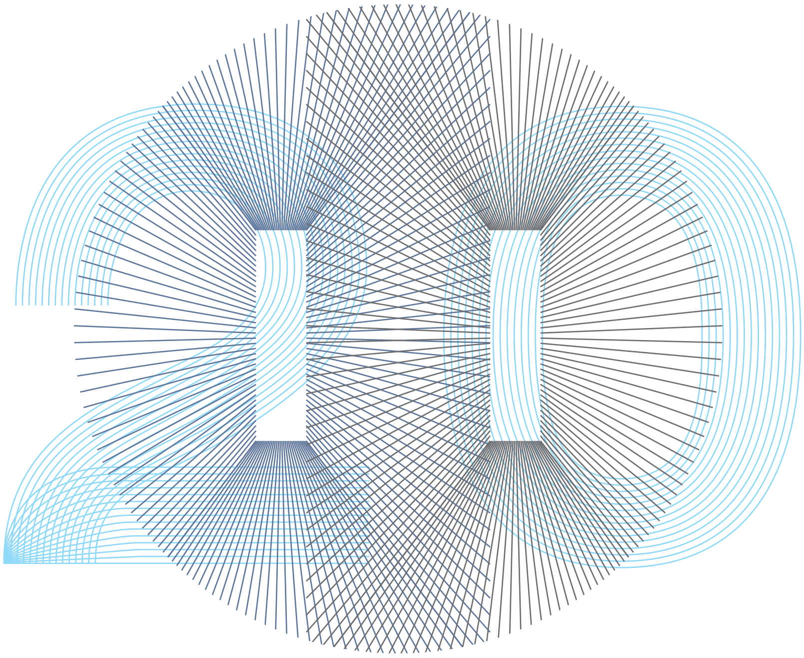
# Investec integrated annual review and summary financial statements 2011



*Out of the Ordinary®*

Investec

Specialist Bank and
Asset Manager

# Corporate information

## Investec plc and Investec Limited

### Secretary and registered office

Investec plc

David Miller
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United Kingdom
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Investec Limited

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

### Internet address

www.investec.com

### Registration number

Investec plc
Reg. No. 3633621
Investec Limited
Reg. No. 1925/002833/06

### Auditors

Ernst & Young LLP
Ernst & Young Inc.

### Transfer secretaries in the UK

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The Pavilions
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Bristol BS99 6ZZ
United Kingdom
Telephone (44) 870 707 1077

### Transfer secretaries in South Africa

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Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

### Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Hugh S Herman (non-executive chairman)
Sam E Abrahams
George FO Alford
Cheryl A Carolus
PKO Crosthwaite
Olivia C Dickson
Bradley Fried
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Sir David Prosser (senior independent NED)
Peter RS Thomas
Fani Titi

### Investec offices – contact details

Refer to pages 133 and 134.

For queries regarding information in this document:

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The integrated annual review and summary financial statements has been compiled in accordance with the integrated reporting principles contained in the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa (King Code). This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

This is the first integrated report we have produced and we acknowledge that local and international guidelines on integrated reporting are still at an early stage of development.

The summary financial statements have been approved by the board of directors of the group and were signed on its behalf by the chief executive officer, Mr S Koseff. This document provides a summary of the information contained in Investec's 2011 integrated annual report (annual report). It is not the group's statutory accounts and does not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group as would be provided by the full annual report. For further information consult the full annual financial statements, the unqualified auditor's reports on those financial statements and the directors' report. The auditors' reports did not contain a statement under section 237(2) or section 237(3) of the UK Companies Act.

The 2011 Investec group's annual report may be viewed on our website:
http://www.investec.com

Should you wish to obtain a copy of the full 2011 annual report, please contact the Investor Relations division.

# Contents

# Overview of the year

# Investec in perspective

## 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.

### Mission statement

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

## What we do

We are organised as a network comprising six business divisions: Asset Management, Wealth and Investment, 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

### Distinctive performance

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

### Dedicated partnership

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

### Client focus

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

### Cast-iron integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

### Philosophies

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

| By geography | History | Market positioning |
|---|---|---|
| UK and Europe | • In 1992 we made our first international acquisition, acquiring Allied Trust Bank in London<br>• Since that date, we have expanded organically and through a number of strategic acquisitions<br>• Developed capabilities in all six of our core activities<br>• Listed in London in July 2002, through the implementation of a Dual Listed Companies Structure<br>• In March 2010 Investec plc was included as a new entrant to the FTSE100 index<br>• Offices supporting the UK and European businesses include: Canada; Channel Islands; Hong Kong; Ireland; Switzerland; Abingdon; London; Manchester; New York; Taiwan. | **Total funds under management**<br>£45.7 billion<br>**Total core loans**<br>£5.6 billion<br>**Total deposit book**<br>£8.8 billion |
| Southern Africa | • Founded as a leasing company in 1974<br>• Acquired a banking licence in 1980<br>• Listed on the JSE Limited South Africa in 1986<br>• In 2003 we implemented a 25.1% empowerment shareholding transaction<br>• Market leading position in all six of our core activities<br>• Fifth largest bank in the country<br>• Offices supporting the Southern African businesses include: Botswana; Mauritius; Namibia; East London; Johannesburg; Knysna; Nelspruit; Pietermaritzburg; Port Elizabeth; Pretoria; Stellenbosch. | **Total funds under management**<br>£42.7 billion<br>**Total core loans**<br>£11.1 billion<br>**Total deposit book**<br>£14.2 billion |
| Australia | • Entered the market in 1997<br>• Significantly expanded our capabilities in 2001 through the acquisition of Wentworth Associates, one of the leading corporate finance boutiques in Australia<br>• In 2002 we received a banking licence which opened up many growth opportunities<br>• Have grown our business organically and through select strategic acquisitions<br>• We have offices in: Brisbane; Melbourne; Perth; Sydney. | **Total funds under management**<br>£0.5 billion<br>**Total core loans**<br>£2.1 billion<br>**Total deposit book**<br>£1.4 billion |

# By geography

| | % of operating profit* | % of assets | % of NAV** | % of permanent employees | COI/ROE^ |
|---|---|---|---|---|---|
| | **Investec total: £434.4mn** | **Investec total: £50 941mn** | **Investec total: £2 688mn** | **Investec total: 6 716** | |


COI: 65.8%
ROE: 8.0%

### Highlights

- Operating profit of the UK operations increased 8.0% to £133.6 million.


COI: 55.5%
ROE: 17.5%

### Highlights

- Operating profit of the Southern African operations increased 3.3% to £300.1 million.


COI: 73.6%
ROE: 0.1%

### Highlights

- Operating profit of the Australian operations decreased significantly to £0.7 million.

* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*
** *NAV is tangible shareholders' equity.*
^ *COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity.*

# Investec in perspective (continued)

| | By business | Core client base | Market positioning |
|---|---|---|---|
| Asset Management and Wealth Management | Asset Management | Institutions and professionals | **Record funds under management**<br>**1991: £0.4 billion ⇨ 2011: £58.8 billion**<br>**Strong net inflows of £7.4 billion**<br>Good long-term performance with growing traction in all distribution channels |
| Asset Management and Wealth Management | Wealth and Investment | High net worth individuals, charities and trusts | **Total funds under management**<br>**1997: £0.4 billion ⇨ 2011: £29.4 billion**<br>UK: Now own 100.0% of Rensburg Sheppards plc, long standing reputation<br>SA: largest player |
| Specialist Bank | Property Activities | High net worth individuals, retail and institutional investors, listed property companies and large property owners | **Total funds under management: £292 million**<br>**Total on balance sheet investments: £589 million**<br>UK and Australia: developing businesses<br>SA: market leading position |
| Specialist Bank | Private Banking | High income and high net worth individuals | **Global core loan portfolio: £13.3 billion**<br>**Global deposit book: £12.5 billion** |
| Specialist Bank | Investment Banking | Listed and unlisted companies, fund managers, government and parastatals | UK and Australia: recognised market positioning<br>SA: No 1 M&A house by volume for the 2010 calendar year (Dealmakers Survey) |
| Specialist Bank | Capital Markets | Select corporate clients, public sector bodies and institutions | Strong positioning in UK, SA and Australia<br>**Global core loan portfolio: £4.8 billion** |
| Specialist Bank | Group Services and Other Activities | Small to medium sized corporates (ReichmansCapital) | Central funding and central services are internal activities<br>International trade finance undertaken through ReichmansCapital |

## By business

| | % of operating profit* | % of assets | % of NAV** | % of permanent employees | COI/ROE/ROTE^ |
|---|---|---|---|---|---|
| | Investec total: £434.4mn | Investec total: £50 941mn | Investec total: £2 688mn | Investec total: 6 716 | |
| | 29.3% | 1.1% | 1.4% | 14.7% | COI: 63.0%<br>ROE: 78.5%<br>ROTE: 329.7% |
| | 9.3% | 2.1% | 2.4% | 13.7% | COI: 74.1%<br>ROE: 16.5%<br>ROTE: 78.7% |
| | 11.0% | 1.0% | 4.2% | 1.1% | COI: 35.2%<br>ROE: 39.6%<br>ROTE: 39.8% |
| | (21.0%) | 28.5% | 39.4% | 28.8% | COI: 61.6%<br>ROE: (9.2%)<br>ROTE: (9.6%) |
| | 15.5% | 2.4% | 9.6% | 5.5% | COI: 72.7%<br>ROE: 18.7%<br>ROTE: 21.7% |
| | 55.7% | 48.5% | 37.0% | 19.6% | COI: 49.5%<br>ROE: 19.8%<br>ROTE: 21.5% |
| | 0.2% | 16.4% | 6.0% | 16.6% | COI: 110.8%<br>ROE: 41.5%<br>ROTE: 41.7% |

* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*

** *NAV is tangible shareholders' equity.*

^ *COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity and ROTE is the pre-tax return on adjusted average tangible shareholders' equity.*

# Snapshot of the year

## Financial features

- Operating profit before taxation* increased 0.5% to £434.4 million (2010: £432.3 million)
- Adjusted earnings attributable to shareholders* increased 5.9% to £327.9 million (2010: £309.7 million)
- Adjusted earnings per share (EPS)* decreased 4.2% to 43.2 pence (2010: 45.1 pence)
- Net tangible asset value per share increased by 6.1% to 343.8 pence (2010: 324.1 pence)
- Proposed full year dividend increased 6.3% to 17.0 pence (2010: 16.0 pence)
- We achieved three out of our five financial objectives. ROE and adjusted EPS targets remain difficult to achieve in this environment.

## Highlights

### 2011: Focused on reshaping the business…

- Five out of the group's six divisions recorded strong growth in operating profit. Overall results were constrained by the slow recovery of non-performing loans
- Positioned the group as a specialist bank and asset manager
- Realigned the business model to focus on building non-banking revenue streams
- Momentum in the Asset Management and Wealth Management businesses continued
  - Total third party assets under management increased by 20.0 % to £88.9 billion
  - Operating profit from these businesses rose 53.5% to £167.7 million
  - Together they accounted for 38.6% of group operating profit (2010: 25.3%)
- Recurring income as a percentage of total operating income increased to 62.3% (2010: 60.3%)
- Activity levels in Specialist Banking showed improvement; the Investment Banking and Capital Markets businesses recorded strong increases in operating profit
- Strong capital and liquidity position
  - Tier 1 ratios for Investec plc and Investec Limited of 11.6% and 11.9% respectively
  - Cash and near cash balances rose to £9.3 billion (2010: £9.1 billion)
  - Low gearing ratios; core loans and advances to equity fell to 4.7 times (2010: 5.4 times)
- The credit loss ratio was marginally ahead of expectations at 1.27%; the group expects this ratio to decrease during the forthcoming financial year
- Investment in the Investec brand continues.

### 2012: Foundation for growth in place

## Financial objectives**

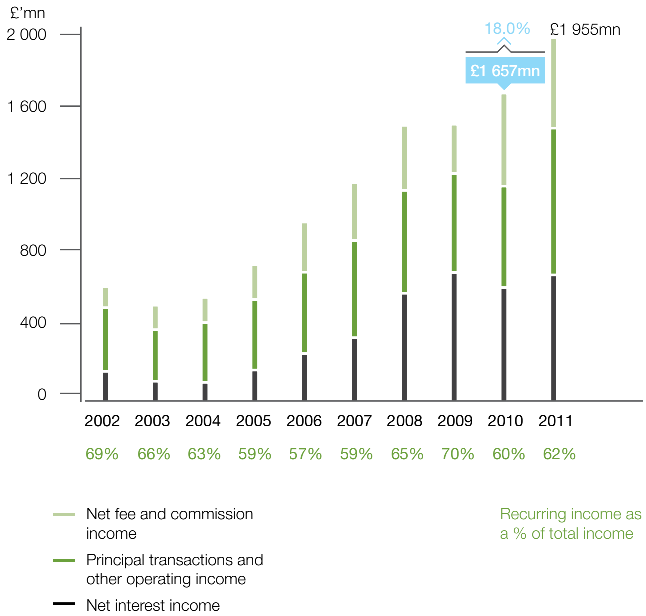
| | Target in £ | 31 March 2011 | 31 March 2010 |
|---|---|---|---|
| ROE | >20% | 11.2% | 13.5% |
| Cost to income ratio | <65% | 61.7% | 57.8% |
| Adjusted EPS* growth | 10% > UK RPI | (4.2%) | 6.4% |
| Dividend cover range | 1.7 – 3.5 times | 2.5x | 2.8x |
| Capital adequacy ratio range | 14% – 17% | plc: 16.8%<br>Ltd: 15.9% | plc: 15.9%<br>Ltd: 15.6% |

* *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

** *The original targets were disclosed in May 2004 and are medium to long-term targets. We aim to achieve them through varying market conditions. The capital adequacy and dividend cover targets were revised in November 2008.*

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

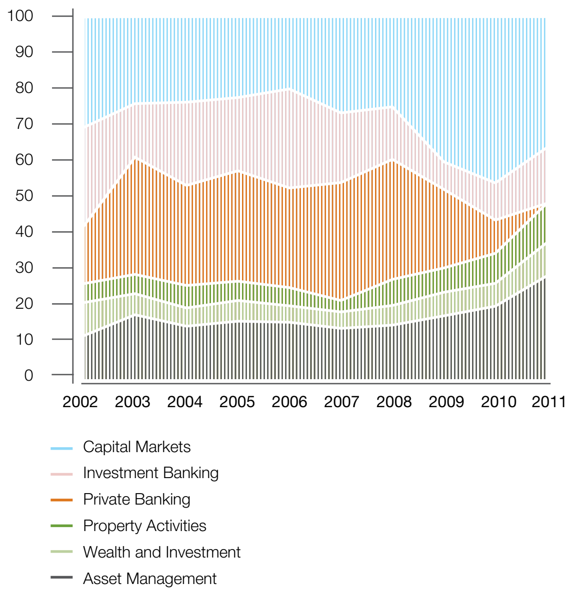
### Total operating income




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

### % contribution to operating profit before taxation*

(excluding Group Services and Other Activities)

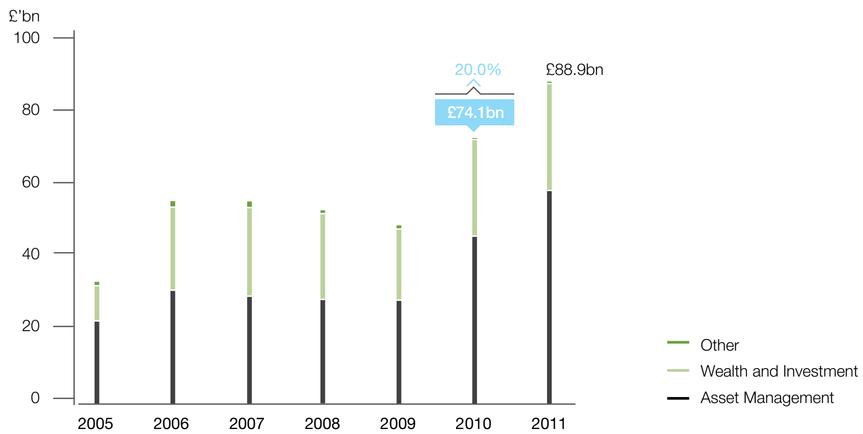



* *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

## Good growth in third party assets under management… momentum in realigning our business model continues

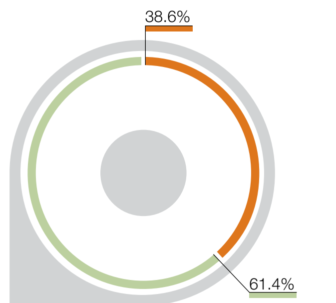
- Consolidation of global Wealth Management businesses
- Acquisition of the balance of Rensburg Sheppards plc in the UK
- Investec Asset Management reported record net inflows of £7.4 billion for the year.

### Third party assets under management

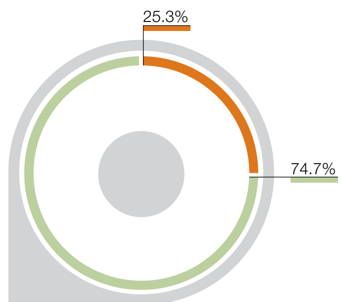



## Resulting in strong contribution from Asset Management and Wealth Management businesses

### Contribution to group earnings




31 March 2011




31 March 2010

Asset Management and Wealth Management businesses

Specialist Banking businesses

# Snapshot of the year (continued)

## Sound capital and liquidity position maintained… achieved capital targets across all geographies

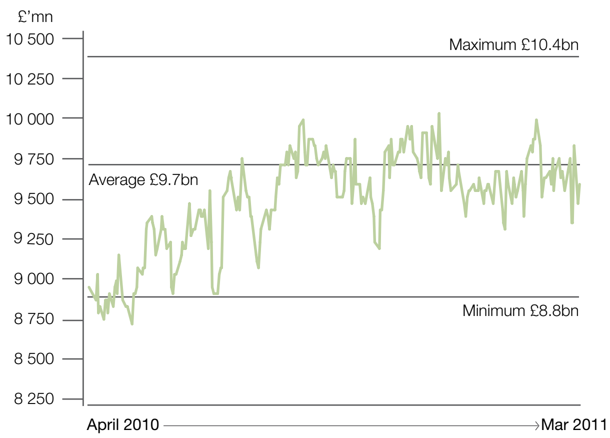
- The intimate involvement of senior management ensures stringent management of risk and liquidity
- Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- Investec has maintained a strong capital base and has met its targets in this period
- 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
- Benefited from growing retail franchise and recorded an increase in customer deposits in all three core geographies
- Advances as a percentage of customer deposits is at 72.4% (2010: 76.2%).

## Capital adequacy and Tier 1 ratios

| At 31 March 2011 | Capital adequacy ratio | Tier 1 ratio |
|---|---|---|
| Investec plc | 16.8% | 11.6% |
| Investec Bank plc | 16.1% | 11.3% |
| Investec Bank (Australia) Limited | 17.6% | 14.7% |
| Investec Limited | 15.9% | 11.9% |
| Investec Bank Limited | 15.6% | 11.5% |

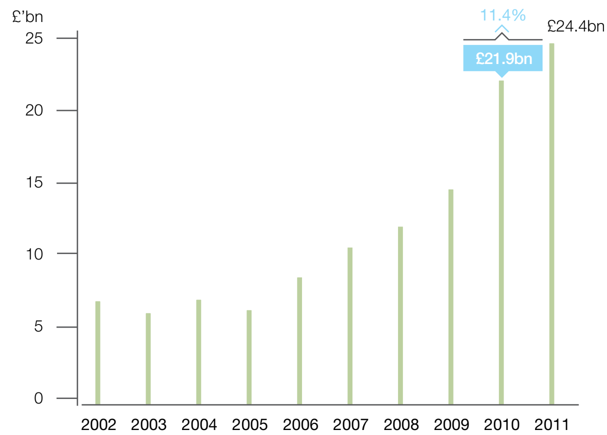
## Sound capital and liquidity position maintained… benefited from growing retail franchise

### Cash and near cash trend



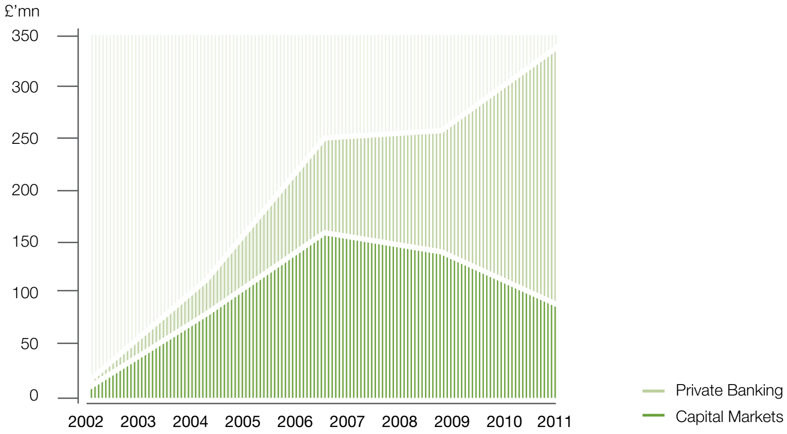

| | |
|---|---|
| Total 31 March 2011 | £9.3bn |
| Investec plc | £4.5bn |
| Investec Limited | £4.8bn |

### Customer accounts (deposits)



## Specialist Banking impacted by an increase in impairments and defaults…

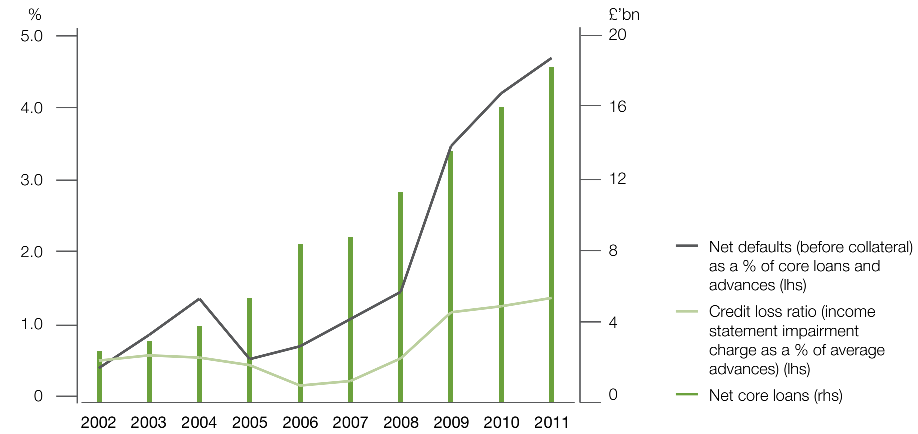
**Impairments by business**




## Impairment analysis by geography

| £'mn | 31 March 2011 | 31 March 2010 | % change |
|---|---|---|---|
| UK | 112.6 | 138.8 | (18.9%) |
| Ireland | 97.9 | 49.6 | 97.4% |
| South Africa | 77.5 | 70.8 | 9.5% |
| Australia | 30.2 | 27.4 | 10.2% |
| Total | 318.2 | 286.6 | 11.0% |

**Defaults and core loans**




- 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
- The uncertain pace of economic recovery has slowed the improvement in the level of non-performing loans and defaults have continued to increase
- Credit risk however, remains appropriately managed and net defaults (after collateral and impairments) are fully collateralised
- Credit loss charge increased from 1.16% to 1.27%
- We believe we are moving through the cycle and expect to see a reduction in impairments during the 2012 financial year.

## Remain committed to delivering on our sustainability objectives…

Sustainability is an integral part of who we are, our culture and values, and how we go about doing things. As a distinctive specialist bank and asset manager, driven by commitment to our philosophies and values, our purpose is to create sustained long-term wealth, and to finance and foster entrepreneurs.

Sustainability developments during the period

- A strategic review of our sustainability initiatives in South Africa
- An extensive stakeholder engagement exercise was carried out involving a number of our stakeholders in the UK, South Africa and Australia
- An analysis of the risks and opportunities of climate change for the South African business
- We maintained our presence in the Dow Jones Sustainability Index, the JSE-SRI Index and the FTSE4Good Index.

Dow Jones Sustainability Indexes Member 2010/11

JSE JOHANNESBURG STOCK EXCHANGE SRI Index

FTSE4Good

More sustainability developments during the period…

- Investec was a finalist in the education category of the 2010 UK Lord Mayor's Dragon Awards which recognise Investec's contribution to its local community
- Development of the 'Investec Foundation' whose focus is to address some of the social challenges faced in Australia
- To coincide with UN World Water Day on 22 March 2011, the London and South African offices held water awareness campaigns
- Significant development in environmentally responsible technology and energy efficient fittings in a number of our buildings
- Hosted a 'post-Cancun' discussion with leaders in the field of climate change looking at the impact of climate change for business and society at large
- The UK business participated in the Carbon Reduction Commitment Energy Efficiency Scheme. The London office signed up for the 10:10 campaign, a UK initiative aimed at encouraging individuals and businesses to reduce carbon emissions by 10% in 2012. Investec surpassed this target by reducing electricity consumption by 14% and gas emissions by 22%.

## Non-financial performance highlights

| | 31 March 2011 | 31 March 2010 |
|---|---|---|
| **Social** | | |
| Training spend on employees (£'000) | 14 107 | 6 319 |
| Corporate social investment spend (£'000) | 5 027 | 3 894 |
| **Environmental** | | |
| Carbon emissions per full-time employee ($Co_2$ metric tonnes) | 10.10 | 11.34 |
| Carbon emissions per $m^2$ of office space ($Co_2$ metric tonnes) | 0.47 | 0.51 |

## Value added statement

| £'000 | 31 March 2011 |
|---|---|
| **Net income generated** | |
| Interest receivable | 2 238 783 |
| Other income | 1 284 479 |
| Interest payable | (1 557 314) |
| Other operating expenditure and impairments on loans | (658 159) |
| | 1 307 789 |
| **Distributed as follows:** | |
| **Employees** | 554 356 |
| Salaries, wages and other benefits | |
| **Government** | 337 496 |
| Corporation, deferred payroll and other taxes | |
| **Shareholders** | 165 064 |
| Dividends paid to ordinary shareholders | 123 630 |
| Dividends paid to preference shareholders | 41 434 |
| **Retention for future expansion and growth** | 250 873 |
| Depreciation | 46 606 |
| Retained income for the year | 204 267 |
| | 1 307 789 |

# Strategic focus

We pursue this strategy through an emphasis on…

Investec strives to be a distinctive specialist bank and asset manager, driven by commitment to its core philosophies and values.

## The Investec distinction

### Client focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing client relationships
- Distinction lies in our ability to be nimble, flexible and innovative, and to give clients a high level of service.

### Specialised and focused strategy

- Not all things to all people
- Serve select market niches as a focused provider of tailored structured solutions
- Strategy is to enhance our existing position in principal businesses and geographies.

### Sustainable business model

- Build a sustainable business model by balancing operational risk businesses with financial risk businesses
- Organic growth and select bolt-on acquisitions
- Contain costs and strictly manage risk, capital and liquidity
- Committed to creating value for shareholders.

### Depth of leadership and entrepreneurial environment

- Passionate people are key to ensuring distinction
- Integrated international business platform with an effective global management structure demonstrating our depth of leadership
- Focus on developing and empowering people who are committed to the organisation
- Entrepreneurial environment that attracts talented people and encourages creativity and innovation.

### Risk awareness entrenched in our culture

- Intimate involvement of senior management underpins effective risk management which is critical to our success
- Culture of risk awareness is embedded into our reward programmes, values and day-to-day activities
- Shareholder and employee interests are aligned, with executives and employees owning approximately 15% of our issued share capital.

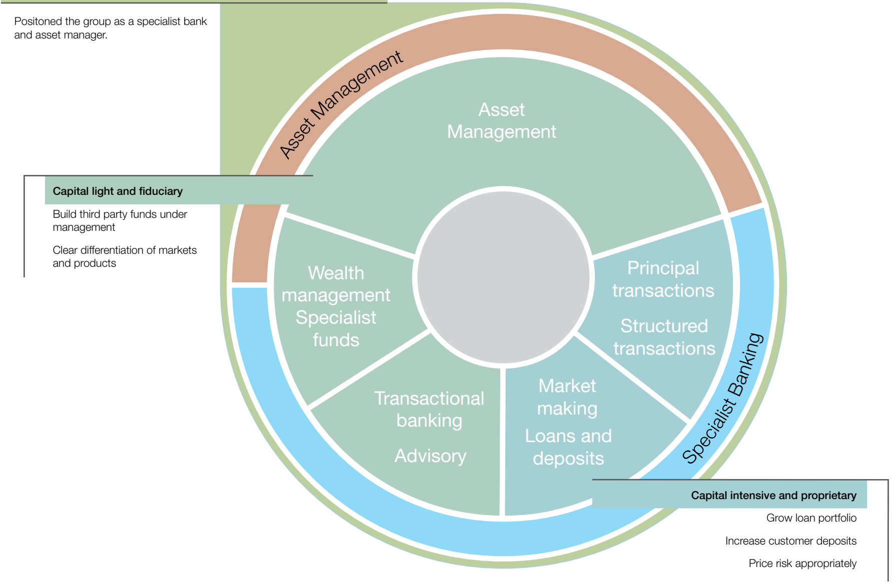
### Doing the right thing

- Doing the right thing for clients, employees and communities is integral to our way of doing business
- Focus on projects that are educational, entrepreneurial and sustainable.

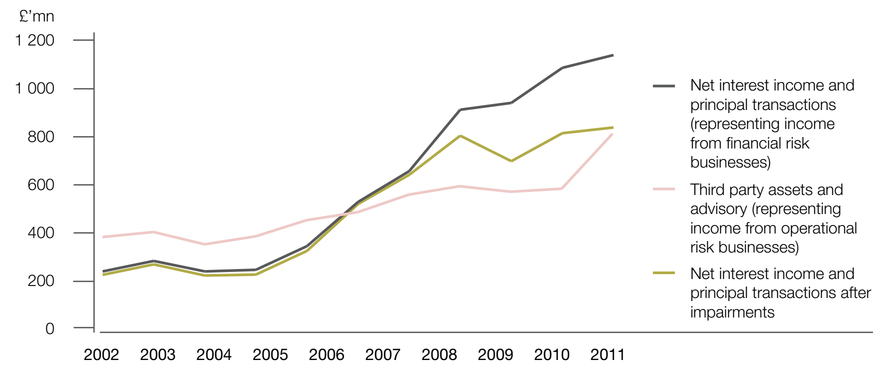
## Continue strategy of building our franchise… realigning the business model

- 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 and high income clients in our selected geographies
- We have created a global Wealth and Investment unit which provides investment management services and independent financial planning advice to private clients, charities and trusts
- 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.

### Realigning the business model




## Continue strategy of building our franchise… good progress in building capital light revenues




| Operational risk businesses | Core advisory and core banking | Financial risk businesses |
|---|---|---|
| • Asset management and wealth management<br>• Property funds<br>• Advisory services<br>• Transactional services | Overall objectives:<br>• Containing costs<br>• Maintaining credit quality<br>• Strictly managing risk and liquidity | • Lending portfolios<br>• Principal transactions<br>• Structured transactions<br>• Market making |

- 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 Management and Asset Management businesses.

## Looking forward

We have globalised our Asset Management business and have made good progress in globalising our Wealth and Investment business… the focus is now on creating a single Specialist Bank

### Purpose

- To create a single bank mindset and structure with client need and demand at the core of our offering
- To be more effective for our clients.

### How

- By creating a more appropriate business structure in order to maximise the product offering to the client
- By sharing the competencies of the organisation to achieve greater operational efficiency
- By looking for synergies and connectivity across the group
- By leveraging off our global capabilities.

This is a process which will take time to implement and further detail will be given at the Investor Briefing in September 2011.

## Outlook

### We are well positioned to benefit from future growth…

- Regulatory uncertainties remain and we will continue to maintain excess levels of liquidity and capital until there is further clarity. However, we expect earnings to benefit from continued momentum in our businesses and the normalising of impairment losses
- We have sought to align the business model and grow revenues from less capital intensive activities. This strategy is paying off and we are developing the right balance of businesses for the long term
- We have taken advantage of the dislocation that occurred in financial markets to attract people and extend brand awareness to benefit from steadily improving market activity.

- We will continue to focus on our clients, remaining competitive in core businesses and developing our brand.

# 2

# Operating financial review

# Operating financial review

## Sound financial result

Investec reported adjusted earnings per share (EPS) before goodwill, acquired intangibles and non-operating items down 4.2% to 43.2 pence from 45.1 pence, largely as a result of an increase in the number of shares in issue. We continued to focus on building our non-banking revenue streams with recurring income as a percentage of total operating income increasing to 62.3% from 60.4% in the previous year. The board proposed a final dividend of 9.0 pence per ordinary share equating to a full year dividend of 17.0 pence, an increase of 6.3% on the prior year. Our dividend cover, based on adjusted EPS before goodwill and non-operating items, is 2.5 times and is consistent with our dividend policy.

We have realigned our business model towards less capital intensive activities by building our Asset Management and Wealth Management businesses thereby growing our annuity net fee and commission income. This has resulted in a substantial rise in total third party assets under management for the group of 20.0% to £88.9 billion, and a 53.5% increase in operating profit from the Asset Management and Wealth Management businesses which now account for 38.6% of the group's operating profit, compared with 25.3% in 2010.

The banking environment is experiencing severe levels of public scrutiny together with a period of unprecedented regulatory change. There is still a lack of clarity as to where all the new enhanced regulatory requirements will settle. As a consequence, we continue to maintain our strong liquidity and capital position as we adjust to an environment where higher levels of liquidity and capital will become the norm. The capital adequacy of Investec plc was 16.8% and Investec Limited was 15.9% at year end.

Over the past two years, we have positioned the group as a specialist bank and asset manager…

Despite the various challenges in our operating environment, five of our six core divisions enjoyed strong operational performances with overall results constrained by the slow recovery of non-performing loans. We have focused on realigning the business model and growing revenues from less capital intensive activities. We believe we are developing the right balance of businesses for the long term.

## Stable operating environment

Overall, the operating environment continued to stabilise although uncertainty, volatility and lower than normal activity levels were still a feature. Equity markets and all indices that affect us were up over the financial year but they were volatile with a strong increase in the second half of the year. Interest rates around the world were relatively flat but we experienced volatile exchange rates with some key rates appreciating strongly towards the end of the year.

### South Africa

The past year has been one of economic recovery for South Africa with growth being led by consumption without being held back by the need for austerity measures applied in many developed economies. Corporates in South Africa are in good shape but have maintained a degree of caution by remaining cash flush and delaying investment decisions. Consumers and households continued to deleverage and have been more conservative in relation to debt which was a steady source of both revenue and profit growth for banks in the past.

The country has a strong financial sector, ranked sixth in the world in the most recent competitiveness survey for both soundness and sophistication of its financial markets. South Africa's financial system was protected to some degree from the global financial crisis due to the Reserve Bank's high level of financial market supervision. With its low level of sovereign debt and ability to increase borrowings, the South African economy is well structured for growth. South Africa is seen as the gateway to Africa and we believe our local positioning will allow us to partner with our clients in their growth aspirations on the continent.

The Financial Sector Charter, which was terminated in December 2008, is currently undergoing an alignment process with the Department of Trade and Industry (DTI) codes. We continue to engage with all stakeholders in our efforts to advance the development of the Financial Sector Charter and, in the meantime, we will measure our transformation progress against the DTI codes. Investec obtained its first DTI rating for the 2010 financial year and was awarded a level 4 which is roughly equivalent to the A rating we received via the Financial Sector Charter.

### United Kingdom

The UK operating environment was affected by deteriorating economic conditions which had an effect on clients' activities and underlying asset values. The Irish market in particular was acutely affected by economic difficulties and the local banking crisis. There are a number of factors weighing negatively on the outlook for the UK economy. Policy tightening is likely to temper the pace of recovery this year with consumer confidence remaining subdued.

We will need to consider the outcomes from the Independent Commission on Banking's (ICB) recommendations. This commission was set up in June 2010 to consider reforms in the UK banking sector that will promote financial stability and competition. The final report will be published in September 2011 and we will then assess the implications for our business.

We have shown resilience in this region where many banks needed government support during the financial crisis. We have worked hard to establish Investec as a meaningful manager of wealth and savings. Investec has created a credible business as our brand continues to gain traction in a competitive environment.

### Australia

The Australian economy has been relatively insulated from the global meltdown of recent years and is one of the few developed economies that did not go into recession over this period. Unemployment has stayed low and the household sector remains resilient. Growth over the past few years has been largely commodity driven with robust international export demand continuing to support overall growth. The outlook is mixed although economic activity is expected to improve further as business investment picks up and the resource sector continues to outperform.

Our business in Australia will look to benefit from cross-border flows between our three core geographies. We also have capabilities in China and India which will serve us well in this region. We are a niche player in the Australian market where the largest four banks dominate the financial services environment. This provides us with a unique opportunity to position ourselves in those areas that are under-serviced by our larger competitors.

## Strong contribution from the Asset Management and Wealth Management businesses

In this mixed environment with lower than normal activity levels, Investec businesses continued to grow their local platforms and maintained their positioning. The group's non-capital intensive Asset Management and Wealth Management businesses reported a strong increase in their contribution to group earnings as a result of the acquisition of the balance of Rensburg Sheppards plc and significant net inflows. While some of the group's banking businesses have performed well, notably Capital Markets, overall group results have been constrained by lower levels of transactional activity and the slow recovery of non-performing loans in the Private Bank.

### Asset Management

Asset Management increased operating profit 52.6% to £127.3 million, benefiting from substantially higher funds under management and a solid investment performance. The division recorded net inflows of £7.4 billion contributing to an increase in assets under management of 26.7% to £58.8 billion from £46.4 billion.

The division's performance can be attributed to an experienced team supported by a global footprint that has seven distinct and scaleable investment platforms.

### Wealth and Investment

Wealth and Investment increased operating profit 56.2% to £40.4 million with total funds under management up 8.5% from £27.1 billion to £29.4 billion. The UK business has benefited from higher funds under management due to the acquisition of the balance of Rensburg Sheppards plc and the consolidation of our Private Wealth Management businesses. In South Africa, the key focus was on integrating the Private Banking Wealth Management business into Wealth and Investment.

While equity markets have improved, the economic outlook remains uncertain and performance is affected by the level of equity markets. In the UK, we expect to achieve net organic growth of funds under management of 5% per annum while in South Africa the newly merged business is well positioned to leverage off a more streamlined cost and operational base.

### Property Activities

Property Activities generated an increase in operating profit of 42.5% to £47.7 million. The results of the division were largely supported by continued enhancement of the investment property portfolio in South Africa. The Australian business benefited from the acquisition and sale of investments and raised a new opportunity fund. The business has a substantial pipeline of development and re-development projects and in April 2011 we listed the Investec Property Fund Limited on the Johannesburg Stock Exchange Limited raising R807 million.

With property fundamentals stabilising, we are well positioned to take advantage of opportunities for property and development acquisitions through principal investments and partnering with investors through joint ventures or syndicates.

