assets deemed to have no legal credit exposure	3 718 987	4 009 990
Impairment of securitised assets deemed to have no legal credit exposure	(44 484)	(67 202)
Total securitised assets	4 434 465	4 669 749
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	39 503	33 766
Charge to the income statement	48 050	24 138
Acquired		–
Utilised	(67 211)	(18 341)
Exchange adjustment	(278)	(60)
Balance at end of year	20 064	39 503
Portfolio impairment		
Balance at beginning of year	27 699	–
Charge to the income statement	(3 316)	27 699
Utilised		–
Exchange adjustment	37	
Balance at end of year	24 420	27 699
Total impairments	44 484	67 202

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At 31 March £'000	2010	2009
20. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	35 570	27 332
Goodwill	63 673	63 673
Investment in associated undertaking	99 243	91 005
Analysis of the movement in our share of net assets:		
At beginning of year	27 332	18 363
Exchange adjustments	878	533
Acquisitions	2 054	1 224
Disposals	(1 571)	–
Operating income from associates	11 647	12 443
Loans to associate	(5 690)	(5 349)
Dividends received		
Gains recognised in equity	920	118
At end of year	35 570	27 332
Analysis of the movement in goodwill:		
At beginning of year	63 673	64 204
Exchange adjustments	–	833
Goodwill impairment	–	(1 364)
At end of year	63 673	63 673
Associated undertakings:		
Listed	79 282	72 426
Unlisted	19 961	18 579
	99 243	91 005
Market value of listed investments	177 753	82 628
The most significant investment held in associates in the year was Rensburg Sheppards plc (RS). RS is listed company on the London Stock Exchange and conducts the business of private client stockbroking.	Number	Number
At 31 March RS had the following shares in issue:	43 897 094	43 883 500
Less: Shares held in RS Employee Share Ownership Trust	(5 002)	(210 350)
	43 892 092	43 673 150
Holding in RS ordinary share (%)	47.06%	47.30%

**During the year RS issued additional shares reducing Investec's share of net assets and goodwill.*

Significant transactions between the group and RS during the year ended 31 March 2010 all of which are on arm's length basis are:

- £33.750 million subordinated loan from Investec Bank plc to RS. This loan which was originally £60 million from Investec 1 Limited to RS was entered into on 6 May 2005 and formed part of the consideration paid by RS for the acquisition of Carr Sheppards Crosthwaite Limited. On 28 September 2007 the remaining balance was transferred to Investec Bank plc. On 6 May 2010 a further £15.625 million was repaid. The interest receivable on the loan during the year amounted to £2 453 000 (2009: £2 896 000) of which £966 000 was receivable at 31 March 2010 (2009: £1 127 000).
- Rent of £1.5 million (2009: £1.4 million) and a contribution of £0.1 million (2009: £0.2 million) was received from RS in respect of their occupation of 2 Gresham Street. A further £0.4 million (2009: £0.5 million) was received in relation to other services provided to RS including IT and Internal Audit.

Rensburg Sheppards plc	Assets	Liabilities	Revenues	Adjusted profit before tax*
31 March 2010	403 059	194 546	117 970	30 208
31 March 2009	390 163	192 480	118 874	36 352

**Before transaction costs relating to the current offer for the company, amortisation of the client relationships intangible asset, profit on disposal of intangible assets, profit on disposal of subsidiary, loss on disposal of available for sale investments and share-based charges relating to the Employee Benefit Trust (EBT).*

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At 31 March £'000	2010	2009
21. Deferred taxation		
Deferred taxation assets		
Deferred capital allowances	52 287	50 299
Income and expenditure accruals	15 420	11 175
Asset in respect of unexpired options	17 081	8 268
Asset in respect of pensions liability	360	–
Unrealised fair value adjustments on financial instruments	2 901	9 473
Losses carried forward	2 944	13 741
Other temporary differences	7 058	6 345
	98 051	99 301
Deferred taxation liabilities		
Arising on anticipated foreign dividends	–	7 315
Liability in respect of pensions surplus	719	12
Capital allowances	–	4
Income and expense accruals	–	3 562
Other temporary differences	52 210	39 129
	52 929	50 022
Net deferred taxation asset	45 122	49 279
Reconciliation of net deferred taxation asset:		
At beginning of year	49 279	13 620
Charge to profit and loss	(4 052)	12 095
– Current year tax	(4 052)	12 095
– Change in tax rate	–	–
(Charge)/credit directly in equity	(7 577)	21 112
Transfer to/(from) corporate taxation	1 708	2 368
Other	(495)	536
Exchange adjustments	6 259	(452)
At year end	45 122	49 279
Deferred tax on available for sale instruments recognised directly in equity	1 052	1 141
Current tax recognised directly in equity	–	–

At 31 March £'000	2010	2009
22. Other assets		
Settlement debtors	392 187	341 156
Dealing properties	18 557	7 499
Accruals and prepayments	44 048	39 998
Pension assets (refer to note 30)	2 569	10 326
Other debtors	154 392	147 303
	611 753	546 282

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At 31 March £'000	Freehold properties	Leasehold improve–ments	Furniture & Vehicles	Equipment	Total
23. Property and equipment					
2010					
Cost					
At beginning of year	32 622	37 837	12 240	153 646	236 345
Exchange adjustments	(613)	693	267	(7 672)	(7 325)
Acquisition of subsidiary undertakings	884	–	543	46	1 473
Reclassifications	–	–	–	(433)	(433)
Additions	1	2 209	3 205	1 898	7 313
Disposals	–	(366)	(1 271)	(1 582)	(3 219)
At end of year	32 894	40 373	14 984	145 903	234 154
Accumulated depreciation					
At beginning of year	(5 529)	(15 265)	(7 320)	(47 680)	(75 794)
Exchange adjustments	(134)	(773)	(52)	865	(94)
Reclassifications	–	–	–	233	233
Disposals	–	277	1 223	776	2 276
Depreciation charge for year	(1 426)	(2 375)	(1 960)	(10 644)	(16 405)
At end of year	(7 089)	(18 136)	(8 109)	(56 450)	(89 784)
Net carrying value	25 805	22 237	6 875	89 453	144 370
2009					
Cost					
At beginning of year	30 039	31 185	11 476	108 869	181 569
Exchange adjustments	3 078	1 355	1 416	42 836	48 685
Acquisition of subsidiary undertakings	–	–		–	–
Reclassifications	–	–	(2 984)	4 238	1 254
Additions	460	5 308	2 427	4 032	12 227
Disposals	(955)	(11)	(95)	(6 329)	(7 390)
At end of year	32 622	37 837	12 240	153 646	236 345
Accumulated depreciation					
At beginning of year	(5 555)	(11 914)	(8 986)	(23 988)	(50 443)
Exchange adjustments	–	(800)	(71)	(9 035)	(9 906)
Disposal of subsidiary undertakings	–	–		–	–
Reclassifications	–	–	2 975	(4 230)	(1 255)
Disposals	26	11	66	1 102	1 205
Depreciation charge for year	–	(2 562)	(1 304)	(11 529)	(15 395)
Impairment losses	–	–	–	–	–
At end of year	(5 529)	(15 265)	(7 320)	(47 680)	(75 794)
Net carrying value	27 093	22 572	4 920	105 966	160 551