## Private Banking

This was a difficult year for the Private Banking business which posted a loss of £91.4 million as a result of low activity levels, a lack of opportunities to exit investments and a sharp rise in impairments due to the prolonged weak economic environment. Nevertheless, we managed to grow the private client core lending book by 3.1% to £13.3 billion and the deposit book by 5.9% to £12.5 billion. We have managed to maintain revenues during a tough period and have taken a number of steps to strengthen the business as outlined below.

We recognise that we misjudged the final phases of the bull market and have had to rethink our strategy for this business. The entrepreneurial and high net worth clients who accepted too much leverage have been impacted upon by the financial crisis. As a consequence, we have reviewed all our risk appetite philosophies and have tightened our focus on target clients to ensure a greater degree of resilience to cycles without inhibiting our entrepreneurial flair. In the UK, activity levels are slowly being restored and we are starting to gain momentum as private clients get back on their feet. The South African business is starting to see a pick up in deal flow and we expect to benefit from the consolidation of our banking businesses into the specialist banking platform. In Australia, we are launching a card and transactional banking initiative to enhance Experien's offering to clients as its book is starting to reach scale.

## Investment Banking

The Investment Banking business reported operating profit up 62.1% to £67.4 million with mixed performances across geographies and business activities. The Principal Investments' division recorded a robust result, primarily driven by the scaleable South African and Hong Kong businesses which are benefiting from well diversified portfolios. The agency and advisory business across all geographies enjoyed a healthy deal pipeline but trading conditions in the Institutional Stockbroking business remain difficult.

The outlook for this business is predominantly driven by equity markets. In South Africa, activity levels are rising and there is a fair amount of corporate activity. The brand in the UK is gaining traction and we are ready to take advantage of opportunities from increased secondary fundraisings and capital raisings. Australia is in a re-investment phase and we have rebuilt the team to focus on the top end of the mid-market. In April 2011, we acquired a boutique corporate advisory firm in Hong Kong, Access Capital, which will help capture deal flow between developed and developing markets. We have also established a presence in India where we advise middle to large cap Indian companies on growth solutions.

## Capital Markets

Capital Markets was able to produce a solid performance with an increase in operating profit of 35.1% to £242.0 million and a decline in both impairments and defaults. The division benefited from good levels of activity across the advisory and structuring businesses, notably within the Principal Finance, Structured Finance and Structured Equity Finance teams. Core loans and advances increased 7.2% to £4.8 billion.

Overall, we have invested in building our capability and remain well positioned to grow market share and extend our franchise in all core geographies. In South Africa, we have refined our portfolio and are ready to benefit from a recovery in the local economy. We continue to build a balanced business model in the UK where we can benefit from both primary and secondary market activity while our Australian business continues to invest for the long term and several new business initiatives should start gaining momentum this year.

# Committed to sustainable business practices

Just as relevant as our business accomplishments is the manner in which we conduct ourselves in attaining them. Our sustainability goals reflect our culture of continuous advancement and reaffirm our belief that sustainability in its broadest sense is about managing and positioning the group for the long term. This year we are producing an integrated report which brings together the financial and non-financial aspects of our business which we believe will show a more complete and balanced picture of our business and performance. As a result, there is no separate sustainability report this year as our approach to the various aspects of sustainability has been documented throughout this integrated report.

On a broader sustainability front, during the year, a stakeholder engagement exercise took place involving a number of stakeholders in the UK, South Africa and Australia. The aim was to collect the views regarding the business implications of environmental, social and governance issues, and to assess their perceptions regarding Investec's performance and communication on these issues. While we have been recognised for our efforts in many of these areas we acknowledge that there is vast room for improvement and we are reassessing our approach going forward.

The environmental dimension of our sustainability approach is based on a growing understanding of the risks to our business represented by climate change and global warming, and the need to reduce our environmental impact by becoming more energy efficient. In the UK, Investec was recognised for the fourth year running in the City of London's Clean City Awards Scheme for our efforts in managing waste through recycling. In early 2010 we commissioned an external analysis on the risks and opportunities for climate change for the South African business and several recommendations are under consideration as part of the strategic review of our sustainability approach. We also hosted a post-Cancun breakfast in February 2011 with government and industry, creating a platform for discussion on climate change and the potential implications for business and society at large.

## Dedication and commitment of senior management, staff and a strong board of directors

As always, the performance highlighted throughout this report reflects the dedication and commitment of an experienced senior management team and more than 7 000 Investec employees around the world. We thank our people for their many contributions and for making Investec a truly out of the ordinary company.

It is also appropriate to thank all of our clients and stakeholders for the trust and confidence they place in us. We remain committed to finding better and more efficient ways to deliver value to all stakeholders.

In these challenging times where there are increasing corporate governance and regulatory demands, a strong board is pivotal to the effective management of the company. During the period, Sir Chips Keswick and Alan Tapnack retired, and Geoffrey Howe resigned from the Investec plc and Investec Limited boards. We thank them for their outstanding contribution and wish them all the best for the future. At the same time, we appointed Perry Crosthwaite, Hendrik du Toit and Olivia Dickson to the Investec plc and Investec Limited boards and look forward to the input their knowledge and wealth of experience brings to the boards.

## Focus on creating a single Specialist Bank

Over the past two years, we have re-positioned the group and made substantial progress in realigning our business model in response to the challenging and uncertain regulatory landscape. Our strategic focus remains the same. We are committed to facilitating the creation of wealth and the management of wealth for our clients. We have focused on establishing Investec for long-term growth by positioning the group as a specialist bank and asset manager operating off a global platform. The Asset Management business has been successfully globalised while the Wealth and Investment business is in the process of being globalised. The focus is now on creating a single specialist bank that is even more oriented to our clients so that we can create sustainable value together. The aim is to ensure a single bank mindset and structure is entrenched with client need and demand at the core of our offering.

We intend to do this by creating a more appropriate business structure in order to maximise the product offering to the client and through sharing the competencies of the group to achieve greater operational efficiency. Our success in finding synergies and connectivity across the group will translate into a leaner cost structure and will allow us to convert growth opportunities into strong bottom-line results.

This is an intricate process which will take time to implement across the group and we will be in a better position to elaborate on the finer details at the investor briefing in September 2011.

## Well positioned for growth in 2012

Looking ahead, regulatory uncertainties remain and we will continue to maintain high levels of liquidity and capital until there is further clarity. While our performance remains sensitive to the global economy, we expect earnings to benefit from continued momentum in our businesses and the normalising of impairment losses.

We have sought to realign the business model and grow revenues from less capital intensive activities. We have taken advantage of the dislocation that occurred in financial markets to attract talented people and extend brand awareness to benefit from steadily improving market activity. The foundations are in place and we are well positioned for growth in 2012.

Hugh Herman
Chairman

Stephen Koseff
Chief executive officer

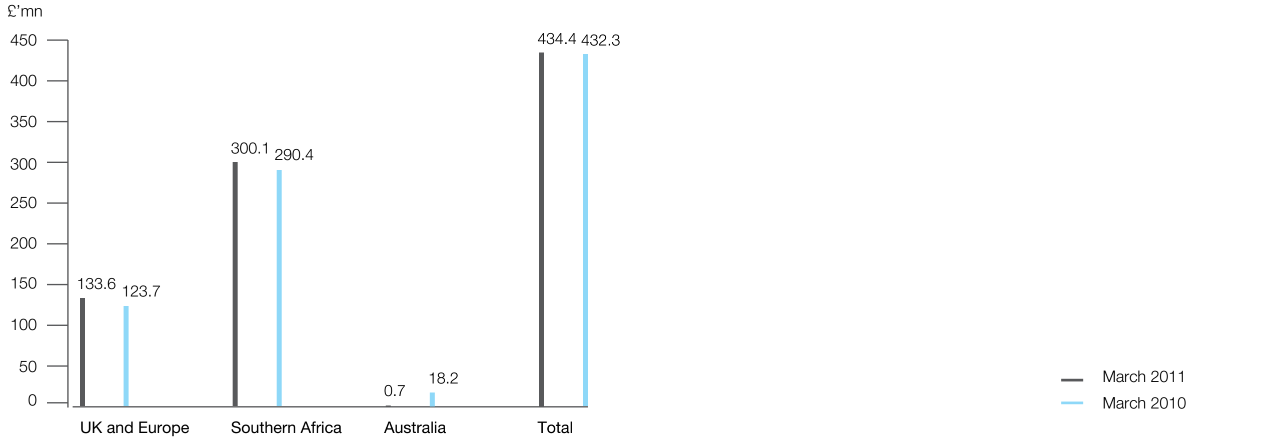
Bernard Kantor
Managing director

*('Operating profit' as used in the text above refers to operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.)*

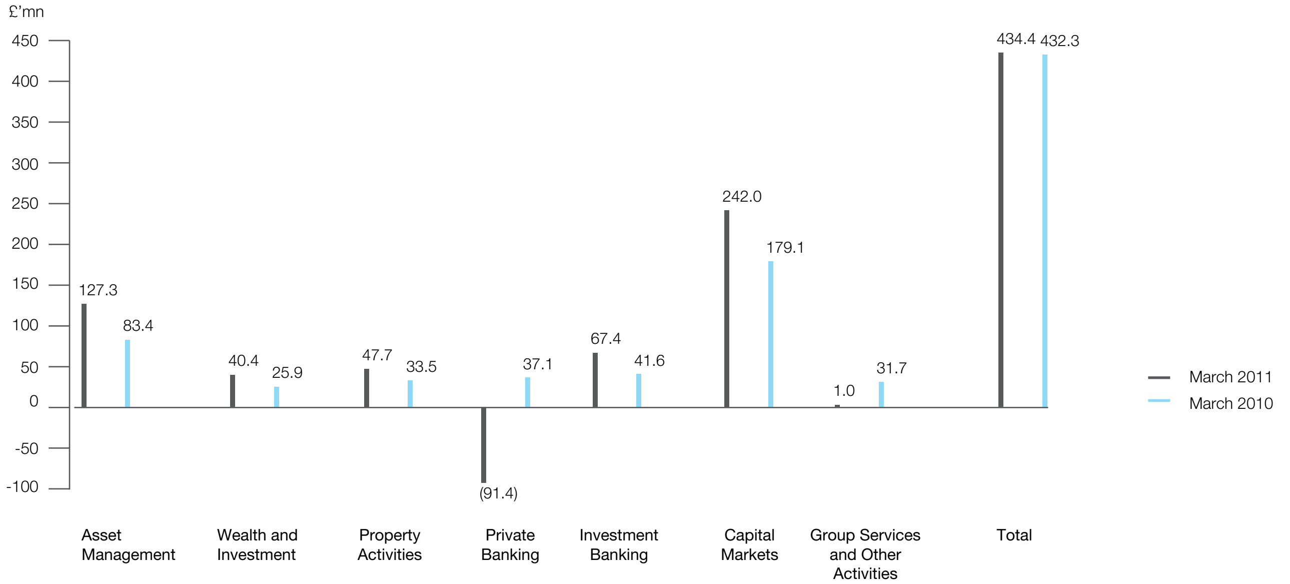
## Overview

This commentary and analysis of our financial results for the year ended 31 March 2011 provides an overview of our financial performance relative to the group's results for the year ended 31 March 2010. 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 group going forward.

**Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests by geography**




**Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests by line of business**



**Operating profit**
up 0.5% to
£434.4 million

**Dividends per share**
up 6.3% to
17.0 pence

**Customer deposits**
up 11.4% to
£24.4 billion

**Third party assets under management**
up 20.0% to
£88.9 billion

**Net tangible asset value per share**
up 6.1% to
£343.8 pence

## Presentation of financial information

### Introduction

Investec operates under a DLC structure with premium/primary listings of Investec plc on the London Stock Exchange and Investec Limited on the JSE Limited.

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of ordinary shareholders of the companies are maintained in equilibrium relative to each other. The directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies.

Accordingly, the year-end results for Investec plc and Investec Limited present the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS), denominated in Pounds Sterling.

All references in this document to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

### Exchange rates

Our reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial condition of our individual companies are reported in the local currencies of the countries in which they are domiciled, including Rands, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial results. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the period.

| | 31 March 2011 | | 31 March 2010 | |
|---|---|---|---|---|
| Currency per £1.00 | Period end | Average | Period end | Average |
| South African Rand | 10.88 | 11.16 | 11.11 | 12.38 |
| Australian Dollar | 1.55 | 1.65 | 1.66 | 1.88 |
| Euro | 1.13 | 1.17 | 1.12 | 1.13 |
| US Dollar | 1.60 | 1.55 | 1.52 | 1.59 |

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pounds Sterling exchange rate over the period has appreciated by 9.9% and the closing rate has appreciated by 2.1% since 31 March 2010.

The following table provides an analysis of the impact of the Rand appreciation on our reported numbers.

| | Results reported at 31 March 2011 | Currency neutral results reported at 31 March 2011** |
|---|---|---|
| Southern African operating profit (£'000)* | 300 564 | 270 194 |
| Southern African profit after tax and non-controlling interests (£'000)* | 264 717 | 237 474 |
| Total group operating profit before tax (£'000)* | 423 444 | 393 074 |
| Total group adjusted earnings attributable to ordinary shareholders (£'000)* | 327 897 | 303 349 |
| Adjusted EPS (pence)* | 43.2 | 39.9 |
| Total assets (£'million) | 50 941 | 50 350 |
| Total shareholders' equity (£'million) | 3 961 | 3 920 |

* *Before goodwill, acquired intangibles and non-operating items.*

** *For balance sheet items we have assumed that the Rand: Pounds Sterling closing exchange rate has remained neutral since 31 March 2010. For income statement items we have used the average Rand: Pounds Sterling exchange rate that was applied in the prior year, i.e. 12.38.*

The results of operations and the financial condition of our individual companies are reported in the local currencies of the countries in which they are domiciled, including Rands, Australian Dollars, Euros and US Dollars.

## An overview of the operating environment impacting our business

### United Kingdom

A brake to that recovery was applied in the final quarter of 2010 when severe snow impacted on UK GDP, such that the economy contracted by 0.5%. Growth resumed in the first quarter of 2011, registering 0.5%, overturning the previous quarters contraction. There are a number of factors which are likely to weigh negatively on the UK 2011 growth outlook: the sizable fiscal consolidation, the impact of above 4% inflation on consumer spending, and the impact of a possible increase in UK interest rates. April 2011 marked the start of the more critical move in the government's fiscal tightening plans as the biggest discretionary consolidation of the five year programme came into effect, extracting just over 2% of GDP from the economy. Regarding inflation, CPI inflation stood at 4.0% in March 2011, twice the 2% target. With inflation forecast to remain between 4% and 5% over 2011, the Monetary Policy Committee (MPC) is weighing up the right time to begin raising the UK Bank Rate. The MPC may well begin tightening policy in Q4 this year. Consumer confidence and recent retail sector data remain subdued, implying that the capacity of UK consumers and business to withstand rising interest rates is likely to be limited. Consequently, it is likely that the economy will deliver ongoing, but gradual, expansion over 2011.

The UK economy started 2010 on a recovery footing, entering the 2010/11 financial year with recorded growth of 1% and 0.7% in the second and third quarters.

### Eurozone

Despite financial turbulence in several Euro area economies, the eurozone returned to growth in 2010, recording 1.7% growth, having contracted by 4.1% in 2009. 2010 closed with quarterly growth recorded at 0.3% in Q4. The economy continued to expand in the first quarter of 2011, GDP showing an increase of 0.8%. Despite the ongoing recovery of the eurozone as a whole, growth across countries has been very different, largely reflecting differences in the state of public and private sector balance sheets and the stance of macroeconomic policies. At the top end, Germany expanded by 3.5% over 2010 whereas Greece's economy contracted by 4.5%. These very different outlooks are likely to continue through the course of 2011. The overall eurozone growth rate of 1.7% masks the tough year the eurozone has experienced. Concerns about banking sector losses and fiscal sustainability led to widening sovereign spreads in the 'peripheral' countries, in some cases reaching highs not seen since the launch of the Economic and Monetary Union. During the last financial year, Greece, Ireland and, most recently Portugal, have requested financial assistance from the EU and IMF. Despite the severe economic risks posed by the sovereign debt crises in 'peripheral' countries, the spread of the crises from these countries has so far been relatively contained. The containment of risks, market nerves

2010/11 proved to be a year of economic recovery for South Africa, with annual growth of 2.8% compared with the recession of the previous year.

and market losses has been aided by the creation of a package of stabilisation measures which included the European Financial Stabilisation mechanism and the European Financial Stability Facility, to support the joint EU/IMF programme. However, the downside risks to eurozone growth prospects from the continued peripheral debt crisis are ongoing, particularly given the remaining political hurdles that need to be overcome before an expansion to the existing support package can be signed off. Throughout the last financial year the European Central Bank (ECB) held the refinancing rate at 1%, where it has been since June 2009, although the ECB increased the refinancing rate by 25 basis points to 1.25% in early April 2011. The ECB has also provided enhanced credit support measures, including enhanced liquidity support. The accommodative monetary policy stance looks to have assisted the overall eurozone growth rate over the last year.

### Australia

Australia escaped the global recession of recent years, recording only one quarter of contraction in 2008 and growing by 1.3% in 2009 and 2.7% in 2010. On a quarterly basis, the economy expanded by 1.2%, 0.1% and 0.7% in the first three quarters of the 2010/11 financial year. Flooding in key mining and agricultural regions resulted in the economy contracting by 1.2% in Q1 2011. However, this is likely to be offset by stronger private investment in mining and commodity exports, beyond the end of the financial year. Australian growth over the last year has continued to be based on emerging market demand for Australia's commodity exports – nearly 50% of Australia's exports go to the economies of China, Japan and India, all which recorded firm growth in 2010. Over 2010 as a whole Australian exports were up 5.3% on 2009 levels. In Q2 2010 the CPI inflation rate reached 3.1%, just outside the Reserve Bank of Australia's (RBA) 2-3% target range. This led to the RBA tightening monetary policy, raising the headline cash rate from 4.25% in Spring 2010 to 4.75%, the current rate. Despite the RBA tightening, domestic demand has held up firmly, having risen by 4.1% over 2010.

### United States

Having contracted by 2.6% in 2009, the US economy bounced back to boast growth of 2.9% in 2010. Following the strong inventory restocking-driven growth in early 2010, economic growth slowed in the mid part of 2010 but strengthened again in the second half of the year, supported by rising consumer spending. In Q4 2010, the economy expanded at a robust 3.1% annualised rate but this slowed to 1.8% in Q1 2011. The unemployment rate has gradually fallen over the year, from 9.8% in April 2010 to 8.8% in March 2011, but at 8.8% the unemployment rate remains elevated. Price pressures remained subdued over the course of the year, with headline inflation having declined to a low of 1.1% during the year, from the 2.2% rate recorded in April 2010. Throughout the financial year the Federal Reserve maintained the Federal Funds target interest rate at the 0-0.25% range, where it has been since the start of 2009. Furthermore, the Federal Reserve embarked on 'QE2' in November 2010, announcing its intention to purchase a further $600 billion of longer term treasury securities by the end of the second quarter of 2011. These added to existing purchases of mortgage-backed securities (RMBS), agency debt and $300 billion of longer term treasuries. This accommodative monetary policy stance has clearly been supportive for US growth over the year. Unlike much of Western Europe, the US has not yet embarked on a programme of fiscal austerity measures, despite the fiscal deficit now projected to reach 10¾% in 2011 and with general government gross debt expected to exceed 110% of GDP by 2016, according to the IMF.

### South Africa

2010/11 proved to be a year of economic recovery for South Africa, with annual growth of 2.8% compared with the recession of the previous year. Growth was led by consumption, both household and government, and the recovery was not hampered by higher taxes, reduced government spending or any of the other austerity measures being applied in many advanced economies. Indeed, the private sector is becoming financially healthier: spending on the back of rising real incomes, not excessive credit growth, and an ever growing middle class. However, the fixed investment sector remained in recession as corporates failed to take advantage of rand strength to import capital goods, preferring to wait until the recovery strengthened and proved sustainable. In addition, and despite the health of government finances, public investment in infrastructure stagnated, after contracting sharply in 2009. Job losses continued and corporate demand for credit fell on average, but rising disposable incomes and government's strong spend on social services saw living standards rise, as debt levels eased. This trend in living standards is likely to continue, compensating in part for the small size of the population, in turn supporting growth.

South Africa also saw some considerable achievements in 2010, from being ranked sixth in the world for both soundness and sophistication of its financial markets in the most recent global competitiveness survey, to second on the efficacy of corporate boards and first on both auditing and reporting standards, and the regulation of its securities exchange. Due also to the Reserve Bank's high level of financial market supervision (and the protection provided by the few exchange controls still in place), South Africa's financial system did not experience the same issues as the global financial community – it never had a banking crisis and government borrowing was accordingly unaffected. Consequently, South Africa's fiscal deficit shrunk, from 6.7% of GDP in 2009/10 to 5.0% in 2010/11, as the economy moved from a recession into a recovery phase. South Africa's low level of sovereign debt (close to 30% of GDP last year) means it can comfortably afford to increase borrowings to fund capital investment (both fixed and human) while many advanced economies have cut back on building productive capacity. As a result, South Africa is in a financial sense well structured for growth.

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

| | Period ended 31 March 2011 | Period ended 31 March 2010 | % change | Average over the period: 1 April 2010 to 31 March 2011 |
|---|---|---|---|---|
| **Market indicators** | | | | |
| FTSE All share | 3 068 | 2 910 | 5.4% | 3 067 |
| JSE All share | 32 204 | 28 748 | 12.0% | 29 667 |
| Australia All ords | 4 929 | 4 893 | 0.7% | 4 698 |
| S&P 500 | 1 326 | 1 169 | 13.4% | 1 184 |
| Nikkei | 9 755 | 11 090 | (12.0%) | 9 956 |
| Dow Jones | 12 320 | 10 857 | 13.5% | 11 048 |
| **Exchange rates** | | | | |
| Rand/Pounds Sterling | 10.88 | 11.11 | (2.1%) | 11.16 |
| Rand/Dollar | 6.77 | 7.28 | (7.0%) | 7.19 |
| US Dollar/Euro | 1.42 | 1.35 | 5.2% | 1.32 |
| Euro/Pounds Sterling | 1.13 | 1.12 | 0.9% | 1.17 |
| Australian Dollar/Pounds Sterling | 1.55 | 1.66 | (6.6%) | 1.65 |
| US Dollar/Pounds Sterling | 1.60 | 1.52 | 5.3% | 1.55 |
| **Rates** | | | | |
| UK overnight | 0.45% | 0.40% | | 0.49% |
| UK 10 year | 3.69% | 3.94% | | 3.44% |
| UK clearing banks base rate | 0.50% | 0.50% | | 0.50% |
| LIBOR – three month | 0.82% | 0.65% | | 0.74% |
| SA R157 (2015) | 7.82% | 7.95% | | 7.60% |
| Rand overnight | 5.23% | 6.28% | | 5.76% |
| SA prime overdraft rate | 9.00% | 10.00% | | 9.54% |
| JIBAR – three month | 5.58% | 6.67% | | 6.09% |
| Reserve Bank of Australia cash target rate | 4.75% | 4.00% | | 4.58% |
| US 10 year | 3.47% | 3.83% | | 3.13% |
| **Commodities** | | | | |
| Gold | USD1 432/oz | USD1 113/oz | 28.7% | USD1 295/oz |
| Gas Oil | USD993/mt | USD684/mt | 45.2% | USD736/mt |
| Platinum | USD1 768/oz | USD1 644/oz | 7.5% | USD1 669/oz |
| **Macro-economic** | | | | |
| UK GDP (% change over the period) | 1.80% | (3.70%) | | – |
| UK per capita GDP | 23 362 | 22 575 | 3.5% | – |
| South Africa GDP (% real growth over the calendar year) | 3.80% | 2.80% | | – |
| South Africa per capita GDP (real value) | 36 591 | 35 997 | 1.7% | – |
| Australia GDP (% change over the period) | 2.40% | 1.70% | | – |
| Per capita GDP (A$) | 60 178 | 56 872 | 4.5% | – |

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

## 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 net of insurance claims increased by 18.0% to £1 955.0 million (2010: £1 657.2 million). The various components of total operating income are analysed below.

| £'000 | 31 March 2011 | % of total income | 31 March 2010 | % of total income | % change |
|---|---|---|---|---|---|
| Net interest income | 681 469 | 34.9% | 613 086 | 37.0% | 11.2% |
| Other income | 1 273 517 | 65.1% | 1 044 102 | 63.0% | 22.0% |
| Net fee and commission income | 787 658 | 40.3% | 545 077 | 32.9% | 44.5% |
| Principal transactions | 418 686 | 21.4% | 457 759 | 27.6% | (8.5%) |
| Net income on assurance activities | 13 170 | 0.7% | 6 934 | 0.4% | 89.9% |
| Other operating income | 54 003 | 2.7% | 34 332 | 2.1% | 57.3% |
| Total operating income net of insurance claims | 1 954 986 | 100.0% | 1 657 188 | 100.0% | 18.0% |

#### Net interest income

Net interest income increased by 11.2% to £681.5 million (2010: £613.1 million) largely as a result of improved margins within the South African Private Bank and a sound performance from the group's fixed income portfolios.

| £'000 | 31 March 2011 | 31 March 2010 | Variance | % change |
|---|---|---|---|---|
| Asset Management | 2 989 | 1 977 | 1 012 | 51.2% |
| Wealth and Investment | 7 281 | 2 392 | 4 889 | >100.0% |
| Property Activities | (1 595) | (7 513) | 5 918 | 78.8% |
| Private Banking | 295 249 | 287 121 | 8 128 | 2.8% |
| Investment Banking | (338) | (7 265) | 6 927 | 95.3% |
| Capital Markets | 330 603 | 309 878 | 20 725 | 6.7% |
| Group Services and Other Activities | 47 280 | 26 496 | 20 784 | 78.4% |
| Net interest income | 681 469 | 613 086 | 68 383 | 11.2% |

#### Net fee and commission income

Net fee and commission income increased by 44.5% to £787.7 million (2010: £545.1 million). Funds under management have grown substantially, supported by improved market indices and strong net inflows. The banking businesses recorded an increase in net fees and commissions, although transactional activity levels remain mixed.

| £'000 | 31 March 2011 | 31 March 2010 | Variance | % change |
|---|---|---|---|---|
| Asset Management | 339 104 | 243 599 | 95 505 | 39.2% |
| Wealth and Investment | 147 641 | 36 852 | 110 789 | >100.0% |
| Property Activities | 22 808 | 15 375 | 7 433 | 48.3% |
| Private Banking | 70 963 | 91 344 | (20 381) | (22.3%) |
| Investment Banking | 79 089 | 71 088 | 8 001 | 11.3% |
| Capital Markets | 120 327 | 93 180 | 27 147 | 29.1% |
| Group Services and Other Activities | 7 726 | (6 361) | 14 087 | >100.0% |
| Net fee and commission income | 787 658 | 545 077 | 242 581 | 44.5% |

| £’000 | 31 March 2011 | 31 March 2010 | Variance | % change |
|---|---|---|---|---|
| Annuity fees (net of fees payable) | 535 856 | 386 910 | 148 946 | 38.5% |
| Deal fees | 251 802 | 158 167 | 93 635 | 59.2% |
| Net fee and commission income | 787 658 | 545 077 | 242 581 | 44.5% |

Principal transactions

Income from principal transactions decreased by 8.5% to £418.7 million (2010: £457.8 million). The group has benefited from a solid performance from its investment banking, fixed income and property investment portfolios. This was offset by a weaker performance from some of the equity investments held within the South African central funding portfolio.

| £’000 | 31 March 2011 | 31 March 2010 | Variance | % change |
|---|---|---|---|---|
| Asset Management | (40) | 191 | (231) | (>100.0%) |
| Wealth and Investment | (1 334) | 1 023 | (2 357) | (>100.0%) |
| Property Activities | 50 623 | 45 918 | 4 705 | 10.2% |
| Private Banking | 33 027 | 12 578 | 20 449 | >100.0% |
| Investment Banking | 114 117 | 80 985 | 33 132 | 40.9% |
| Capital Markets | 181 761 | 196 845 | (15 084) | (7.7%) |
| Group Services and Other Activities | 40 532 | 120 219 | (79 687) | (66.3%) |
| Principal transactions | 418 686 | 457 759 | (39 073) | (8.5%) |

Other operating income

Other operating income includes the operating results of certain investments which were consolidated; associate income, and income earned on operating leases acquired during the year.

## Impairment losses on loans and advances

The uncertain pace of economic recovery has slowed the improvement in the level of non-performing loans and defaults have continued to increase. Impairment losses on loans and advances have increased from £205.4 million to £248.3 million (excluding Kensington). The credit loss charge as a percentage of average gross loans and advances has increased from 1.16% to 1.27%. The group expects this ratio to decrease during the forthcoming financial year. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 4.0% to 4.7%. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.36 times (2010: 1.33 times).

Impairment losses on loans and advances relating to the Kensington business amount to £69.9 million (2010: £81.2 million). The Kensington book has reduced from £4.7 billion to £4.2 billion.

## Total expenses

The ratio of total operating expenses to total operating income amounts to 61.7% (2010: 57.8%).

Total expenses grew by 26.8% to £1 213.3 million (2010: £957.2 million) largely as a result of the appreciation of the Rand and Australian Dollar; the acquisitions of Rensburg Sheppards plc, the assets of Masterlease UK and Lease Direct Finance Limited; an increase in variable remuneration in certain divisions given improved profitability; an increase in headcount in certain divisions; and increased spending on brand development.

| £'000 | 31 March 2011 | % of total expenses | 31 March 2010 | % of total expenses | % change |
|---|---|---|---|---|---|
| Staff costs | (795 592) | 65.6% | (598 076) | 62.5% | 33.0% |
| – fixed | (532 138) | 43.9% | (416 663) | 43.5% | 27.7% |
| – variable | (263 454) | 21.7% | (181 413) | 19.0% | 45.2% |
| Business expenses | (197 453) | 16.3% | (175 855) | 18.4% | 12.3% |
| Equipment (excluding depreciation) | (54 324) | 4.5% | (48 827) | 5.1% | 11.3% |
| Premises (excluding depreciation) | (70 394) | 5.8% | (59 124) | 6.2% | 19.1% |
| Marketing expenses | (48 943) | 4.0% | (38 812) | 4.1% | 26.1% |
| Depreciation | (30 159) | 2.4% | (36 457) | 3.7% | (17.3%) |
| Depreciation on operating leased assets | (16 447) | 1.4% | – | – | 100.0% |
| Total expenses | (1 213 312) | 100.0% | (957 151) | 100.0% | 26.8% |

## Goodwill

The current period goodwill impairment relates to Asset Management businesses acquired in prior years.

## Amortisation of intangibles

The current period amortisation of intangibles relates to the acquisition of Rensburg Sheppards plc and mainly comprises amortisation of amounts attributable to client relationships.

## Profit arising from associate converted to a subsidiary

A net gain of £73.5 million has arisen on the acquisition of Rensburg Sheppards plc.

## Net loss on sale of subsidiaries

The net loss on sale of subsidiaries of £17.3 million includes a loss of £35.5 million on the sale and deconsolidation of investments previously consolidated as subsidiaries, partially offset by a gain of £18.2 million on the sale of Rensburg Fund Management Limited.

## Taxation

The operational effective tax rate (excluding taxation on intangibles and sale of subsidiaries) of the group decreased from 20.6% to 15.5%, due to the resolution of matters for which a provision was previously held.

## Losses attributable to non-controlling interests

Losses attributable to non-controlling interests of £11.0 million largely comprise:

- £9.2 million relating to investments consolidated in the Private Equity division
- £1.4 million relating to Euro denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of non-controlling interests (the transaction is hedged and a forex transaction loss arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to non-controlling interests).

## Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders increased from £346.1 million to £420.5 million.

## Dividends and earnings per share

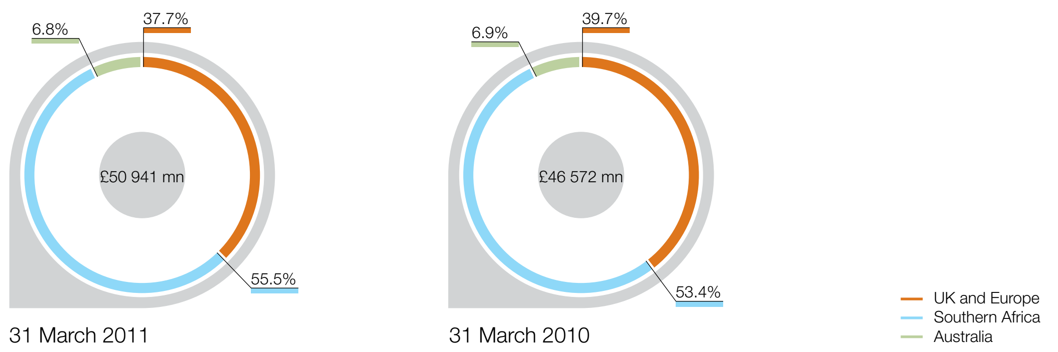
Information with respect to dividends and earnings per share is provided on pages 105 and 106 and pages 130 and 131.

## Balance sheet analysis

Since 31 March 2010:

- Total shareholders' equity (including non-controlling interests) increased by 20.3% to £4.0 billion largely as a result of retained earnings and the issue of shares
- Total assets increased from £46.6 billion to £50.9 billion largely as a result of increased cash and near cash balances and advances, as well as an increase in goodwill and intangibles associated with the acquisition of Rensburg Sheppards plc
- Core loans and advances (excluding own originated securitised assets) as a percentage of customer deposits improved from 76.2% to 72.4%
- The return on adjusted average shareholders' equity declined from 13.5% to 11.2%
- The group's gearing ratios remain low with core loans and advances to equity at 4.7 times (2010: 5.4 times) and total assets (excluding assurance assets) to equity at 11.3 times (2010: 12.5 times).

**Assets by geography**



## Ten year review

### Salient features

| For the year ended 31 March* | 2011 | 2010 | % change 2011 vs 2010 |
|---|---|---|---|
| **Income statement and selected returns** | | | |
| Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000)ø | 434 406 | 432 258 | 0.5% |
| Operating profit: Southern Africa (% of total)ø | 69.1% | 67.2% | – |
| Operating profit: UK, Europe, Australia and Other (% of total)ø | 30.9% | 32.8% | – |
| Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000) | 327 897 | 309 710 | 5.9% |
| Headline earnings (£'000) | 286 659 | 275 131 | 4.2% |
| Cost to income ratio | 61.7% | 57.8% | – |
| Staff compensation to operating income ratio | 40.7% | 36.1% | – |
| Return on average adjusted shareholders' equity (post-tax) | 11.2% | 13.5% | – |
| Return on average adjusted tangible shareholders' equity (post-tax) | 13.2% | 15.4% | – |
| Operating profit per employee (£'000) | 64.4 | 69.7 | (7.6%) |
| Net interest income as a % of operating income net of insurance claims | 34.9% | 37.0% | – |
| Non-interest income as a % of operating income net of insurance claims | 65.1% | 63.0% | – |
| Recurring income as a % of total operating income net of insurance claims | 62.3% | 60.4% | – |
| Effective operational taxation rate | 15.5% | 20.6% | – |
| **Balance sheet** | | | |
| Total capital resources (including subordinated liabilities) (£'million) | 5 249 | 4 362 | 20.3% |
| Total shareholders' equity (including preference shares and non-controlling interests) (£'million) | 3 961 | 3 292 | 20.3% |
| Shareholders' equity (excluding non-controlling interests) (£'million) | 3 648 | 2 955 | 23.5% |
| Total assets (£'million) | 50 941 | 46 572 | 9.4% |
| Core loans and advances to customers (including own originated securitised assets) (£'million) | 18 758 | 17 891 | 4.8% |
| Net core loans and advances to customers as a % of total assets | 36.8% | 38.4% | – |
| Cash and near cash balances (£'million) | 9 319 | 9 117 | 2.2% |
| Customer accounts (deposits) (£'million) | 24 441 | 21 934 | 11.4% |
| Third party assets under management (£'million) | 88 878 | 74 081 | 20.0% |
| Capital adequacy ratio: Investec plc° | 16.8% | 15.9% | – |
| Capital adequacy ratio: Investec Limited° | 15.9% | 15.6% | – |
| Credit loss ratio (core income statement impairment change as a % of average advances) | 1.27% | 1.16% | – |
| Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers | 4.66% | 3.98% | – |
| Gearing/leverage ratio (assets excluding assurance assets to total equity) | 11.3x | 12.5x | – |
| Core loans to equity ratio | 4.7x | 5.4x | – |
| Core loans (excluding own originated securitised assets) to customer deposits | 72.4% | 76.2% | – |
| **Salient financial features and key statistics** | | | |
| Adjusted earnings per share (pence)# | 43.2 | 45.1 | (4.2%) |
| Headline earnings per share (pence)# | 37.7 | 40.1 | (6.0%) |
| Basic earnings per share (pence)# | 49.7 | 44.0 | 13.0% |
| Diluted earnings per share (pence)# | 46.7 | 41.5 | 12.5% |
| Dividends per share (pence)# | 17.0 | 16.0 | 6.3% |
| Dividend cover (times) | 2.5 | 2.8 | (10.7%) |
| Net tangible asset value per share (pence)# | 343.8 | 324.1 | 6.1% |
| Weighted number of ordinary shares in issue (million)# | 759.8 | 686.3 | 10.7% |
| Total number of shares in issue (million)# | 810.0 | 741.0 | 9.3% |
| Closing share price (pence)# | 478 | 539 | (11.3%) |
| Market capitalisation (£'million) | 3 872 | 3 993 | (3.0%) |
| Number of employees in the group (including temps and contractors) | 7 237 | 6 123 | 18.2% |
| Closing ZAR/£ exchange rate | 10.88 | 11.11 | (2.1%) |
| Average ZAR/£ exchange rate | 11.16 | 12.38 | (9.9%) |

* *The numbers prior to 2005 are reported in terms of UK GAAP, and thereafter in terms of IFRS.*
^ *Calculation not comparable.*
° *Information prior to 2008 is in terms of Basel I and thereafter in terms of Basel II.*

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|
| 396 766 | 508 717 | 466 585 | 388 767 | 224 124 | 132 260 | 85 762 | 158 567 |
| 74.0% | 66.7% | 57.6% | 68.3% | 66.9% | 58.6% | 81.0% | 51.6% |
| 26.0% | 33.3% | 42.4% | 31.7% | 33.1% | 41.4% | 19.0% | 48.4% |
| 269 215 | 344 695 | 300 704 | 230 017 | 149 510 | 106 203 | 89 668 | 127 613 |
| 261 627 | 301 499 | 294 881 | 222 805 | 147 037 | 105 752 | 83 595 | 115 777 |
| 55.9% | 56.1% | 59.0% | 58.7% | 67.4% | 72.7% | 80.0% | 72.0% |
| 34.9% | 37.2% | 40.9% | 40.1% | 43.4% | 47.3% | 51.1% | 44.5% |
| 14.8% | 23.6% | 26.1% | 25.5% | 20.0% | 15.4% | 13.1% | 19.4% |
| 17.4% | 28.6% | 31.7% | 32.7% | 28.8% | 25.6% | 26.0% | 37.2% |
| 62.6 | 84.4 | 92.3 | 91.5 | 48.6 | 25.9 | 14.3 | 29.8 |
| 46.6% | 39.3% | 29.2% | 26.8% | 23.2% | 18.8% | 21.3% | 26.5% |
| 53.4% | 60.7% | 70.8% | 73.2% | 76.8% | 81.2% | 78.7% | 73.5% |
| 70.0% | 65.1% | 58.7% | 56.9% | 59.2% | 62.6% | 66.1% | 68.7% |
| 21.1% | 22.6% | 26.3% | 27.3% | 28.8% | 21.0% | 6.3% | 18.0% |
| 3 762 | 3 275 | 2 665 | 2 042 | 1 579 | 1 303 | 1 012 | 958 |
| 2 621 | 2 210 | 1 820 | 1 512 | 1 076 | 805 | 736 | 768 |
| 2 297 | 1 911 | 1 542 | 1 226 | 931 | 682 | 697 | 691 |
| 37 365 | 34 224 | 26 300 | 23 901 | 19 917 | 15 319 | 14 914 | 16 957 |
| 16 227 | 12 854 | 10 095 | 9 605 | 6 408 | 4 846 | 3 909 | 3 314 |
| 43.4% | 37.7% | 38.4% | 40.2% | 32.2% | 31.6% | 26.2% | 19.5% |
| 4 866 | 5 028 | Δ | Δ | Δ | Δ | Δ | Δ |
| 14 573 | 12 133 | 10 650 | 8 699 | 6 805 | 7 211 | 6 355 | 7 068 |
| 48 828 | 52 749 | 56 121 | 56 331 | 33 855 | 30 138 | 24 088 | 24 741 |
| 16.2% | 15.3% | 24.7% | 17.7% | 16.1% | 17.3% | 14.2% | ^ |
| 14.2% | 13.9% | 14.7% | 16.3% | 17.9% | 15.1% | 12.2% | ^ |
| 1.08% | 0.51% | 0.17% | 0.11% | 0.28% | 0.48% | 0.51% | 0.44% |
| 3.28% | 1.29% | 0.92% | 0.52% | 0.31% | 1.26% | 0.78% | 0.34% |
| 13.0x | 13.8x | 12.2x | 12.5x | 14.8x | 15.6x | 16.8x | 19.0x |
| 6.2x | 5.8x | 5.5x | 6.4x | 6.0x | 6.0x | 5.3x | 4.3x |
| 103.6% | 98.4% | 89.1% | 105.6% | 91.2% | 67.2% | 61.5% | 46.9% |
| 42.4 | 56.9 | 53.3 | 41.9 | 26.9 | 20.8 | 19.2 | 28.0 |
| 41.2 | 49.7 | 52.3 | 40.6 | 26.5 | 20.7 | 17.9 | 25.4 |
| 38.5 | 57.7 | 54.7 | 53.8 | 17.8 | 12.0 | (13.4) | 3.0 |
| 36.1 | 54.0 | 50.4 | 50.0 | 17.1 | 11.9 | (13.4) | 2.8 |
| 13.0 | 25.0 | 23.0 | 18.2 | 13.4 | 11.6 | 10.8 | 10.8 |
| 3.3 | 2.3 | 2.3 | 2.3 | 2.0 | 1.8 | 1.8 | 2.6 |
| 266.3 | 215.0 | 178.6 | 148.9 | 99.2 | 83.0 | 75.0 | 74.8 |
| 634.6 | 606.2 | 563.8 | 548.8 | 555.5 | 511.5 | 466.5 | 456.5 |
| 713.2 | 657.6 | 609.3 | 593.0 | 593.0 | 593.0 | 565.0 | 461.0 |
| 292 | 339 | 658 | 588 | 311 | 218 | 123 | 161 |
| 2 083 | 2 229 | 4 009 | 3 488 | 1 844 | 1 292 | 695 | 742 |
| 5 951 | 6 333 | 5 430 | 4 453 | 4 163 | 4 458 | 4 874 | 5 529 |
| 13.58 | 16.17 | 14.20 | 10.72 | 11.73 | 11.67 | 12.51 | 16.16 |
| 14.83 | 14.31 | 13.38 | 11.43 | 11.47 | 12.02 | 15.04 | 13.65 |

\# *For comparative purposes historical information has been adjusted for the 5:1 share split that took place on 4 September 2006.*

ø *Information prior to 2008 is shown before non-controlling interests and thereafter post non-controlling interests.*

Δ *Information not previously disclosed in this format.*

# Group structure

## Group operating structure

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.