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At 31 March £'000	2010	2009
24. Goodwill		
Cost		
At beginning of year	338 578	326 955
Acquisition of subsidiaries	8 502	–
Reclassifications	–	(1 459)
Exchange adjustments	7 473	13 082
At end of year	354 553	338 578
Accumulated impairments		
At beginning of year	(105 207)	(75 812)
Income statement amount		(28 901)
Exchange adjustments	(76)	(494)
At end of year	(105 283)	(105 207)
Net carrying value	249 270	233 371
Analysis of goodwill by line of business and geography		
UK and Europe		
Private Banking	18 669	18 596
Capital Markets	83 201	74 890
Investment Banking	17 977	18 677
Asset Management	88 045	88 045
	207 892	200 208
Australia		
Private Banking	22 213	19 483
Investment Banking	19 165	13 680
	41 378	33 163
Total group	249 270	233 371
Reconciliation to income statement:		
Income statement amount per above	–	(28 901)
Impairment of goodwill forming part of associate (refer to note 20)	–	(1 364)
	–	(30 265)

24. Goodwill (continued)

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 to five years, adjusted for expected future events.

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

For Investec Asset Management, the recoverability of goodwill of £88.0 million has been tested with reference to both the underlying profitability (taking account of 2010 profits before taxation of £25.3 million (2009: £17.15 million) and budgets and plans for the next three years) and the value of the business as represented by funds under management of £21.7 billion (2009: £13.1 billion). Both of these increased during the year supporting the value of the goodwill.

Goodwill of £121.1 million arising on the acquisition of Kensington on 7 August 2008 was written down by £60.0 million at 31 March 2008 to £61.2 million following the managed reduction in business volumes and limited activity in securitisation markets. At 31 March 2010, the remaining goodwill has been tested for impairment on the basis of the existing book, assuming no new mortgage origination and no recovery in securitisation markets. Cash flows have been projected for a five year period using the latest available information on debts and expected repayments discounted at 11%. On this basis the value of the goodwill is above book value. Future impairment of this goodwill will largely be dependent on the timing of future repayments.

Movement in goodwill

2010

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

2009

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

Income statement movement

2010

There were no movements in goodwill.

2009

- Following adverse movements in commodity prices which have squeezed margins, Global Ethanol Holdings Limited, in which the group has a 68.3% interest, impaired all of the £25.6 million of goodwill mainly attributable to its 60% owned subsidiary Global Ethanol LLC
- Other goodwill impairments of £4.6 million.

At 31 March £'000	Acquired software	Core technology	Intellectual property	Total
25. Intangible assets				
2010				
Cost				
At beginning of year	28 617	6 879	15 912	51 408
Exchange adjustments	221	48	(105)	164
Reclassifications	2 298		(1 867)	431
Acquisition of subsidiary	–		–	–
Additions	8 260		2 141	10 401
Disposals	(8)		(1 164)	(1 172)
At end of year	39 388	6 927	14 917	61 232
Accumulated amortisation and impairments				
At beginning of year	(21 272)	(754)	(1 499)	(23 525)
Exchange adjustments	(310)	(9)	(109)	(428)
Reclassifications	1 277		(1 509)	(232)
Disposals	1		–	1
Amortisation	(4 781)	(309)	(4 016)	(9 106)
At end of year	(25 085)	(1 072)	(7 133)	(33 290)
Net carrying value	14 303	5 855	7 784	27 942
2009				
Cost				
At beginning of year	24 569	11 463	3 111	39 143
Exchange adjustments	417	4 483	1 163	6 063
Reclassifications	2 524		(532)	1 992
Acquisition of subsidiary				–
Additions	4 462		14 688	19 150
Disposals	(3 355)	(9 067)	(2 518)	(14 940)
At end of year	28 617	6 879	15 912	51 408
Accumulated amortisation and impairments				
At beginning of year	(11 711)	(426)	(118)	(12 255)
Exchange adjustments	113	(167)	(383)	(437)
Reclassifications	(2 040)		(1 785)	(3 825)
Disposals	133		1 509	1 642
Amortisation	(7 767)	(161)	(722)	(8 650)
At end of year	(21 272)	(754)	(1 499)	(23 525)
Net carrying value	7 345	6 125	14 413	27 883

26. Acquisitions and disposals

2010

On 26 February 2010 Investec plc issued 1 973 114 ordinary shares at a value of 461.2 pence each as consideration for the acquisition of 75% of the issued share capital of Leasedirect Finance Limited (LDF). In the period 27 February 2010 to 31 March 2010 LDF made a profit before taxation of £109 000.

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

£'000	Book value at date of acquisition	Fair values at date of acquisition
Cash	2	2
Loans and advances to banks	72	72
Loans and advances to customers	6 295	6 295
Other assets	220	220
Property and equipment	1 473	1 473
	8 062	8 062
Deposits by banks	5 984	5 984
Current tax liability	71	71
Other liabilities	596	596
Minority interests	353	353
	7 004	7 004
Net assets/fair value of net assets	1 058	1 058
Goodwill		8 502
Fair value of consideration		9 560
Fair value of cash consideration		460

2009

There were no acquisitions of group companies in the period.

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At 31 March £'000	2010	2009
27. Other trading liabilities		
Short positions		
– Equities	34 327	6 399
– Gilts	155 968	185 498
	190 295	191 897

At 31 March £'000	2010	2009
28. Debt securities in issue		
Bonds and medium term notes repayable:		
Up to one year	10 171	–
Greater than one year but less than five years	16 485	17 472
	26 656	17 472
Other unlisted debt securities in issue repayable:		
Not more than three months	208 412	328 231
Over three months but not more than one year	53 773	52 820
Over one year but not more than five years	1 348 285	540 699
Greater than five years	177 908	5 397
	1 788 378	927 147
	1 815 034	944 619

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At 31 March £'000	2010	2009
29. Other liabilities		
Settlement liabilities	287 742	241 155
Other creditors and accruals	151 288	123 662
Other non interest bearing liabilities	89 942	72 759
	528 972	437 576

At 31 March £'000	2010	2009
30. Pension commitments		
Income statement charge		
Defined benefit obligations net income included net interest income	577	(169)
Cost of defined contribution schemes included in administration expenses	12 399	12 679
Net income statement charge in respect of pensions	12 976	12 510
The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes, with the exception of two schemes in the United Kingdom being, the Guinness Mahon Pension Fund scheme (GM scheme) and the Investec Asset Management Pension scheme (IAM scheme). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2009 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions, in relation to the defined contribution schemes, outstanding at the year end.		
The major assumptions used were:		
Discount rate	5.50%	6.80%
Rate of increase in salaries	3.70%	3.30%
Rate of increase in pensions in payment	3.60%	3.20%
Inflation	3.70%	3.30%
Demographic assumptions		
One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables with allowance for future improvements in line with the medium cohort projection, subject to a 1% underpin. The life expectancies underlying the valuation are as follows:		
Male aged 65	88	88
Female aged 65	91	91
Male aged 45	90	90
Female aged 45	93	93

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

	Value at 2010 £'000	Long-term rate of return expected	Value at 2009 £'000	Long-term rate of return expected
GM scheme				
Equities	37 721	7.80%	26 660	8.00%
Gilts	63 336	4.40%	60 696	4.20%
Cash	3 530	4.40%	2 556	4.20%
Total market value of assets	104 587		89 912	
IAM scheme				
Equities	8 830	7.80%	5 377	8.00%
Bonds	2 449	4.40%	1 764	4.20%
Cash	317	4.40%	554	4.20%
Total market value of assets	11 596		7 695	

£'000	2010 GM	2010 IAM	2010 Total	2009 GM	2009 IAM	2009 Total
30. Pension commitments (continued)						
Recognised in the balance sheet						
Fair value of fund assets	104 587	11 596	116 183	89 912	7 695	97 607
Present value of obligations	(102 018)	(12 881)	(114 899)	(79 586)	(8 907)	(88 493)
Net asset/(liability)	2 569	(1 285)	1 284	10 326	(1 212)	9 114
Amounts in balance sheet						
Assets	2 569	–	2 569	10 326	–	10 326
Liability	–	(1 285)	(1 285)	–	(1 212)	(1 212)
Net asset/(liability)	2 569	(1 285)	1 284	10 326	(1 212)	9 114
Recognised in the income statement						
Expected return on pension scheme assets	4 843	540	5 383	5 455	606	6 061
Interest on pension obligations	(5 361)	(599)	(5 960)	(5 244)	(648)	(5 892)
Net return	(518)	(59)	(577)	211	(42)	169
Recognised in the statement of recognised income and expense						
Actuarial gains/(losses)on plan assets	7 794	3 004	10 798	(12 838)	(2 953)	(15 791)
Actuarial (losses)/gains	(18 585)	(3 574)	(22 159)	1 770	518	2 288
Actuarial (loss)/gain	(10 791)	(570)	(11 361)	(11 068)	(2 435)	(13 503)
Deferred tax	3 021	160	3 181	3 099	682	3 781
Actuarial loss in statement of recognised income and expense	(7 770)	(410)	(8 180)	(7 969)	(1 753)	(9 722)
Actual return/(deficit) on plan assets	12 637	3 544	16 181	(7 383)	(2 305)	(9 688)

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expense is £27.4 million (£19.5 million net of deferred tax) (2009: £16.0 million (£11.3 million net of deferred tax)).

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At 31 March £'000	GM	IAM	Total
30. Pension commitments (continued)			
Changes in the fair value of defined benefit obligations			
Defined benefit obligation at 31 March 2008	80 319	9 144	89 463
Interest cost	5 244	606	5 850
Actuarial gains	(1 770)	(518)	(2 288)
Past service cost	–	–	–
Benefits paid	(4 207)	(325)	(4 532)
Opening defined benefit obligation at 31 March 2009	79 586	8 907	88 493
Interest cost	5 361	599	5 960
Actuarial gains	18 585	3 574	22 159
Benefits paid	(1 514)	(199)	(1 713)
Closing defined benefit obligation at 31 March 2010	102 018	12 881	114 899
Changes in the fair value of plan assets			
Assets at 31 March 2008	97 950	9 769	107 719
Expected return	5 455	648	6 103
Actuarial losses	(12 838)	(2 953)	(15 791)
Contributions by the employer	3 552	556	4 108
Benefits paid	(4 207)	(325)	(4 532)
Opening defined benefit obligation at 31 March 2009	89 912	7 695	97 607
Expected return	4 843	540	5 383
Actuarial losses	7 794	3 004	10 798
Contributions by the employer	3 552	556	4 108
Benefits paid	(1 514)	(199)	(1 713)
Closing fair value of plan assets at 31 March 2010	104 587	11 596	116 183

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

At 31 March £'000	2010	2009	2008	2007	2006
History of experience gains and (losses)					
GM scheme					
Defined benefit obligation	(102 018)	(79 586)	(80 319)	(91 178)	(89 927)
Plan assets	104 587	89 912	97 950	95 356	93 175
Surplus	2 569	10 326	17 631	4 178	3 248
Experience adjustments on plan liabilities	(18 585)	1 770	11 543	(165)	(5 765)
Experience adjustments on plan assets	7 794	(12 838)	(2 410)	(3 315)	8 125
IAM scheme					
Defined benefit obligation	(12 881)	(8 907)	(9 144)	(11 155)	(11 019)
Plan assets	11 596	7 695	9 769	9 688	9 006
(Deficit)/surplus	(1 285)	(1 212)	625	(1 467)	(2 013)
Experience adjustments on plan liabilities	(3 574)	518	2 399	206	(630)
Experience adjustments on plan assets	3 004	(2 953)	(950)	(254)	1 177

At 31 March £'000	2010	2009
31. Subordinated liabilities		
Issued by Investec Finance plc - a wholly owned subsidiary of Investec plc – A wholly owned subsidiary of Investec Bank plc which is a wholly owned subsidiary of Investec plc		
Guaranteed subordinated step–up notes	208 575	212 063
Guaranteed undated subordinated callable step–up notes	269 983	391 195
Issued by Investec Bank plc		
Zero coupon bonds	–	10 241
Issued by Investec Australia Limited		
Guaranteed subordinated medium-term notes	15 206	48 887
Subordinated floating rate medium-term notes	4 280	–
Issued by Global Ethanol Holdings Limited		
Subordinated loan notes	32 328	25 910
Issued by Kensington Group plc		
Callable subordinated notes	71 204	90 046
	601 576	778 342
Remaining maturity:		
In one year or less, or on demand	–	10 241
In more than one year, but not more than two years	32 328	–
In more than two years, but not more than five years	–	25 910
In more than five years	569 248	742 191
	601 576	778 342

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.