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.

| Asset Management and Wealth Management | | Specialist Bank | | | |
|---|---|---|---|---|---|
| **Asset Management** | **Wealth and Investment** | **Property Activities** | **Private Banking** | **Investment Banking** | **Capital Markets** |
| • 4Factor equities<br>• Contrarian<br>• South African equities<br>• Frontier<br>• Commodities and resources<br>• Fixed income and currency<br>• Multi-asset | • Portfolio management<br>• Stockbroking<br>• Alternative investments<br>• Investment advisory services<br>• Electronic trading services<br>• Retirement portfolios | • Fund management<br>• Listed funds<br>• Trading and development | • Banking activities<br>• Growth and acquisition finance<br>• Specialised lending<br>• Structured property finance<br>• Trust and fiduciary services | • Corporate finance<br>• Institutional research, sales and trading<br>• Principal investments | • Specialised lending<br>• Structured derivatives<br>• Securitisation and principal finance<br>• Specialist funds |
| • Africa<br>• Australia<br>• Asia<br>• Cross border (Europe, Japan, Latin America, Middle East)<br>• USA<br>• UK | • Southern Africa<br>• UK and Europe | • Australia<br>• Southern Africa<br>• UK and Europe | • Australia<br>• Southern Africa<br>• UK and Europe | • Australia<br>• Hong Kong<br>• India<br>• Southern Africa<br>• UK and Europe<br>• USA | • Australia<br>• Canada<br>• India<br>• Southern Africa<br>• UK and Europe |

**Group Services and Other Activities**

Central Services | Central Funding | International Trade Finance

## Integrated global management structure

**Global roles**

Chief executive officer – Stephen Koseff
Managing director – Bernard Kantor

Executive director – Hendrik du Toit
Group risk and finance director – Glynn Burger

**Geographical business leaders**

**South Africa**
Andy Leith, Glynn Burger, David Lawrence

**United Kingdom**
Steven Heilbron and David van der Walt

**Australia**
David Clarke

**Specialist bank**

**Property Activities**
Sam Hackner

**Private Banking**
Steven Heilbron

**Investment Banking**
Andy Leith

**Capital Markets**
David van der Walt

**Wealth and Investment** Steve Elliott

**Asset Management** Hendrik du Toit

**Support structures**

**Banking and institutions** David Lawrence

**Chief integrating officer** Allen Zimbler

**Corporate governance and compliance**
Bradley Tapnack

**Finance, IT and operations**
Rayanne Jacobson

**Marketing** Raymond van Niekerk

**Risk management** Ciaran Whelan

**Share schemes and secretarial**
Les Penfold

## Business highlights

Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests increased by 0.5% from £432.3 million to £434.4 million.

The following tables set out information on operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests by geography and by division for the year under review.

| For the year ended 31 March 2011<br>£'000 | UK and Europe | Southern Africa | Australia | Total group | % change | % of total |
|---|---|---|---|---|---|---|
| Asset Management | 53 002 | 74 306 | – | 127 308 | 52.6% | 29.3% |
| Wealth and Investment | 25 008 | 15 418 | – | 40 426 | 56.2% | 9.3% |
| Property Activities | 375 | 40 178 | 7 155 | 47 708 | 42.5% | 11.0% |
| Private Banking | (84 041) | 2 990 | (10 390) | (91 441) | (>100.0%) | (21.0%) |
| Investment Banking | 8 887 | 65 191 | (6 716) | 67 362 | 62.1% | 15.5% |
| Capital Markets | 139 978 | 92 211 | 9 860 | 242 049 | 35.1% | 55.7% |
| Group Services and Other Activities | (9 583) | 9 780 | 797 | 994 | (96.9%) | 0.2% |
| Total group | 133 626 | 300 074 | 706 | 434 406 | 0.5% | 100.0% |
| Non-controlling interest – equity | | | | (10 962) | | |
| Operating profit | | | | 423 444 | | |
| % change | 8.0% | 3.3% | (96.1%) | 0.5% | | |
| % of total | 30.8% | 69.0% | 0.2% | 100.0% | | |

| For the year ended 31 March 2010<br>£'000 | UK and Europe | Southern Africa | Australia | Total group | % of total |
|---|---|---|---|---|---|
| Asset Management | 25 335 | 58 077 | – | 83 412 | 19.3% |
| Wealth and Investment | 11 637 | 14 250 | – | 25 887 | 6.0% |
| Property Activities | 825 | 31 582 | 1 072 | 33 479 | 7.8% |
| Private Banking | 6 545 | 29 330 | 1 177 | 37 052 | 8.6% |
| Investment Banking | (4 399) | 45 694 | 273 | 41 568 | 9.6% |
| Capital Markets | 93 163 | 70 572 | 15 404 | 179 139 | 41.4% |
| Group Services and Other Activities | (9 407) | 40 862 | 266 | 31 721 | 7.3% |
| Total group | 123 699 | 290 367 | 18 192 | 432 258 | 100.0% |
| Non-controlling interest – equity | | | | (18 802) | |
| Operating profit | | | | 413 456 | |
| % of total | 28.6% | 67.2% | 4.2% | 100.0% | |

# Asset Management

**Ordinary shareholders' equity**
up 3.1% to
£141.6 million

**ROE (pre-tax)**
up to
78.5 percent

**Tangible ROE (pre-tax)**
down to
329.7 percent

**Cost to income ratio**
down to
63.0 percent

**Operating profit per employee**
up 41.7% to
£124.8 thousand

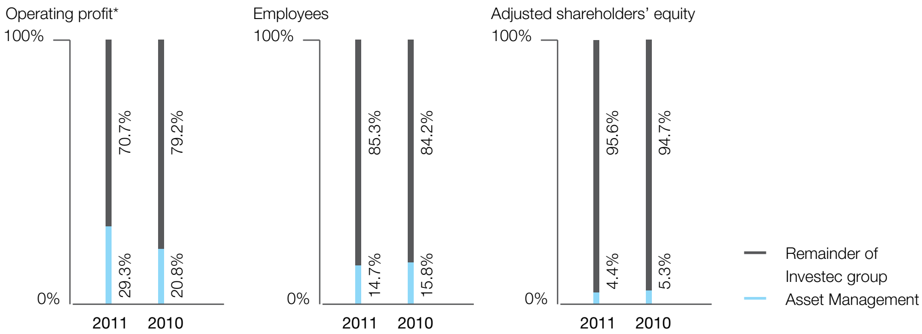
**Developments**

- Good investment performance (always the priority)
- Strong net inflows of £7.4 billion
- Experienced and stable team continues to build successful capabilities.

## Overview and financial highlights

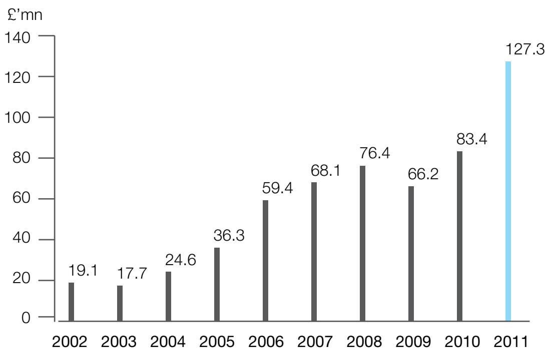
- Operating profit increased by 52.6% to £127.3 million, contributing 29.3% to group profit
- The increase in profitability was supported by both record net inflows and higher market levels over the financial year. These net inflows were from all of the distribution channels and across the range of investment capabilities
- Assets under management increased by 26.7% to a record level of £58.8 billion.

**Contribution analysis**




* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (excluding Group Services and Other Activities).*

**Operating profit^ – track record**




^ *Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, non-operating items, taxation and after non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

## Outlook

- Our long-term strategy remains unchanged and we are committed to managing our clients' money to the highest standard possible
- We now have a globalised client footprint with seven distinct and scalable investment capabilities
- Business and earnings momentum is positive
- Continue to add scale, reinforcing our position as an independent pure play asset manager.

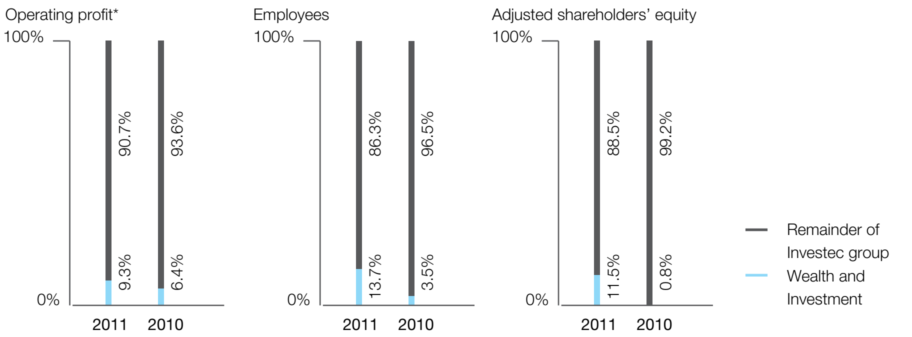
# Wealth and Investment

In South Africa, the merger between the Private Client Securities and the Private Bank Wealth Management businesses became effective on 1 April 2010. On 25 June 2010, Investec acquired the outstanding issued share capital of Rensburg Sheppards plc. Rensburg Sheppards was renamed Investec Wealth and Investment Limited on 31 May 2011.

## Overview and financial highlights

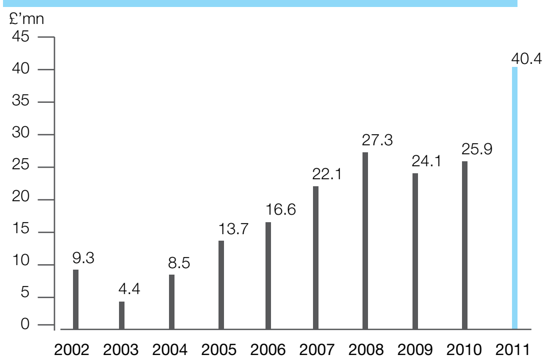
- Operating profit increased by 56.2% to £40.4 million, contributing 9.3% to group profit
- Since 31 March 2010, private client funds under management increased by 8.5% from £27.1 billion to £29.4 billion.

### Contribution analysis




* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (excluding Group Services and Other Activities).*

### Operating profit^ – track record




^ *Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, non-operating items, taxation and after non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

## Outlook

### UK and Europe

- Performance dependent on level of equity markets
- To achieve net organic growth of funds under management of 5% per annum.

### South Africa

- While equity markets have improved, the economic outlook remains uncertain
- Future performance will be influenced by the level of the equity markets and the direction of the Rand
- Cost growth will be lower than the year under review
- The newly merged business is well positioned to leverage off a more streamlined cost and operational base.

**Ordinary shareholders' equity**
up significantly to
£373.2 million

**ROE (pre-tax)**
down to
16.5 percent

**Tangible ROE (pre-tax)**
down to
78.7 percent

**Cost to income ratio^**
up to
75.4 percent

**Operating profit per employee**
down 6.3% to
£63.6 thousand

^ *Excluding income from associates.*

**Developments**

UK and Europe

- Benefited from higher funds under management and the acquisition of the balance of Rensburg Sheppards plc resulting in the consolidation of our Wealth Management businesses.

South Africa

- Key focus was on integrating the Private Banking Wealth Management business
- The performance was negatively impacted by increased personnel costs resulting from the merger, higher IT costs and lower earnings on deal driven and asset swap activities.

# Property Activities

Ordinary shareholders' equity
up 49.1% to
£112.8 million

ROE (pre-tax)
up to
39.6 percent

Tangible ROE (pre-tax)
down to
39.8 percent

Cost to income ratio
down to
35.2 percent

Operating profit per employee
up 38.7% to
£603.2 thousand

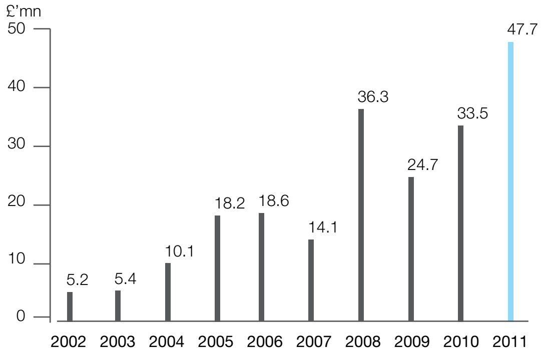
## Overview and financial highlights

- Operating profit increased by 42.5% to £47.7 million, contributing 11.0% to group profit.

### Contribution analysis


* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (excluding Group Services and Other Activities).*

### Operating profit^ – track record




^ *Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, non-operating items, taxation and after non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

### Developments

- Performance supported by continued enhancement of the investment property portfolio in South Africa
- Post year end, listed the Investec Property Fund Limited on the JSE raising R807 million
- The Australian business benefited from the acquisition and sale of investments
- Raised a new opportunity fund (IPOF2).

## Outlook

### Southern Africa

- The business has a substantial pipeline of development and re-development projects
- Good reception to the launch of the new property fund
- Building funds under management.

### Australia

- With property fundamentals stabilising, we are well positioned in current market conditions to take advantage of opportunities for property and development acquisitions through principal investment and partnering with investors through joint ventures or syndicates
- Intend to fully invest IPOF2 during 2011.

# Private Banking

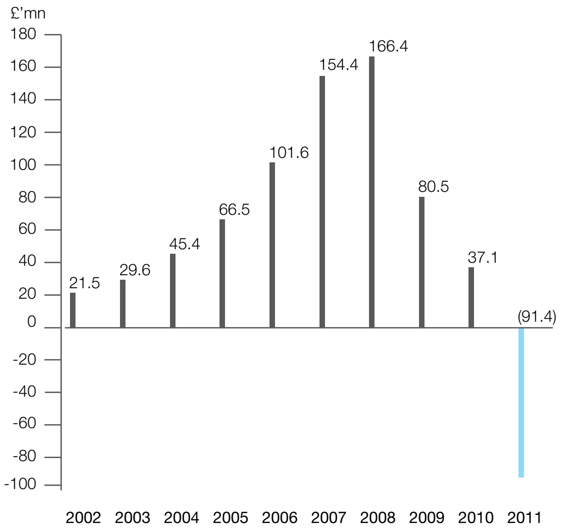
## Overview and financial highlights

- The Private Banking division reported a loss of £91.4 million
- Impairment losses on loans and advances have increased as a result of the depressed economic environment
- Key earnings drivers:
  - Core loans and advances increased by 3.0% to £13.3 billion since 31 March 2010
  - The deposit book increased by 5.9% to £12.5 billion since 31 March 2010
- The Private Bank Wealth Management specialisation moved to the Wealth and Investment division with effect from 1 April 2010 in South Africa and 1 July 2010 in the UK and Europe.

### Contribution analysis


* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (excluding Group Services and Other Activities).*

### Operating profit^ – track record




^ *Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, non-operating items, taxation and after non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

## Outlook

### Southern Africa

- Deal flow is starting to pick up but will take some time to translate to revenue
- We will benefit from action taken to separate the specialisations from the banking businesses.

### Australia

- Experien's diversified book is starting to gain momentum
- Launching a card and transactional banking initiative.

**Ordinary shareholders' equity**
up 9.1% to
£1 100 million

**ROE (pre-tax)**
down to
(9.2) percent

**Tangible ROE (pre-tax)**
down to
(9.6) percent

**Cost to income ratio**
up to
61.6 percent

**Operating loss per employee**
(£42.4) thousand

**Developments**

- Managed to maintain revenues during a very difficult period
- Profitability down as a result of low activity levels; lack of exits and a sharp rise in impairments as a result of the prolonged weak economic environment.

## Outlook

### UK and Europe

- We have taken a number of steps to strengthen the business
- Activity levels are slowly being restored and we are starting to gain momentum as private clients get back on their feet
- Significant initiatives to underpin growth, e.g. plans to launch transactional banking and current account.

# Investment Banking

Ordinary shareholders' equity
up 11.4% to
£285.9 million

ROE^ (pre-tax)
up to
21.2 percent

Tangible ROE^ (pre-tax)
down to
24.4 percent

Cost to income ratio^
down to
59.2 percent

Operating profit per employee
up 55.9% to
£174.9 thousand

^ *Excluding investments that are consolidated.*

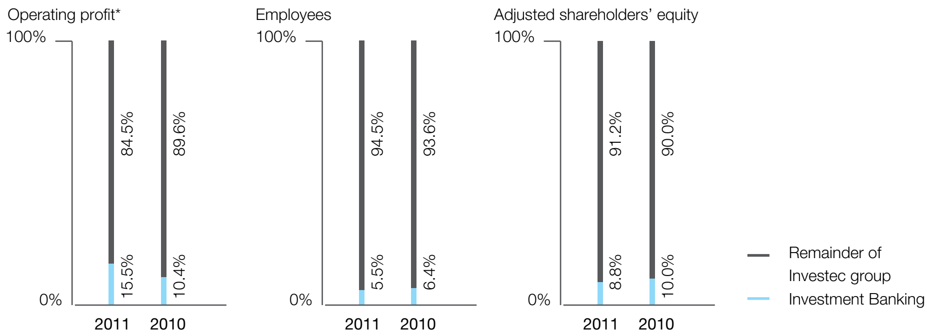
## Developments

- Good result overall with mixed performance across geographies and business activity
- Strong result from Principal Investments
  - The South African and Hong Kong businesses are scalable and are benefiting from well diversified portfolios
- The Agency and Advisory business across all three geographies benefited from a good deal pipeline but trading conditions in the Institutional Stockbroking business remain difficult.

## Overview and financial highlights

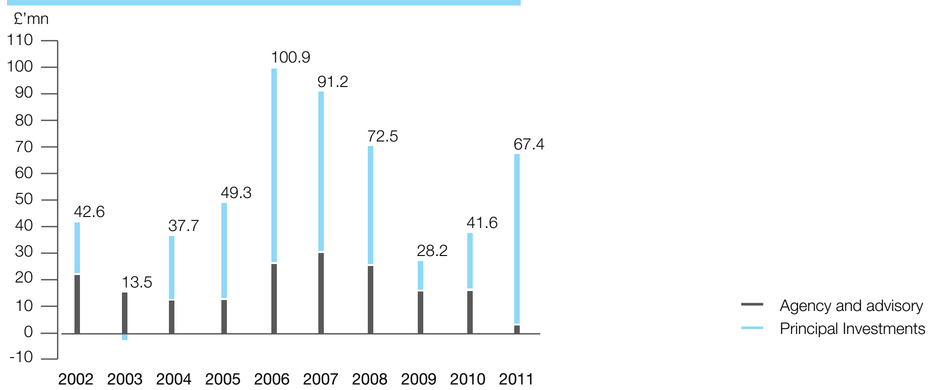
- Operating profit increased by 62.1% to £67.4 million, contributing 15.5% to group profit.

### Contribution analysis




* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (excluding Group Services and Other Activities).*

### Operating profit^ – track record




^ *Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, non-operating items, taxation and after non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

## Outlook

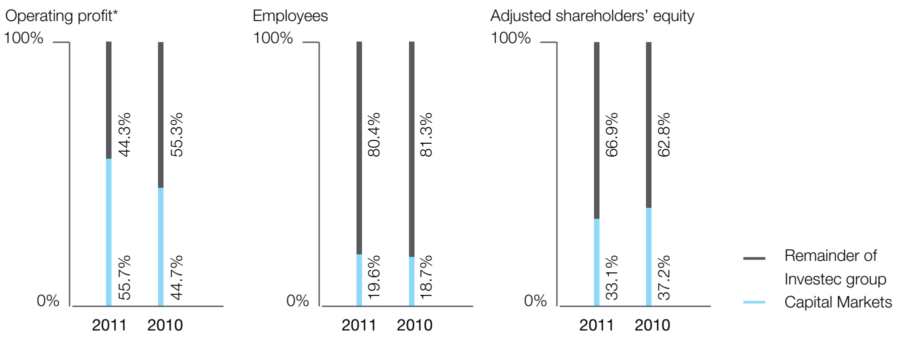
- Outlook predominantly driven by equity markets
- The brand is now well established in the UK and we are ready to take advantage of opportunities from increased secondary fundraisings and capital raisings
- In South Africa, activity levels are rising and there is a fair amount of corporate activity
- Australia is in a re-investment phase and we have rebuilt the team to focus on the top end of the mid-market
- Acquisition of a niche advisory firm, Access Capital in Hong Kong to help capture deal flow between developed and developing markets
- We have established a presence in India where we advise middle to large cap Indian companies on growth solutions.

# Capital Markets

## Overview and financial highlights

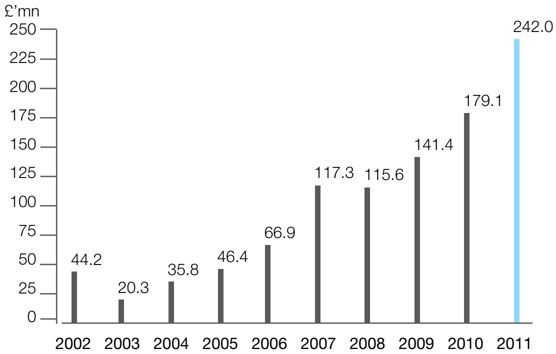
- Operating profit increased by 35.1% to £242.0 million, contributing 55.7% to group profit
- Core loans and advances have increased by 7.2% to £4.8 billion since 31 March 2010.

### Contribution analysis




* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (excluding Group Services and Other Activities).*

### Operating profit^ – track record




^ *Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts from 2008 are shown before goodwill, non-operating items, taxation and after non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

## Outlook

### UK and Europe

- Continue to build a balanced business model where we can benefit from both primary and secondary market activity
- Well positioned to grow significantly from current levels as market conditions improve.

### Southern Africa

- Clean portfolio ready to benefit from a recovery in the South African economy.

### Australia

- Continue to invest in the business for the long term
- Several new business initiatives should start gaining momentum this year.

Overall, we have invested heavily in building our capability and remain well positioned in all three geographies to grow market share and extend our franchise.

**Ordinary shareholders' equity**
up 12.5% to
£1 078 million

**ROE (pre-tax)**
up to
19.8 percent

**Tangible ROE (pre-tax)**
up to
21.5 percent

**Cost to income ratio**
up to
49.5 percent

**Operating profit per employee**
up 19.9% to
£199.7 thousand

**Developments**

- The division was able to produce a strong performance as a result of:
  - Good levels of activity across the advisory and structuring businesses
  - Notable performances from the Principal Finance, Structured Finance and Structured Equity Finance businesses
- Benefited from a decline in both impairments and defaults.

# Group Services and Other Activities

**Developments**

Central Services

- We have a policy of allocating costs housed in the centre that are, in effect, performing a function for the divisions of the group
- There are certain costs that are strategic in nature which have not been allocated for pure segmental disclosure, amounting to £99.1 million (2010: £73.2 million). However, a portion thereof (£82.5 million) is allocated to the operating divisions for purposes of determining return on adjusted capital per business segment
- Central costs are higher than the prior year mainly due to the appreciation of the Rand against Pounds Sterling as well as increased headcount and related expenses.

Central Funding

- We have a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements the group faces 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 the five operating divisions.

Group Services includes the central services and central funding functions, while Other Activities predominantly includes the International Trade Finance business.

## Overview and financial analysis

| £'000 | 31 March 2011 | 31 March 2010 | Variance | % change |
|---|---|---|---|---|
| International Trade Finance | 9 065 | 7 174 | 1 891 | 26.4% |
| Central Funding | 91 038 | 97 745 | (6 707) | (6.9%) |
| Central Services | (99 109) | (73 198) | (25 911) | (35.4%) |
| Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests | 994 | 31 721 | (30 727) | (96.9%) |

| 31 March 2011<br>£'000 | UK and Europe | Southern Africa | Australia | Total group |
|---|---|---|---|---|
| International Trade Finance | 2 046 | 7 019 | – | 9 065 |
| Central Funding | 40 262 | 41 773 | 9 003 | 91 038 |
| Central Services | (51 891) | (39 012) | (8 206) | (99 109) |
| Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests | (9 583) | 9 780 | 797 | 994 |

| 31 March 2010<br>£'000 | UK and Europe | Southern Africa | Australia | Total group |
|---|---|---|---|---|
| International Trade Finance | 2 454 | 4 720 | – | 7 174 |
| Central Funding | 19 064 | 70 943 | 7 738 | 97 745 |
| Central Services | (30 925) | (34 801) | (7 472) | (73 198) |
| Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests | (9 407) | 40 862 | 266 | 31 721 |

# Risk and governance

## Group Risk Management objectives are to:

- Be the custodian of our risk management culture
- Ensure the business operates within the board stated appetite
- Support the long-term sustainability of the group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk
- 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.

## Philosophy and approach

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

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

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

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

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

This section provides a summary of our risk management philosophy, practices and key developments for the year ended 31 March 2011. A more detailed review is provided in the Investec group's 2011 annual report.

## 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 23 to 25.

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 within the group 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 from 1.16% to 1.27%. The group expects this ratio to decrease during the forthcoming financial year

- Limited exposure to rated and unrated structured credit investments; representing approximately 2% of total assets
- A low leverage (gearing) ratio of 11.3 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with 'level 3' assets amounting to 0.8% of total assets
- Low equity (investment) risk exposure; within total investments comprising 3.0% 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 (i.e. per extreme value theory) amount to less than 0.3% of total operating income
- A high level of readily available, high quality liquid assets; average cash and near cash of approximately £9.7 billion, representing 25% to 35% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Continued increase in retail customer deposits and a growing retail franchise
- 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 and increased our net tangible asset value during the year
- Geographical and operational diversity with a high level of recurring income which continues to support sustainability of operating profit.

Investec has continued to maintain a sound balance sheet with low leverage.

## Geographic summary of the year in review from a risk perspective

### UK and Europe

#### Credit risk

The year in review remained challenging as the severe deterioration in economic conditions globally continued to impact on clients' activities and underlying asset values. As a result impairments and defaults have continued to increase. The Irish market was particularly affected by economic difficulties and the local banking crisis. Core loans and advances increased marginally by 2.6% to £5.6 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 increased from 3.16% to 4.23% of core loans and advances and the credit loss ratio has increased from 1.72% to 2.22%, largely as a result of an increase in impairments in our Private Banking division, notably against our Irish loan portfolio.

#### Traded market risk

In the UK, the Structured Equity desk has continued to experience growth in their retail product sales and they continue to expand their product range. The Interest Rate and Forex desks have also performed well in a challenging environment, whilst the Equity Trading business had a strong year. The remaining UK commodities book was sold during the course of the year.

#### Balance sheet risk

The bank maintained high cash and near cash balances throughout the year but did curtail its inflow of deposits given that it had significant surplus liquidity. Total customer deposits increased by 9.8% from 1 April 2010 to £8.8 billion at 31 March 2011. Good growth was experienced in the bank's corporate and structured equity deposit book, whilst the Private Bank slowed its intake of deposits. Average cash and near cash balances amounted to £3.6 billion during the year.

### Southern Africa

#### Credit risk

Credit quality on gross core loans and advances deteriorated in the first three quarters, with a slowdown in the fourth quarter of the financial year in review. Core loans and advances increased by

2.2% to R120.8 billion. Default loans (net of impairments) as a percentage of core loans and advances increased from 3.32% to 3.97%. The credit loss ratio has remained at 0.71%. The majority of defaults were recorded in the Private Bank division. These defaults largely comprise a relatively small number of clients where finance was provided at reasonably conservative loan to values but with no obvious serviceability except realisation of collateral. Defaults have occurred when clients have been unable to realise sales to service and repay.

The Capital Markets division reported no material defaults for the current financial year and benefited from a recovery on a provision raised in prior years.

#### Traded market risk

Trading conditions in South Africa remained difficult, as client flow failed to pick up much over the year. Risk assumed in the trading businesses continues to be low and has in some cases been even lower than last year. Investec remains committed to trading on client flow as opposed to proprietary trading. Despite the difficult trading conditions all trading desks recorded a profit.

#### Balance sheet risk

The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 8.0% from 1 April 2010 to R154.5 billion at 31 March 2011 (Private Bank deposits amount to R56.1 billion and other retail deposits amount to R98.4 billion). Cash and near cash balances increased by 9.6% from 1 April 2010 to R52.6 billion at 31 March 2011, with excess reserves placed in highly liquid treasury bills and government bonds. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues totaling R6 billion.

### Australia

#### Credit risk

During the year core loans and advances to customers increased by 6.3% to A$3.2 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 limited change in credit quality throughout the year under review. Defaults (net of impairments) have fallen to 9.54% of core loans and advances and the credit loss ratio has decreased from 1.67% to 1.53%. A continued focus on asset quality remains fundamental to our approach to the credit environment, which is likely to remain challenging for some time.

#### Traded market risk

Australian trading activity remains modest, but has begun to increase. The historical focus on commodity hedging has been expanded to include foreign exchange and interest rate activity.

#### Balance sheet risk

Investec Australia maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year, with average cash and near cash balances amounting to A$1.7 billion.

## Salient features

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

| | UK and Europe | | Southern Africa | | Australia | | Investec group | |
|---|---|---|---|---|---|---|---|---|
| | 31 March 2011 £ | 31 March 2010 £ | 31 March 2011 R | 31 March 2010 R | 31 March 2011 A$ | 31 March 2010 A$ | 31 March 2011 £ | 31 March 2010 £ |
| Net core loans and advances (million) | 5 576 | 5 437 | 120 784 | 118 155 | 3 219 | 3 029 | 18 758 | 17 891 |
| Gross defaults as a % of gross core loans and advances | 6.82% | 4.91% | 5.07% | 3.96% | 10.75% | 12.00% | 6.22% | 5.07% |
| Defaults (net of impairments) as a % of net core loans and advances | 4.23% | 3.16% | 3.97% | 3.32% | 9.54% | 10.26% | 4.66% | 3.98% |
| Net defaults (after collateral and impairments) as a % of net core loans and advances | – | – | – | – | – | – | – | – |
| Credit loss ratio* | 2.19% | 1.72% | 0.71% | 0.71% | 1.53% | 1.67% | 1.27% | 1.16% |
| Structured credit investments as a % of total assets | 2.85% | 3.70% | 1.66% | 1.50% | 1.93% | 2.10% | 2.20% | 2.60% |
| Banking book investment and equity risk exposures as a % of total assets | 1.26% | 1.10% | 5.90% | 5.50% | 0.45% | 0.60% | 3.47% | 3.10% |
| Traded market risk: one-day value at risk (million) | 1.1 | 1.8 | 3.8 | 3.6 | – | 0.1 | n/a | n/a |
| Cash and near cash (million) | 3 547 | 3 653 | 52 591 | 47 986 | 1 438 | 1 814 | 9 319 | 9 117 |
| Customer accounts (deposits) (million) | 8 812 | 8 025 | 154 504 | 143 121 | 2 211 | 1 721 | 24 441 | 21 934 |
| Core loans to equity ratio | 3.7x^ | 4.4x^ | 5.8x | 6.4x | 4.7x | 4.4x | 4.7x | 5.4x |
| Total gearing/leverage ratio** | 11.2x^ | 13.3x^ | 11.5x | 11.7x | 7.8x | 7.9x | 11.3x | 12.5x |
| Core loans (excluding own originated assets which have been securitised) to customer deposits | 70.0%^ | 74.3%^ | 74.1% | 77.5% | 111.6% | 126.0% | 72.4% | 76.2% |
| Capital adequacy ratio | 16.8%^ | 15.9%^ | 15.9% | 15.6% | 17.6% | 19.2% | n/a | n/a |
| Tier 1 ratio | 11.6%^ | 11.3%^ | 11.9% | 12.1% | 14.7% | 16.6% | n/a | n/a |

* *Income statement impairment charge on loans as a percentage of average advances.*
** *Total assets excluding assurance assets to total equity.*
^ *Ratios are reflected at an Investec plc level (including Australia).*

- *Certain information is denoted as n/a as these statistics are not applicable at a consolidated group level and are best reflected per banking entity or jurisdiction in line with regulatory and other requirements.*

# 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. Our ratings as at 31 March 2011 are as follows:

| Rating agency | | Investec plc | Investec Bank plc – a subsidiary of Investec plc | Investec Bank (Australia) Limited – a subsidiary of Investec Bank plc | Investec Limited | Investec Bank Limited – a subsidiary of Investec Limited |
|---|---|---|---|---|---|---|
| Fitch | Individual rating | | C | C | C | C |
| | Support rating | | 5 | 2 | 5 | 2 |
| | Foreign currency | | | | | |
| | Short-term | | F3 | F2 | F3 | F3 |
| | Long-term | | BBB | BBB | BBB | BBB |
| | National | | | | | |
| | Short-term | | | | | F1 (zaf) |
| | Long-term | | | | | A+(zaf) |
| Moody's | Bank financial strength rating | | D+ | C- | | C- |
| | Foreign currency | | | | | |
| | Short-term deposit rating | Non prime | Prime-3 | Prime-2 | | Prime-2 |
| | Long-term deposit rating | Ba1 | Baa3 | Baa2 | | A3 |
| | National | | | | | |
| | Short-term | | | | | P1 (za) |
| | Long-term | | | | | Aa2 (za) |
| Global Credit Ratings | Local currency | | | | | |
| | Short-term rating | | A2 | | | A1+(za) |
| | Long-term rating | | BBB+ | | | AA-(za) |

# Internal audit and Compliance

Compliance risk is the risk that Investec fails to comply with the letter and spirit of 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.

Investec is subject to extensive supervisory and regulatory governance in the countries in which we operate. The banking supervision department of the South African Reserve Bank (SARB) is our lead regulator. Significant business developments in any of our operations must be approved by SARB as well as by the business home country regulatory authority.

Internal Audit provides objective and independent assurance, via the group audit committees, to the management and board of Investec about risk management, control and governance processes and systems.

## UK and Europe – year in review

The year in review has seen further significant proposed reforms to the regulatory and supervisory framework of UK and European firms. These proposed reforms have focused on macro-prudential regulation, capital, resolution, liquidity, market infrastructure and reform of regulatory institutions.

The overall banking regulatory environment remains relatively uncertain, notwithstanding the recent announcements made by the Basel Committee on Banking Supervision, both in terms of prudential regulation and the wider reform to the UK's regulatory oversight framework. A particular concern throughout 2010 therefore continues to be the volume of regulatory pressure facing banks, including Investec. This pressure is expected to increase in 2011 due to a raft of both UK and EU led reforms coming online.

The observed trend is toward higher impact, costly and potentially transformational reforms which typically require a higher degree of co-ordination and strategic consideration by international banking groups. Despite this pressure, Investec has continued to successfully adapt to the changing landscape via dedicating significant resources to monitoring, analysing and implementing regulatory developments as they arise.

During the period under review regulatory activity in the UK has been focused on the following initiatives:

- Reform of the UK regulatory framework
- Independent banking commission
- Capital and liquidity
- FSA Remuneration Code
- The mortgage market review.