Guaranteed subordinated step–up notes

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

31. Subordinated liabilities (continued)

Guaranteed undated subordinated callable step–up notes

On 23 January 2007 Investec Finance plc issued £350 000 000 of 6.25% guaranteed undated subordinated step-up notes callable 2017 at a discount. Interest is paid semi-annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 23 January 2017, subject to the prior consent of the Financial Services Authority. On 23 January 2017 the interest rate will be reset to become three month LIBOR plus 2.11% payable quarterly in arrears. On 25 September 2009, £50 032 000 of the notes representing approximately 14.3% of the total issued principal amount, were cancelled. A further £55 177 000 of the notes representing approximately 15.8% of the original total issued principal amount was cancelled on 8 December 2009. As at the year-end 31 March 2010 the principal amount in issue was £244 971 000.

Guaranteed subordinated medium-term notes

As a result on the acquisition of NM Rothschild, in July 2006, Investec Bank (Australia) Limited has the following subordinated debt instrument in issue: A$25 000 000 of floating rate MTN issued on 10 August 2005 at 3-month BBSW plus 0.90%. The maturity date is 10 August 2015. Interest is payable quarterly up to and excluding the early redemption date 10 August 2010. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3-month BBSW plus 1.40% payable quarterly in arrears.

Subordinated floating rate medium-term notes

A$7 000 000 of floating rate medium-term notes (MTN) issued on 12 February 2010 at 3-month Bank Bills Swap Rate (BBSW) plus 5%. The maturity date is 12 February 2020. Interest is payable quarterly up to and excluding the early redemption date 12 February 2015. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3-month BBSW plus 7.5% payable quarterly in arrears.

Subordinated loan notes

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

Callable subordinated notes

On 21 November 2005 Kensington Group plc issued £75 000 000 of 9% callable subordinated notes due 2015. Interest is payable at the rate of 9%, annually in arrears, up to but excluding 21 December 2010. From and including 21 December 2010, interest on the notes is payable at the reset rate annually in arrears. The issuer may, at its option, redeem all but not some only, of the notes on 21 December 2010, at par. Also, the issuer may, at its option, redeem all, but not some only of the notes at any time at par plus accrued interest, in the event of certain tax changes. The notes mature on 21 December 2015. On 31 August 2006 Kensington Group plc issued £50 000 000 of 9% callable subordinated notes due 2015 (to be consolidated and form a single series, and to be fungible, with the £75 000 000 9.00% callable subordinated notes due 2015 issued on 21 November 2005).

A total of £36 878 000 of the notes representing approximately 29.5% of the total issued principal amount, were cancelled on 29 March 2009.

A total of £18 355 000 of the notes representing approximately 20.8% of the revised total issued principal mount, were cancelled on 21 September 2009. As at the year-end 31 March 2010 the principal amount in issue was £69 767 000.

At 31 March £'000	2010	2009
32. Called up share capital		
Investec plc		
Authorised		
The authorised share capital of Investec plc is £1 240 000 (2009: £1 182 000) comprising: 700 000 000 (2009: 560 000 000) ordinary shares of £0.0002 each, 450 000 000 (2009: 300 000 000) special converting shares of £0.0002 each, 1 (2009: 0.0002) special voting share of £0.001 each, 1 (2009:1) UK DAN share of £0.001, 1 (2008: 1) UK DAS share of £0.001, 1 000 000 (2009: 1 000 000) non-cumulative perpetual preference shares of €0.01 each and 100 000 000 (2009: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each.		
During the year the authorised share capital was increased by £28 000 by the creation of 140 000 000 ordinary shares of £0.0002 each and by £30 000 by the creation of 150 000 special converting shares of £0.0002 each.		
Issued allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	444 937 238	423 319 499
Issued during the year	26 175 826	21 617 739
At end of year	471 113 064	444 937 238
Nominal value of ordinary shares	£'000	£'000
At beginning of year	89	84
Issued during the year	5	5
At end of year	94	89
Number of special converting shares	Number	Number
At beginning of year	268 335 257	234 311 314
Issued during the year	1 431 675	34 023 943
At end of year	269 766 932	268 335 257
Nominal value of special converting shares	£'000	£'000
At beginning of year	53	46
Issued during the year	1	7
At end of year	54	53
Number of UK DAN shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAN share	£'000	£'000
At beginning and end of year	*	*
Number of UK DAS shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAS share	£'000	£'000
At beginning and end of year	*	*
Number of special voting shares	Number	Number
At beginning and end of year	1	1
Nominal value of special voting share	£'000	£'000
At beginning and end of year	*	*

**Less than £1 000.*

In terms of the Dual Listed Companies structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations.

The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this. The unissued shares are under the control of the directors until the next annual general meeting.

At 31 March	2010 Number	2009 Number

32. Called up share capital (continued)

Staff Share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 4.

Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:

For the year to 31 March	2010	2009
Outstanding at 1 April	30 887 992	28 304 271
Granted during the year	12 450 500	6 251 281
Exercised	(8 839 040)	(2 592 134)
Lapsed	(1 788 091)	(1 075 426)
Outstanding at 31 March	32 711 361	30 887 992

The purpose of the Staff Share scheme is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the groups' share price.

At present, the practice of the group is to give all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long–term incentive for staff, these share awards vest over periods varying from five to eight years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance, and contribution made by, the respective staff members.

At 31 March £'000	2010	2009
33. Perpetual preference shares of holding company		
Perpetual preference share capital	151	151
Perpetual preference share premium (refer to note 34)	129 407	129 407
	129 558	129 558
Issued by Investec plc		
9 381 149 (2009: 9 381 149) non–redeemable, non–cumulative, non–participating preference shares of £0.01 each issued at a premium of £8.58 per share:		
– Preference share capital	94	94
– Preference share premium	79 490	79 490
5 700 000 (2009: 5 700 000) non–redeemable, non–cumulative, non–participating preference shares of £0.01 each issued at a premium of £8.86 per share:		
– Preference share capital	57	57
– Preference share premium	49 917	49 917
Preference shareholders will receive an annual dividend if declared, based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value, on a daily basis and payable in two semi–annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared.		
If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	129 558	129 558

At 31 March £'000	2010	2009
34. Share premium		
Share premium account Investec plc	802 517	709 504
Perpetual preference share premium	129 407	129 407
	931 924	838 911

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At 31 March £'000	2010	2009
35. Treasury shares		
Treasury shares held by subsidiaries of Investec plc	£'000	£'000
Investec plc ordinary shares	2 947	33 585
Premium paid on options held to acquire Investec plc shares	152	5 707
	3 099	39 292
	Number	Number
Investec plc shares held by subsidiaries	1 375 533	12 517 583
Reconciliation of treasury shares:	Number	Number
At beginning of year	12 517 583	2 826 052
Purchase of own shares by subsidiary companies	566 999	12 280 739
Shares disposed of by subsidiaries	(11 709 049)	(2 589 208)
At end of year	1 375 533	12 517 583
Market value of treasury shares:	£'000	£'000
Investec plc	7 414	36 551
	7 414	36 551

At 31 March £'000	2010	2009
36. Minority interests		
Minority interest in partially held subsidiaries	2 781	18 978
Perpetual preferred securities issued by subsidiaries	178 307	185 251
	181 088	204 229
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries		
€200 000 000 (2009: €200 000 000) fixed/floating rate guaranteed non-voting, non-cumulative perpetual preferred securities (Preferred securities) were issued by Investec Tier 1 (UK) LP, a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities, which are guaranteed by Investec plc, are callable at the option of the issuer, subject to the approval of the Financial Services Authority, on the tenth anniversary of the issue and, if not called, are subject to a step up in coupon of one and a half times the initial credit spread above the 3-month euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the preferred securities will be at 7.075%. The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company. Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.	178 307	185 251
	178 307	185 251

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At 31 March £'000	2010 Total future minimum payments	2010 Present value	2009 Total future minimum payments	2009 Present value
37. Miscellaneous balance sheet items				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than 1 year	190 512	165 764	101 063	82 861
1 – 5 years	641 086	548 375	276 116	238 206
Later than 5 years	29 663	22 898	16 505	12 900
	861 261	737 037	393 684	333 967
Unearned finance income	124 162		59 717	

At 31 March 2010, unguaranteed residual values accruing to the benefit of the group were £38.3 million (2009: £33.7 million).

For the year to 31 March	2010 £'000	2009 £'000
38. Cash flow reconciliations		
Reconciliation of operating profit to net operating cash flows:		
Profit before taxation	118 653	66 054
Adjustment for non cash items included in operating profit:		
Goodwill income statement amount	–	30 265
Depreciation and impairment of property, equipment and intangibles	25 511	24 045
Impairment of loans and advances	215 740	204 721
Operating income from associates	(11 647)	(12 443)
Dividends received from associates	5 690	5 349
Share based payment charges	24 550	23 376
Reconciliation of operating profit to net operating cash flows	378 497	341 367

At 31 March £'000	2010	2009

39. Commitments

	2010	2009
Undrawn facilities	511 620	528 980
Other commitments	48 061	34 131
	559 681	563 111

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.

	2010	2009
Operating lease commitments		
Future minimum lease payments under non–cancellable operating leases:		
Less than 1 year	19 704	20 676
1 – 5 years	59 077	51 989
Later than 5 years	24 548	31 939
	103 329	104 604

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.

	2010	2009
Operating lease receivables		
Future minimum lease payments under non–cancellable operating leases:		
Less than 1 year	4 839	8 373
1 – 5 years	8 430	16 684
Later than 5 years	-	958
	13 269	26 015

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

At 31 March	Carrying amount		Related liability	
£'000	2010	2009	2010	2009
Pledged assets				
Loans and advances to banks	229 323	–	229 323	–
Loans and advances to customers	226 745	857 733	187 727	517 812
Investment securities	173 905	268 824	166 308	178 674
Trading securities	214 164	233 955	210 964	213 365
	844 137	1 360 512	794 322	909 851

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

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At 31 March £'000	2010	2009
40. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	59 666	71 865
– Assets pledged as collateral security	–	–
Other contingent liabilities	–	–
	59 666	71 865

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

Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (FSCS) provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it. The FSCS raises annual levies from participating members to meet its management expenses and compensation costs. Individual participating members make payments based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) at 31 December each year. If an institution is a participating member on this date it is obligated to pay a levy imposed in the immediately following levy period which runs from 1 April to 31 March. The FSCS has borrowed from HM Treasury to fund the compensation costs associated with Bradford & Bingley, Heritable Bank, Kaupthing Singer & Friedlander, Landsbanki 'Icesave' and London Scottish Bank plc. These borrowings are on an interest-only basis until September 2011.

Investec Bank plc is a participating member of the FSCS and the bank has accrued £2 million for its share of levies that will be raised by the FSCS, including the interest on the loan from HM Treasury, in respect of the two levy years to 31 March 2011. The accrual is based on estimates for the interest the FSCS will pay on the loan and estimates of the level of the bank's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

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

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

Legal proceedings

Investec 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.

For the year to 31 March £'000	2010	2009

41. Related party transactions

Compensation to the board of directors is disclosed in the combined accounts of Investec plc and Investec Limited.