### Reform of the UK regulatory framework

The UK government is currently in consultation on reforming the UK regulatory system, representing a dismantling of the 'tripartite' system and a new approach to regulation in the UK. The proposals include integration of responsibility for banking supervision into the Bank of England under a new prudential regulation authority and the creation of the financial conduct authority (FCA) which will be responsible for the non-prudential areas of regulation that currently sit with the FSA. In terms of macro-prudential regulation, the UK government is also proposing the creation of a new financial policy committee (FPC) in the Bank of England which will assume control of macro-prudential tools to make sure that systemic risks to financial stability are managed.

The UK government's aim is for the new regulatory structure to come into force by the end of 2012. The reforms will be implemented through primary legislation amending the Financial Services and Markets Act with a draft bill due to be published in Spring 2011.

## Independent banking commission

The independent banking commission was established in 2010 in order to examine the structure of the banking industry, including the levels of competition in the sector. The issue of whether banks should be broken up into separate retail and investment banking functions, or somehow ring-fenced from each other, is one of the commission's main considerations.

The commission published its interim report on 11 April 2011. This sets out the provisional views of the commission on the need for reform and on possible options, and to seek views, evidence and analysis in response as part of a consultation process.

The key concepts outlined in this interim report include structural reforms to the sector, enhanced capital requirements and loss absorbency and the promotion of competition in the retail banking market. The structural reforms discussed by the commission include high level thoughts on the introduction of a UK retail ring-fence in which UK retail banking activities of universal banks can continue to be provided by universal banks but must be contained within separately capitalised subsidiaries.

The commission's full report is due to be published by the end of September 2011 and submitted to the cabinet committee on banking reform.

## Capital and liquidity

The prudential regulation and supervision of financial institutions continues to undergo significant change in an attempt to address the systemic failures that caused the global financial crisis.

The Basel committee, following consultation, impact analysis and draft proposals during 2010, issued final proposals in December 2010 on the twin areas of capital and liquidity, the key aspects of which are set out below. These proposals are going through a period of consultation and are expected to be introduced by the end of 2011 and onwards, with substantial transitional arrangements.

Proposals have included:

- Increased risk weightings for the trading book, securitisations, off-balance sheet exposures and derivatives (to be implemented by the end of 2011)
- A minimum common equity ratio of 4.5% (by 1 January 2015), alongside the adoption of an additional capital conservation buffer of 2.5% in common equity, to be phased in between 1 January 2016 and 1 January 2019. Furthermore, the Basel committee has finalised its proposals for a countercyclical buffer of up to 2.5% in loss-absorbing capital, to be built up in periods during which credit growth exceeds GDP growth
- Introduction of a gross leverage ratio of 3% of total non-risk weighted assets. An observation period of parallel running will start in 2013, aiming for the adoption of a minimum standard becoming mandatory in 2018
- A new minimum standard has been proposed for liquidity, the liquidity coverage ratio, to extend, under stressed conditions, the period during which a bank can continue to operate when it is unable to dispose of assets to repay withdrawals. Proposals are also being debated for a net stable funding ratio, which will require banks to match more accurately the maturities of liabilities to assets held. It is expected that these measures will be phased in after observation periods, in 2015 and 2018 respectively.

## FSA Remuneration Code

In December 2010 the FSA published an updated Remuneration Code to take into account changes required by the capital requirements directive (CRD3). The revised Code applies to an extended range of firms including all banks and investment firms. Specific requirements of the revised Code will primarily affect the remuneration of those senior employees deemed to be 'code staff' (a new concept introduced by the revised Code). Investec largely adheres to the remuneration principles as set out in the FSA Code (refer to the remuneration report on page 81 for more detail) and will formally adopt the requirements as set out in the code in its 2012 financial year.

## Mortgage market review

The FSA has made significant progress in its wide ranging review of the regulation of the UK mortgage market, with several key proposals relating to responsible lending and arrears handling now at consultation stage.

With regard to responsible lending, the FSA proposes to ensure that all mortgages are carefully assessed to make sure borrowers can afford them. Specific proposals include: imposing affordability tests for all mortgages and making lenders ultimately responsible for assessing a consumer's ability to pay; requiring verification of borrowers' income in every case to prevent over inflation of income and to prevent mortgage fraud. These proposals effectively ban self-certification and fast-track mortgages where income is not verified and provides extra protection for vulnerable customers with a credit impaired history. Final rules are expected to be published during the course of 2011.

## Anti-money laundering and terror financing

Compliance with the Financial Intelligence Centre Act (FICA), as amended, and the Protection of Constitutional Democracy against Terrorist and Related Activities Act is ongoing. The requirements provided by this regulation are set out in the group anti-money laundering and anti-terror financing policy which incorporates Investec's client acceptance policy.

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

The automated suspicious activity monitoring (ASAM) system, an enhancement to the AML system to address suspicious activity reporting, is operational in the higher risk businesses. ASAM uses a client's risk weighting together with profiles of the client's transactional behaviour across business unit systems to determine potentially suspicious activities. Such activities are further investigated to determine whether they need to be reported to the financial intelligence centre (FIC) as required by legislation. ASAM has been further enhanced to automate cash threshold reporting, a FICA requirement from December 2010.

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

In accordance with the amended FICA requirements, all Investec divisions that are 'accountable institutions' have been registered with the FIC. All cash threshold reports (CTRs) and suspicious transaction reports (STRs) are made in accordance with the accountable institution where they arose.

## Consumer protection

Consumer protection regulation continues to be a key focus into 2011 with ongoing monitoring and reporting of compliance with the requirements of the Financial Advisory and Intermediary Services Act (FAIS), the National Credit Act (NCA) and, as of 1 April 2011, the Consumer Protection Act (CPA).

To better regulate the quality of financial advice, the FSB has introduced amendments to the FAIS 'fit and proper' requirements, which deal with the qualifications and experience needed to perform a representative or key individual role for a financial services provider (FSP). Compliance and Human Resources have developed a system to monitor the 'fit and proper' status of representatives and key individuals of all licensed Investec FSPs. The FSB has additionally introduced regulatory examinations which all FAIS representatives must pass to be deemed 'fit and proper'. Compliance has provided training material and exam readiness, facilitated through an external provider, to ensure that all representatives are appropriately qualified by the deadline date.

The CPA was enacted to promote a fair, accessible and sustainable marketplace for consumer products and services, promote responsible consumer behaviour, improve standards of consumer information and prohibit unfair marketing and business practices. Although the CPA came into effect on 1 April 2011, the regulations have not yet been finalised and as such the full impact of the CPA remains unclear.

Group Compliance continues to oversee the implementation of the NCA in the affected areas, which are limited.

Further drafts of the Protection of Personal Information Act (POPI) have been circulated to the industry for comment; however a promulgation date has still not been set. Once enacted POPI will have a material impact on all aspects of Investec's business that concern the processing of personal information in respect of Investec's clients and employees, as well as information relating to the Investec group and subsidiaries.

## Market conduct, including conflicts of interest

The conflicts index matrix for the South African business has been captured into a specific module of the enterprise risk assessor (ERA) system. As such, ERA now contains an outline of the types of conflicts applicable to the business, and an indication of which business areas they are applicable to and/or occur between, the current mitigations and controls in place to manage the respective conflicts, and a record indicating where enhanced controls are necessary. ERA COI provides an additional monitoring programme to enable conflicts of interest monitoring.

Amendments to the FAIS general code, with implementation dates between July 2010 and April 2011, highlighted and detailed the conflict of interest management requirements of FSPs. These include enhanced disclosures of existing conflicts, a board approved policy on how the FSP identifies, avoids and (where avoidance is not possible) manages conflicts and stringent provisions on what financial interests representatives can receive.

### Risk-based monitoring

Annual reassessments continue to be performed for all relevant legislation loaded on the ERA. The reassessment programme includes a re-evaluation of all the risks, controls, treatments and monitoring tests to ensure that these are still relevant. There has been continued focus on thematic monitoring across business areas and on streamlining the monitoring reports to management.

### Training

The compliance awareness induction programme (CAIP) has continued to run successfully throughout the year. All new employees are required to attend the face to face version of CAIP and are required to complete and pass an online assessment. CAIP incorporates modules on:

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

eCAIP, the online version of the training module, was successfully launched in 2010. As expected, it has broadened both access to and the audience of the CAIP programme.

## 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. From an APRA perspective the key proposals include global liquidity standards and Basel III.

The introduction of the national credit code has replaced the uniform consumer credit code and covers credit activities. This means that home loans, personal loans and consumer leases, among other products and services, are now regulated under Commonwealth legislation and administered by ASIC. Investec Australia has been granted its credit licence and has implemented processes to address the requirements contained within the legislation when issuing credit to clients in their personal capacity.

ASIC have taken over the market supervision of market participants which includes Investec Securities (Australia) Pty Ltd. The Australian government's 'future of financial advice reform' is actively exploring ways to improve access to and the quality of advice.

# Corporate governance

## Introduction

While the Investec 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.

In formulating our governance framework, we apply recognised corporate governance practices pragmatically so as to:

- Build and sustain an ethical corporate culture in the company
- Identify and mitigate significant risks, including reputational risk
- Exercise effective review and monitoring of our activities
- Promote informed and sound decision making
- Enable effectiveness, efficiency, responsibility and accountability
- Enhance the capital markets and other stakeholders' perception of us
- Facilitate legal and regulatory compliance
- Secure trust and confidence of all stakeholders
- Protect our brand and reputation
- Ensure sustainable business practices, including social and environmental activities
- Disclose the necessary group information to enable all stakeholders to make a meaningful analysis of our financial position and actions
- Respond appropriately to changes in market conditions and the business environment
- Remain at the forefront of international corporate governance practices.

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

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

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

All international business units operate in accordance with the above determined corporate governance recommendations, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

This section provides a summary of our corporate governance philosophy, practices and key developments for the year ended 31 March 2011. A more detailed review is provided in the Investec group's 2011 annual report.

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

## Board of directors

In terms of the DLC arrangements, the boards of Investec plc and Investec Limited are identical and the group is managed as a unified economic enterprise.

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

The board recently adopted a board charter, which provides a framework of how the boards operate as well as the type of decisions to be taken by the board and which should be delegated to management. The board framework also deals with composition and meeting procedures.

The Investec board:

- Approves the group's strategy
- Ensures that the group complies with the applicable laws and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as focal point for, and custodian of, corporate governance
- Provides effective leadership on an ethical foundation
- Ensures the group is, and is seen to be, a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the group's values and standards, promoting high 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.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, group forums or the CEO, without abdicating its own responsibilities:

- The board has formally defined and documented, by way of terms of reference, the authority it has delegated to the various board committees and group forums
- In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

Furthermore, directly or through its sub-committees, the Investec board:

- Assesses the quantitative and qualitative aspects of Investec's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors our compliance with relevant laws, regulations and codes of business practice
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders and monitors our communication with all stakeholders and disclosures made to ensure transparent and effective communication
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of our internal systems of control
- Ensures we adopt sustainable business practices, including our social and environmental activities
- Assisted by the audit committee, ensures appropriate IT governance processes are in place, the implementation of which management is responsible for, and ensuring that the process is aligned to the performance and sustainability objectives of the board

- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures the appropriate risk governance processes, including IT, are in place including continual risk monitoring by management, determines the levels of risk tolerance and that risk assessments are performed on a continual basis
- Ensures the integrity of the company's integrated report, which includes sustainability reporting
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

The combined boards of Investec plc and Investec Limited meet jointly at least six times annually. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure. Furthermore, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa respectively.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2011 annual general meeting.

| | Date of appointment | | | | Retiring and seeking re-election in 2011 |
|---|---|---|---|---|---|
| | Investec plc | Investec Limited | Independent | Last elected | |
| Executive directors | | | | | |
| S Koseff (chief executive officer) | 26 June 2002 | 6 October 1986 | No | 2009 | Yes |
| B Kantor (managing director) | 26 June 2002 | 8 June 1987 | No | 2008 | Yes |
| GR Burger (group risk and finance director) | 3 July 2002 | 3 July 2002 | No | 2010 | Yes |
| HJ du Toit | 15 December 2010 | 15 December 2010 | No | – | Yes |
| Non-executive directors | | | | | |
| HS Herman (chairman) | 26 June 2002 | 1 January 1994 | No | 2010 | Yes |
| SE Abrahams | 26 June 2002 | 21 October 1996 | Yes | 2010 | Yes |
| GFO Alford | 26 June 2002 | 26 June 2002 | Yes | 2010 | Yes |
| CA Carolus | 18 March 2005 | 18 March 2005 | Yes | 2008 | Yes |
| PKO Crosthwaite | 18 June 2010 | 18 June 2010 | Yes | 2010 | Yes |
| OC Dickson | 31 March 2011 | 31 March 2011 | Yes | – | Yes |
| B Fried | 1 April 2010 | 1 April 2010 | No | 2010 | Yes |
| H Fukuda OBE | 21 July 2003 | 21 July 2003 | Yes | 2008 | Yes |
| IR Kantor | 26 June 2002 | 30 July 1980 | No | 2010 | Yes |
| MP Malungani | 26 June 2002 | 26 June 2002 | No | 2008 | Yes |
| Sir David Prosser (senior independent director) | 23 March 2006 | 23 March 2006 | Yes | 2009 | Yes |
| PRS Thomas | 26 June 2002 | 29 June 1981 | Yes | 2010 | Yes |
| F Titi | 30 January 2004 | 30 January 2004 | No* | 2010 | Yes |

* *F Titi is independent for Investec Limited but not for Investec plc.*

## Board committees

In exercising control of the group, the directors are empowered to delegate to various board and executive committees. The committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

Below is an overview of the various committees' composition and responsibilities. The full terms of reference are available on our website.

### Investec plc and Investec Limited board of directors

**DLC nomination and directors' affairs committee** | **Five NEDs (three independent)** | **Four times per annum**

Responsibilities, inter alia, include:
- Identification and nomination of board candidates
- Determining and evaluating the adequacy, efficiency and appropriateness of the group's corporate governance
- Reviewing board composition and recommending changes
- Succession planning and management.

**DLC audit committee** | **Five independent NEDs** | **Four times per annum**

Responsibilities, inter alia, include:
- Review and oversight of combined reports, financial statements and integrated report
- External and internal audit oversight
- Compliance oversight
- Monitoring the effectiveness of the systems of internal financial control
- Reviewing any matters affecting the financial safety of the DLC group.

**Board risk and capital committee** | **Three executives seven NEDs (four independent)** | **Six times per annum**

Responsibilities, inter alia, include:
- Monitoring and implementation of risk management policies and procedures
- Review of the adequacy of the risk management structure and processes
- Ratifying exposure limits for market, counterparty and credit risk
- Monitoring of liquidity and operational risks.

**DLC remuneration committee** | **Four independent NEDs** | **Seven times per annum**

Responsibilities, inter alia, include:
- Determining, developing and agreeing the executive (directors and management) remuneration framework
- Ensuring appropriate incentives to encourage enhanced performance in contribution to the success of the group and alignment with the corporate objectives and business strategy.

**Investec plc and Investec Limited audit committees** | **Five independent NEDs** | **Four times per annum**

**Audit and compliance implementation forums**

**DLC capital committee**

Capital planning, allocation and structuring, performance measurement, investment decisions and capital based incentivisation.

**Three executives one independent NED**

**At least quarterly**

**Executive risk review forum**

Measuring, monitoring and mitigation of enterprise wide risk.

**Three executives and senior management**

**Weekly**

## Year under review

### Board statement

The board, management and employees of Investec are committed to complying with the disclosure and transparency rules and listing rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) listings requirements, regulatory requirements in the countries in which we operate, the London Combined Code (2008) and the majority of the King Code of Governance Principles for South Africa 2009 (King III), whereby all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

### Governance requirements

#### 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 also participated in various management incentive schemes.
- Composition of the board: Following the resignation of GMT Howe on 31 December 2010, less than half the board, excluding the chairman, comprised independent non-executive directors. However, the appointment of OC Dickson with effect from 31 March 2011, means that the board is now compliant with this provision.

#### UK Corporate Governance Code (2010)

Although not applicable to the current reporting period, Investec has also complied with the majority of the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in May 2010. Areas of non-compliance include the independence of the chairman and the board composition as noted above.

#### King III

King III distinguishes between statutory provisions, voluntary principles and recommended practices. The King III Report provides best practice recommendations, whereas the King III Code provides the principles that all entities should apply.

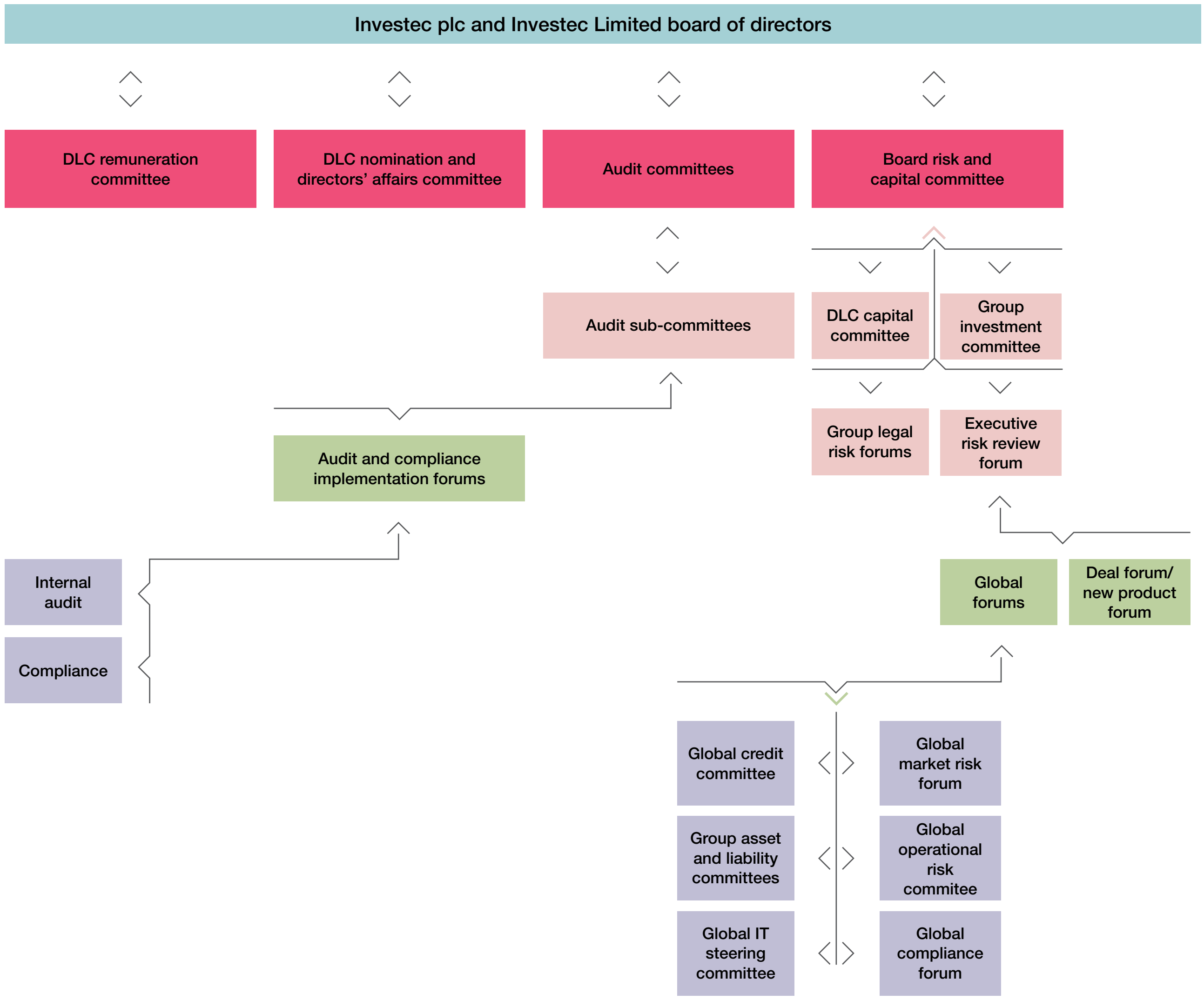
The majority of the principles of King III are being applied and is evidenced in the various sections of this report. Prior to the March 2010 year end we undertook a detailed exercise to benchmark Investec's practices against the principles required under King III, and in order to demonstrate that the principles are being applied, we included a schedule referencing the relevant principles to sections in the 2010 report. The 2011 schedule referencing the relevant principles to sections in the 2011 report can be found on the Investec website.

The following principles of King III are currently not being applied by Investec:

- The board should elect a chairman of the board who is an independent non-executive director
  - Refer to the explanation under London Combined Code (2008) above
- Companies should disclose the remuneration of certain senior executives
  - We do disclose the remuneration of the executive directors and the group's remuneration process in the remuneration report on pages 69 to 90. We have not applied the recommended practice to disclose the salaries of the three most highly paid employees who are not directors
- Sustainability reporting and disclosure should be independently assured
  - We do not believe that this is necessary given the nature of our business and level of sustainability reporting required
  - The audit committees have overseen the integrated report, including sustainability disclosures, which have been verified by the Internal Audit division.

## Governance framework

Investec's governance framework is depicted as follows:




## Sustainable business practices

We have an acute awareness of the need for durability and longevity, across all our businesses, and an ingrained understanding of the practices that underpin sustainability. Our approach to sustainability is documented throughout this integrated report and further detail can be found on our website.

The King Code recommends that a company integrates financial and non-financial reporting. It is for this reason that Investec has chosen not to present a separate sustainability report this year. This integrated annual report to stakeholders reflects how economic, social and environmental issues have impacted on our business strategy and, in turn how these are considered when making business decisions.

The sustainability information in this report aims to present a balanced analysis of the group's sustainability performance in relation to issues that are relevant and material to Investec and its stakeholders. We have been assisted in this regard by the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines and an index of these indicators together with our response to each of them can be found in the Investec group's 2011 annual report. We have self-assessed our reporting to be Application Level B.

Certain elements of the sustainability information in this report have been verified by the group Internal Audit division. A copy of their assurance statement can be found on page 57.

## Managing sustainable development

The global economic and financial crisis has forced businesses to focus on the challenges of what it means to be a sustainable business, especially in the financial services industry. Investec's sustainability efforts are based on the recognition that we are a specialist bank and asset manager driven by our commitment to our culture and values.

Investec's approach to sustainability is divided into the areas of profit, people and planet. Our endeavours to pursue sustainable profits include having a positive impact on each of the societies in which our business activities operate. We aim to do this by enriching communities through education and entrepreneurship and embracing diversity while constantly striving to reduce the overall size of our environmental footprint.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach.

The group's philosophy is not intended to be mutually exclusive, nor exhaustive, but allows us to concentrate, for now, on key focus areas.

Deliberately not driven on a top-down basis, the centre maintains responsibility for oversight, direction, coordination and integration of our sustainability efforts while the individual business units provide the principal drivers behind our activities, in a manner that best makes sense to each.

The King Code in South Africa advocates that a sustainable company's strategy aligns to its economic, social and environmental performance. We are aware that although not all aspects of our strategy are uniformly tested against sustainability objectives, we believe that working towards this goal presents an opportunity to drive value in the business.

Peter Thomas, a non-executive director on Investec's board, is responsible for all issues pertaining to sustainability. We also have sustainability representatives in each of the major geographies in which we operate. We have a global sustainability forum that meets quarterly to discuss any issues and developments related to sustainability in each of our areas of operation. The forum has representation from all business units including central functions as well as senior management. Feedback on relevant sustainability issues is also provided to board members at each board meeting.

### Assurance

Our Internal Audit division has performed a limited review of certain elements of the sustainability information included in this report. A copy of their statement is included below.

### Internal audit

Investec Internal Audit performed a limited review of the quantitative and qualitative sustainability information disclosed on pages 57 to 67 of this report. The scope of our work was agreed with management and based on the result thereof, nothing has come to our attention to indicate that:

- The qualitative sustainability information is not a fair statement of Investec's corporate responsibility initiatives
- The quantitative sustainability information is significantly misstated.

Investec's approach to sustainability is divided into the areas of profit, people and planet.

Our people are critical to the continued success of our business and to our overall sustainability efforts.

## Employee report

In assuming responsibility for our human capital we seek to promote sustainability through:

- Competitive remuneration and reward, and advice for each employee
- Specialised learning programmes for young talent
- Measures to ensure the health and well-being of employees
- Managing performance through regular reviews, learning and development
- Succession planning and business continuity
- Resourcing and intake that takes into account a diverse workforce
- Facilitating an understanding of HR policies and procedures, to allow for guidance and opportunity among staff.

Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisation Development (OD) which serve to supplement the ongoing people focus of our individual business units. The HR teams are mandated to attract, develop and retain talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

The HR division participates with local and international HR forums, to ensure ongoing development of HR best practice in the group and the alignment of HR strategy with business strategy. As our operating jurisdictions have different legal and regulatory requirements, our various HR functions operate independently of one another, while at all times adhering to the group philosophical approach.

### Promoting equity and diversity in the workplace

Our promotion of equal opportunity and workplace diversity is not merely a social responsibility, but a means of ensuring that we foster a culture of diversity in the belief that this brings business advantage. We have a number of policies and work practices to prevent any direct or indirect unfair discrimination against employees on the grounds of race, gender, marital status, age, religious belief, language, sexual orientation, pregnancy or disability, and to eliminate unfair discrimination. We have a diversity/ equal opportunities policy which applies to all our operations.

A list of all our policies can be found on our website.

### Employment equity in South Africa

Each division has individual employment equity targets to which their recruitment process is aligned. Divisions are monitored and measured against these targets by the executive and are required to account for their progress in relation to the broad based black economic empowerment scorecard.

In South Africa, where the pool of talent available to the financial services industry is particularly small, this can frustrate diversity efforts. Thus, the recruitment of black, female and disabled employees remains key to our employment equity strategy.

Further information on the employment equity statistics of our South African business are available on our website.

### Employee development and training

As part of our commitment to attracting and retaining high calibre individuals, we invest significantly in a number of opportunities for developing and training employees.

We offer learning processes which we design and develop based on strategic intent, common company-wide themes, team and individual needs. We work with business leaders, understanding their objectives and visions, assessing team and individual capabilities to achieve strategic goals.

### Health and safety

A group wide formal health and safety programme identifies and manages all health and safety risks, and carries out regular safety audits. It is overseen by a health and safety committee that meets quarterly to review health and safety concerns. The group spent £607.2 thousand (2010: £322.6 thousand) on health and safety issues during the year.

Investec's HIV/AIDS policy and management forum extends to all permanent employees in South Africa. Implemented by the HIV/AIDS management forum, with representatives from different divisions, this strategy offers workplace-related programmes and interventions, including voluntary counselling and testing, preventative and awareness programmes, and monitoring and feedback of programmes in place.

Further detail on health and safety issues as well as our HIV/AIDS programme can be found on our website.

### Remuneration

Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment that encourages and fosters extraordinary performance. We reward employees as individuals for the value they add through payment of an industry competitive annual package, a variable performance reward and employee ownership in the form of share incentive scheme participation.

Further information is provided on pages 69 to 90.

### Staff share schemes

In line with our philosophy of employee ownership, the staff share schemes provide all employees, at all levels of the organisation, with the opportunity to participate in our long-term growth. We continue to ensure that staff across all gender and race groups participate in the staff share schemes, with all new recruits being allocated nil cost options. As at 31 March 2011, management and staff held an effective interest in the group of approximately 15%.

Further information is provided on pages 76 to 79.

### Retrenchment policy

Where it becomes necessary for Investec to terminate employment based on operational requirements, the procedure to be followed will be in accordance with local regulatory requirements. We conduct consultation as prescribed by local legislation during which we attempt to find a suitable alternative position for the affected employee.

### Freedom of association

We fully support employees' right to freedom of association. There is no representative trade union for Investec and we are not aware of any employees who are part of a trade union. The culture of Investec promotes engagement and direct dialogue with employees and it is this culture which has, to date, ensured that employee relations in the group have been managed successfully without formal employee representation and collective agreements.

In South Africa we would comply with the relevant union recognition procedure set out in the Trade Union and Labour Relations (Consolidation) Act 1992 if we received a valid request. We would comply with the Information and Consultation of Employees Regulations 2004, if we received a valid request for a staff representative committee.

In the UK and Australia, the group is also aware of freedom of association rights, for example, as contained in the EU Charter Article 12 and in the EU Convention Article 11. Our UK operation does not currently operate collective bargaining and does not currently have an employee representation body.

### Human rights

We do not have a formal human rights policy but adhere to the relevant laws in all our jurisdictions.

In South Africa, we adhere to all legislation (including the Constitution and the Bill of Rights).

It is not a UK practice to have an official human rights policy but all our policies together provide a thorough guarantee of human rights.

Australia does not yet have a Bill of Rights or equivalent legislation. There are two bills at present which seek to implement the legislative elements of Australia's Human Rights Framework announced by the government in April 2010. The framework outlines a range of measures to protect and promote human rights in Australia, and reflects the key recommendations of the report of the national human rights consultation committee (30 September 2009).

### Discrimination

There has been no recorded incidence of discrimination in any of our businesses.

Our leadership development programmes develop current and future leaders of the group. The programmes provide a practical platform for individuals to develop leadership skills through experiential learning. Each programme has a specific focus around diversity and encompasses the group's commitment to lead, innovate and grow within a changing environment.

Group training spend

| | Male £ | | Female £ | | Total £ | |
|---|---|---|---|---|---|---|
| For the year to 31 March | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| UK and Europe* | | | | | | |
| Asset Management | 248 673 | 151 955 | 158 988 | 26 816 | 407 661 | 178 770 |
| Wealth and Investment | 352 433 | – | 164 403 | – | 516 836 | – |
| Property Activities | 8 599 | 7 269 | 5 498 | 5 711 | 14 097 | 12 980 |
| Private Bank | 522 943 | 290 260 | 344 240 | 91 661 | 867 183 | 381 921 |
| Investment Banking | 235 208 | 154 268 | 38 061 | 54 202 | 273 269 | 208 470 |
| Capital Markets | 1 074 069 | 496 835 | 593 340 | 233 805 | 1 667 409 | 730 640 |
| Group Services and Other Activities | 660 320 | 593 768 | 515 001 | 104 783 | 1 175 321 | 698 551 |
| Total UK and Europe | 3 102 245 | 1 694 355 | 1 819 531 | 516 978 | 4 921 776 | 2 211 333 |
| South Africa | | | | | | |
| Asset Management | 223 146 | 41 121 | 172 481 | 44 387 | 395 627 | 85 508 |
| Wealth and Investment | 603 715 | – | 278 107 | – | 881 822 | – |
| Property Activities | 211 330 | 24 543 | 197 527 | 15 159 | 408 857 | 39 702 |
| Private Bank | 1 471 194 | 663 113 | 1 430 161 | 1 060 377 | 2 901 355 | 1 723 490 |
| Investment Banking | 489 628 | 48 363 | 282 127 | 20 474 | 771 755 | 68 837 |
| Capital Markets | 710 501 | 733 316 | 318 890 | 376 234 | 1 029 391 | 1 109 550 |
| Group Services and Other Activities | 1 225 668 | 268 492 | 1 155 954 | 495 894 | 2 381 622 | 764 386 |
| Total South Africa | 4 935 182 | 1 778 948 | 3 835 247 | 2 012 525 | 8 770 429 | 3 791 473 |
| Mauritius** | 186 | – | 305 | – | 491 | – |
| Australia | | | | | | |
| Asset Management | – | 16 874 | – | 2 935 | – | 19 809 |
| Property Activities | 1 782 | – | 792 | – | 2 574 | – |
| Private Bank | 82 645 | 99 337 | 103 787 | 66 715 | 186 432 | 166 052 |
| Investment Banking | 42 400 | 11 805 | 14 897 | 3 092 | 57 297 | 14 897 |
| Capital Markets | 41 725 | 2 379 | 13 352 | 459 | 55 077 | 2 838 |
| Group Services and Other Activities | 52 686 | 27 454 | 60 369 | 85 497 | 113 055 | 112 951 |
| Total Australia | 221 238 | 157 849 | 193 197 | 158 698 | 414 435 | 316 547 |
| Total group spend on training | 8 258 851 | 3 631 152 | 5 848 280 | 2 688 201 | 14 107 131 | 6 319 353 |
| Total staff costs | | | | | 795 592 000 | 598 076 000 |
| Group spend as a % of total staff costs | | | | | 1.77% | 1.06% |

* *The 2010 UK and Europe numbers have been restated in order to accommodate a change in reporting format.*

** *2011 is the first year we have collected this information for our Mauritius business.*

- Promaths, a partnership between Investec and Kutlwanong Maths and Science Centre, offers extra Maths and Science lessons to grade 10, 11 and 12 learners. The object of Promaths' support for secondary schools is to improve learners performance in Maths thereby facilitating entrance into tertiary learning institutions. The 2010 results were once again very satisfactory
- The Oppidan Press, an independent student newspaper operating as part of Rhodes University, together with Investec's Social Investment division partnered, for the first time in 2010, on an initiative known as the Investec Rhodes Top 100. This is a student leadership awards programme aimed at encouraging and acknowledging excellent performance and leadership qualities among students at Rhodes University. The awards cover various areas including: arts, culture and media; sports; community engagement; academic excellence and dean of students leadership
- We are a co-sponsor, through the Field Band Foundation, of two field bands, one based in Alexandra and the other in Soweto. The field bands provide a valuable opportunity for young people to learn essential life skills while at the same time learning to play a musical instrument. Some members of the bands were privileged enough to participate in the opening and closing ceremonies of the 2010 FIFA World Cup. We are supporting the establishment of the Field Band Foundation Academy based in Eshowe, Kwa-Zulu Natal
- Investec supports the township debating league (TDL), an initiative started by students at the University of Cape Town (UCT). The league was formed in order to provide an opportunity for township schools to participate in debating at the same level as other schools more established on the debating platform. The TDL pairs students from the UCT Debating Union with a township school. The students coach the learners in the world school debating style. The TDL coordinates debating tournaments where the debators can test their skills in a competitive environment
- In an effort to raise internal awareness of our social investment initiatives, we hosted a series of lunchtime discussions with staff members at our various offices in South Africa. The aim of the discussions was to give staff members a sense of our approach and activities in the social development space. We will continue this initiative during 2011
- Over 200 employees from our Capital Markets division planted trees over four days in the Kaalfontein township near Midrand. This is the same site where the project and infrastructure team funded an energy efficient low cost housing project
- Group Risk, Compliance and Internal Audit are actively involved in projects with two creches in Diepsloot, Johannesburg
- The Mauritius office contributed MUR3.1 million to a number of corporate social investment projects.

## Australia

After a formal sustainability review during the year, we formed the Investec Foundation, which aims to help address some of the social challenges faced in Australia. This initiative, together with our continued support of initiatives we have been involved with for a number of years, forms the basis of our social investment activities. We believe we are responsible for improving and strengthening the local communities in which we operate.

Our emphasis is around education and entrepreneurship; creating opportunities for young Australians from less privileged and challenged environments to build a sustainable future for themselves.

To create a positive social impact, the Investec Foundation focuses on a small number of philanthropic giving and volunteering efforts. We partner with local, entrepreneurial organisations that perform remarkable work in the fields of preventative health, welfare and educational programmes.

Our external people activities involve the work of our Corporate Social Investment (CSI) divisions, which strive to be agents for positive change in the socio-economic arena in each of our operating geographies.

## Corporate social investment report

We have placed strong historical emphasis on education and entrepreneurship as key areas of active social investment focus, while also supporting other causes, albeit more passively. Empowering disadvantaged communities and facilitating socio-economic growth and upliftment remains our stated objective.

In keeping with our business model of independent, highly autonomous business units, supported by a strong centre, there is no single overriding approach to social investment within the group, although clear commonalities exist. Each of the regions has pursued social investment as deemed appropriate to their circumstances and where they are in the evolution of their business.

### UK and Europe

The UK social investment programme plays a key role in the fulfilment of one of Investec's core values, that of making an unselfish contribution to society. It champions sustainable social investment by:

- Building dedicated charitable partnerships
- Engaging all Investec employees in making a positive difference
- Harnessing our diverse resources and collective talent.

Key developments during the period:

- Investec was a finalist in the education category at the 2010 Lord Mayor's Dragon Awards. These awards recognise the contributions made by companies to their local communities
- We are currently undertaking a review of the progress we have made with our social development programme over the last two years. This will allow us to set targets for the next two years. We would like to achieve a 50% sign-up rate for volunteers by March 2012
- We are supporting three projects initiated by the Bromley by Bow Centre, an internationally renowned charity which has earned a reputation as a dynamic social business that has transformed its community in East London over the last 25 years
- We run a mentoring programme for 50 students from Morpeth school and have also funded their outward bound initiative
- Investec provided funding for the development of a new market garden enterprise at the Newham City farm, which will provide jobs and a stable income stream to many poverty stricken individuals. Our volunteers are involved in transforming the farm, as well as supporting a variety of other projects such as sports sessions for young people, and by hosting educational workshops and fun days
- 35 runners signed up to participate in the 2010 London marathon and raised a total of £57 313 for various charities.

### South Africa and Mauritius

Our approach to CSI focuses on education and entrepreneurship. Wherever possible, we seek to collaborate with partners, so as to leverage resources and expertise and help ensure enduring impact and long-term sustainability for our projects. In all cases, we look to clear indications that projects are enduring, sustainable and replicable (where appropriate) and are guided by strategic intent, rather than philanthropic well-meaning.

Key developments during the period:

- We spent R38.4 million on meaningful social development related causes. 80% of this was spent on specific projects related to education and entrepreneurship and the remaining 20% was allocated towards a variety of philanthropic donations

## Group CSI spend

| For the year to 31 March | 2011 £ | 2010 £ |
|---|---|---|
| **UK and Europe*** | | |
| Asset Management | 250 594 | 87 347 |
| Wealth and Investment | 28 901 | – |
| Property Activities | 1 500 | – |
| Private Banking | 73 165 | 315 448 |
| Investment Banking | 10 541 | 21 415 |
| Capital Markets | 82 917 | 22 594 |
| Group Services and Other Activities | 871 820 | 1 013 321 |
| Total | 1 319 438 | 1 460 125 |
| **South Africa** | | |
| Asset Management | 163 373 | 36 765 |
| Wealth and Investment | 53 984 | – |
| Property Activities | 14 522 | 14 089 |
| Private Banking | 50 964 | 181 649 |
| Investment Banking | – | 3 886 |
| Capital Markets | 17 410 | 24 437 |
| Group Services and Other Activities | 3 136 945 | 1 999 099 |
| Total | 3 437 198 | 2 259 925 |
| **Mauritius** | 65 704 | 30 179 |
| **Australia** | | |
| Property Activities | 6 134 | – |
| Private Banking | 94 050 | 84 560 |
| Investment Banking | 22 490 | 16 948 |
| Capital Markets | 34 758 | 19 942 |
| Group Services and Other Activities | 47 025 | 22 203 |
| Total | 204 457 | 143 653 |
| Total group CSI spend | 5 026 797 | 3 893 882 |
| Operating profit** | 434 406 000 | 432 258 000 |
| Total group CSI spend as a % of operating profit** | 1.16% | 0.90% |

* *The 2010 UK and Europe numbers have been restated in order to accommodate a change in reporting format.*
** *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*

Further information on our CSI activities can be found on our website.

## Information technology and procurement report

### Information technology (IT)

We continue to make significant investment in IT systems which allows us to benefit from technological innovation, improve our ability to meet a diverse range of business needs and in certain cases offer more environmentally friendly solutions.

Key developments in IT during the period:

- We invested in telepresence solutions in our Sandton, Cape Town and two London offices. The face-to-face experience provided by this solution negates, in many cases, the need for international travel, resulting in improved energy and time efficiency. This initiative will be extended to our other offices during the next year
- We installed new video conferencing (VC) units and upgraded the existing landscape in all our offices which has resulted in a greater adoption of this technology to facilitate meetings. The availability of VC capabilities has significantly reduced the requirement for both local and international travel (which will positively impacted $CO_2$ emissions), while at the same time enhancing the efficiency of meetings
- We recently introduced office communications server (OCS) to Investec. The desk-to-desk video conferencing capability of this product reduces the contention on the existing VC landscape, allowing for better utilisation of the multi-person VC rooms
- The convergence of voice, video and data facilitates mobile computing. The infrastructure that has been put in place enables a far more mobile workforce. This flexibility enables full and partial 'work-from-home' scenarios with the associated reduction in travel or off peak travel arrangements
- We consolidated printers through an output management initiative. The consideration here was to enhance user efficiency and flexibility while reducing wastage. Printer configurations were adjusted and the default printer driver is mono duplex, i.e. black and white double sided printing. Functionality such as the auto deletion of print jobs not released by the user within 24 hours and deletion of print jobs from the front panel of the devices ensure minimal paper wastage
- A shared services model was introduced to maximise the benefits of virtualisation. Some of the benefits include: effective use of computing resources; consolidation of platforms and benefits of rightsizing platforms; improved deployment and decommissioning times; lower energy usage and a decreased data centre footprint
- We introduced a new storage platform that makes use of flash memory (solid-state storage) and offers a number of advantages over electro-mechanical storage
- Kensington Mortgages introduced thin client technology which offers an average energy savings of up to 50% compared to a standard desktop PC
- The IT division continues to investigate new technologies to reduce emissions and this year saw the piloting of a new lightweight computer terminal in terms of energy consumption, which may eventually replace all desktop computers
- All Blackberry devices are recycled onsite and the funds generated from this are put towards our social investment fund.

Cost remains the primary consideration when planning new IT initiatives. While certain business units have the capability to increase spend, others continue to remain cautious which calls for a blended group approach when implementing new IT projects. We have invested in a significant number of monitoring tools which will enable us to measure key indicators and provide sufficient management information to make informed strategic decisions rather than rushed tactical ones.

The lack of IT skills in South Africa continues to be a challenge. We have a joint operating model with the UK team where we leverage off a more advanced skills pool specifically in the network and infra areas.

### Procurement

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We have begun to engineer, in select industries, changed outcomes across economic, social and environmental fronts.

In the UK we made additions to our procurement policy to incorporate both green and corporate social responsible aspects. We have incorporated evaluation criteria into all of our procurement documentation to allow us to measure and demonstrate our intent to procure effectively without compromising the environment.

In South Africa, our procurement practices seek to accord with the black economic empowerment (BEE) requirements of the Department of Trade and Industry's Codes of Good Practice (DTI Codes) and we have an established process for monitoring and measuring our broad-based BEE procurement efforts. Environmentally responsible partners are key to the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. Our largest suppliers of PCs and server equipment subscribe to an electronic code of conduct which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety. We always consider the Energy Star endorsement before purchasing equipment.

## Environmental report

As a niched, specialist, knowledge-based financial services organisation, with a limited physical presence, the direct environmental and social impacts of Investec's daily operations are limited.

That said, the planet dimension of our activities is based on a growing understanding of the risks to our business represented by climate change and global warming, and the need to reduce our environmental footprint by becoming more energy efficient. We also continue to explore areas within the environmental arena where new commercial opportunities may reside. This is more relevant for some business units than others.

Our initial group wide internal focus has been on creating awareness and encouraging behavioural change in recognition of our environmental responsibilities. There is also scope to integrate sustainability principles into the management of our daily operations. During the year under review, we continued to make progress in this regard, with a specific focus on behavioural enhancements regarding the environment.

Recent developments:

### UK and Europe

- This year saw the introduction of the mandatory emissions trading scheme, the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme was launched to aid the UK government in reaching its energy reduction targets, as set out in the Climate Change Act 2006, of 34% by 2030 and 80% by 2050 on 1990 baseline. Allen Zimbler is the senior officer responsible for this scheme at Investec
- We are nearing the completion of our environmental management systems for our Gresham Street building. The system is based around the ISO14001 certification
- We signed up our Gresham Street building for the 10:10 campaign. This is a UK wide campaign which encourages individuals and organisations to reduce CO2 emissions by 10% by 2010. We surpassed the target and reduced our electricity consumption by 11% and our gas emissions by 22% for the period
- In December 2010 after a re-tendering process, we appointed a new waste management company to look after our waste needs and to fully engage with our waste minimisation programme
- We launched KeepCup, a reusable alternative to the disposable coffee cup, aiming to decrease disposable coffee cup usage by 20%. Within the first month of launch, our disposable cup usage reduced by 50% or 9 000 units. This initiative was followed by the introduction of the 'mug-hug', a reusable silicone lid that sits on top of a ceramic mug to allow the mug to be safely used as a take-away cup
- Investec was awarded second prize for the fourth year running in the City of London's Clean City Awards Scheme. These awards recognise city businesses who manage their waste through recycling
- Team Green, our team of environmental champions, continue to roll out environmental initiatives and engage with staff to foster and maintain environmentally positive behaviour.

| For the year to 31 March | | Unit | 2011 | 2010 |
|---|---|---|---|---|
| Energy | Electrical energy consumption | Kilowatt hours (kwh) | 12 107 289 | 11 773 498 |
| | Gas consumption | Kilowatt hours (kwh) | 2 957 040 | 4 288 162 |
| Water | Water consumption | Kilolitres | 17 169 | 14 692 |
| Material | Paper consumption | Tonnes | 62.90^ | 182.00 |
| | Paper recycled | Kilograms (kg) | 236 800 | 174 134 |

^ *We have been unable to source information on brochure paper used for the period under review.*

### South Africa

- In early 2010, we commissioned an analysis of the risks and opportunities of climate change for the South African business. Senior management at Investec were consulted extensively regarding their perceptions of how climate change does or could possibly impact their business both positively and negatively. Investec was also benchmarked with organisations in South Africa and abroad in terms of our performance with these particular issues. It was found that we are on par with major South African financial institutions in terms of our efforts. The greatest risk to Investec lies in its lending activities, where climate change will negatively impact on the ability of certain debtors to service their financial commitments. This financial liability might arise from the physical impact of climate change on economic operations; on regulatory changes that place additional financial burden on companies and industries; on less obvious risks such as the inability to acquire insurance due to perceived excessive exposure to physical climate change. Opportunities arising include the potential

- to develop new products and financial instruments that carry a specific climate change focus, as well as the potential to stimulate and benefit from the growth of new industries that will arise in response to climate change. These findings have been communicated to our management team and a number of recommendations are under consideration as part of the strategic review of our sustainability approach
- We hosted a post-Cancun breakfast at the beginning of February 2011, creating a platform for discussion on climate change and the potential implications for business and society at large
- With COP17 taking place in Durban at the end of 2011, we have hosted initial discussions , together with the National Business Institute (NBI), for businesses to help them identify potential roles they can play in contributing to making the event a success
- A number of offices focused on reducing energy usage by fitting retrofit lighting in their buildings. This will be carried out in our Cape Town and Pretoria offices during the coming year and we have budgeted R2.0 million for this exercise
- We held a water awareness campaign to coincide with UN Water Week in March 2011. This initiative was also carried out in our London office
- We are in the early stages of developing an automated system to capture data relating to our operational impacts and we hope to have this implemented by the end of this year.

| For the year to 31 March | | Unit | 2011 | 2010 |
|---|---|---|---|---|
| Energy | Electrical energy consumption | Kilowatt hours (kwh) | 27 210 368 | 31 338 810 |
| | Gas consumption | Kilowatt hours (kwh) | 105 033 | 125 644 |
| | Diesel consumption | Kilowatt hours (kwh) | 51 606 | 47 119* |
| Water | Water consumption | Kilolitres | 132 611** | 203 246** |
| Material | Paper consumption | Tonnes | 209.48 | 202.21^ |
| | Paper recycled | Kilograms (kg) | 135 828 | 116 738 |

* *2010 diesel consumption restated because conversion rate changed.*

** *2010 Sandton and Cape Town figures restated. 2011 information includes bottled water purchased.*

^ *2010 figure restated to include Port Elizabeth paper consumption. This information was not previously available.*

## Mauritius

This is the first year that we are reporting on these indicators for our Mauritius office.

| For the year to 31 March | | Unit | 2011 |
|---|---|---|---|
| Energy | Electrical energy consumption | Kilowatt hours (kwh) | 176 410 |
| | Gas consumption | Kilowatt hours (kwh) | n/a |
| Water# | Water consumption | Kilolitres | 0.4 |
| Material | Paper consumption | Tonnes | 61.77 |
| | Paper recycled | Kilograms (kg) | ^^ |

# *Bottled water only.*

^^ *At present we are not in a position to record recycled paper in this office.*

## Australia

- We continue to monitor our carbon emissions performance and ways in which we can reduce our footprint
- We introduced a new bin system to make it easier for staff to recycle.

| For the year to 31 March | | Unit | 2011 | 2010 |
|---|---|---|---|---|
| Energy | Electrical energy consumption | Kilowatt hours (kwh) | 959 968 | 1 075 537 |
| | Gas consumption | Kilowatt hours (kwh) | n/a | n/a |
| Water* | Water consumption | Kilolitres | – | – |
| Material | Paper consumption | Tonnes | 34.84 | 28.07 |
| | Paper recycled | Kilograms (kg) | 21 480 | 22 255 |

* *We are unable to provide reliable data on water consumption for the year largely due to shared office space.*

## Summary of Investec's carbon footprint

| $CO_2$ metric tonnes | 31 March 2011 | 31 March 2010 |
|---|---|---|
| UK and Europe | | |
| Emissions per full-time employee | 8.00 | 9.17 |
| Emissions per $m^2$ office space | 0.57 | 0.59 |
| South Africa | | |
| Emissions per full-time employee | 11.19 | 12.30 |
| Emissions per $m^2$ office space | 0.46 | 0.50 |
| Australia^ | | |
| Emissions per full-time employee | 6.44 | 7.65 |
| Emissions per $m^2$ office space | 0.39 | 0.41 |
| Group | | |
| Emissions per full-time employee | 10.10 | 11.34 |
| Emissions per $m^2$ office space | 0.47 | 0.51 |

^ *Australia did not conduct a carbon footprint exercise for the year under review. The figures disclosed represent an average of the past two years.*

| Carbon coverage | 31 March 2011 | 31 March 2010 |
|---|---|---|
| % employees covered | 77% | 83% |
| % office space covered | 93% | 91% |

Further information on our environmental initiatives can be found on our website.

# 4 Remuneration report

## Statement from the chairman of the board remuneration committee

This remuneration report was prepared by the remuneration committee and approved by the board. The board believes that a properly constituted and effective remuneration committee is key to improving the link between pay and performance. The committee consists entirely of non-executive directors, and executive directors are not involved in determining their own remuneration packages. This report describes our remuneration policy and directors' remuneration for the 2011 financial year.

### Overview of the year

Remuneration in banks has continued to be discussed widely by regulators, politicians and the public. As both a public company and a group of regulated entities we continue to monitor and take account of these debates.

Following on from the prior year's initial review of changing remuneration requirements in the different jurisdictions in which we operate, the committee has continued to direct much of its time and efforts on the practical implementation of and/or the approach to be adopted with respect to such requirements and recommended practices.

The announcements made by the European Commission and subsequently by the Financial Services Authority (FSA) provided an outline of the remuneration requirements and recommended practices which should be applied in our UK regulated entities. PricewaterhouseCoopers, who have wide experience in this field, were appointed as Investec Bank plc's corporate advisers to assist us in assessing our positioning and approach going forward in this regard. The resultant approach has been presented to the FSA. The committee has also consulted its independent advisers Hewitt New Bridge Street.

We remain comfortable that Investec's long standing fundamental remuneration philosophies are consistent with these requirements. Our overall remuneration philosophy and practices have remained largely unchanged from the previous year. However, there continue to be changes at the level of operational implementation to reflect these requirements. Thus, for example, while we retain a single overriding group process for determining individual remuneration across the whole group, our delivery mechanisms for the non-banking businesses of asset management and wealth management run to different timetables. Looking forward, the treatment of 'code staff' as agreed with the FSA will require mechanisms that differ from those applied to non-code staff.

We recognise the tensions underlying having a 'one group' philosophy and multiple remuneration systems running with different criteria and timetables, but this is the inevitable consequence of the increased interest of a number of parties in remuneration matters which were until now largely only the concern of shareholders. In current times banking businesses have to address multiple audiences and manage the discontinuity caused by new requirements within the context of a consistent long-term approach. Where we see outcomes for individuals that seem to be unfair when compared with their peers in the industry, we will continue to use discretionary payments to regularise these situations. Overall remuneration will continue to be managed within our long established economic value added (EVA) system.

The committee continues to consider remuneration policies and packages of the executive directors, persons discharging managerial responsibilities, a number of other senior and high paid employees across the group, while paying specific attention to the rewards allocated to employees within the Internal Audit, Compliance and Risk divisions.

Talent management and the retention of senior management and executives remained key items on our agenda during the year. We are conscious of the need to constantly refresh the means of incentivising our staff in order to meet the pressures of competition in our labour markets within the context of a much changed global landscape.

In current times banking businesses have to address multiple audiences and manage the discontinuity caused by new requirements within the context of a consistent long-term approach.

## Remuneration in context

Details of our remuneration philosophies, practices and programmes can be found later in this report.

In summary, we continue to recognise that banking groups, like other firms, have to divide the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our global remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our core values and philosophies which include risk consciousness; meritocracy; material employee ownership; and an unselfish contribution to colleagues, clients and society.

We recognise that there is a degree of public anger about the absolute levels of pay to bankers. Our approach is to pay individuals from pools of income generated by the different business units and to monitor the overall share of our staff in the economic return of the company. Our effective corporate tax rate has averaged 21% over the past nine years, while our gross compensation ratio remains within its long-term range of 35% to 42%. Personal tax deduction, payroll taxes and national insurance mean that a substantial portion of the gross compensation ratio is also paid to the tax authorities. Our payments to shareholders remain within our stated dividend policies. The outcome of this approach over the period since March 2003 (post our listing in London) is a compound annual growth rate of 27% in executive directors' remuneration (including bonuses), a return for total compensation for employees of 15% and a total shareholder return of 24% (refer to pages 80 and 81 for further information).

We note that while many competitors had fallen to our level of gross compensation ratio in the prior year, several have increased the ratio again significantly this year. We remain within our normal range albeit at a slightly higher level than last year, reflecting the better operating performance of certain of our businesses. We continue to encourage our employees to be shareholders and thus also derive benefits from the organisation through the returns on their shareholdings. The proportion of shares owned directly and indirectly by employees is approximately 15%.

## Remuneration and effective risk management

Risk management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits. The board risk and capital committee determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as the mitigation of risks and overall capital management and allocation process. This is executed via a number of forums and internal processes on a day-to-day basis, with risk functions that are both embedded in business units as well as subject to oversight by independent central risk functions.

We have, for over 10 years, applied a variable performance reward model which is closely linked to business profit performance using a realised EVA model against pre-determined targets above risk and capital weighted returns. Independent risk committees approve all limits and risk exposures. In terms of the EVA structure, capital is allocated based on risk and therefore the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model, which has remained largely unchanged for several years, ensures that risk and capital management form the basis for key processes at both a group and transaction level thus balancing the rewards between all stakeholders.

The remuneration of the various risk and compliance managers of the group, as well as the group executive, are not linked to specific performance, based on a formula, but on the overall performance of the group taking into consideration financial performance, compliance with culture and values and numerous other qualitative factors set out later in this report.

## Year in review

In addition to the information provided above, key points to note for the period under review include:

Investec's recurring revenue base and operational diversity have continued to support profitability across its core geographies. Core capital and liquidity ratios remain sound and the group has reported attributable earnings of £327.9 million (2010: £309.7 million). Further information on our risk management indicators, policies and procedures and the group's performance can be found on pages 26 to 29 and pages 42 to 45

- The total staff compensation to operating income ratio is 40.7% (2010:36.1%)
- £37.5 million of the current year's variable remuneration for the Specialist Banking businesses has been paid in the form of share awards and deferred (representing 24.6% of the remuneration expense for the year)
- Non-executive directors will receive a modest increase in their fees in the forthcoming year, roughly in line with inflation
- Our total shareholder return was negative 8.5% for Investec plc in Pounds Sterling and negative 12.6% for Investec Limited in Rands. This compares to a return of 23.3% for the FTSE 350 General Finance Index and a return of 7.4% for the FTSE 100 Index. Investec plc was included as a new entrant to the FTSE 100 index in March 2010. Since listing on the London Stock Exchange in 2002, Investec plc has outperformed the FTSE 350 General Finance Index and the FTSE 100 Index (see graph on page 83)

- Executive directors hold 1.3% and 2.7% of the issued share capital of Investec plc and Investec Limited respectively. Non-executive directors hold 1.0% and 1.6% of the issued share capital of Investec plc and Investec Limited respectively (see table on page 87)
- Investec plc issued 2.6 million ordinary shares and Investec Limited issued 0.1 million ordinary shares to the staff share schemes during the year.

## Composition and operation of the committee

The volume of activity remained high during the year reflecting the changing regulatory context and social and market interest in remuneration. As well as internal meetings, committee members attended a range of industry and other group meetings on remuneration in order to understand the wider context in which we operate.

During the year Geoffrey Howe and Sir Chips Keswick resigned from the board and the committee, and I would like to pay tribute to their robust and thoughtful contribution to our deliberations. We have appointed two new members to the committee in Perry Crosthwaite and Olivia Dickson both of whom have served on, and/or chaired, remuneration committees elsewhere in the financial services sector. Their professional specialities of corporate broking and securities add to the particular skills on the committee. Looking forward we have decided that Sir David Prosser will cease to be a member of the committee, upon assuming his wider responsibilities as joint chairman of Investec in November 2011 although, like the current Investec chairman Hugh Herman, he will continue to be free to attend meetings if he wishes. While the majority of the committee will be newly appointed, the intention is that I should continue to chair the committee and provide a degree of continuity and corporate memory.

We have been ably supported in our work by the internal support teams led by the Company Secretariat with Human Resource, Staff Share Scheme division and line management input. Recommendations from the executive which are considered by the committee have already been through a rigorous process in separate business unit and group panels. Our external support is led by Hewitt New Bridge Street as our formal independent advisers, whom we reappointed during the year, and where appropriate, we obtain legal advice from Linklaters, one of the group's legal advisers. In addition, as mentioned PricewaterhouseCoopers were appointed as corporate advisers to Investec Bank plc with respect to the implementation of the FSA Remuneration Code.

While the committee continues to meet without executive directors present we did hold a specific meeting with the CEO, MD and FD to discuss the implications of the changing remuneration landscape. The group chairman also attended this and some other meetings. We remain determined to continue to strike the appropriate balance between executive management's need for operational flexibility and the committee's responsibility for overall control of the policy and oversight of its implementation.

We thank the executives and internal teams for their support and assistance in allowing the committee to operate efficiently and meet its mandate and objectives.

Signed on behalf of the board

George Alford
Chairman
Remuneration committee

17 June 2011

## Looking forward

The remuneration committee will continue to ensure that reward packages remain appropriately competitive, provide an incentive for performance, and take due regard of our culture, values, philosophies, business strategy, risk management and capital framework. The committee will keep the existing remuneration arrangements, as discussed in this report, under review during the 2012 financial year, particularly taking cognisance of any additional regulatory and market driven remuneration reform proposals. Where appropriate, we will continue to consult shareholders and shareholder bodies on any significant proposed changes in remuneration policy.

The committee unanimously recommends that you vote to approve this report at the 2011 annual general meeting.

## Remuneration philosophy, principles and policies

### Remuneration philosophy

Our philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and the group.

We reward executive directors and employees for their contribution through:

- Payment of an industry competitive annual package (base salary and benefits);
- Variable performance reward (linked to our EVA model as discussed on pages 74 to 76); and
- Ownership in the form of share incentive scheme participation.

We tend to look at the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our values, culture and philosophies in the pursuit of excellence is considered paramount in determining overall reward levels.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short and long-term success.

### Remuneration policy general principles

Our remuneration policy is consistent with the following general principles:

- Remuneration policies, procedures and practices (collectively referred to as the 'remuneration policy') are consistent with, and promote, sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of the Investec group
- Our remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Investec group
- The payment of variable remuneration does not limit the Investec group's ability to maintain or strengthen its capital base
- The structure of all employees' remuneration is consistent with and promotes effective risk management.

### Other key remuneration principles

Other key principles of our remuneration policy for executive directors and employees, which were consistently applied during the financial year, are as follows:

- Total rewards comprise a fixed and variable component
- The fixed component of our rewards includes a base salary, pension and benefits and is set at median market levels to keep fixed cost elements low
- Variable rewards (a portion of which is deferred for senior employees) are largely EVA based (and underpinned by our risk appetite and capital utilisation)
- Long-term share incentive participation ensures alignment with stakeholders
- Total compensation (base salary, pension, benefits and incentives) is targeted in normal market conditions to the relevant competitive market (see below) at upper quartile levels for superior performance
- We do not apply an upper limit on performance bonuses given our risk-based EVA approach and prefer to contain the fixed cost component of remuneration at modest levels
- The fixed component is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not morally bound to award variable rewards

- In addition, we operate a fully flexible incentive policy and are not contractually bound to award variable rewards. Investec has the ability to pay no performance bonuses should the performance of the group or individual employees require this.

In addition, our remuneration policy includes the following elements:

- We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations
- Our policy is designed to avoid conflicts of interest between Investec and its clients. Specific internal controls and processes are in place to prevent such conflicts of interest from occurring and posing a risk to the group on prudential grounds. In addition, no individual is involved in the determination of his/her own remuneration rewards
- Employees must undertake and not use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Group Compliance maintains arrangements designed to ensure that employees comply with this policy.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress.

## Determination of remuneration levels

Qualitative and quantitative issues form an integral part of the determination of reward levels. Factors considered include:

- The performance of the overall firm, the specific business unit and the individual employee
- The employee's alignment and adherence to our culture and values
- Attitude displayed towards risk consciousness, risk management and regulatory compliance
- Specific input from risk and compliance functions regarding concerns about the behaviour of individual employees or the riskiness of business undertaken
- The level of cooperation and collaboration fostered; the ability to grow and develop markets and client relationships; the development of staff; and the possible replacement cost of such employees.

Reward levels are targeted to be commercially competitive, on the following basis:

- The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For executive directors, the FTSE 350 General Finance firms have provided the most appropriate benchmark to date
- For employees, combinations of firms from the JSE Financial 15 and the FTSE 350 General Finance sector have offered the most appropriate benchmark
- The committee also reviews on an individual basis data on other international banks with which we compete, including certain FTSE100 companies
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

## Components of remuneration

The reward package for executive directors and employees comprises:

- Base salary and benefits
- Annual performance bonuses
- Long-term share incentive plans.

The elements of the reward package, as listed above, are discussed below and the components for each director are detailed in tables accompanying this report.

### Base salary and other benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the company's policy to seek to set base salaries (including benefits) at median market levels.

The Human Resources division provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec in meeting its objectives and corporate values and incorporates guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and don't encourage a reliance on variable remuneration.

Advisers are often engaged by either the Human Resources division or the business units to obtain general benchmark information or to benchmark specific positions to ensure that fixed pay levels are market driven and competitive so that we attract the most skilled talent in the market.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries are pensionable, the annual bonuses paid are not. Our disclosure of executive directors' salaries on page 84 has been done on a gross basis (i.e. inclusive of pension fund contributions from the company).

The remuneration committee obtains industry benchmarking and specific advice around salary and performance bonus levels from its independent advisers in respect of the executive directors.

### Annual performance bonus

All employees are eligible for an annual performance bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels.

#### Our EVA model: performance-linked and risk-adjusted remuneration

Our business strategy and associated risk appetite, together with effective capital utilisation, form the key cornerstones which underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk adjusted profits.

Our EVA model has been consistently applied for a period in excess of 10 years and encompasses the following principals:

- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The group has always held capital in excess of minimum regulatory requirements, and this philosophy is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk committees. A detailed explanation of our capital management and allocation process is provided in the Investec group's 2011 annual report
- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, *inter alia*, for any unspecified or future risks not specifically identified in the capital planning process. The Investec group then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks

- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to competitive benchmarks for each product line
- In essence varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Growth in profitability over time will result in an increasing incentive pool, as long as it is not achieved at the expense of capital efficiency
- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The group's credit and risk forums provide transaction approval independent of the business unit on a deal by deal basis adding a level of risk consciousness to the pre-determined (and risk adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are achieved or bettered, the variable element of the total reward package is likely to be substantially higher than the relevant target market. This ensures that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance as well as group executives are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the firm; objectives based on their function; and compliance with the various non-financial aspects referred to above.

### A summary of our employee bonus approval process (excluding executive bonuses)

**Line manager recommends bonus**

- Reviewed and approved by:
  - business unit manager; and
  - global business head.

**Country analysis of recommendations**

- Considered by country remuneration committee for consistency and cross divisional alignment
- Business unit and line managers provide feedback and support.

**Group analysis of all individual bonuses**

- Considered and approved by global executive.

**Determination of total EVA pool**

The group Finance division determine the pool size as per formula driven model but are not involved in the allocation thereof.

**Alignment to total EVA pool**

- Bonuses that are larger require adjustment
- This required an executive approval process.

**Final review by DLC remuneration committee of:**

- Audited EVA pool by business unit
- Executive directors' proposals for persons discharging managerial responsibilities
- Top 20 bonuses by country and total EVA payment
- All individual risk, compliance and internal audit employees
- Remuneration committee members serve on BRCC and the audit committee.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering firm-wide performance against non-financial risk (both current and future) and compliance based objectives. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees

- The EVA pools are calculated centrally by the group's finance function and subject to audit as part of the year-end audit process
- Once the annual internal audit of the EVA pools is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving Human Resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management, before the DLC remuneration committee review and approval process.

The remuneration committee specifically reviews and approves the individual remuneration packages of the executive directors, persons discharging managerial responsibilities, and FSA code staff. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the group. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the internal audit, compliance and risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. In making these decisions the committee relies on a combination of external advice and supporting information prepared internally by the group.

### Deferral of performance awards

All performance awards exceeding a pre-determined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The entire deferred amount is awarded in the form of forfeitable share awards vesting in two equal tranches at the end of 12 months and 24 months. These awards are made in terms of our existing long-term incentive plans (refer below). The entire amount that is not deferred is payable up front in cash.

Employees who leave the employment of Investec prior to vesting of these deferred awards will lose their forfeitable shares, subject to the group's normal good leaver provisions and approval process in exceptional cases. The deferred share awards are subject to claw back of unpaid EVA where profits used to determine EVA bonuses are reversed in subsequent periods.

The current hurdle level is subject to review and for the 2012 financial year the deferral period will be extended to three years.

## Share option and long-term share incentive plans

We have a number of share option and long-term share incentive plans that are designed to link the interests of directors and employees with those of shareholders and long-term organisational interests, through performance and risk-based equity grants. These share option and incentive plans are also used as a retention mechanism for key talent.

Prior to the implementation of our DLC structure and our listing on the London Stock Exchange in July 2002, we had a number of share option, share purchase and leveraged share schemes in place that were appropriate for a South African listed company. However, at the time of the London listing it was necessary for us to consider implementing a more internationally recognised share scheme structure and philosophy. As a result, a number of share option plans were introduced to cater for regulatory, tax and other considerations pertaining to the various jurisdictions in which we operated. At the same time, however, a decision was taken to maintain the schemes in place prior to the London listing until the allocations made in terms of those schemes matured. While this gives rise to what appears to be a multitude of schemes, the philosophy and practical implications are fairly simple – the appropriate level of equity allocation is determined for each employee and then awards are made out of the scheme that is considered most appropriate for that individual given his/her location, tax and regulatory environment.

The share option and long-term share incentive plans in operation, and in which the directors are eligible to participate, are summarised in the table below and further details are provided on our website.

Executive directors collectively hold approximately 1.8% of our issued share capital.

### Long-term share incentive plans

In essence we currently operate two main share ownership plans for employees other than executive directors, namely the Investec 1 Long Term Incentive Plan and the Investec Limited Long Term Incentive Plan (i.e. referred to as LTIPs). Awards are made in the form of nil cost options other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of forfeitable shares or market strike options.

We follow a philosophy where all employees are eligible for LTIPs. Awards are considered by the remuneration committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the ABI guidelines. These awards comprise three elements, namely:

- 'New starter' awards are made based on an allocation table linked to salary levels
- 'General allocation' awards are the same quantum as new starter awards and are made to employees who have not had any other share award in a three year period
- 'Top up' awards are made at the discretion of line management primarily as a retention tool.

All proposed LTIP awards are recommended by business unit management, approved by the staff share executive committee and then the remuneration committee before being awarded. Awards of Investec plc LTIPs are made to all employees of Investec plc and awards of Investec Limited LTIPs for its employees.

All LTIP awards are subject to 75% vesting at the end of four years and the final 25% at the end of the fifth year. We believe this is more appropriate for our business requirements than the 50% vesting in year three and 50% vesting in year five guidance provided by the FSA Remuneration Code. The awards are forfeited on termination, but "good leaver" discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted which provides an element of 'lock-in' for employees throughout the vesting period.

## Summary of Investec's share option and long-term share incentive plans

| Plan | Eligibility | Date implemented | Option/shares | Maximum award per individual[1] | Performance conditions[2] | Vesting period | Options granted during the year[3] | Total issued as at 31 March 2011[4/5/6] |
|---|---|---|---|---|---|---|---|---|
| Long-term incentive plans[7] | | | | | | | | |
| Investec 1 Limited Share Incentive plan<br>– nil cost options<br>– EVA share awards | • New and existing full-time employees<br>• Excluding employees in SA, Botswana, Namibia and Mauritius<br>• Excluding executive directors | 16 Mar 2005 | Investec plc | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | None | • Nil cost options: 75% end of year four and 25% end of year five<br>• EVA share awards: up to two years from date of award | 21 485 706 | Number: 41 429 739<br><br>% of issued share capital of company: 7.7% |
| Investec Limited Share Incentive Plan<br>– nil cost options<br>– EVA share awards | • New and existing full-time employees in SA, Botswana, Namibia and Mauritius<br>• Excluding executive directors | 16 Mar 2005 | Investec Limited and Investec plc | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | None | • Nil cost options: 75% end of year four and 25% end of year five<br>• EVA share awards: up to two years from date of award | 20 865 487 | Number: 43 599 328<br><br>% of issued share capital of company: 5.4% |
| Investec plc Share Matching Plan 2005 | • Executive directors | 14 Nov 2005 | Matching awards of Investec Limited and Investec plc shares in the ratio of 1:1 against shares invested in plan by the director | • A maximum of 750 000 investment shares may be invested in the plan each time the plan is operated | Vesting scale over the period based on normalised EPS growth in excess of UK RPI, with 0% vesting if EPS growth is less than 4% plus RPI p.a. and 100% vesting if EPS growth is in excess of RPI plus 12% p.a. | 75% end of year four and 25% end of year five | 2 250 000 | Number: 3 300 000<br><br>% of issued share capital of company: 0.6% |

| Plan | Eligibility | Date implemented | Option/shares | Maximum award per individual[1] | Performance conditions[2] | Vesting period | Options granted during the year[3] | Total issued as at 31 March 2011[4/5/6] |
|---|---|---|---|---|---|---|---|---|
| **Current share option plans** | | | | | | | | |
| Investec plc Share Option Plan 2002 (un-approved plan) | • New and existing full-time employees<br>• Excluding employees in SA, Botswana, Namibia and Mauritius<br>• UK employees – grants exceeding £30 000<br>• Directors and executives | 28 Aug 2002 | Investec plc | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | Growth in headline EPS ≥ UK RPI plus 3% compounded annually over the period of the grant | Tranches of 25% each on the second, third, fourth and fifth anniversaries | 160 200 | Number: 485 762<br><br>% of issued share capital of company: 0.1% |
| Investec Limited Deferred Bonus Plan 2008 | • New and existing full-time employees in SA, Botswana, Namibia and Mauritius | 2 Jun 2008 | Investec Limited | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | None | Initially two tranches of 50% at the end of year one and the end of year two | None | Number: None<br><br>% of issued share capital of company: 0% |
| Investec plc Deferred Bonus Plan 2008 | • New and existing full-time employees<br>• Excluding employees in SA, Botswana, Namibia and Mauritius | 2 Jun 2008 | Investec plc | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | None | Variable with a minimum non-dealing period of one year | None | Number: 620 500<br><br>% of issued share capital of company: 0.1% |
| **Plan introduced in terms of our empowerment transaction** | | | | | | | | |
| The Investec Limited Security Purchase Scheme 2003 | • Employees of Investec Limited who are African, Coloured, Chinese or Indian individuals<br>• Excluding executive directors | 15 May 2003 | Investec Limited | • 500 000 individual limit in terms of this scheme<br>• Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | None | Tranches over eight years ending 15 May 2011 | None last grant made 3 Dec 2009 | Number: 9 979 541<br><br>% of issued share capital of company: 3.7% |
| **Share plans not currently in use** | | | | | | | | |
| Investec plc Share Option Plan 2002 (approved plan) | • New and existing UK full-time employees – grants up to the value of £30 000<br>• Directors and executives | 28 Aug 2002 | Investec plc | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | Growth in headline EPS ≥ UK RPI plus 3% compounded annually over the period of the grant | Tranches of 50%, 25% and 25% at the third, fourth and fifth anniversaries respectively | Last grant made on 17 Jun 2003 | Number: 854 459<br><br>% of issued share capital of company: 0.2% |

| Plan | Eligibility | Date implemented | Option/shares | Maximum award per individual[1] | Performance conditions[2] | Vesting period | Options granted during the year[3] | Total issued as at 31 March 2011[4/5/6] |
|---|---|---|---|---|---|---|---|---|
| **Share plans not currently in use (continued)** | | | | | | | | |
| Investec Limited Security Purchase and Option Scheme Trust 2002 | • New and existing full-time employees in SA, Botswana, Namibia and Mauritius<br>• Directors and executives | 20 Jun 2002 | Investec Limited and Investec plc | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | Growth in headline EPS ≥ UK RPI plus 3% compounded annually over the period of the grant | Tranches of 25% each on the second, third, fourth and fifth anniversaries | Last grant made on 14 Dec 2005 | Number: None<br><br>% of issued share capital of company: 0% |
| **Share plans introduced prior to implementation of the DLC structure** | | | | | | | | |
| Investec Group Limited UK Share Option Plan | • Employees – excluding SA, Botswana, Namibia and Mauritius<br>• Directors and executives | 1 Nov 1999 | Investec Group Limited (prior to implemen-tation of DLC structure) (now Investec Limited and Investec plc) | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | None | Tranches of 25% each on the second, third, fourth and fifth anniversaries. Awards lapse 10 years after grant | Last grant made on 20 June 2002. No further grants will be made | Number: 51 370<br><br>% of issued share capital of company: 0% |
| Investec Limited Security Purchase and Option Scheme Trust | • Employees in SA, Botswana, Namibia and Mauritius<br>• Directors and executives | 25 Nov 1988 | Investec Limited and Investec plc | • Cumulative limit of 2 500 000 across all option plans excluding EVA awards<br>• In any financial year: 1 x remuneration package | None | Tranches of 25% each on the second, third, fourth and fifth anniversaries. Awards lapse 10 years after grant | Last grant made on 2 May 2002 | Number: 901 123<br><br>% of issued share capital of company: 0.1% |

1. *The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that options should be granted in excess of that limit.*
2. *These conditions require growth in adjusted earnings per share (EPS) over the relevant option period to equal or exceed the UK Retail Price Index (RPI) plus 3% compounded annually over the same period. In choosing the performance targets for this plan, the committee considered the merits of EPS-based targets against other possibilities, such as comparative performance or comparative growth in ROE against a basket of other companies. The committee determined that EPS-based targets are most appropriate as they measure our underlying growth. The committee intends to continue to apply this during the 2012 financial year but keeps the whole matter of the suitability of target-linked share-based remuneration under periodic review. This note does not apply to the Share Matching Plan 2005 which has different performance conditions as approved by shareholders (further information is available on our website).*
3. *This represents the number of awards made to all participants. For further details, see the directors' report on page 106. More details on the directors' shareholdings are also provided in tables accompanying this report.*
4. *Dilution limits: Investec is committed to following the Association of British Insurers' (ABI) guidelines and accordingly, as from the date of the implementation of our DLC structure (29 July 2002), the maximum number of new shares which may be issued by the company under all of the share plans (in respect of grants made after July 2002) may not exceed 10% of the issued share capital of the company over a rolling 10 year period. We have, since our listing date, complied with both the 10% in 10 years guideline for discretionary and non-discretionary awards in aggregate as well as the 5% in 10 years guideline for discretionary awards. The committee regularly monitors the utilisation of dilution limits and available headroom to ensure that these guidelines are complied with. The issued share capital of Investec plc and Investec Limited at 31 March 2011 was 537.2 million shares and 272.8 million shares respectively. As announced on the stock exchange news services, 2.6 million Investec plc and 0.1 million Investec Limited shares were issued to the staff share schemes during the year.*
5. *The market price of an Investec plc share as at 31 March 2011 was £4.78 (2010: £5.39), ranging from a low of £4.29 to a high of £5.50 during the financial year.*
6. *The market price of an Investec Limited share as at 31 March 2011 was R52.80 (2010: R62.49), ranging from a low of R49.49 to a high of R65.50 during the financial year.*
7. *The rules of these long-term incentive plans do not allow awards to be made to executive directors.*

## Non-executive directors' remuneration

The board agrees and determines the fees of non-executive directors and the fees are reviewed annually. The board's policy is that fees should reflect individual responsibilities and membership of board committees. The increase in non-executive directors' fees for the forthcoming year reflects current market conditions (with the focus on controlling fixed remuneration) and additional time commitment required. Their fee structure covers the dual roles that the directors perform for the UK listed Investec plc and the South African listed Investec Limited boards. The fee structure for non-executive directors for the 2011 and 2012 financial years is shown below:

| Non-executive directors' remuneration | 2011 financial year | As approved by the board for the 2012 financial year |
|---|---|---|
| Chairman's total fee | £375 000 per year | £400 000 per year |
| Basic fee non-executive director fee | £55 000 per year | £62 000 per year |
| Senior independent director | None | £5 000 per year |
| Chairman of the DLC audit committee | £47 000 per year | £52 000 per year |
| Chairman of the DLC remuneration committee | £33 500 per year | £35 000 per year |
| Member of the DLC audit committee | £13 500 per year | £15 000 per year |
| Member of the DLC remuneration committee | £13 000 per year | £13 500 per year |
| Member of DLC nomination and directors' affairs committee | £9 500 per year | £10 000 per year |
| Board risk and capital committee (member) | None | £12 500 per year |
| Board risk and capital committee (board member in attendance) | None | £10 000 per year |
| Board risk and capital committee (IBL board member in attendance) | R110 000 per year | R120 000 per year |
| Member of Investec Bank plc board | £9 500 per year | £11 000 per year |
| Member of the Investec Bank Limited board | R160 000 per year | R240 000 per year |
| Member of the Investec Limited audit committee who is not a DLC audit committee member | R105 000 per year | R115 000 per year |
| DLC nominations and directors' affairs committee (IBL board member in attendance) | R60 000 per year | R65 000 per year |

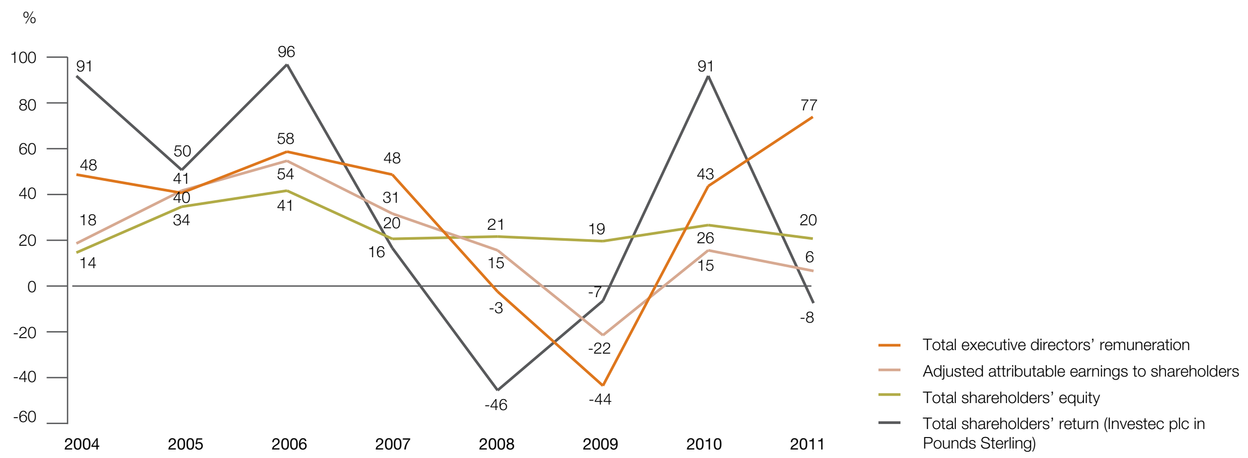
Fees are also payable for any additional time committed to the group including attendance at certain other meetings.