Transactions arrangements and agreements involving directors and others

Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:

Directors, key management and connected persons and companies controlled by them

	2010	2009
Loans		
At beginning of year	19 908	22 792
Increase in loans	10 106	4 797
Repayment of loans	(13 691)	(7 681)
At end of year	16 323	19 908
Guarantees		
At beginning of year	1 993	592
Additional guarantees granted	495	1 429
Guarantees cancelled	(1 993)	(28)
At end of year	495	1 993
Deposits		
At beginning of year	(31 186)	(22 742)
Increase in deposits	(27 816)	(14 045)
Decrease in deposits	19 002	5 601
At end of year	(40 000)	(31 186)

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

For the year to 31 March £'000	Investec Limited and subsidiaries	Associates	Total
41. Related party transactions (continued)			
Transactions with other related parties			
2010			
Assets			
Loans and advances to banks	29 040		29 040
Loans and advances to customers	65	44 529	44 594
Derivative financial instruments	1 709		1 709
Liabilities			
Deposits from banks	(44 005)		(44 005)
Repurchase agreements and cash collateral on securities lent	–		–
Customer accounts	(10 229)		(10 229)
Debt securities in issue	(163 401)		(163 401)
Derivative financial instruments	(3 221)		(3 221)
Subordinated liabilities	(15 086)		(15 086)
2009			
Assets			
Loans and advances to banks	48 098	–-	48 098
Loans and advances to customers	1 265	52 794	54 059
Derivative financial instruments	14 737	–	14 737
Liabilities			
Deposits from banks	(86 302)	–	(86 302)
Repurchase agreements and cash collateral on securities lent	(301 373)	–	(301 373)
Customer accounts	(8 322)	–	(8 322)
Debt securities in issue	–	–	–
Derivative financial instruments	(12 527)	–	(12 527)
Subordinated liabilities	(12 091)	–	(12 091)

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 £4.6 million (2009: £8.3 million) was paid to entities in the Investec Limited group. Interest of £0.3 million (2009: £1.5 million) was received from Investec Limited group. In the ordinary course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2010, this resulted in a net payment to Investec Limited of £3.5 million (2009: £2.7 million). Specific transactions of an advisory nature between group entities have resulted in a net fee payment to Investec Limited of £1.2 million (2009: £0.5 million). Transactions between the group and Rensburg Sheppards Plc (Rensburg Sheppards) are disclosed in Note 21, Interest in associated undertakings.

42. Post balance sheet events

Acquisition of Rensburg Sheppards plc

On 30 March 2010, the independent Rensburg Sheppards directors and the board of directors of Investec announced that they had reached agreement on the terms of a recommended all share offer (the Offer) under which Investec plc will acquire the entire issued and to be issued ordinary share capital of Rensburg Sheppards not already owned by it, to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the Scheme)

On 6 May 2010 the Financial Services Authority (FSA) formally approved Investec and any relevant affiliate of Investec which would be deemed to be acquiring control (as such term is defined in FSMA) as a controller of all and any relevant entities within the Rensburg Sheppards group which are authorised in the UK by the FSA under FSMA.

42. Post balance sheet events (continued)

Following court sanction and confirmation of the capital reduction, the scheme of arrangement became effective on 25 June 2010 and 37 907 652 new ordinary shares of Investec plc were issued to complete the acquisition of the entire issued ordinary share capital of Rensburg Sheppards, not already directly or indirectly owned by Investec plc, on 25 June 2010.

Background to the offer

- As a specialist bank and asset manager, Investec has focused on developing a balanced and diversified portfolio of businesses serving the needs of select market niches where it can compete effectively
- The group's wealth and asset management activities have developed strongly over the past few years and are important and core components of its business model
- Investec seeks to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses. This ensures that the group is not over reliant on any one part of its business to sustain its activities and that it has a large recurring revenue base that the directors of Investec believe enable it to better navigate through varying cycles and to support its long-term growth objectives
- The group's current strategic objectives include increasing the proportion of its non-lending revenue base and moving the organisation onto the front foot thereby capitalising on opportunities within the dislocated financial system
- Against this background, Investec intends to continue to strengthen and develop its wealth and asset management and private client platforms
- In its current form Rensburg Sheppards plc came about on 6 May 2005 through the reverse merger of Investec's Carr Sheppards Crosthwaite Limited's business with the then Rensburg plc. Following that merger, Investec retained a major shareholding and currently has approximately 47% interest in Rensburg Sheppards' issued share capital
- During the five year period that Investec has been a major shareholder of Rensburg Sheppards the company has made strong progress in developing and growing its business and has been successful in its business strategy. As a shareholder, Investec has benefited from the business development, solid price performance and consistent dividend stream that have been delivered
- Investec believes that Rensburg Sheppards' business is a core component of the Investec group and this has been indicated by Investec's continued shareholding level and support
- Investec intends to retain Rensburg Sheppards' brand for the business acquired in order to maximise the opportunity in the UK onshore market and is enthusiastic about supporting Rensburg Sheppards' continued business development including any future consolidation strategy
- Investec believes that this combination of Investec's existing wealth management businesses with that of Rensburg Sheppards will create a strong wealth management platform allowing it to significantly enhance its strategic position and that there is great potential to generate longer term value and a more stable future for the combined business and its employees following completion of this transaction.

Salient features of the offer

- Under the terms of the offer, Rensburg Sheppards shareholders will receive 1.63 fully paid newly issued Investec shares in exchange for each fully paid Rensburg Sheppards share currently held
- The offer values each Rensburg Sheppards share at 916 pence based on the closing price of Investec of 562 pence on 29 March 2010 (being the last business day prior to the date of the announcement and start of the offer period)
- The value of 916 pence for each Rensburg Sheppards share represents a premium of approximately 48% to the closing mid-market price per Rensburg Sheppards share, of 620 pence, on 29 March 2010.
- The new Investec shares to be issued under the scheme are expected to represent approximately 7.8% of the issued share capital of Investec plc and 5.1% of the combined issued share capital of Investec plc and Investec Limited.
- Investec's current plans for Rensburg Sheppards do not involve any material change in its executive management team, operating structure or commercial offering. There is limited overlap between Investec and Rensburg Sheppards operations ensuring continuity for clients and employees.
- Upon or shortly after the scheme becoming effective, the London Stock Exchange will be requested to cancel trading in Rensburg Sheppards shares on the London Stock Exchange's market for listed securities and the UK Listing Authority will be requested to cancel the listing of the Rensburg Sheppards shares from the Official List.