There is no requirement for non-executive directors to hold shares in the company. The company has left this choice to the discretion of each non-executive director.

## Directors' remuneration – alignment of interests with shareholders

The graph below reflects the percent change in executive directors' remuneration each year since our year ended 31 March 2003. The movement in directors' remuneration is mapped against the movement (or percentage change) in a number of key performance related variables.

**Percentage change in executive directors' remuneration vs other key performance related variables**



The table below reflects the compound annual growth rate (CAGR) in directors' remuneration and a number of key performance related variables since our year ended 31 March 2003 (and our listing on the LSE).

| | March 2011 | March 2003 | CAGR since March 2003 |
|---|---|---|---|
| Executive directors – gross remuneration (£'mn) | 1.7 | 1.0 | 7% |
| Executive directors – annual bonus (£'mn) | 12.9 | 1.2 | 34% |
| Executive directors – total remuneration (£'mn) | 14.5 | 2.2 | 27% |
| Non-executive directors total fees (£'mn) | 1.8 | 0.6 | 14% |
| Adjusted attributable earnings to shareholders (£'mn) | 327.9 | 89.7 | 18% |
| Adjusted EPS (p) | 43.2 | 19.2 | 11% |
| Total shareholders' equity (£'mn) | 3 961.1 | 706.0 | 24% |
| Total shareholders' return (Investec plc in Pounds Sterling) | 562.0 | 100.0 | 24% |

## Governance section

### Compliance and governance statement

The remuneration report complies with the provisions of the London Combined Code 2010, the UK Corporate Governance Code 2010, section 420 of the UK Companies Act 2006, the UK Financial Services Authority listing rules, the South African King III Code of Corporate Practice and Conduct and the JSE Limited listing rules.

In addition, as mentioned elsewhere in this report, the committee has reviewed a vast survey of the new remuneration regulations and changing attitudes in all of our core geographies and concluded that Investec's long-standing fundamental remuneration philosophies are consistent with these requirements. Investec plc will formally adopt the requirements set out in the FSA Remuneration Code for its 2012 financial year.

### Scope of our remuneration policy

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent group-wide, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects. In those cases, the higher requirements are applied to that part of the group. This will be applied to Investec plc and its subsidiary companies that are subject to the FSA Remuneration Code (as a tier one organisation as defined therein), and in particular in relation to code staff. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

We believe that our remuneration policy is consistent with and complies with the principals and rules of the FSA Remuneration Code in respect of Investec plc and its subsidiary companies. The following Investec plc group entities are separately regulated by the FSA and as such maintain their own remuneration policy separate from the Investec group policy and in line with such entity's own risk profile and business activities: Hargreave Hale; Investec Wealth and Investment (UK) (formerly Rensburg Sheppards); Investec Asset Management.

### Composition and role of the committee

George Alford (Chairman) and Sir David Prosser were members of the committee throughout the year. During the year Geoffrey Howe and Sir Chips Keswick resigned from the board and the committee. Perry Crosthwaite and Olivia Dickson were appointed as members on 2 February 2011 and 31 March 2011 respectively. The members are all independent non-executive directors and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Two out of the four members are also members of the group's board risk and capital committee and the audit committee, thus bringing risk and control mechanisms into their deliberations.

The committee's principal responsibilities and objectives are to:

- Determine, develop and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals discharging managerial responsibilities, who are the global heads of our core areas of activity and are members of our global operations forum)
- Ensure that qualified and experienced management and executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the group and alignment with the corporate objectives and business strategy

- Review and approve the design of, and determine targets and objectives for any performance related pay schemes operated by the group and approve the aggregate annual payouts under such schemes
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of executive directors and executive management including, where appropriate, bonuses, incentive payments and share scheme awards
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of members of the internal audit, risk and compliance functions
- Oversee any major changes in our employee benefit structures
- Ensure that the comments, recommendations and rules within the UK and South Africa pertaining to remuneration are given due regard. The committee is authorised by the board to seek any information it requires from any employee in order to perform its duties

The committee's terms of reference is subject to annual review and is available on our website.

## Meetings

The committee met seven times during the financial year. The company secretary of Investec plc acts as secretary to the committee. Executive directors do not attend these meetings. The chairman of the committee reports on the activities of the committee at each meeting of the full board.

## Advisers to the committee

Where appropriate, the committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the committee chairman, and Investec funds any expenses relating to the appointment of external consultants.

During the financial year, the committee continued to use the services of its advisers, Hewitt New Bridge Street, which among other things specifically reviewed and provided information on executive share incentive schemes; industry consultation papers, regulations and developments with respect to remuneration practices and our alignment to them. In addition, they continued to review and provide information on appropriate benchmark, industry and comparable organisations' remuneration practices. Their recommendations are important in the ongoing review of our remuneration practices.

Furthermore, we have used the services of Linklaters, who have advised this year mainly on a number of issues pertaining to our incentive plans. Linklaters is one of Investec plc's legal advisers.

As mentioned previously, Investec Bank plc retained the services of PricewaterhouseCoopers in relation to advising on the group's positioning and approach with respect to the FSA Remuneration Code.

Certain specialist divisions within the group, for example, Human Resources and the Staff Shares division, provide supporting information and documentation relating to matters that are presented to the committee. This includes, for example, comparative data and motivations for proposed salary, bonus and share awards. The variable remuneration pools are determined by our finance teams taking into account risk adjusted capital requirements and after eliminating unrealised gains. The employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee.

The committee, together with the board, attends a strategic off-site each year at which senior executive employees provide information and presentations on the group's strategic direction, prospects, key focus areas and annual budget. While executive directors have the right to address any meeting of the committee, they play no role in the determination of their remuneration package. Furthermore, no employee participates in discussions or decisions of the committee relating to their own remuneration.

## Service contracts and terms of employment

Three out of our four executive directors (namely S Koseff, B Kantor and GR Burger) have indefinite contracts of employment, terminable by either party giving six months written notice to the other. The contracts of employment do not contain provisions for compensation payable on early termination.

HJ du Toit has an indefinite contract of employment, terminable by the company giving 18 months written notice and HJ du Toit giving three months written notice. HJ du Toit's contract provides for £1.5 million to be paid on early termination. Each executive director is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which will be determined at the discretion of the remuneration committee. Furthermore, the executive directors may elect to sacrifice a portion of their annual salary to receive company benefits such as a travel allowance and medical aid. The full costs of these benefits will be deducted from their annual salary.

Executive directors are permitted to accept outside appointments on external boards or committees so long as these are not deemed to interfere with the business of the company. Any fees earned by executives in this regard are forfeited to Investec.

Non-executive directors do not have service contracts and letters of appointment confirm the terms and conditions of their service. The letters of appointment do not contain provisions for compensation payable on early termination. Unless the non-executive directors resign earlier or are removed from their positions, they will remain appointed as directors until the close of our annual general meeting in 2012 (subject to rotational re-election as directors at the 2011 meeting and in terms of the provision of the Articles of Association). The entire board will offer itself for re-election at the 2011 annual general meeting.

## Biographical details of the directors of the board

These details can be found on pages 97 to 99.

## Dates of appointment to the board

The boards of Investec plc and Investec Limited are separate and subject to separate legal obligations for each company. In terms of the DLC arrangements, they comprise the same persons who are authorised, as boards, to manage Investec as if it were a unified economic enterprise. Details on the dates the directors were appointed to the board can be found on page 53.

## Performance graph total shareholder return

We have implemented a DLC structure, in terms of which we have premium/primary listings in London and Johannesburg. The listing on the London Stock Exchange (LSE) took place on 29 July 2002, although we have been listed in South Africa since 1986.

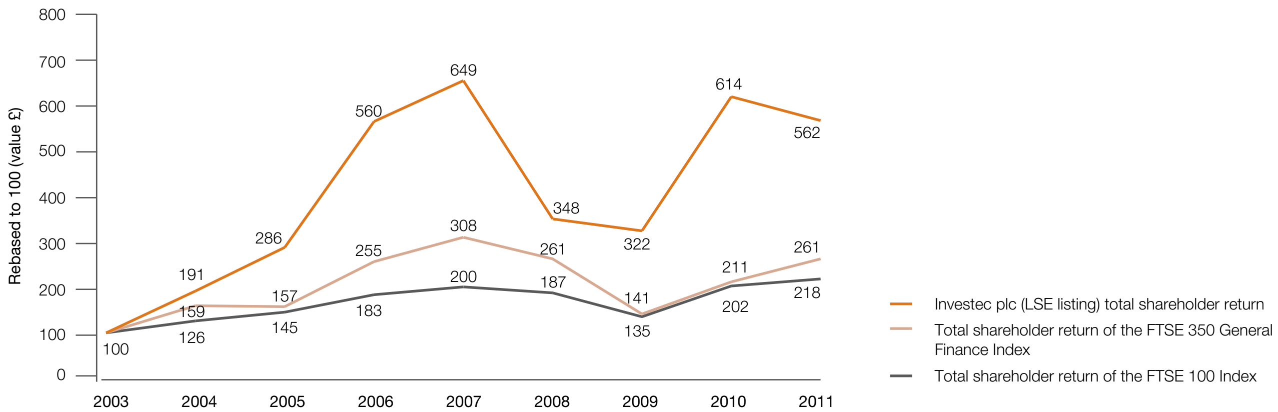
Section 420 of the UK Companies Act 2006 requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. We found it difficult to locate an appropriate group of companies to benchmark ourselves against because of our specialist activities. A number of companies within the FTSE 350 General Finance Index conduct similar activities to us, although they do not necessarily have the same geographical profile. Nevertheless, to date this has been the most appropriate index against which to measure our performance on the LSE. Towards the end of our 2010 financial year, Investec plc was included as a new entrant into the FTSE 100 Index. We have included the total shareholder return of that index for illustrative purposes.

The graph below shows the cumulative shareholder return for a holding of our shares (in orange) in Pounds Sterling on the LSE, compared with the average total shareholder return of other members of the FTSE 350 General Finance Index and the FTSE 100 Index. It shows that, at 31 March 2011, a hypothetical £100 invested in Investec plc at the time of its listing on the LSE in July 2002 would have generated a total return of £462 compared with a return of £161 if invested in the FTSE 350 General Finance Index and a return of £118 if invested in the FTSE 100 Index. Investec plc has therefore outperformed the FTSE 350 General Finance Index and the FTSE 100 Index over the period.

During the period from 1 April 2010 to 31 March 2011, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was negative 8.5% and negative 12.6% respectively. This compares to a return of 23.3% for the FTSE 350 General Finance Index and a return of 7.4% for the FTSE 100 Index.

The market price of our shares on the LSE was £4.78 as at 31 March 2011, ranging from a low of £4.29 to a high of £5.50 during the financial year. Furthermore, the market price of our shares on the JSE Limited was R52.80 as at 31 March 2011, ranging from a low of R49.49 to a high of R65.50 during the financial year.

### Total shareholder return



## Audited information

### Directors' annual remuneration

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2011:

| Name | Salaries, directors' fees and other remuneration 2011 £ | Total other benefits 2011[3] £ | Gross remuneration 2011[1/2] £ | Annual bonus cash-component 2011[4] £ | Annual bonus deferred-component 2011[4] £ | Total remuneration 2011 £ | Total remuneration 2010[5] £ |
|---|---|---|---|---|---|---|---|
| Executive directors | | | | | | | |
| S Koseff (chief executive officer) | | | | | | | |
| – cash component | 309 075 | 115 925 | 425 000 | 1 290 000 | – | 1 715 000 | 1 400 000 |
| – deferred component | – | – | – | – | 1 710 000 | 1 710 000 | 1 260 000 |
| | | | | | | 3 425 000 | 2 660 000 |
| B Kantor (managing director) | | | | | | | |
| – cash component | 391 436 | 33 564 | 425 000 | 1 290 000 | – | 1 715 000 | 1 400 000 |
| – deferred component | – | – | – | – | 1 710 000 | 1 710 000 | 1 260 000 |
| | | | | | | 3 425 000 | 2 660 000 |
| GR Burger (group risk and finance director) | | | | | | | |
| – cash component | 346 945 | 30 782 | 377 727 | 1 191 756 | – | 1 569 483 | 1 169 946 |
| – deferred component | – | – | – | – | 1 586 021 | 1 586 021 | 1 090 904 |
| | | | | | | 3 155 504 | 2 260 850 |
| HJ du Toit[6] | | | | | | | |
| – cash component | 424 401 | 8 600 | 433 001 | 2 870 000 | – | 3 303 001 | n/a |
| – deferred component | – | – | – | – | 1 230 000 | 1 230 000 | n/a |
| | | | | | | 4 533 001 | n/a |
| A Tapnack[6] | | | | | | | |
| – cash component | – | – | – | – | – | n/a | 531 681 |
| – deferred component | – | – | – | – | – | n/a | 120 000 |
| | | | | | | n/a | 651 681 |
| Total in Pounds Sterling | 1 471 857 | 188 871 | 1 660 728 | 6 641 756 | 6 236 021 | 14 538 505 | 8 232 531 |
| Non-executive directors | | | | | | | |
| HS Herman (chairman) | 375 000 | – | 375 000 | – | – | 375 000 | 360 000 |
| SE Abrahams | 258 028 | – | 258 028 | – | – | 258 028 | 223 252 |
| GFO Alford | 134 500 | – | 134 500 | – | – | 134 500 | 120 500 |
| CA Carolus | 61 017 | – | 61 017 | – | – | 61 017 | 57 040 |
| PKO Crosthwaite[6] | 52 724 | – | 52 724 | – | – | 52 724 | n/a |
| OC Dickson[6] | – | – | – | – | – | – | n/a |
| B Fried[6] | 90 000 | – | 90 000 | – | – | 90 000 | n/a |
| H Fukuda OBE | 55 000 | – | 55 000 | – | – | 55 000 | 53 000 |
| GMT Howe[6] | 67 500 | – | 67 500 | – | – | 67 500 | 86 500 |
| IR Kantor | 64 500 | – | 64 500 | – | – | 64 500 | 62 000 |
| Sir C Keswick[6] | 41 875 | – | 41 875 | – | – | 41 875 | 87 500 |
| MP Malungani | 81 600 | – | 81 600 | – | – | 81 600 | 69 161 |
| Sir D Prosser | 90 500 | – | 90 500 | – | – | 90 500 | 83 458 |
| PRS Thomas | 196 746 | – | 196 746 | – | – | 196 746 | 167 009 |
| F Titi | 218 063 | – | 218 063 | – | – | 218 063 | 182 292 |
| Total in Pounds Sterling | 1 787 053 | – | 1 787 053 | – | – | 1 787 053 | 1 551 712 |
| Total in Pounds Sterling | 3 258 910 | 188 871 | 3 447 781 | 6 641 756 | 6 236 021 | 16 325 558 | 9 784 243 |

1. Gross remuneration comprises base salary and other benefits (see point 2 and 3 below).
2. Gross remuneration of S Koseff and B Kantor has increased by 3.7%. The gross remuneration of GR Burger is determined in Rands and converted into Pounds Sterling. In Rand terms GR Burger's gross remuneration increased by 9.8% from R3 050 000 in March 2010 to R3 350 000 in March 2011. Gross remuneration increases for other employees across the group have generally been in the range of 4% to 10%.
3. The executive directors receive other benefits which may include pension schemes; life, disability and personal accident insurance; and medical cover, on similar terms to other senior executives.
4. In determining annual bonuses, a number of quantitative and qualitative factors/metrics were considered which included:
   - The group reported operating profits in all of its core geographies, benefiting from its solid recurring income base with attributable earnings increasing by 5.9% over the period. Five out of our six operating divisions performed well
   - The group maintained its disciplined approach with respect to the quality of its balance sheet, reporting an increase in both capital and liquidity over the period. Leverage ratios remain low and the group has further reduced reliance on wholesale funding
   - The group reported an increase in dividends per share of 6.3% to 17.0 pence and an increase in tangible net asset value per share of 6.1% to 343.8 pence
   - The group has made significant progress in increasing its non-lending revenue base and further balancing the revenue generated from its operational risk businesses and its financial risk businesses. Initiatives and developments in this regard include: the substantial increase in funds under management over the period; the acquisition of Rensburg Sheppards plc and the formation of a global Wealth and Investment unit. The Asset Management and Wealth Management businesses accounted for 38.6% of the group's operating profit (2010: 25.3%)
   - A focused and intimate involvement of the executive directors in ensuring stringent management of risk, liquidity and capital
   - Investment in the Investec brand continues to deliver shareholder value
   - Business units have moved onto the front foot and are taking advantage of new opportunities
   - Continuous engagement with key stakeholders
   - The group has maintained its commitment to its sustainability efforts, and received a number of awards in this area.

   Further information on the group's financial and non-financial performance and risk management metrics have been discussed elsewhere in the annual report. Based on comparator analyses provided by the committee's advisers, Hewitt New Bridge Street, the total remuneration of the chief executive officer and managing director falls within median market levels.

   - S Koseff and B Kantor are each awarded a total bonus of £3 000 000, comprising £1 290 000 in cash payable in June 2011 and the balance deferred and payable in two equal installments on 31 May 2012 and 31 May 2013. The deferred component will be equivalent to the value of 179 622 Investec plc shares at the close of business on each of 31 May 2012 and 31 May 2013. For annual report disclosure and reporting purposes the deferred component was determined at the remuneration committee meeting held on 31 May 2011 at a price per share of £4.76
   - GR Burger has been awarded a total bonus of R31 000 000, comprising R13 300 000 in cash payable in June 2011 and the balance deferred and payable in two equal installments on 31 May 2012 and 31 May 2013. The deferred component will be equivalent to the value of 167 709 Investec plc shares at the close of business on each of 31 May 2012 and 31 May 2013. For annual report disclosure and reporting purposes the deferred component was determined at the remuneration committee meeting held on 31 May 2011 at a price per share of R52.77
   - HJ du Toit was awarded a total bonus of £4 100 000, comprising £2 870 000 in cash paid in March 2011 and the balance deferred and payable in two equal installments in March 2012 and March 2013.
5. A breakdown of the components of the reward packages for the executive directors in the 2010 financial year is as follows:

| Name | Salary £ | Total other benefits £ | Gross remuneration £ | Annual bonus cash – component £ | Annual bonus deferred – component £ | Total remuneration £ |
|---|---|---|---|---|---|---|
| Executive directors | | | | | | |
| S Koseff (chief executive officer) | 315 159 | 94 841 | 410 000 | 990 000 | 1 260 000 | 2 660 000 |
| B Kantor (managing director) | 369 747 | 40 253 | 410 000 | 990 000 | 1 260 000 | 2 660 000 |
| GR Burger (group risk and finance director) | 314 192 | 7 272 | 321 464 | 848 482 | 1 090 904 | 2 260 850 |
| A Tapnack | 269 000 | 32 681 | 301 681 | 230 000 | 120 000 | 651 681 |
| Total Pounds Sterling | 1 268 098 | 175 047 | 1 443 145 | 3 058 482 | 3 730 904 | 8 232 531 |

6. The following board appointments and resignations took place during the year:
   - B Fried appointed on 1 April 2010
   - PKO Crosthwaite appointed on 18 June 2010
   - HJ du Toit appointed on 15 December 2010
   - OC Dickson appointed on 31 March 2011
   - Sir Chips Keswick retired on 13 August 2010
   - A Tapnack retired on 15 December 2010
   - GMT Howe resigned on 31 December 2010.

## Retirement benefits

None of the executive directors belong to a defined benefit pension scheme and all are members of one of our defined contribution schemes. The total contribution to these schemes, payable by the company, included in the total salary of the director or included in benefits paid as set out in the tables above, is as follows:

| Name | 2011<br>£ | 2010<br>£ |
|---|---|---|
| Executive directors | | |
| S Koseff (chief executive officer) | 72 806 | 70 499 |
| B Kantor (managing director) | 23 735 | 29 256 |
| GR Burger (group risk and finance director) | 22 517 | – |
| HJ du Toit | – | n/a |
| Total Pounds Sterling | 119 058 | 99 755 |

## Executive directors' total assumed cost to company

The table below provides an indication of the total cost to the company in relation to executive directors' remuneration. Total cash payments and benefits reflect the information disclosed in the tables above. The IFRS accounting charge (in terms of IFRS 2) reflects the cost that has been expensed by the company in its income statement in the relevant period in relation to share options and long-term incentive awards that have been granted to the executives. Further details on these equity awards are provided in the tables that follow:

| Name | Salary, bonus and other benefits 2011<br>£ | Accounting IFRS charge in relation to equity awards 2011<br>£ | Total assumed remuneration expense 2011<br>£ | Salary, bonus and other benefits 2010<br>£ | Accounting IFRS charge in relation to equity awards 2010<br>£ | Total assumed remuneration expense 2010<br>£ |
|---|---|---|---|---|---|---|
| Executive directors | | | | | | |
| S Koseff (chief executive officer) | 3 425 000 | 850 134 | 4 275 134 | 2 660 000 | 784 354 | 3 444 354 |
| B Kantor (managing director) | 3 425 000 | 850 195 | 4 275 195 | 2 660 000 | 776 537 | 3 436 537 |
| GR Burger (group risk and finance director) | 3 155 504 | 956 097 | 4 111 601 | 2 260 850 | 802 762 | 3 063 612 |
| A Tapnack | n/a | n/a | n/a | 651 681 | 180 783 | 832 464 |
| HJ du Toit | 4 533 001 | 938 009 | 5 471 010 | n/a | n/a | n/a |
| Total Pounds Sterling | 14 538 505 | 3 594 435 | 18 132 940 | 8 232 531 | 2 544 436 | 10 776 967 |

## Directors' shareholdings, options and long-term incentive awards

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2011.

## Directors’ shareholdings in Investec plc and Investec Limited shares as at 31 March 2011

| Name | Beneficial and non-beneficial interest Investec plc[1] | | % of shares in issue[1] | Beneficial and non-beneficial interest Investec Limited[1] | | % of shares in issue[1] |
|---|---|---|---|---|---|---|
| | 1 April 2010 | 31 March 2011 | Investec plc 31 March 2011 | 1 April 2010 | 31 March 2011 | Investec Limited 31 March 2011 |
| **Executive directors** | | | | | | |
| S Koseff[2] | 4 839 133 | 4 839 133 | 0.9% | 1 809 330 | 1 809 330 | 0.7% |
| B Kantor[3] | 48 525 | 48 525 | – | 4 863 500 | 3 801 000 | 1.4% |
| GR Burger[4] | 2 402 135 | 2 402 135 | 0.4% | 1 037 076 | 1 037 076 | 0.4% |
| A Tapnack[7] | – | n/a | n/a | 203 192 | n/a | n/a |
| HJ du Toit[7] | n/a | – | – | n/a | 604 740 | 0.2% |
| Total number | 7 289 793 | 7 289 793 | 1.3% | 7 913 098 | 7 252 146 | 2.7% |
| **Non-executive directors** | | | | | | |
| HS Herman[5] | 1 369 915 | 1 369 915 | 0.3% | 760 470 | 760 470 | 0.3% |
| SE Abrahams | 20 000 | 20 000 | – | – | – | – |
| GFO Alford | 3 100 | 10 000 | – | – | – | – |
| CA Carolus | – | – | – | – | – | – |
| PKO Crosthwaite[7] | n/a | 132 908 | – | n/a | – | – |
| OC Dickson[7] | n/a | – | – | n/a | – | – |
| B Fried[7] | n/a | – | – | n/a | 400 000 | 0.1% |
| H Fukuda OBE | 5 000 | 5 000 | – | – | – | – |
| GMT Howe[7] | – | n/a | – | – | n/a | – |
| IR Kantor | 3 509 545 | 3 509 545 | 0.7% | 325 | 325 | – |
| Sir C Keswick[7] | 15 750 | n/a | – | 9 250 | n/a | – |
| MP Malungani[6] | – | | – | 3 288 890 | 3 288 890 | 1.2% |
| Sir D Prosser | 10 000 | 10 000 | – | – | – | – |
| PRS Thomas | 415 855 | 195 800 | – | 180 955 | 500 | – |
| F Titi | – | – | – | – | – | – |
| Total number | 5 349 165 | 5 253 168 | 1.0% | 4 239 890 | 4 450 185 | 1.6% |
| Total number | 12 638 958 | 12 542 961 | 2.3% | 12 152 988 | 11 702 331 | 4.3% |

1. *The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on page 90.*
   *In addition to their shareholdings reflected in the table above, some of the directors have an interest in options over Investec Limited shares, the details of which are as follows:*
2. *S Koseff: European call options over 139 005 (2010: 146 232) Investec Limited shares at a strike of R54.11 (2010: R51.44) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted from time to time in terms of the dividend adjustment provision in the option agreement.*
3. *B Kantor: European call options over 454 288 (2010: 477 908) Investec Limited shares at a strike of R53.13 (2010: R50.50) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted for both options from time to time in terms of the dividend adjustment provision in the option agreement.*
4. *GR Burger: European call options over 56 467 (2010: 59 403) Investec Limited shares at a strike of R54.11 (2010: R51.44) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted from time to time in terms of the dividend adjustment provision in the option agreement.*
5. *HS Herman: European call options over 27 542 (2010: 28 974) Investec Limited shares at a strike of R54.11 (2010: R51.44) per share and an expiry date of 11 June 2011. The number of shares and strike price are adjusted from time to time in terms of the dividend adjustment provision in the option agreement.*
6. *In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Group (Proprietary) Limited (Peu), a broad-based entrepeneurship development trust and an employee share trust in terms of which they acquired a 25.1% stake in the issued share capital of Investec Limited. MP Malungani is the chairman of Peu.*
7. *As mentioned on page 85, a number of board appointments and resignations took place during the year.*

## Directors’ interest in preference shares as at 31 March 2011

| Name | Investec plc 1 April 2010 | Investec plc 31 March 2011 | Investec Limited 1 April 2010 | Investec Limited 31 March 2011 | Investec Bank Limited 1 April 2010 | Investec Bank Limited 31 March 2011 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| S Koseff | 101 198 | 101 198 | 3 000 | 3 000 | 4 000 | 4 000 |
| **Non-executive directors** | | | | | | |
| HS Herman | – | – | – | – | 1 135 | 1 135 |

- *The market price of an Investec plc preference share as at 31 March 2011 was R51.31 (2010: R47.05)*
- *The market price of an Investec Limited preference share as at 31 March 2011 was R90.70 (2010: R91.00)*
- *The market price of an Investec Bank Limited preference share as at 31 March 2011 was R98.00 (2010: R98.70).*

## Directors’ interest in options as at 31 March 2011

Investec plc shares

| Name | Date of grant | Exercise price | Number of Investec plc shares at 1 April 2010 | Exercised during the year | Options granted/ lapsed during the year | Balance at 31 March 2011 | Period exercisable |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| B Kantor | 20 Dec 2002 | £1.59 | 9 455 | – | – | 9 455 | Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012 |
| HJ du Toit | 20 Dec 2002 | £1.59 | 9 455 | – | – | 9 455 | Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012 |

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

No new option grants were made to executive directors during the financial year. The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on page 90.

## Directors’ interest in long-term incentive plans as at 31 March 2011

| Name | Date of grant | Exercise price | Number of Investec plc shares at 1 April 2010 | Exer-cised during the year | Options granted/ lapsed during the year | Balance at 31 March 2011 | Market price at date of exercise | Gross gains made on date of exercise | Period exercisable |
|---|---|---|---|---|---|---|---|---|---|
| HJ du Toit | 16 Mar 2005 | Nil | 93 750 | 93 750 | – | – | £4.71 | £441 737 | |
| | 25 Jun 2007 | Nil | 375 000 | – | – | 375 000 | – | – | 75% is exercisable on 25 Jun 2011 and 25% on 25 Jun 2012 |
| | 25 Jun 2009 | Nil | 250 000 | – | – | 250 000 | | | 75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014 |
| | 1 Jul 2010 | Nil | – | – | 750 000 | 750 000 | – | – | 75% is exercisable on 1 Jul 2014 and 25% on 1 Jul 2015 |

The group has made forfeitable awards in respect of nil cost options in the capital of Investec plc for nil consideration pursuant to the Long-Term Incentive Plan (LTIP).The awards are in accordance with the determination of the remuneration committee and with the rules of the LTIP. These awards were made prior to HJ du Toit becoming an executive director.

## Directors' interest in the Share Matching Plan 2005 as at 31 March 2011

| Name | Date of grant | Exercise price | Number of Investec plc shares at 1 April 2010 | Exer-cised during the year | Options granted/ lapsed during the year | Balance at 31 March 2011 | Market price at date of exercise | Gross gains made on date of exercise | Period exercisable |
|---|---|---|---|---|---|---|---|---|---|
| S Koseff | 21 Nov 2005 | Nil | 187 500 | 187 500 | – | – | £4.63 | £866 277 | |
| | 25 Jun 2009 | Nil | 300 000 | – | – | 300 000 | – | – | 75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014 |
| | 1 Jul 2010 | Nil | – | – | 750 000 | 750 000 | – | – | 75% is exercisable on 1 July 2014 and 25% on 1 July 2015 |
| B Kantor | 21 Nov 2005 | Nil | 187 500 | 187 500 | – | – | £4.54 | £851 250 | |
| | 25 Jun 2009 | Nil | 300 000 | – | – | 300 000 | – | – | 75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014 |
| | 1 Jul 2010 | Nil | – | – | 750 000 | 750 000 | – | – | 75% is exercisable on 1 July 2014 and 25% on 1 July 2015 |
| GR Burger | 21 Nov 2005 | Nil | 150 000 | 150 000 | – | – | £4.55 | £682 675 | |
| | 25 Jun 2007 | Nil | 150 000 | – | – | 150 000 | – | – | 75% is exercisable on 25 Jun 2011* and the remaining 25% on 25 Jun 2012 |
| | 25 Jun 2009 | Nil | 300 000 | – | – | 300 000 | – | – | 75% is exercisable on 25 Jun 2013 and 25% on 25 Jun 2014 |
| | 1 Jul 2010 | Nil | – | – | 750 000 | 750 000 | – | – | 75% is exercisable on 1 July 2014 and 25% on 1 July 2015 |

This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005. The plan is considered essential in improving Investec's long-term prospects for recruitment and retention of key individuals. The plan also provides further alignment of the interests of shareholders and management as the committee believes that a significant element of remuneration should be linked to our ability to deliver sustainable results to shareholders, and at the same time, enable management to share in these results. Further details on the plan are available on our website.

Additional matching awards were made during the year, following the vesting of the first tranche of such awards made in 2005.

* *The performance conditions in respect of the award made to GR Burger on 25 June 2007 have not been met and accordingly the award will be fortified on 25 June 2011.*

## Summary: total interest in Investec plc and Investec Limited ordinary shares, options and long-term incentive awards as at 31 March 2011

Investec plc

| Name | Beneficially and non-beneficially held | Options | Share Matching Plan/LTIPs | Balance at 31 March 2011 | Balance at 31 March 2010 |
|---|---|---|---|---|---|
| Executive directors | | | | | |
| S Koseff | 4 839 133 | – | 1 050 000 | 5 889 133 | 5 326 633 |
| B Kantor | 48 525 | 9 455 | 1 050 000 | 1 107 980 | 545 480 |
| GR Burger | 2 402 135 | – | 1 200 000 | 3 602 135 | 3 002 135 |
| HJ du Toit | – | 9 455 | 1 375 000 | 1 384 455 | n/a |
| Total number | 7 289 793 | 18 910 | 4 675 000 | 11 983 703 | 8 874 248 |

Investec Limited

| Name | Beneficially and non-beneficially held | Options | Share Matching Plan/LTIPs | Balance at 31 March 2011 | Balance at 31 March 2010 |
|---|---|---|---|---|---|
| Executive directors | | | | | |
| S Koseff | 1 809 330 | – | – | 1 809 330 | 1 809 330 |
| B Kantor | 3 801 000 | – | – | 3 801 000 | 4 863 500 |
| GR Burger | 1 037 076 | – | – | 1 037 076 | 1 037 076 |
| HJ du Toit | 604 740 | – | – | 604 740 | n/a |
| Total number | 7 252 146 | – | – | 7 252 146 | 7 709 906 |

*The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided below.*

## Summary: Investec plc and Investec Limited share statistics

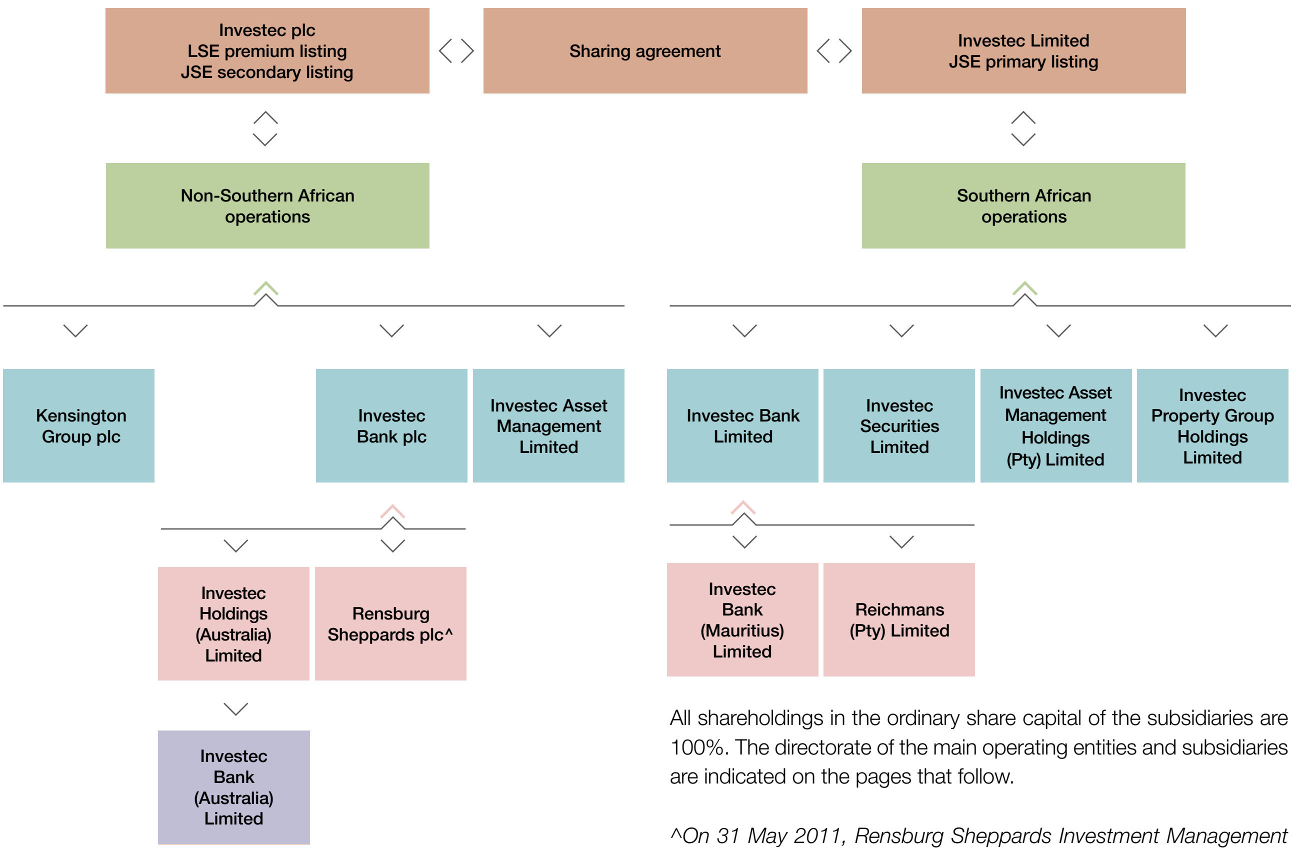
| | 31 March 2011 | 31 March 2010 | High over the year | Low over the year |
|---|---|---|---|---|
| Investec plc share price (£) | £4.78 | £5.39 | £5.50 | £4.29 |
| Investec Limited share price (R) | R52.80 | R62.49 | R65.50 | R49.49 |
| Number of Investec plc shares in issue ('mn) | 537.2 | 471.1 | – | – |
| Number of Investec Limited shares in issue ('mn) | 272.8 | 269.8 | – | – |

# Additional information

# Operational structure

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

**Our DLC structure and main operating subsidiaries as at 31 March 2011**




All shareholdings in the ordinary share capital of the subsidiaries are 100%. The directorate of the main operating entities and subsidiaries are indicated on the pages that follow.