43. Hedges

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

The accounting treatment of accounting hedges is 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 £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or losses on hedging instrument	Current year gains or losses on hedging instrument	Cumulative gains or losses on hedged item	Current year gains or losses on hedged item
2010						
Assets	Interest rate swap	6 105	6 083	5 236	(7 266)	(5 718)
	Fx currency swap					
	Calendar swap	124	(937)	820	937	(821)
	Cross currency swap	325 920	419 720	(133 364)	(419 721)	133 380
Liabilities	Interest rate swap	(49 422)	(71 707)	11 366	78 155	(14 280)
	Fx currency swap	(16 488)	(16 488)	1 483	16 174	(1 502)
	Calender swap					
		266 239	336 671	(114 459)	(331 721)	111 059
2009						
Assets	Interest rate swap	(59 511)	(82 134)	(38 574)	73 399	52 454
	Fx currency swap	(9 523)	(9 523)	(6 978)	8 535	7 422
	Cross currency swap	459 054	552 854	222 127	(552 854)	(222 127)
Liabilities	Interest rate swap	6 080	6 080	4 056	(5 372)	(3 310)
	Cross currency swap	9 681	13 980	11 423	(13 033)	(10 429)
	Calender swap	1 757	1 757	1 757	(1 757)	(1 757)
		407 538	483 014	193 811	(491 082)	(177 747)

43. Hedges (continued)

Cash flow hedges

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

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur	Ineffective portion recognised in principal transactions
2010				
Assets	Interest rate swap	504	1 to 5 years	–
	USD and EUR floating rate debt	–	–	–
Liabilities	Interest rate swap			
	Var. Interest on notes	(5 395)	1 to 5 years	–
	Basis rate swap	(427)	3 months	–
		(5 318)		
2009				
Assets	Interest rate swap	297	1 to 5 years	–
	USD and EUR floating rate debt	22 795	3 months	–
Liabilities	Interest rate swap			
	Var. Interest on notes	(21 192)	1 to 5 years	–
	Basis rate swap	(425)	3 months	–
		1 475		

Hedges of net investments in foreign operations

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

At 31 March £'000	Hedging instrument negative fair value	Ineffective portion recognised in principal transactions
2010	1 581	–
2009	7 033	–

6

At 31 March £'000	Demand	Up to one month
44. Liquidity analysis of financial liabilities based on undiscounted cash flows		
2010		
Liabilities		
Deposits by banks	232 990	326 666
Deposits by banks - Kensington warehouse funding	8 555	21 054
Derivative financial instruments	169 763	17 569
Derivative financial instruments - held for trading	165 974	–
Derivative financial instruments - held for hedging risk	3 789	17 569
Repurchase agreements and cash collateral on securities lent	222 530	44 802
Customer accounts	1 346 409	1 490 589
Debt securities in issue	–	102 273
Liabilities arising on securitisation	599	19 806
Other liabilities	436 384	139 197
	2 417 230	2 161 956
Subordinated liabilities	–	(7 952)
Total on balance sheet liabilities	2 417 230	2 154 004
Contingent liabilities	238 809	19 421
Total liabilities	2 656 039	2 173 425
2009		
Liabilities		
Deposits by banks	491 230	602 365
Deposits by banks - Kensington warehouse funding	7 966	18 485
Derivative financial instruments	339 850	–
Derivative financial instruments - held for trading	142 476	–
Derivative financial instruments - held for hedging risk	197 374	–
Repurchase agreements and cash collateral on securities lent	747 177	100 957
Customer accounts	1 045 131	881 703
Debt securities in issue	–	89 028
Liabilities arising on securitisation	441	15 661
Other liabilities	452 776	56 445
	3 084 571	1 764 644
Subordinated liabilities		
On balance sheet liabilities	3 084 571	1 764 644
Contingent liabilities	281 903	4 149
Total liabilities	3 366 474	1 768 793

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow, 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 cashflows, please refer to page 99.

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
125 929	133 180	551 751	241 673	20 800	1 632 989
173 861	71 372	104 858	925 784	136 274	1 441 758
39 116	32 385	63 893	178 441	427 855	929 022
–	–	–	–	–	165 974
39 116	32 385	63 893	178 441	427 855	763 048
15 351	234 149	45 036	–	–	561 868
2 222 875	2 632 617	440 316	1 128 926	91 250	9 352 982
129 446	41 143	61 696	1 653 744	192 212	2 180 514
167 800	188 549	347 336	1 840 601	1 804 658	4 369 349
131 706	49 335	42 826	14 832	15 724	830 004
3 006 084	3 382 730	1 657 712	5 984 001	2 688 773	21 298 486
458	23 345	224 331	246 998	307 852	795 032
3 006 542	3 406 075	1 882 043	6 230 999	2 996 625	22 093 518
27 816	22 491	57 648	213 990	60 577	640 752
3 034 358	3 428 566	1 939 691	6 444 989	3 057 202	22 734 270
191 511	277 654	869 812	561 901	14 904	3 009 377
33 010	48 910	237 112	987 431	352 863	1 685 777
61	21 216	213	10 959	63 324	435 623
–	–	–	–	–	142 476
61	21 216	213	10 959	63 324	293 147
202 224	–	–	–	–	1 050 358
1 899 841	904 614	313 927	180 492	68 584	5 294 292
241 939	24 420	47 480	624 315	7 031	1 034 213
258 138	240 526	606 753	2 806 094	1 004 953	4 932 566
82 857	83 049	9 244	7 751	826	692 948
2 909 581	1 600 389	2 084 541	5 178 943	1 512 485	18 135 154
753	11 308	80 075	355 875	559 769	1 007 780
2 910 334	1 611 697	2 164 616	5 534 818	2 072 254	19 142 934
24 962	27 839	90 421	170 303	44 599	644 176
2 935 296	1 639 536	2 255 037	5 705 121	2 116 853	19 787 110