*^On 31 May 2011, Rensburg Sheppards Investment Management Limited (the main operating entity of Rensburg Sheppards plc) was renamed Investec Wealth & Investment Limited.*

Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

## 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.

# Shareholder analysis

## Investec ordinary shares

As at 31 March 2011 Investec plc and Investec Limited had 537.2 million and 272.8 million ordinary shares in issue respectively.

### Spread of ordinary shareholders as at 31 March 2011

Investec plc ordinary shares in issue

| Number of shareholders | Holdings | % of total shareholders | Number of shares in issue | % of issued share capital |
|---|---|---|---|---|
| 6 612 | 1 to 500 | 31.8% | 1 912 871 | 0.3% |
| 4 935 | 501 – 1 000 | 23.7% | 3 915 825 | 0.7% |
| 6 189 | 1 001 – 5 000 | 29.8% | 14 481 001 | 2.7% |
| 1 061 | 5 001 – 10 000 | 5.1% | 7 913 472 | 1.5% |
| 1 160 | 10 001 – 50 000 | 5.6% | 26 798 737 | 5.0% |
| 286 | 50 001 – 100 000 | 1.4% | 20 438 874 | 3.8% |
| 542 | 100 001 and over | 2.6% | 461 715 309 | 86.0% |
| 20 785 | | 100.0% | 537 176 089 | 100.0% |

Investec Limited ordinary shares in issue

| Number of shareholders | Holdings | % of total shareholders | Number of shares in issue | % of issued share capital |
|---|---|---|---|---|
| 3 988 | 1 to 500 | 41.0% | 963 715 | 0.4% |
| 1 996 | 501 – 1 000 | 20.5% | 1 555 715 | 0.6% |
| 2 342 | 1 001 – 5 000 | 24.1% | 5 375 226 | 2.0% |
| 463 | 5 001 – 10 000 | 4.8% | 3 394 435 | 1.2% |
| 555 | 10 001 – 50 000 | 5.7% | 12 998 973 | 4.8% |
| 148 | 50 001 – 100 000 | 1.5% | 10 771 170 | 3.9% |
| 230 | 100 001 and over | 2.4% | 237 777 434 | 87.1% |
| 9 722 | | 100.0% | 272 836 668 | 100.0% |

### Shareholder classification as at 31 March 2011

| | Investec plc number of shares | % holding | Investec Limited number of shares | % holding |
|---|---|---|---|---|
| Public* | 519 702 453 | 96.8% | 207 689 384 | 76.2% |
| Non-public | 17 473 636 | 3.2% | 65 147 284 | 23.8% |
| Non-executive directors of Investec plc/Investec Limited** | 5 253 168 | 1.0% | 1 161 295 | 0.4% |
| Executive directors of Investec plc/Investec Limited | 7 289 793 | 1.3% | 7 252 146 | 2.7% |
| Investec staff share schemes | 4 930 675 | 0.9% | 23 178 288 | 8.5% |
| PEU INL Investment 1 (Pty) Ltd ** | – | – | 5 555 555 | 2.0% |
| Entrepreneurial Development Trust | – | – | 14 000 000 | 5.1% |
| Tiso INL Investments (Pty) Ltd | – | – | 14 000 000 | 5.1% |
| Total | 537 176 089 | 100.0% | 272 836 668 | 100.0% |

* *As per the JSE listing requirements.*

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

# Shareholder analysis (continued)

## Largest ordinary shareholders as at 31 March 2011

In accordance with the terms provided for in Section 793 of the UK Companies Act 2006 and Section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec plc

| | Shareholder analysis by manager group | Number of shares | % holding |
|---|---|---|---|
| 1 | Public Investment Corporation (ZA) | 78 992 601 | 14.7% |
| 2 | Old Mutual Investment Group (ZA) | 28 053 047 | 5.2% |
| 3 | Allan Gray (ZA) | 22 195 379 | 4.1% |
| 4 | BlackRock Inc (US) | 21 934 967 | 4.1% |
| 5 | Legal & General Investment Management Ltd (UK) | 21 074 264 | 3.9% |
| 6 | Stanlib (ZA) | 20 903 724 | 3.9% |
| 7 | Abax Investments (ZA) | 16 880 931 | 3.1% |
| 8 | Sanlam Investment Management (ZA) | 14 290 915 | 2.7% |
| 9 | Prudential Group (ZA) | 12 665 952 | 2.4% |
| 10 | Coronation Fund Managers (ZA) | 11 623 274 | 2.2% |
| | Cumulative total | 248 615 054 | 46.3% |

The top 10 shareholders account for 46.3% 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.

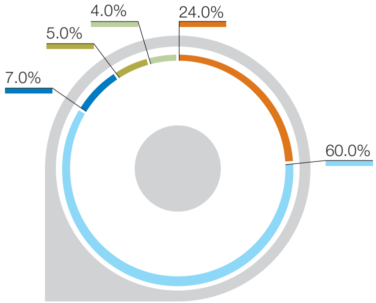
Investec Limited

| | Shareholder analysis by manager group | Number of shares | % holding |
|---|---|---|---|
| 1 | Public Investment Corporation (ZA) | 38 960 478 | 14.3% |
| 2 | Investec Staff Share Scheme (ZA) | 23 178 288 | 8.5% |
| 3 | Old Mutual Investment Group (ZA) | 16 344 808 | 6.0% |
| 4 | Entrepreneurial Development Trust (ZA)* | 14 000 000 | 5.1% |
| 5 | Tiso INL Investments (Pty) Ltd (ZA)* | 14 000 000 | 5.1% |
| 6 | Sanlam Investment Management (ZA) | 9 737 186 | 3.6% |
| 7 | Stanlib (ZA) | 9 108 116 | 3.3% |
| 8 | BlackRock Inc (US) | 7 732 057 | 2.8% |
| 9 | Dimensional Fund Advisors (US) | 7 295 183 | 2.7% |
| 10 | RMB Asset Management (ZA) | 6 711 992 | 2.5% |
| | Cumulative total | 147 068 108 | 53.9% |

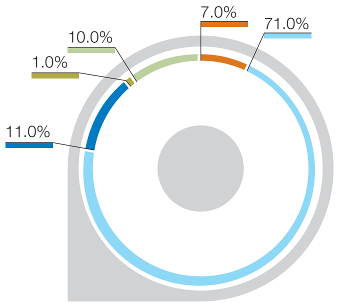
The top 10 shareholders account for 53.9% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

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

## Geographic holding by beneficial ordinary share owner as at 31 March 2011




Investec plc




Investec Limited

## Share statistics

### Investec plc ordinary shares in issue

| For the year ended 31 March | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|
| Closing market price per share (Pounds) | | | | | | | |
| – year end | 4.78 | 5.39 | 2.92 | 3.39 | 6.58 | 5.88 | 3.11 |
| – highest | 5.50 | 5.62 | 4.21 | 7.65 | 6.76 | 6.07 | 3.47 |
| – lowest | 4.29 | 2.87 | 1.69 | 2.94 | 4.95 | 3.04 | 1.84 |
| Number of ordinary shares in issue (million)[1] | 537.2 | 471.1 | 444.9 | 423.3 | 381.6 | 373.0 | 373.0 |
| Market capitalisation (£'million)[1] | 2 568 | 2 539 | 1 299 | 1 435 | 2 511 | 2 194 | 1 160 |
| Daily average volume of shares traded ('000) | 1 634.4 | 1 932.6 | 2 603.6 | 3 925.9 | 2 832.5 | 1 489.0 | 741.0 |
| Price earnings ratio[2] | 11.1 | 12.0 | 6.9 | 6.0 | 12.4 | 14.0 | 11.6 |
| Dividend cover (times)[2] | 2.5 | 2.8 | 3.3 | 2.3 | 2.3 | 2.3 | 2.0 |
| Dividend yield (%)[2] | 3.6 | 3.0 | 4.5 | 7.4 | 3.5 | 3.1 | 4.3 |
| Earnings yield (%)[2] | 9.0 | 8.4 | 14.5 | 16.7 | 8.1 | 7.1 | 8.6 |

### Investec Limited ordinary shares in issue

| For the year ended 31 March | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|
| Closing market price per share (Rands) | | | | | | | |
| – year end | 52.80 | 62.49 | 38.86 | 57.43 | 93.30 | 62.60 | 35.60 |
| – highest | 65.50 | 65.40 | 63.19 | 104.40 | 94.60 | 66.50 | 38.00 |
| – lowest | 49.49 | 37.51 | 27.20 | 50.90 | 59.06 | 34.10 | 21.56 |
| Number of ordinary shares in issue (million) | 272.8 | 269.8 | 268.4 | 234.3 | 227.7 | 220.0 | 220.0 |
| Market capitalisation (R'million)[3] | 42 768 | 46 299 | 27 715 | 37 766 | 56 848 | 37 121 | 21 111 |
| Market capitalisation (£'million) | 3 872 | 3 993 | 2 083 | 2 229 | 4 009 | 3 488 | 1 844 |
| Daily average volume of shares traded ('000) | 793.6 | 1 068.2 | 1 167.8 | 840.6 | 619.7 | 478.0 | 510.5 |

1. *The LSE only include the shares in issue for Investec plc i.e. 537.2 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*
2. *Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.*
3. *The JSE Limited have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation i.e. a total of 810.0 million shares in issue.*

## Investec perpetual preference shares

Investec plc, Investec Limited and Investec Bank Limited have issued perpetual preference shares.

### Spread of perpetual preference shareholders as at 31 March 2011

Investec plc perpetual preference shareholders

| Number of shareholders | Holdings | % of total shareholders | Number of preference shares in issue | % of issued preference share capital |
|---|---|---|---|---|
| 149 | 1 to 500 | 10.0% | 40 657 | 0.3% |
| 160 | 501 – 1 000 | 10.7% | 133 715 | 0.9% |
| 846 | 1 001 – 5 000 | 56.8% | 1 769 022 | 11.7% |
| 139 | 5 001 – 10 000 | 9.3% | 1 073 286 | 7.1% |
| 140 | 10 001 – 50 000 | 9.4% | 3 043 025 | 20.2% |
| 30 | 50 001 – 100 000 | 2.0% | 2 203 898 | 14.6% |
| 26 | 100 001 and over | 1.8% | 6 819 546 | 45.2% |
| 1 490 | | 100.0% | 15 083 149 | 100.0% |

Investec Limited perpetual preference shareholders

| Number of shareholders | Holdings | % of total shareholders | Number of preference shares in issue | % of issued preference share capital |
|---|---|---|---|---|
| 813 | 1 to 500 | 15.3% | 264 225 | 0.9% |
| 1 445 | 501 – 1 000 | 27.2% | 1 290 862 | 4.5% |
| 2 225 | 1 001 – 5 000 | 41.9% | 5 326 192 | 18.5% |
| 445 | 5 001 – 10 000 | 8.4% | 3 282 616 | 11.4% |
| 324 | 10 001 – 50 000 | 6.1% | 6 021 261 | 21.0% |
| 26 | 50 001 – 100 000 | 0.5% | 1 901 876 | 6.6% |
| 33 | 100 001 and over | 0.6% | 10 638 499 | 37.1% |
| 5 311 | | 100.0% | 28 725 531 | 100.0% |

Investec Bank Limited perpetual preference shareholders

| Number of shareholders | Holdings | % of total shareholders | Number of preference shares in issue | % of issued preference share capital |
|---|---|---|---|---|
| 722 | 1 to 500 | 18.3% | 214 216 | 1.4% |
| 1 265 | 501 – 1 000 | 32.0% | 1 161 091 | 7.5% |
| 1 486 | 1 001 – 5 000 | 37.6% | 3 586 541 | 23.2% |
| 269 | 5 001 – 10 000 | 6.8% | 2 016 194 | 13.0% |
| 181 | 10 001 – 50 000 | 4.6% | 3 494 279 | 22.6% |
| 13 | 50 001 – 100 000 | 0.3% | 997 256 | 6.5% |
| 13 | 100 001 and over | 0.4% | 3 987 086 | 25.8% |
| 3 949 | | 100.0% | 15 456 663 | 100.0% |

### Largest perpetual preference shareholders as at 31 March 2011

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec plc
Chase Nominees Limited (Artemis) 6.63%

Investec Limited
Agulhas Nominees (Pty) Ltd (Sanlam Private Investments) 5.41%

Investec Bank Limited
Agulhas Nominees (Pty) Ltd (Sanlam Private Investments) 9.81%

# Directorate Investec plc and Investec Limited

## Executive directors

| Name | Age at 31 March 2011 | Qualifications | Current directorships | Investec committee membership | Brief biography |
|---|---|---|---|---|---|
| Stephen Koseff (chief executive officer) | 59 | 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. |
| Bernard Kantor (managing director) | 61 | 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. |
| Glynn R Burger (group risk and finance director) | 54 | 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. |
| Hendrik du Toit (Investec Asset Management chief executive officer) | 49 | BCom Law BCom (Hons) (cum laude) (MCom) (cum laude) MPhil (Cambridge) | Investec Asset Management Holdings (Pty) Limited and Investec Asset Management Limited as well as their subsidiaries | | After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 as portfolio manager and later chief executive officer of Investec Asset Management. |

## Non-executive directors

| Name | Age at 31 March 2011 | Qualifications | Current directorships | Investec committee membership | Brief biography |
|---|---|---|---|---|---|
| Hugh S Herman (non-executive chairman) | 70 | BA LLB LLD | 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 | 72 | 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 and global credit committee | Sam is a former international partner and South African managing partner of Arthur Andersen. |
| George FO Alford | 62 | BSc (Econ) FCIS FIPD MSI | Investec Bank plc | DLC audit committee, Investec plc audit committee, Investec Limited audit committee, DLC 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. |

| Name | Age at 31 March 2011 | Qualifications | Current directorships | Investec committee membership | Brief biography |
|---|---|---|---|---|---|
| Cheryl A Carolus | 52 | 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 and 2001 and was chief executive officer of South African tourism. She is chairperson of South African National Parks. |
| Peregrine KO Crosthwaite | 62 | MA (Hons) in modern languages | Investec Bank plc, Jupiter Green Investment Trust, Melrose plc and Toluna plc | DLC remuneration committee | Perry is a former chairman of Investec Investment Banking Securities Limited and director of Investec Bank plc |
| Olivia C Dickson | 50 | MA (Oxon) MSc (Lon) CDipAF | Canada Life Limited, Canada Life Group (UK) Limited, Canada Life Asset Management Limited, Invista Real Estate Investment Management Holdings plc, Invista Real Estate Investment Management Limited, trustee of the Mineworkers' Pension Scheme Limited | DLC audit committee, Investec plc audit committee, Investec Limited audit committee and DLC remuneration committee | Olivia is a non-executive director of Canada Life Limited, the senior independent director and chair of the audit committee of Invista Real Estate Investment Management Holdings plc and a trustee director and chair of the risk and assurance committee of the Mineworkers' Pension Scheme. Olivia is also a member of the Financial Reporting Council's board for actuarial standards, the Financial Services Authority's regulatory decisions committee and the Pensions Regulator's determinations panel. Most recently Olivia served as a non-executive director and chair of the risk and compliance committee of Aon Limited and prior to that as a senior adviser to the Financial Services Authority. Previously Olivia was a managing director at JP Morgan, where she served in a number of senior roles including head of European derivatives brokerage. While at JP Morgan, Olivia was a non-executive director and chair of the audit committee of the London International Financial Futures Exchange. |
| Bradley Fried | 45 | BCom CA(SA) MBA | An executive director of a number of Investec subsidiaries and a non-executive director of Investec plc, Investec Wealth & Investment Limited and Grovepoint Capital LLP | Board risk and capital committee | 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. |
| Haruko Fukuda OBE | 64 | 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. |

| Name | Age at 31 March 2011 | Qualifications | Current directorships | Investec committee membership | Brief biography |
|---|---|---|---|---|---|
| Ian R Kantor | 64 | 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. |
| M Peter Malungani | 53 | BCom MAP LDP | Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited, Peu Group (Pty) Limited and a number of Peu subsidiaries | Board risk and capital committee | Peter is chairman and founder of Peu Group (Pty) Limited. |
| Sir David Prosser (senior independent director) | 67 | BSc (Hons) FIA | Pippbrook Limited, Epsom Downs Racecourse Limited and The Royal Automobile Club Limited | DLC audit committee, Investec plc audit committee, Investec Limited audit committee, DLC remuneration committee, DLC nominations and directors' affairs committee and board risk and capital 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 | 66 | 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, DLC nominations and directors' affairs committee and global credit committee | Peter was the former managing director of The Unisec Group Limited. |
| Fani Titi | 48 | 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, DLC nominations and directors' affairs committee and global credit committee | Fani is chairman of Investec Bank Limited and was the former chairman of Tiso Group Limited. |

- *The dates on which the directors were appointed to the boards of Investec plc and Investec Limited can be found on page 53.*
- *Details of the Investec committees can be found on page 54.*

# Directorate Investec plc and Investec Limited subsidiaries

## Investec Bank Limited

### A subsidiary of Investec Limited

**Fani Titi** (48)
BSc (Hons) MA MBA
Non-executive chairman

**David M Lawrence** (59)
BA (Econ) (Hons) MCom
Deputy chairman

**Sam E Abrahams** (72)
FCA CA(SA)

**Glynn R Burger** (54)
BAcc CA(SA) H Dip BDP MBL

**Bernard Kantor** (61)
CTA

**Stephen Koseff** (59)
BCom CA(SA) H Dip BDP MBA

**M Peter Malungani** (53)
BCom MAP LDP

**Karl-Bart XT Socikwa** (42)
BCom LLB MAP IPBM (IMD)

**Bradley Tapnack** (64)
BCom CA(SA)

**Peter RS Thomas** (66)
CA(SA)

**C Busi Tshili** (47)
CA(SA)

## Investec Bank plc

### A subsidiary of Investec plc

**Hugh S Herman** (70)
BA LLB LLD (hc)
Non-executive chairman

**David M van der Walt** (46)
BCom (Hons) CA(SA)
Joint chief executive officer

**Steven Heilbron** (45)
BCom CA(SA)
Joint chief executive officer

**George FO Alford** (62)
BSc (Econ) FCIS FIPD MSI

**Bernard Kantor** (61)
CTA

**Ian R Kantor** (64)
BSc (Eng) MBA

**Stephen Koseff** (59)
BCom CA(SA) H Dip BDP MBA

**Ian R Wohlman** (56)
ACIB

**Peregrine KO Crosthwaite** (62)
MA (Hon)

## Investec Asset Management Limited

### A subsidiary of Investec plc

**Hugh S Herman** (70)
BA LLB LLD (hc)
Non-executive chairman

**Hendrik J du Toit** (49)
BCom (Law) BCom Hons (cum laude)
MCom (cum laude) MPhil (Cambridge)
Chief executive officer

**David J Aird** (44)
BA (Hons)

**Domenico Ferrini** (42)
BCom

**Lord Flight** (62)
MA MBA

**John C Green** (45)
BCom LLB

**Luc JJJ van Hoof** (58)

**Bernard Kantor** (61)
CTA

**Stephen Koseff** (59)
BCom CA(SA) H Dip BDP MBA

**Kim M McFarland** (46)
BAcc BCom CA(SA) MBA

**John T McNab** (44)
BEng MEng CFA

**Mark I Samuelson** (46)
BCom CFA

**Philip GS Saunders** (53)
MA (Hons)

**Bradley Tapnack** (64)
BCom CA(SA)

## Investec Asset Management Holdings (Pty) Limited

### A subsidiary of Investec Limited

**Hugh S Herman** (70)
BA LLB LLD (hc)
Non-executive chairman

**Hendrik J du Toit** (49)
BCom (Law) BCom Hons (cum laude)
MCom (cum laude) MPhil (Cambridge)
Chief executive officer

**Cheryl A Carolus** (52)
BA (Law) B Ed

**Domenico Ferrini** (42)
BCom

**Jeremy B Gardiner** (45)
BCom (Hons)

**Noluthando P Gosa** (48)
BA (Hons) MBA

**John C Green** (45)
BCom LLB

**Bernard Kantor** (61)
CTA

**Thabo Khojane** (38)
BA (Econ) (Hons) BSc (Eng)

**Stephen Koseff** (59)
BCom CA(SA) H Dip BDP MBA

**M Peter Malungani** (53)
BCom MAP LDP

**Kim M McFarland** (46)
BAcc BCom CA(SA) MBA

**John T McNab** (44)
BEng MEng CFA

**Bradley Tapnack** (64)
BCom CA(SA)

**Fani Titi** (48)
BSc (Hons) MA MBA

## Investec Securities Limited

### A subsidiary of Investec Limited

**Andrew WJ Leith** (51)
BCom CA(SA)
Chairman

**Sam E Abrahams** (72)
FCA CA(SA)

**Reginald S Berkowitz** (74)
Natal Law Certificate

**Henry E Blumenthal** (51)
BCom BAcc CA(SA)

**Kevin Brady** (44)
BA (Hons)

**Joubert du Toit Hay** (45)
BCom (Hons) (Acc) CA(SA)

**Stephen Koseff** (59)
BCom CA(SA) H Dip BDP MBA

**JKC Whelan** (47)
CA (Irish) H Dip Tax

**Christopher G Clarke** (66)
FCA

## Investec Bank (Mauritius) Limited

### A subsidiary of Investec Bank Limited

**David M Lawrence** (59)
BA(Econ) (Hons) MCom
Chairman

**Pierre de Chasteigner du Mee** (57)
ACEA FBIM FMAAT

**Angelique A Desvaux de Marigny** (35)
LLB, Barrister-at-Law
Maitrise en Droit (Université de Paris
I-Panthéon – Sorbonne)

**Craig C McKenzie** (50)
BSc MSc CFA

**Peter RS Thomas** (66)
CA(SA)

## Investec Bank (Australia) Limited

### A subsidiary of Investec Bank plc

**David M Gonski** (57)
BCom LLB
Non-executive chairman

**Geoffrey Levy AO** (52)
BCom LLB FFIN
Non-executive deputy chairman

**David Clarke** (55)
LLB
Chief executive officer

**Alan H Chonowitz** (56)
BAcc MCom CA
Deputy chief executive officer and
chief financial officer

**Stephen Koseff** (59)
BCom CA(SA) H Dip BDP MBA

**Richard A Longes** (65)
BA LLB MBA

**Robert C Mansfield AO** (59)
BCom FCPA

**John W Murphy** (58)
BCom MCom ACA FCPA

**Kathryn Spargo** (59)
BA LLB (Hons) FAICD

**Bradley Tapnack** (64)
BCom CA(SA)

**Peter RS Thomas** (66)
CA(SA)

## Investec Wealth & Investment Limited^

### A subsidiary of Investec Bank plc

**Christopher G Clarke** (66)
FCA
Chairman

**David J H Bulteel** (55)

**Stephen M Elliott** (56)
BCom

**Bradley Fried** (45)
Bcom CA(SA) MBA

**Iain W Hooley** (38)
BA (Hons) ACA

**Simon G Kaye** (50)

**Robert Lister** (50)

**Ian Maxwell Scott** (65)

**Judith E Price** (53)

**Mark J S Redmayne** (62)
FCA

**Mike Rigby** (41)
BA (Hons) FCA Chartered MSCI

**Jonathan D Seal** (51)

**Tomas H Street** (46)

**Jane N Warren** (46)

**Jonathan P Wragg** (43)
BSc (Hons) ACA

**Graham K Barber** (60)
(retired on 11 October 2010)

*^Formerly Rensburg Sheppards Investment Management Limited.*

## Investec Property Limited

### A subsidiary of Investec Limited

**Stephen Koseff** (59)
BCom CA(SA) H Dip BDP MBA
Chairman

**Sam Hackner** (55)
BCom (Hons) CA(SA)
Chief executive and managing director

**Sam R Leon** (61)
LLB (London)
Deputy chairman

**Glynn R Burger** (54)
BAcc CA(SA) H Dip BDP MBL

**Dave AJ Donald** (60)
BCom CA(SA) H Dip Tax Law

**Robin Magid** (38)
BCom

**David M Nurek** (61)
Dip Law Dip Advanced Company Law

**Ronnie Sevitz** (67)

# Financial statements

# Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' report set out on page 113, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the combined consolidated financial statements.

The directors are responsible for the preparation, integrity and objectivity of the combined 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 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 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 (IFRS) 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 respective Companies Acts of the United Kingdom and South Africa, comply with IFRS and Article 4 of the IAS regulation.

The directors are of the opinion, based on their knowledge of the company, 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 combined consolidated financial statements. Their report to the members of the company and group is set out on page 113 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 companies' auditors are aware of that information.

## Approval of financial statements

The directors' report and the financial statements of the company and the group, which appear on pages 104 to 108 and pages 114 to 132, were approved by the board of directors on 15 June 2011.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' 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
Chief executive officer

Bernard Kantor
Managing director

17 June 2011

# Directors' report

## Extended 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 three principal markets: the UK, South Africa and Australia, as well as certain other markets. We are organised into six principal business divisions: Asset Management, Wealth and Investment, 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.

The operating financial review on pages 17 to 20 provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read in conjunction with the sections on pages 21 to 101 which elaborate on the aspects highlighted in this review.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

## Authorised and issued share capital

### Investec plc and Investec Limited

Details of the share capital are set out in note 36 to the Investec group's 2011 annual financial statements.

#### Investec plc

During the year the following shares were issued:

- 107 848 special converting shares on 4 June 2010 at par
- 2 961 888 special converting shares on 2 July 2010 at par
- 777 114 ordinary shares on 4 June 2010 at 319.00 pence per share
- 1 792 759 ordinary shares on 18 June 2010 at 483.40 pence per share
- 37 907 652 ordinary shares on 25 June 2010 at 476.00 pence per share
- 3 575 650 ordinary shares on 2 July 2010 at 472.00 pence per share
- 22 000 000 ordinary shares on 6 August 2010 at 475.00 pence per share
- 1 703 ordinary shares on 9 August 2010 at 185.88 pence per share
- 1 357 ordinary shares on 13 August 2010 at 185.88 pence per share
- 3 462 ordinary shares on 2 February 2011 at 185.88 pence per share
- 3 328 ordinary shares on 2 February 2011 at 185.88 pence per share.

#### Investec Limited

During the year the following shares were issued:

- Allotment and issue on 20 May 2010 of 130 000 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each at a premium of R93.99 per share (total issue price of R94.00 per share)
- Allotment and issue on 4 June 2010 of 107 848 ordinary shares of R0.0002 each at a premium of R40.2198 per share (total issue price of R40.22 per share)
- Allotment and issue on 4 June 2010 of 777 114 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 4 June 2010 of 543 478 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each at a premium of R91.99 per share (total issue price of R92.00 per share)
- Allotment and issue on 18 June 2010 of 1 792 759 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 24 June 2010 of 37 907 652 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 30 June 2010 of 139 664 non-redeemable, non-cumulative, non-participating preference shares of R0.01 at a premium of R89.49 per share (total issue price of R89.50 per share)

- Allotment and issue on 2 July 2010 of 2 961 888 ordinary shares of R0.0002 each at a premium of R55.4998 per share (total issue price of R55.50 per share)
- Allotment and issue on 2 July 2010 of 3 575 650 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 6 August 2010 of 22 000 000 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 10 August 2010 of 1 703 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 13 August 2010 of 1 357 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 24 August 2010 of 495 320 non-redeemable, non-cumulative, non-participating preference shares at R0.01 each at a premium of R90.84 per share (total issue price of R90.85 per share)
- Allotment and issue on 4 February 2011 of 3 462 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 22 February 2011 of 3 328 special convertible redeemable preference shares of R0.0002 each.

## Financial results

The combined results of Investec plc and Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2011.

## Ordinary dividends

### Investec plc

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 10 December 2010
- to South African resident shareholders registered on 10 December 2010, a dividend paid by Investec Limited on the SA DAS share, equivalent to 5.75 pence per ordinary share and 2.25 pence per ordinary share paid by Investec plc.

The dividends were paid on 21 December 2010.

The directors have proposed a final dividend to shareholders registered on 29 July 2011, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 4 August 2011 and, if approved, will be paid on 8 August 2011 as follows:

- 9.0 pence per ordinary share to non-South African resident shareholders (2010: 8.0 pence) registered on 29 July 2011
- to South African resident shareholders registered on 29 July 2011, through a dividend paid by Investec Limited on the SA DAS share, of 8.0 pence per ordinary share and 1.0 pence per ordinary share paid by Investec plc. Shareholders in Investec plc will receive a distribution of 9.0 pence (2010: 8.0 pence) per ordinary share.

### Investec Limited

An interim dividend of 90.0 cents per ordinary share (2009: 100.0 cents) was declared to shareholders registered on 10 December 2010 and was paid on 21 December 2010.

The directors have proposed a final dividend of 102.0 cents per ordinary share (2010: 89.0 cents) to shareholders registered on 29 July 2011 to be paid on 8 August 2011. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 4 August 2011.

## Preference dividends

### Investec plc

#### Perpetual preference shares

Preference dividend number 9 for the period 1 April 2010 to 30 September 2010, amounting to 7.52 pence per share, was declared to members holding preference shares registered on 3 December 2010 and was paid on 14 December 2010.

Preference dividend number 10 for the period 1 October 2010 to 31 March 2011, amounting to 7.48 pence per share was declared to members holding preference shares registered on 17 June 2011 and will be paid on 30 June 2011.

#### 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, is due and will be paid on 24 June 2011.

### Investec Limited

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

Preference dividend number 12 for the period 1 April 2010 to 30 September 2010 amounting to 348.95 cents per share was declared to members holding preference shares registered on 3 December 2010 and was paid on 14 December 2010.

Preference dividend number 13 for the period 1 October 2010 to 31 March 2011 amounting to 318.84 cents per share was declared to members holding preference shares registered on 17 June 2011 and will be paid on 30 June 2011.

#### Redeemable cumulative preference shares

Dividends amounting to R26 634 914 were paid on the redeemable cumulative preference shares.

## Directors and secretaries

Details of directors and secretaries of Investec plc and Investec Limited are reflected on pages 97 to 99 and at the beginning of the annual report. In accordance with the Articles of Association, one-third of the directors are required to retire by rotation. Further, all those directors serving for longer than nine years are required to stand for annual re-election. In addition, the UK Corporate Governance Code (the Code), recommends that all directors of FTSE 350 companies should be subject to annual re-election. Accordingly, going forward, all members of the board will offer themselves for annual re-election, in accordance with the Code.

H J du Toit, appointed on 15 December 2010 and O C Dickson, appointed on 31 March 2011, whose appointments terminate at the end of the annual general meeting convened for 4 August 2011, offered themselves for re-election.

## Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 87 to 90. 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 55 and 56.

## Share incentive trusts

Details regarding options granted during the year are set out on pages 128 and 129.

## Audit committee

The audit committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, 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 can be found in the Investec group's 2011 annual report.

## Auditors

Ernst & Young LLP and Ernst & Young Inc. have indicated their willingness to continue in office as auditors of Investec plc and Investec Limited respectively.

A resolution to re-appoint them as auditors will be proposed at the next annual general meeting scheduled to take place on 4 August 2011.

## Contracts

Refer to pages 82 and 83 for details of contracts with directors.

## Subsidiary and associated companies

Details of principal subsidiary and associated companies can be found in the Investec group's 2011 annual report.

## Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 94.

## Special resolutions

### Investec plc

At the annual general meeting held on 12 August 2010, 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 571 of the UK Companies Act, 2006. A renewable authority was granted to Investec plc to acquire its own shares in terms of section 701 of the UK Companies Act, 2006
- Amendments to the Articles of Association primarily to take account of the implementation of the last parts of the Companies Act 2006 and also account for provisions enacted by the companies (shareholders' rights) regulations 2009.

### Investec Limited

At the annual general meeting held on 12 August 2010, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and its subsidiaries to acquire its own ordinary and non-redeemable, non-cumulative, non-participating preference shares in terms of sections 85 to 89 of the South African Companies Act No 61 of 1973
- An amendment was made to the Articles of Association by inserting a new Article 40: closure of register
- An amendment was made to the Articles of Association by inserting a new Article 53: lack of quorum
- An amendment was made to the Articles of Association by inserting a new Article 65: chairman's casting vote.

## Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and South African law and International Financial Reporting Standards. The accounting policies adopted in this abridged report are consistent with the Investec group's 2011 annual report.

## Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 42 to 45. Information on the group's hedge accounting policy and the use of derivatives and hedges can be found in the Investec group's 2011 annual report.

## Creditor payment policy

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

## Employees

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

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.

Further information is provided on pages 58 to 61.

## Donations

During the year, Investec plc made donations for charitable purposes, totalling £1.5 million and Investec Limited made donations for charitable purposes, totalling R38.4 million.

Further information is provided on pages 62 and 63.

## 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.

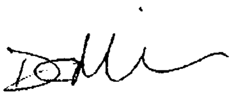
Further information can be found on pages 65 to 67.

## Post balance sheet events

There are no post balance sheet events to note.

## 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 UK Companies Act 2006).



David Miller
Company secretary
Investec plc

Benita Coetsee
Company secretary
Investec Limited

17 June 2011

# Schedule A to the directors’ report

## Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc’s current Articles of Association (the Articles) and applicable English law concerning companies (the Companies Act 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.

## Share capital

The issued share capital of Investec plc at 10 June 2011 consists of 537 177 588 plc ordinary shares of £0.0002 each, 15 081 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 272 836 668 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 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 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 transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

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

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

Subject to the Companies 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

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, 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.

# Schedule A to the directors' report (continued)

## 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.

In accordance with the Articles of Association, one-third of the directors are required to retire by rotation. Furthermore, all those Directors serving for longer than nine years are required to stand for annual re-election. In addition, the UK Corporate Governance Code (the Code), recommends that all directors of FTSE 350 companies should be subject to annual re-election. Accordingly, going forward, all members of the board will offer themselves for annual re-election, in accordance with the Code.

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.

# Declaration by the company secretary

In terms of section 268G(d) of the South African Companies Act, 61 of 1973, as amended, I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the registrar of companies, for the financial year ended 31 March 2011, all such returns as are required of a public company in terms of the South African Companies Act, 61 of 1973, as amended, and that all such returns are true, correct and up to date.

The South African Companies Act 71 of 2008, as amended, came into operation on 1 May 2011. The annual financial statements of Investec Limited and its subsidiaries for the financial year ended 31 March 2011 have been prepared in accordance with the South African Companies Act, 61 of 1973, as amended.

Benita Coetsee
Company Secretary, Investec Limited

17 June 2011

# Independent auditor's report to the members of Investec plc

We have examined the summary financial statement for the year ended 31 March 2011 which comprises the combined consolidated income statement, the combined consolidated statement of comprehensive income, the combined consolidated balance sheet, the combined consolidated cash flow statement, the consolidated statement of changes in equity and the related summarised notes.

This statement is made solely to the company's members, as a body, in accordance with section 428(4) of the Companies Act 2006. 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 statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this statement, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the summarised annual report in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the summarised annual report with the full annual financial statements, the directors' remuneration report and the directors' report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder

We also read the other information contained in the summarised annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement. The other information comprises only the operating financial review and risk and governance.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our opinion on those financial statements, the directors' remuneration report, and the directors' report.

## Scope of the audit of the 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 and the parent company'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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the summary financial statement is consistent with the full annual financial statements, the directors' report and the directors' remuneration report of Investec plc for the year ended 31 March 2011 and complies with the applicable requirements of section 428 of the Companies Act 2006, and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements dated 15 June 2011 and the date of this statement.

Ernst & Young LLP

Angus Grant
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
17 June 2011

## Directors' statement

The auditor has issued unqualified reports on the full annual financial statements, the auditable part of the directors' remuneration report and on the consistency of the directors' report with those annual financial statements. Their report on the full annual financial statements and the auditable part of the directors' remuneration report contained no statement under sections 498(2) or 498(3) of the Companies Act 2006.

# Combined consolidated income statement

| For the year to 31 March<br>£'000 | 2011 | 2010* |
|---|---|---|
| Interest income | 2 238 783 | 2 041 153 |
| Interest expense | (1 557 314) | (1 428 067) |
| Net interest income | 681 469 | 613 086 |
| Fee and commission income | 896 300 | 612 574 |
| Fee and commission expense | (108 642) | (67 497) |
| Principal transactions | 418 686 | 457 759 |
| Investment income on assurance activities | 64 834 | 94 914 |
| Premiums and reinsurance recoveries on insurance contracts | 6 110 | 31 938 |
| Other operating income | 54 003 | 34 332 |
| Other income | 1 331 291 | 1 164 020 |
| Claims and reinsurance premiums on insurance business | (57 774) | (119 918) |
| Total operating income net of insurance claims | 1 954 986 | 1 657 188 |
| Impairment losses on loans and advances | (318 230) | (286 581) |
| Operating income | 1 636 756 | 1 370 607 |
| Operating costs | (1 196 865) | (957 151) |
| Depreciation on operating leased assets | (16 447) | – |
| Operating profit before goodwill and acquired intangibles | 423 444 | 413 456 |
| Impairment of goodwill | (6 888) | (3 526) |
| Amortisation of acquired intangibles | (6 341) | – |
| Operating profit | 410 215 | 409 930 |
| Profit arising from associate converted to subsidiary | 73 465 | – |
| Net loss on sale of subsidiaries | (17 302) | – |
| Profit before taxation | 466 378 | 409 930 |
| Taxation on operating profit before goodwill | (65 075) | (82 599) |
| Taxation on intangibles and sale of subsidiaries | 6 610 | – |
| Profit after taxation | 407 913 | 327 331 |
| Operating losses attributable to non-controlling interests | 10 962 | 18 802 |
| Loss on subsidiaries attributable to non-controlling interests | 1 641 | – |
| Earnings attributable to shareholders | 420 516 | 346 133 |
| Earnings per share (pence) | | |
| – Basic | 49.7 | 44.0 |
| – Diluted | 46.7 | 41.5 |

* *As restated for restatements detailed in the accounting policies of the financial statements.*

# Combined consolidated statement of comprehensive income

| For the year to 31 March<br>£'000 | 2011 | 2010 |
|---|---|---|
| Profit after taxation | 407 913 | 327 331 |
| Other comprehensive income: | | |
| Cash flow hedge movements taken directly to other comprehensive income | 9 929 | 14 202 |
| Gains on realisation of available-for-sale assets recycled through the income statement | (4 845) | (8 887) |
| Fair value movements on available-for-sale assets taken directly to other comprehensive income | 27 631 | 20 370 |
| Foreign currency adjustments on translating foreign operations | 39 588 | 239 789 |
| Pension fund actuarial gains/(losses) | 10 157 | (8 180) |
| Total comprehensive income | 490 373 | 584 625 |
| Total comprehensive income attributable to non-controlling interests | (10 710) | 9 918 |
| Total comprehensive income attributable to ordinary shareholders | 458 064 | 493 073 |
| Total comprehensive income attributable to perpetual preferred securities | 43 019 | 81 634 |
| Total comprehensive income | 490 373 | 584 625 |

# Combined consolidated balance sheet

| At 31 March<br>£'000 | 2011 | 2010* |
|---|---|---|
| **Assets** | | |
| Cash and balances at central banks | 1 769 078 | 2 338 234 |
| Loans and advances to banks | 1 468 705 | 2 781 630 |
| Cash equivalent advances to customers | 535 983 | 581 117 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 467 775 | 911 432 |
| Trading securities | 5 114 322 | 4 221 645 |
| Derivative financial instruments | 1 799 204 | 1 591 841 |
| Investment securities | 3 328 609 | 1 996 073 |
| Loans and advances to customers | 18 758 524 | 17 414 691 |
| Loans and advances to customers – Kensington warehouse assets | 1 612 181 | 1 776 525 |
| Securitised assets | 4 924 293 | 5 334 453 |
| Interests in associated undertakings | 23 481 | 104 059 |
| Deferred taxation assets | 114 838 | 134 355 |
| Other assets | 1 410 593 | 1 240 624 |
| Property and equipment | 279 801 | 161 255 |
| Investment properties | 379 527 | 273 038 |
| Goodwill | 456 608 | 274 417 |
| Intangible assets | 136 452 | 36 620 |
| | 44 579 974 | 41 172 009 |
| Other financial instruments at fair value through profit or loss in respect of | | |
| – Liabilities to customers | 6 361 296 | 5 397 014 |
| – Assets related to reinsurance contracts | – | 2 842 |
| | 50 941 270 | 46 571 865 |
| **Liabilities** | | |
| Deposits by banks | 1 858 893 | 2 439 670 |
| Deposits by banks – Kensington warehouse funding | 975 542 | 1 213 042 |
| Derivative financial instruments | 1 486 419 | 1 193 421 |
| Other trading liabilities | 716 556 | 504 618 |
| Repurchase agreements and cash collateral on securities lent | 1 599 646 | 1 110 508 |
| Customer accounts (deposits) | 24 441 260 | 21 934 044 |
| Debt securities in issue | 2 145 213 | 2 187 040 |
| Liabilities arising on securitisation | 4 340 864 | 4 714 556 |
| Current taxation liabilities | 206 957 | 196 965 |
| Deferred taxation liabilities | 148 750 | 136 974 |
| Other liabilities | 1 411 137 | 1 177 589 |
| Pension fund liabilities | – | 1 285 |
| | 39 331 237 | 36 809 712 |
| Liabilities to customers under investment contracts | 6 358 732 | 5 392 662 |
| Insurance liabilities, including unit-linked liabilities | 2 564 | 4 352 |
| Reinsured liabilities | – | 2 842 |
| | 45 692 533 | 42 209 568 |
| Subordinated liabilities | 1 287 635 | 1 070 436 |
| | 46 980 168 | 43 280 004 |
| **Equity** | | |
| Ordinary share capital | 208 | 195 |
| Perpetual preference share capital | 153 | 152 |
| Share premium | 2 242 067 | 1 928 296 |
| Treasury shares | (42 713) | (66 439) |
| Other reserves | 315 878 | 246 718 |
| Retained income | 1 131 980 | 846 060 |
| Shareholders' equity excluding non-controlling interests | 3 647 573 | 2 954 982 |
| Non-controlling interests | 313 529 | 336 879 |
| – Perpetual preferred securities issued by subsidiaries | 317 997 | 314 944 |
| – Non controlling interests in partially held subsidiaries | (4 468) | 21 935 |
| Total equity | 3 961 102 | 3 291 861 |
| Total liabilities and equity | 50 941 270 | 46 571 865 |

* *As restated for reclassifications detailed in the accounting policies of the financial statements.*

# Combined consolidated cash flow statement

| For the year to 31 March<br>£'000 | 2011 | 2010 |
|---|---|---|
| Operating profit adjusted for non-cash items | 854 779 | 787 257 |
| Taxation paid | (61 496) | (56 257) |
| Increase in operating assets | (4 137 456) | (3 336 695) |
| Increase in operating liabilities | 2 689 207 | 4 115 640 |
| Net cash (outflow)/inflow from operating activities | (654 966) | 1 509 945 |
| Cash inflow/(outflow) on acquisition of group operations | 57 044 | (1 662) |
| Cash flow on disposal of group operations | 80 161 | – |
| Cash flow on net disposal/(acquisition) of associates | 1 179 | (483) |
| Cash flow on acquisition of operating leased assets | (226 097) | – |
| Cash flow on acquisition and disposal of property, equipment and intangible assets | (36 762) | (17 223) |
| Net cash outflow from investing activities | (124 475) | (19 368) |
| Dividends paid to ordinary shareholders | (123 630) | (91 946) |
| Dividends paid to other equity holders | (43 375) | (44 438) |
| Proceeds on issue of shares, net of related costs | 141 814 | 112 388 |
| Proceeds on issue of perpetual preference shares | 16 138 | – |
| Proceeds on (acquisition)/issue of treasury shares, net of related costs | (45 461) | 40 974 |
| Proceeds on issue of other equity instruments* | 1 493 | 3 547 |
| Proceeds from subordinated debt raised | 634 617 | 24 404 |
| Repayment of subordinated debt | (438 246) | (172 723) |
| Net cash inflow/(outflow) from financing activities | 143 350 | (127 794) |
| Effects of exchange rates on cash and cash equivalents | 101 032 | 274 915 |
| Net (decrease)/increase in cash and cash equivalents | (535 059) | 1 637 698 |
| Cash and cash equivalents at the beginning of the year | 3 922 047 | 2 284 349 |
| Cash and cash equivalents at the end of the year | 3 386 988 | 3 922 047 |
| Cash and cash equivalents is defined as including: | | |
| Cash and balances at central banks | 1 769 078 | 2 338 234 |
| On demand loans and advances to banks | 1 081 927 | 1 002 696 |
| Cash equivalent advances to customers | 535 983 | 581 117 |
| Cash and cash equivalents at the end of the year | 3 386 988 | 3 922 047 |

* *Includes equity instruments issued by subsidiaries.*

*Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and cash equivalent advances to customers (all of which have a maturity profile of less than three months).*

# Consolidated statement of changes in equity

| £'000 | Ordinary share capital | Perpetual preference share capital | Share premium | Treasury shares |
|---|---|---|---|---|
| At 1 April 2009 | 190 | 151 | 1 769 040 | (173 068) |
| Movement in reserves 1 April 2009 – 31 March 2010 | | | | |
| Profit after taxation | – | – | – | – |
| Fair value movements on cash flow hedges | – | – | – | – |
| Gains on realisation of available-for-sale assets recycled through the income statement | – | – | – | – |
| Fair value movements on available-for-sale assets | – | – | – | – |
| Foreign currency adjustments on translating foreign operations | – | – | 37 774 | – |
| Pension fund actuarial losses | – | – | – | – |
| Total comprehensive income for the year | – | – | 37 774 | – |
| Share-based payments adjustments | – | – | – | – |
| Dividends paid to ordinary shareholders | – | – | – | – |
| Dividends declared to perpetual preference shareholders | – | – | – | – |
| Dividends paid to perpetual preference shareholders included in non-controlling interests | – | – | – | – |
| Dividends paid to non-controlling interests | – | – | – | – |
| Issue of ordinary shares | 5 | – | 84 173 | – |
| Issue of perpetual preference shares | – | 1 | 40 868 | – |
| Share issue expenses | – | – | (3 559) | – |
| Issue of equity by subsidiaries | – | – | – | – |
| Acquisition of non-controlling interests | – | – | – | – |
| Movement of treasury shares | – | – | – | 40 974 |
| Transfer to capital reserve account | – | – | – | – |
| Transfer to regulatory general risk reserve | – | – | – | – |
| Transfer from share-based payment reserve to treasury shares | – | – | – | 65 655 |
| At 31 March 2010 | 195 | 152 | 1 928 296 | (66 439) |
| Movement in reserves 1 April 2010 – 31 March 2011 | | | | |
| Profit after taxation | – | – | – | – |
| Fair value movements on cash flow hedges | – | – | – | – |
| Gains on realisation of available-for-sale assets recycled through the income statement | – | – | – | – |
| Fair value movements on available-for-sale assets | – | – | – | – |
| Foreign currency adjustments on translating foreign operations | – | – | – | – |
| Pension fund actuarial gains | – | – | – | – |
| Total comprehensive income for the year | – | – | – | – |
| Share-based payments adjustments | – | – | – | – |
| Dividends paid to ordinary shareholders | – | – | – | – |
| Dividends declared to perpetual preference shareholders | – | – | – | – |
| Dividends paid to perpetual preference shareholders included in non-controlling interests | – | – | – | – |
| Dividends paid to non-controlling interests | – | – | – | – |
| Issue of ordinary shares | 13 | – | 325 873 | – |
| Issue of perpetual preference shares | – | 1 | 16 137 | – |
| Share issue expenses | – | – | (3 632) | – |
| Issue of equity by subsidiaries | – | – | – | – |
| Acquisition of non-controlling interests | – | – | – | – |
| Non-controlling interest relating to disposal of subsidiaries | – | – | – | – |
| Movement of treasury shares | – | – | (24 607) | (20 854) |
| Transfer from capital reserve account | – | – | – | – |
| Transfer from regulatory general risk reserve | – | – | – | – |
| Transfer from share-based payment reserve to treasury shares | – | – | – | 44 580 |
| At 31 March 2011 | 208 | 153 | 2 242 067 | (42 713) |

| Other reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Capital reserve account | Available-for-sale reserve | Regulatory general risk reserve | Cash flow hedge reserve | Foreign currency reserve | Retained income | Shareholders' equity excluding non-controlling interests | Non-controlling interests | Total equity |
| 11 882 | (12 488) | 23 487 | (16 293) | 35 921 | 658 129 | 2 296 951 | 323 586 | 2 620 537 |
| | | | | | | | | |
| – | – | – | – | – | 346 133 | 346 133 | (18 802) | 327 331 |
| – | – | – | 14 202 | – | – | 14 202 | – | 14 202 |
| | | | | | | | | |
| – | (8 887) | – | – | – | – | (8 887) | – | (8 887) |
| – | 20 370 | – | – | – | – | 20 370 | – | 20 370 |
| – | (349) | 4 067 | (3 893) | 172 444 | 1 026 | 211 069 | 28 720 | 239 789 |
| – | – | – | – | – | (8 180) | (8 180) | – | (8 180) |
| – | 11 134 | 4 067 | 10 309 | 172 444 | 338 979 | 574 707 | 9 918 | 584 625 |
| – | – | – | – | – | 56 668 | 56 668 | 274 | 56 942 |
| – | – | – | – | – | (91 946) | (91 946) | – | (91 946) |
| – | – | – | – | – | (43 860) | (43 860) | 23 997 | (19 863) |
| | | | | | | | | |
| – | – | – | – | – | – | – | (23 997) | (23 997) |
| – | – | – | – | – | – | – | (578) | (578) |
| – | – | – | – | – | – | 84 178 | – | 84 178 |
| – | – | – | – | – | – | 40 869 | – | 40 869 |
| – | – | – | – | – | – | (3 559) | – | (3 559) |
| – | – | – | – | – | – | – | 3 547 | 3 547 |
| – | – | – | – | – | – | – | 132 | 132 |
| – | – | – | – | – | – | 40 974 | – | 40 974 |
| 42 | – | – | – | – | (42) | – | – | – |
| – | – | 6 213 | – | – | (6 213) | – | – | – |
| – | – | – | – | – | (65 655) | – | – | – |
| 11 924 | (1 354) | 33 767 | (5 984) | 208 365 | 846 060 | 2 954 982 | 336 879 | 3 291 861 |
| | | | | | | | | |
| – | – | – | – | – | 420 516 | 420 516 | (12 603) | 407 913 |
| – | – | – | 9 929 | – | – | 9 929 | – | 9 929 |
| | | | | | | | | |
| – | (4 845) | – | – | – | – | (4 845) | – | (4 845) |
| – | 27 631 | – | – | – | – | 27 631 | – | 27 631 |
| – | 434 | 1 295 | (428) | 36 394 | – | 37 695 | 1 893 | 39 588 |
| – | – | – | – | – | 10 157 | 10 157 | – | 10 157 |
| – | 23 220 | 1 295 | 9 501 | 36 394 | 430 673 | 501 083 | (10 710) | 490 373 |
| – | – | – | – | – | 69 518 | 69 518 | – | 69 518 |
| – | – | – | – | – | (123 630) | (123 630) | – | (123 630) |
| – | – | – | – | – | (43 019) | (43 019) | 22 332 | (20 687) |
| | | | | | | | | |
| – | – | – | – | – | – | – | (22 332) | (22 332) |
| – | – | – | – | – | – | – | (356) | (356) |
| – | – | – | – | – | – | 325 886 | – | 325 886 |
| – | – | – | – | – | – | 16 138 | – | 16 138 |
| – | – | – | – | – | – | (3 632) | – | (3 632) |
| – | – | – | – | – | – | – | 1 493 | 1 493 |
| – | – | – | – | – | (4 292) | (4 292) | 322 | (3 970) |
| – | – | – | – | – | – | – | (14 099) | (14 099) |
| – | – | – | – | – | – | (45 461) | – | (45 461) |
| (635) | – | – | – | – | 635 | – | – | – |
| – | – | (615) | – | – | 615 | – | – | – |
| – | – | – | – | – | (44 580) | – | – | – |
| 11 289 | 21 866 | 34 447 | 3 517 | 244 759 | 1 131 980 | 3 647 573 | 313 529 | 3 961 102 |

# Investec plc and Investec Limited – significant accounting policies

## 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 (IASB). At 31 March 2011, 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:

Amendments resulting from improvements to IFRS to the following standards did have an impact on the accounting policies, financial position and performance of the group which is not considered to be material:

- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended), effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

The amended Business Combinations standard requires that acquisition costs incurred are expensed immediately. The revised standard is applicable to the group for all business combinations that occur post 1 April 2010.

Amendments, resulting from improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the group:

- IFRS 2 Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions, effective 1 January 2010
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issue, effective 1 February 2010.
- IFRIC 17 Distributions of Non-Cash Assets to Owners, effective 1 July 2009.
- Improvements to IFRS – issued in May 2008
  - IFRS 5 Non-Current Assets Held-for-Sale and Discontinued Operations, effective 1 January 2010.
- Improvements to IFRS – issued in April 2009
  - IFRS 2 Share-Based Payments
  - IAS 1 Presentation of Financial Statements
  - IAS 7 Statement of Cash Flows
  - IAS 17 Leases
  - IAS 36 Impairments of Assets
  - IAS 38 Intangible Assets
  - IAS 39 Financial Instruments: Recognition and Measurement
  - IFRIC 9 Reassessment of Embedded Derivatives.

## Restatements

On review, it was detected that the gross interest income and expense, as reported at 31 March 2010, had not appropriately netted certain intergroup interest income and expense between the two line items. Whilst net interest income was correctly reported, the restatement to interest income and expense is noted below:

| £'000 | 31 March 2010 |
|---|---|
| **Restated** | |
| Interest income | 2 041 153 |
| Interest expense | (1 428 067) |
| **Net interest income** | 613 086 |
| **As previously reported** | |
| Interest income | 2 726 011 |
| Interest expense | (2 112 925) |
| **Net interest income** | 613 086 |
| **Changes to previously reported** | |
| Interest income | (684 858) |
| Interest expense | 684 858 |
| **Net interest income** | – |

On the basis that the above restatements had no impact on equity, nor the net cash position, a balance sheet for 2009 has not been presented.

## Reclassifications

The group had previously included cumulative redeemable preference shares as a component of other liabilities. The presentation has been amended to include the cumulative redeemable preference shares as a component of debt securities in issue.

| £'000 | 31 March 2010 | 31 March 2009 |
|---|---|---|
| Restated | | |
| Debt securities in issue | 2 187 040 | 1 275 615 |
| Other liabilities | 1 177 589 | 1 003 400 |
| As previously reported | | |
| Debt securities in issue | 1 791 869 | 1 014 871 |
| Other liabilities | 1 572 760 | 1 264 144 |
| Changes to previously reported | | |
| Debt securities in issue | 395 171 | 260 744 |
| Other liabilities | (395 171) | (260 744) |

The above change had no impact on the income statement, balance sheet (other than noted above) or cash flow statement.

## Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited that operate under a dual listed company (DLC) structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role and accordingly are reported as a single reporting entity under IFRS.

All subsidiaries and special purpose vehicles in which the group holds more than one half of the voting rights or 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) 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 combined consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post acquisition changes in the group's share of the net assets of the associate. The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

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 or loss.

All intergroup balances, transactions and unrealised gains and losses within the group that do not reflect an impairment to the asset, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

## Audit conclusion

These abridged financial statements have been extracted from the audited financial statements on which Ernst & Young Inc. have issued an unmodified audit report. The auditor's report on the abridged financial statements is available for inspection at the companies registered office.

| For the year to 31 March<br>£'000 | Asset Management | Wealth and Investment |
|---|---|---|
| **Combined consolidated segmental analysis** | | |
| Segmental business analysis – income statement | | |
| 2011 | | |
| Net interest income | 2 989 | 7 281 |
| Fee and commission income | 411 935 | 159 055 |
| Fee and commission expense | (72 831) | (11 414) |
| Principal transactions | (40) | (1 334) |
| Investment income on assurance activities | – | – |
| Premiums and reinsurance recoveries on insurance contracts | – | – |
| Other operating income | 2 537 | 2 651 |
| Other income | 341 601 | 148 958 |
| Claims and reinsurance premiums on insurance business | – | – |
| Total operating income net of insurance claims | 344 590 | 156 239 |
| Impairment losses on loans and advances | 29 | – |
| Operating income | 344 619 | 156 239 |
| Operating costs | (216 947) | (115 813) |
| Depreciation on operating leased assets | – | – |
| Operating profit before goodwill and acquired intangibles | 127 672 | 40 426 |
| Operating losses attributable to non-controlling interests | (364) | – |
| Operating profit before goodwill, acquired intangibles and after non-controlling interests | 127 308 | 40 426 |
| Selected returns and key statistics | | |
| ROE (pre-tax) | 78.5% | 16.5% |
| Return on tangible equity (pre-tax) | 329.7% | 78.7% |
| Cost to income ratio | 63.0% | 74.1% |
| Staff compensation to operating income | 45.2% | 53.1% |
| Operating profit per employee (£'000) | 124.8 | 63.6 |
| Total assets (£'million) | 553 | 1 081 |

| Property Activities | Private Banking | Investment Banking | Capital Markets | Group Services and Other Activities | Total group |
|---|---|---|---|---|---|
| (1 595) | 295 249 | (338) | 330 603 | 47 280 | 681 469 |
| 24 565 | 77 903 | 85 083 | 131 951 | 5 808 | 896 300 |
| (1 757) | (6 940) | (5 994) | (11 624) | 1 918 | (108 642) |
| 50 623 | 33 027 | 114 117 | 181 761 | 40 532 | 418 686 |
| – | – | – | – | 64 834 | 64 834 |
| – | – | – | – | 6 110 | 6 110 |
| 1 762 | 348 | 8 267 | 36 421 | 2 017 | 54 003 |
| 75 193 | 104 338 | 201 473 | 338 509 | 121 219 | 1 331 291 |
| – | – | – | – | (57 774) | (57 774) |
| 73 598 | 399 587 | 201 135 | 669 112 | 110 725 | 1 954 986 |
| – | (244 976) | 223 | (87 981) | 14 475 | (318 230) |
| 73 598 | 154 611 | 201 358 | 581 131 | 125 200 | 1 636 756 |
| (25 890) | (246 052) | (146 155) | (323 378) | (122 630) | (1 196 865) |
| – | – | – | (16 447) | – | (16 447) |
| 47 708 | (91 441) | 55 203 | 241 306 | 2 570 | 423 444 |
| – | – | 12 159 | 743 | (1 576) | 10 962 |
| 47 708 | (91 441) | 67 362 | 242 049 | 994 | 434 406 |
| 39.6% | (9.2%) | 18.7% | 19.8% | 41.5% | 13.5% |
| 39.8% | (9.6%) | 21.7% | 21.5% | 41.7% | 15.8% |
| 35.2% | 61.6% | 72.7% | 49.5% | 110.8% | 61.7% |
| 24.6% | 34.8% | 44.3% | 27.1% | 116.9% | 40.7% |
| 603.2 | (42.4) | 174.9 | 199.7 | 0.6 | 64.4 |
| 502 | 14 505 | 1 228 | 24 693 | 8 379 | 50 941 |

| For the year to 31 March<br>£'000 | Asset Management | Wealth and Investment |
|---|---|---|
| **Combined consolidated segmental analysis (continued)** | | |
| Segmental business analysis – income statement | | |
| 2010 | | |
| Net interest income | 1 977 | 2 392 |
| Fee and commission income | 290 658 | 39 576 |
| Fee and commission expense | (47 059) | (2 724) |
| Principal transactions | 191 | 1 023 |
| Investment income on assurance activities | – | – |
| Premiums and reinsurance recoveries on insurance contracts | – | – |
| Other operating income | 5 018 | 11 634 |
| Other income | 248 808 | 49 509 |
| Claims and reinsurance premiums on insurance business | – | – |
| Total operating income net of insurance claims | 250 785 | 51 901 |
| Impairment losses on loans and advances | 5 | – |
| Operating income | 250 790 | 51 901 |
| Operating costs | (166 943) | (26 014) |
| Depreciation on operating leased assets | – | – |
| Operating profit before goodwill and acquired intangibles | 83 847 | 25 887 |
| Operating losses attributable to non-controlling interests | (435) | – |
| Operating profit before goodwill, acquired intangibles and after non-controlling interests | 83 412 | 25 887 |
| Selected returns and key statistics | | |
| ROE (pre-tax) | 53.0% | 101.5% |
| Return on tangible equity (pre-tax) | 337.3% | 120.4% |
| Cost to income ratio | 66.6% | 50.1% |
| Staff compensation to operating income | 43.3% | 32.6% |
| Operating profit per employee (£'000) | 88.1 | 67.9 |
| Total assets (£'million) | 426 | 566 |

| | Property Activities | Private Banking | Investment Banking | Capital Markets | Group Services and Other Activities | Total group |
|---|---|---|---|---|---|---|
| | (7 513) | 287 121 | (7 265) | 309 878 | 26 496 | 613 086 |
| | 16 924 | 97 171 | 76 319 | 95 764 | (3 838) | 612 574 |
| | (1 549) | (5 827) | (5 231) | (2 584) | (2 523) | (67 497) |
| | 45 918 | 12 578 | 80 985 | 196 845 | 120 219 | 457 759 |
| | – | – | – | – | 94 914 | 94 914 |
| | – | – | – | – | 31 938 | 31 938 |
| | (319) | (498) | 16 238 | 79 | 2 180 | 34 332 |
| | 60 974 | 103 424 | 168 311 | 290 104 | 242 890 | 1 164 020 |
| | – | – | – | – | (119 918) | (119 918) |
| | 53 461 | 390 545 | 161 046 | 599 982 | 149 468 | 1 657 188 |
| | – | (115 195) | (2 566) | (137 854) | (30 971) | (286 581) |
| | 53 461 | 275 350 | 158 480 | 462 128 | 118 497 | 1 370 607 |
| | (19 982) | (238 298) | (133 035) | (282 952) | (89 927) | (957 151) |
| | – | – | – | – | – | – |
| | 33 479 | 37 052 | 25 445 | 179 176 | 28 570 | 413 456 |
| | – | – | 16 123 | (37) | 3 151 | 18 802 |
| | 33 479 | 37 052 | 41 568 | 179 139 | 31 721 | 432 258 |
| | | | | | | |
| | 41.0% | 5.3% | 17.1% | 18.5% | 28.8% | 17.2% |
| | 41.2% | 5.5% | 21.7% | 20.3% | 28.8% | 19.5% |
| | 37.4% | 61.0% | 82.6% | 47.2% | 60.2% | 57.8% |
| | 25.3% | 19.2% | 41.2% | 27.6% | 64.0% | 36.1% |
| | 434.8 | 17.0 | 112.2 | 166.6 | 27.5 | 69.7 |
| | 356 | 14 757 | 1 092 | 22 078 | 7 297 | 46 572 |

| For the year to 31 March £'000 | UK and Europe | Southern Africa | Australia | Total group |
|---|---|---|---|---|
| **Combined consolidated segmental analysis (continued)** | | | | |
| Segmental geographic analysis – income statement | | | | |
| 2011 | | | | |
| Interest income | 633 789 | 1 357 987 | 247 007 | 2 238 783 |
| Interest expense | (362 978) | (1 019 740) | (174 596) | (1 557 314) |
| Net interest income | 270 811 | 338 247 | 72 411 | 681 469 |
| Fee and commission income | 523 225 | 333 037 | 40 038 | 896 300 |
| Fee and commission expense | (99 473) | (5 280) | (3 889) | (108 642) |
| Principal transactions | 243 976 | 164 731 | 9 979 | 418 686 |
| Investment income on assurance activities | – | 64 834 | – | 64 834 |
| Premiums and reinsurance recoveries on insurance contracts | – | 6 110 | – | 6 110 |
| Other operating income | 51 122 | 5 210 | (2 329) | 54 003 |
| Other income | 718 850 | 568 642 | 43 799 | 1 331 291 |
| Claims and reinsurance premiums on insurance business | – | (57 774) | – | (57 774) |
| Total operating income net of insurance claims | 989 661 | 849 115 | 116 210 | 1 954 986 |
| Impairment losses on loans and advances | (210 485) | (77 538) | (30 207) | (318 230) |
| Operating income | 779 176 | 771 577 | 86 003 | 1 636 756 |
| Operating costs | (640 282) | (471 013) | (85 570) | (1 196 865) |
| Depreciation on operating leased assets | (16 447) | – | – | (16 447) |
| Operating profit before goodwill and acquired intangibles | 122 447 | 300 564 | 433 | 423 444 |
| Operating losses attributable to non-controlling interests | 11 179 | (490) | 273 | 10 962 |
| Operating profit before goodwill, acquired intangibles and after non-controlling interests | 133 626 | 300 074 | 706 | 434 406 |
| Impairment of goodwill | – | (6 888) | – | (6 888) |
| Amortisation of acquired intangibles | (6 341) | – | – | (6 341) |
| Profit arising from associate converted to subsidiary | 73 465 | – | – | 73 465 |
| Net loss on sale of subsidiaries | (18 375) | 58 | 1 015 | (17 302) |
| Loss on subsidiaries attributable to non-controlling interests | 3 099 | (1 458) | – | 1 641 |
| Earnings attributable to shareholders before taxation | 185 474 | 291 786 | 1 721 | 478 981 |
| Taxation | (22 618) | (35 357) | (490) | (58 465) |
| Earnings attributable to shareholders | 162 856 | 256 429 | 1 231 | 420 516 |
| Selected returns and key statistics | | | | |
| ROE (post-tax) | 8.0% | 17.5% | 0.1% | 11.2% |
| Return on tangible equity (post-tax) | 11.7% | 17.8% | 0.1% | 13.2% |
| Cost to income ratio | 65.8% | 55.5% | 73.6% | 61.7% |
| Staff compensation to operating income | 42.8% | 36.8% | 51.6% | 40.7% |
| Operating profit per employee (£'000) | 56.8 | 75.2 | 1.1 | 64.4 |
| Effective operational tax rate | 24.6% | 11.8% | 284.9% | 15.5% |
| Total assets (£'million) | 19 217 | 28 284 | 3 440 | 50 941 |

| For the year to 31 March £'000 | UK and Europe | Southern Africa | Australia | Total group |
|---|---|---|---|---|
| **Combined consolidated segmental analysis (continued)** | | | | |
| Segmental geographic analysis – income statement | | | | |
| 2010 | | | | |
| Interest income | 575 989 | 1 287 089 | 178 075 | 2 041 153 |
| Interest expense | (325 061) | (982 487) | (120 519) | (1 428 067) |
| Net interest income | 250 928 | 304 602 | 57 556 | 613 086 |
| Fee and commission income | 299 993 | 265 457 | 47 124 | 612 574 |
| Fee and commission expense | (54 944) | (9 225) | (3 328) | (67 497) |
| Principal transactions | 253 135 | 185 001 | 19 623 | 457 759 |
| Investment income on assurance activities | – | 94 914 | – | 94 914 |
| Premiums and reinsurance recoveries on insurance contracts | – | 31 938 | – | 31 938 |
| Other operating income | 33 543 | 5 082 | (4 293) | 34 332 |
| Other income | 531 727 | 573 167 | 59 126 | 1 164 020 |
| Claims and reinsurance premiums on insurance business | – | (119 918) | – | (119 918) |
| Total operating income net of insurance claims | 782 655 | 757 851 | 116 682 | 1 657 188 |
| Impairment losses on loans and advances | (188 330) | (70 841) | (27 410) | (286 581) |
| Operating income | 594 325 | 687 010 | 89 272 | 1 370 607 |
| Operating costs | (493 204) | (392 211) | (71 736) | (957 151) |
| Operating profit before goodwill and acquired intangibles | 101 121 | 294 799 | 17 536 | 413 456 |
| Operating losses attributable to non-controlling interests | 22 578 | (4 432) | 656 | 18 802 |
| Operating profit before goodwill, acquired intangibles and after non-controlling interests | 123 699 | 290 367 | 18 192 | 432 258 |
| Impairment of goodwill | – | (3 526) | – | (3 526) |
| Earnings attributable to shareholders before taxation | 123 699 | 286 841 | 18 192 | 428 732 |
| Taxation | (9 426) | (69 297) | (3 876) | (82 599) |
| Earnings attributable to shareholders | 114 273 | 217 544 | 14 316 | 346 133 |
| Selected returns and key statistics | | | | |
| ROE (post-tax) | 11.4% | 18.5% | 4.0% | 13.5% |
| Return on tangible equity (post-tax) | 15.1% | 18.9% | 4.5% | 15.4% |
| Cost to income ratio | 63.0% | 51.8% | 61.5% | 57.8% |
| Staff compensation to operating income | 37.7% | 33.1% | 44.8% | 36.1% |
| Operating profit per employee (£'000) | 60.8 | 75.6 | 51.4 | 69.7 |
| Effective operational tax rate | 10.6% | 23.5% | 21.4% | 20.6% |
| Total assets (£'million) | 18 480 | 24 880 | 3 212 | 46 572 |

| For the year to 31 March<br>£'000 | 2011 | 2010 |
|---|---|---|
| **Combined consolidated segmental analysis (continued)** | | |
| Segmental business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests | | |
| Asset Management | 127 308 | 83 412 |
| Wealth and Investment | 40 426 | 25 887 |
| Property Activities | 47 708 | 33 479 |
| Private Banking | (91 441) | 37 052 |
| Investment Banking | | |
| Corporate Finance | 7 581 | 2 016 |
| Institutional Research, Sales and Trading | (4 230) | 4 904 |
| Principal Investments | 64 011 | 34 648 |
| | 67 362 | 41 568 |
| Capital Markets | 242 049 | 179 139 |
| Group Services and Other Activities | | |
| International Trade Finance | 9 065 | 7 174 |
| Central Funding | 91 037 | 97 746 |
| Central Service Costs | (99 108) | (73 199) |
| | 994 | 31 721 |
| Total group | 434 406 | 432 258 |

## Share-based payments

The group operates share option and share purchase schemes for employees the majoriy 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 on pages 77 to 79 of the remuneration report and on our website.

| Expense charged to the income statement (included in operating costs)<br>£'000 | AM* | WI* | PA* | PB* | IB* | CM* | GSO* | Total group |
|---|---|---|---|---|---|---|---|---|
| 2011 | | | | | | | | |
| Equity-settled | 6 303 | 4 368 | 2 450 | 13 993 | 10 366 | 13 749 | 18 294 | 69 523 |
| Cash-settled | – | – | – | (5) | – | – | – | (5) |
| Total income statement charge | 6 303 | 4 368 | 2 450 | 13 988 | 10 366 | 13 749 | 18 294 | 69 518 |
| 2010 | | | | | | | | |
| Equity-settled | 4 824 | 2 121 | 1 591 | 12 945 | 9 269 | 10 743 | 15 175 | 56 668 |
| Cash-settled | – | – | – | (10) | – | – | 12 | 2 |
| Total income statement charge | 4 824 | 2 121 | 1 591 | 12 935 | 9 269 | 10 743 | 15 187 | 56 670 |

## Share-based payments (continued)

Included in the above income statement charge is an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £136 089 (2010: £1 070 126).

| For the year to 31 March<br>£'000 | 2011 | 2010 |
|---|---|---|
| Weighted average fair value of options granted in the year | | |
| UK schemes | 59 299 | 30 871 |
| SA schemes | 61 774 | 35 832 |

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

| | UK schemes | | | | South African schemes | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | 2010 | | 2011 | | 2010 | |
| Details of options outstanding during the year | Number of share options | Weighted average exercise price £ | Number of share options | Weighted average exercise price £ | Number of share options | Weighted average exercise price R | Number of share options | Weighted average exercise price R |
| Outstanding at the beginning of the year | 33 381 361 | 0.17 | 30 887 992 | 0.36 | 33 651 198 | 1.98 | 31 401 201 | 4.08 |
| Granted during the year | 20 237 627 | 0.04 | 13 120 500 | 0.03 | 17 903 599 | – | 12 930 830 | 0.00 |
| Exercised during the year* | (6 687 293) | 0.11 | (8 839 040) | 0.39 | (7 013 570) | 4.42 | (8 906 518) | 6.10 |
| Expired during the year | (1 898 178) | 0.87 | (1 788 091) | 1.34 | (1 556 805) | 2.59 | (1 774 315) | 4.19 |
| **Outstanding at the end of the year** | **45 033 517** | **0.09** | **33 381 361** | **0.17** | **42 984 422** | **0.74** | **33 651 198** | **1.98** |
| **Exercisable at the end of the year** | **160 236** | **0.74** | **235 402** | **2.11** | **1 115 836** | **28.35** | **1 557 437** | **38.42** |

* *Weighted average share price during the year was £4.94 (2010: £4.43).*

| | 2011 | 2010 |
|---|---|---|
| **Earnings per share** | | |
| Earnings | £'000 | £'000 |
| Earnings attributable to shareholders | 420 516 | 346 133 |
| Preference dividends paid | (43 019) | (43 860) |
| Earnings attributable to ordinary shareholders | 377 497 | 302 273 |
| Earnings from future dilutive convertible instruments | – | – |
| Diluted earnings attributable to ordinary shareholders | 377 497 | 302 273 |
| Weighted number of shares in issue | | |
| Weighted total average number of shares in issue during the year | 791 147 632 | 730 746 132 |
| Weighted average number of treasury shares | (31 307 382) | (44 430 118) |
| Weighted average number of shares in issue during the year | 759 840 250 | 686 316 014 |
| Weighted average number of shares resulting from future dilutive potential shares | 48 050 814 | 41 613 322 |
| Adjusted weighted number of shares potentially in issue | 807 891 064 | 727 929 336 |
| Earnings per share – pence | | |
| Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year. | 49.7 | 44.0 |
| Diluted earnings per share – pence | | |
| Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year. | 46.7 | 41.5 |
| Adjusted earnings per share – pence | | |
| Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders, after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year. | 43.2 | 45.1 |
| | £'000 | £'000 |
| Earnings attributable to shareholders | 420 516 | 346 133 |
| Impairment of goodwill | 6 888 | 3 526 |
| Amortisation of acquired intangibles, net of taxation | 3 509 | – |
| Loss on subsidiaries attributable to non-controlling interests | (1 641) | – |
| Profit arising from associate converted to subsidiary | (73 465) | – |
| Net loss on sale of subsidiaries, net of taxation | 13 524 | – |
| Preference dividends paid | (43 019) | (43 860) |
| Additional earnings attributable to other equity holders* | 1 585 | 3 911 |
| Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items | 327 897 | 309 710 |

* *In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.*

| For the year to 31 March | 2011 | 2010 |
|---|---|---|
| **Earnings per share (continued)** | | |
| **Headline earnings per share – pence** | | |
| Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings" and is disclosed in accordance with the JSE listing requirements, and in terms of circular 3/2009 issued by the South African Institute of Chartered Accountants. | 37.7 | 40.1 |
| | £'000 | £'000 |
| Earnings attributable to shareholders | 420 516 | 346 133 |
| Impairment of goodwill | 6 888 | 3 526 |
| Loss on subsidiaries attributable to non-controlling interests | (1 641) | – |
| Profit arising from associate converted to subsidiary | (73 465) | – |
| Net loss on sale of subsidiaries, net of taxation | 13 524 | – |
| Preference dividends paid | (43 019) | (43 860) |
| Additional earnings attributable to other equity holders | 1 585 | 3 911 |
| Other headline adjustments** | (37 729) | (34 579) |
| **Headline earnings attributable to ordinary shareholders** | **286 659** | **275 131** |

** *Other headline adjustments include realised gains/losses on available-for-sale instruments as well as impairments recognised against available-for-sale instruments. Taxation on headline earning adjustments amounted to £14.8 million (2010: £11.0 million) with no impact on earnings attributable to non-controlling interests.*

| | 2011 | | 2010 | |
|---|---|---|---|---|
| For the year to 31 March | Pence per share | Total £'million | Pence per share | Total £'million |
| **Dividends** | | | | |
| **Ordinary dividend** | | | | |
| Final dividend for prior year | 8.0 | 59 341 | 5.0 | 35 833 |
| Interim dividend for current year | 8.0 | 64 289 | 8.0 | 56 113 |
| **Total dividend attributable to ordinary shareholders recognised in current financial year** | **16.0** | **123 630** | **13.0** | **91 946** |

The directors have proposed a final dividend in respect of the financial year ended 31 March 2011 of 9.0 pence per ordinary share (31 March 2010: 8.0 pence).

This will be paid as follows:

- For Investec Limited shareholders, through a dividend paid by Investec Limited of 102.0 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 9.0 pence per ordinary share
- For Investec plc South African resident shareholders, through a dividend payment by Investec plc of 1.0 pence per ordinary share and through a dividend payment on the SA DAS share of 8.0 pence per ordinary share.

The final dividend will be payable on 8 August 2011 to shareholders on the register at the close of business on 29 July 2011.

| For the year to 31 March | 2011 Pence per share | 2011 Cents per share | 2011 Total £'million | 2010 Pence per share | 2010 Cents per share | 2010 Total £'million |
|---|---|---|---|---|---|---|
| **Dividends (continued)** | | | | | | |
| Perpetual preference dividend | | | | | | |
| Final dividend for prior year | 7.48 | 757.97 | 15 398 | 16.03 | 1 074.59 | 17 885 |
| Interim dividend for current year | 7.52 | 722.82 | 15 988 | 7.52 | 826.31 | 13 938 |
| Total dividend attributable to perpetual preference shareholders recognised in current financial year | 15.00 | 1 480.79 | 31 386 | 23.55 | 1 900.90 | 31 823 |

The directors have declared a final dividend in respect of the financial year ended 31 March 2011 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), 318.84 cents (Investec Limited) and 341.61 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable on 30 June 2011 to shareholders on the register at the close of business on 17 June 2011.

| For the year to 31 March £'000 | 2011 | 2010 |
|---|---|---|
| Dividend attributable to perpetual preferred securities | 11 633 | 12 037 |

The €200 000 000 (2010: €200 000 000) fixed/floating rate guaranteed, non-voting, non-cumulative perpetual preferred securities paid dividends of 7.075% in both years as set out in note 40 of the Investec group's 2011 annual report.

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