At 31 March	Principal activity	Country of incorporation	Interest % 2010	Interest % 2009
45. Principal subsidiaries and associated companies – Investec plc				
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100	100
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Limited	Banking institution	Australia	100	100
Investec Holdings (UK) Limited	Holding company	England and Wales	100	100
Investec Bank plc (formerly Investec Bank (UK) Limited)	Banking institution	England and Wales	100	100
Investec Group (UK) PLC	Holding company	England and Wales	100	100
Investec Asset Finance PLC	Leasing company	England and Wales	100	100
Lease Direct Finance Limited	Finance broker	England and Wales	75	–
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100	100
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Trust Holdings AG (formerly Investec Investment Holdings AG)	Investment holding	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust company	Guernsey	100	100
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100	100
Investec Trust (Jersey) Limited	Trust company	Jersey	100	100
Investec Asset Management Limited	Asset management	England and Wales	100	100
Investec Ireland Limited	Financial services	Ireland	100	100
Investec Securities (US) LLC	Financial services	USA	100	100
Kensington Group plc	Financial services	England and Wales	100	100
Kensington Mortgages Limited	Financial services	England and Wales	100	100
Newbury Park Mortgage Funding Limited	Financial services	England and Wales	100	100
St Jame's Park Mortgage Funding Limitied	Financial services	England and Wales	100	100
Start Mortgages Limited	Financial services	Ireland	66.4	65.1
Investec Experien Pty Limited	Financial services	Australia	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Global Ethanol Holdings Limited	Holding company	Australia	44.4	44.4
Global Ethanol LLC (formerly Midwest Grain Processors LLC)	Production and marketing of Ethanol	USA	26.6	26.6
Ida Tech LLC	Development of fuel cell technology	USA	69.2	73.1
All of the above subsidiary undertakings are included in the consolidated accounts				
Principal associated companies				
Rensburg Sheppards plc	Stockbroking and portfolio management	England and Wales	47.1	47.3
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0	35.0

45. Principal subsidiaries and associated companies – Investec plc (continued)

Investec plc has no equity interest in the following special purpose vehicles which are consolidated on the basis of the group sharing in the risks and rewards associated with the entities:

Residential Mortgage Securities 16 plc
Residential Mortgage Securities 17 plc
Residential Mortgage Securities 18 plc
Residential Mortgage Securities 19 plc
Residential Mortgage Securities 20 plc
Residential Mortgage Securities 21 plc
Residential Mortgage Securities 22 plc
Kensington Mortgage Securities plc
Money Partners Securities 1 plc
Money Partners Securities 2 plc
Money Partners Securities 3 plc
Money Partners Securities 4 plc
Lansdowne Mortgage Securities No. 1 plc
Lansdowne Mortgage Securities No. 2 plc
Landmark Mortgage Securities No. 2 plc
Tamarin Securities Limited
Zebra Capital II Limited

Balance sheet

At 31 March £'000	Notes	2010	2009
Fixed assets			
Investments in subsidiaries	b	1 302 646	1 234 571
Current assets			
Cash at bank and in hand:			
– Balances with subsidiary undertaking		71 574	105 538
– Balances with other banks		1 047	876
Amounts owed by group undertakings		501 381	494 739
Tax		17 437	13 376
Other debtors		20	20
Prepayments and accrued income		445	–
Total assets		**1 894 550**	**1 849 120**
Liabilities			
Bank loans	c	178 392	185 372
Amounts owed to group undertakings		780 175	814 322
Other liabilities		1 132	971
Accruals and deferred income		2 125	3 251
		961 824	**1 003 916**
Capital and reserves			
Called up share capital	d	148	143
Share premium account	d	931 923	838 911
Perpetual preference shares	d	151	151
Capital redemption reserve	d	50	50
Profit and loss account	d	454	5 949
Total capital and reserves		**932 726**	**845 204**
Total capital and liabilities		**1 894 550**	**1 849 120**

a. Accounting policies

Basis of preparation

The parent accounts of Investec plc are prepared under the historical cost convention and in accordance with UK accounting standards.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pounds Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pounds Sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit or loss account.

Investments

Investments are stated at cost less any impairment in value.

Income

Dividends from subsidiaries are recognised when paid. Interest is recognised on an accrual basis.

Taxation

Corporate tax is provided on taxable profits at the current rate.

Company's own profit and loss account

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 to not present its own cash flow statement. A cash flow statement, prepared under International Financial Reporting Standards, is included in the consolidated financial statements of the group.

Financial instruments: Disclosures

The company has taken advantage of the exemption in Financial Reporting Standard 29 to not present its own disclosures in respect of financial instruments as disclosures prepared in accordance with International Reporting Standards are included in the consolidated financial statements of the group.

Related party transactions

Transactions, arrangements and agreements involving directors and others are disclosed in note 41 to the group financial statements.

£'000	2010	2009
b. Investments in subsidiary undertakings		
At beginning and end of year	1 234 571	1 110 533
Additions	104 000	124 038
Disposals	(35 925)	–
At end of year	1 302 646	1 234 571

On 23 July 2009 Investec Finance (Jersey) Limited redeemed the company's holding of 10 million preference shares of £2.6825 each.

On 31 July 2009 Investec Finance (Jersey) Limited issued to the company 22 million preference shares of £3.90 each.

On 26 February 2010 the company issued 1 973 114 shares at 461.2 pence in consideration for the purchase of Leasedirect Finance Limited at a cost of £9.1 million.

On 2 March 2010 the company sold Leasedirect Finance Limited to Investec 1 Limited for £9.1 million settled with an issue of 910 000. Investec 1 Limited's ordinary shares of 0.1 pence each at a cost of £10 per share.

c. Bank loans

The company drew down on two Schuldschein loans of €100 million on 8 and 9 March 2006. These loans each bear interest at 90 basis points above three month EURIBOR and are repayable on 8 and 9 March 2011.

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares	Capital redemption reserves	Profit and loss account	Total reserves
d. Statement of changes in shareholders' equity							
At 1 April 2009	143	151	838 911	–	50	5 949	845 204
Issue expenses	–	–	(3 559)	–	–	–	(3 559)
Issue of ordinary shares	5	–	96 571	–	–	–	96 576
Share-based payment adjustment	–	–	–	–	–	1 367	1 367
Profit for the year	–	–	–	–	–	31 085	31 085
Dividends paid to preference shareholders	–	–	–	–	–	(3 552)	(3 552)
Dividends paid to ordinary shareholders	–	–	–	–	–	(34 395)	(34 395)
At 31 March 2010	148	151	931 923	–	50	454	932 726

Parent company profit and loss account

The company's profit for the year determined in accordance with the Act was £31 085 000 (2009: £46 558 000).

e. Treasury shares

	2010	2009
Treasury shares held by Investec plc	–	–
Number of Investec plc ordinary shares held by Investec plc	Number	Number
At 1 April	500 000	1 124 995
Disposal of own shares by Investec plc	–	(624 995)
At 31 March	500 000	500 000
Reconciliation of treasury shares	£'000	£'000
At 1 April	–	3 549
Disposal of own shares by Investec plc	–	(3 549)
At 31 March	–	–
Market value of treasury shares	2 693	1 460

Treasury shares are being held in an employee benefit trust in relation to the Investec Share Matching Plan 2005.

Dividends on treasury shares have not been included in the profit and loss account.

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