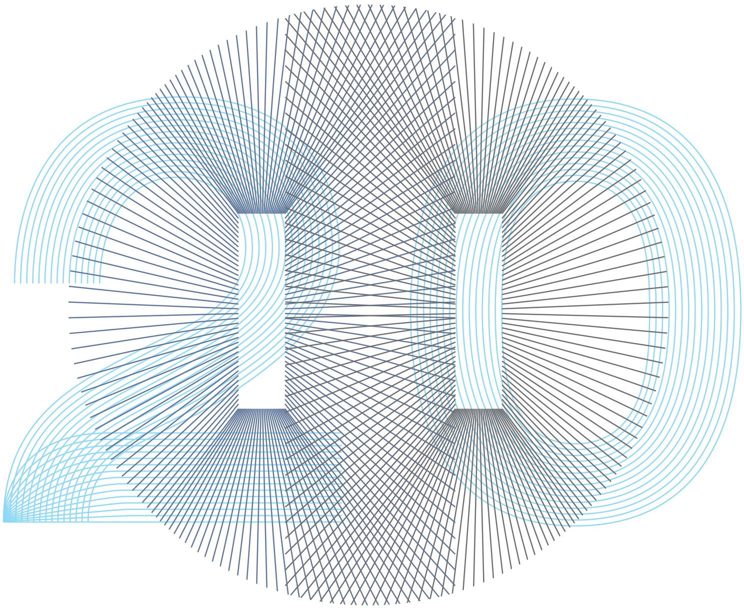
Investec
integrated annual report **2011**



Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Corporate information

Investec plc and Investec Limited

Secretary and registered office

Investec plc

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Investec Limited

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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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Transfer secretaries in South Africa

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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 422 and 423.

For queries regarding information in this document:

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Contents

The integrated annual report 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 2009 (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 to enable them to obtain a balanced view of our business.

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.

Further information is available on our website: www.investec.com

01 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

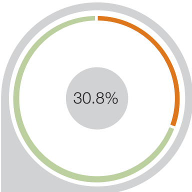
- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance.

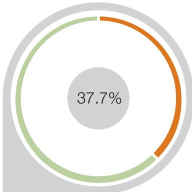
Investec in perspective (continued)

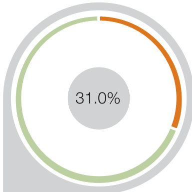
By geography	History	Market positioning
UK and Europe	• In 1992 we made our first international acquisition, acquiring Allied Trust Bank in London • Since that date, we have expanded organically and through a number of strategic acquisitions • Developed capabilities in all six of our core activities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

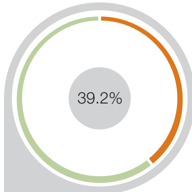
By geography

	% 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**	





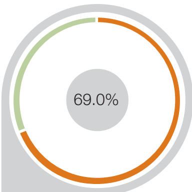


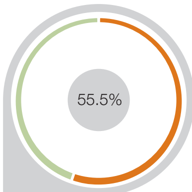


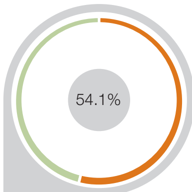
COI: 65.8%
ROE: 8.0%

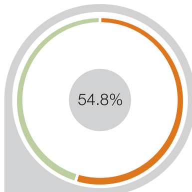
Highlights

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





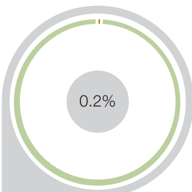


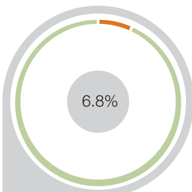


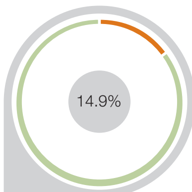
COI: 55.5%
ROE: 17.5%

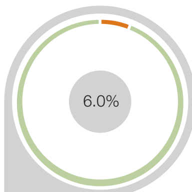
Highlights

- 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 as calculated on page 46.*
^ *COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on page 48.*

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** **1991: £0.4 billion ⇨ 2011: £58.8 billion** **Strong net inflows of £7.4 billion** 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** **1997: £0.4 billion ⇨ 2011: £29.4 billion** UK: Now own 100.0% of Rensburg Sheppards plc, long standing reputation 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** **Total on balance sheet investments: £589 million** UK and Australia: developing businesses SA: market leading position
Specialist Bank	Private Banking	High income and high net worth individuals	**Global core loan portfolio: £13.3 billion** **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 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 **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 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% ROE: 78.5% ROTE: 329.7%
	9.3%	2.1%	2.4%	13.7%	COI: 74.1% ROE: 16.5% ROTE: 78.7%
	11.0%	1.0%	4.2%	1.1%	COI: 35.2% ROE: 39.6% ROTE: 39.8%
	(21.0%)	28.5%	39.4%	28.8%	COI: 61.6% ROE: (9.2%) ROTE: (9.6%)
	15.5%	2.4%	9.6%	5.5%	COI: 72.7% ROE: 18.7% ROTE: 21.7%
	55.7%	48.5%	37.0%	19.6%	COI: 49.5% ROE: 19.8% ROTE: 21.5%
	0.2%	16.4%	6.0%	16.6%	COI: 110.8% ROE: 41.5% ROTE: 41.7%

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

** *NAV is tangible shareholders' equity as calculated on page 46.*

^ *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 as calculated on page 49.*

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**

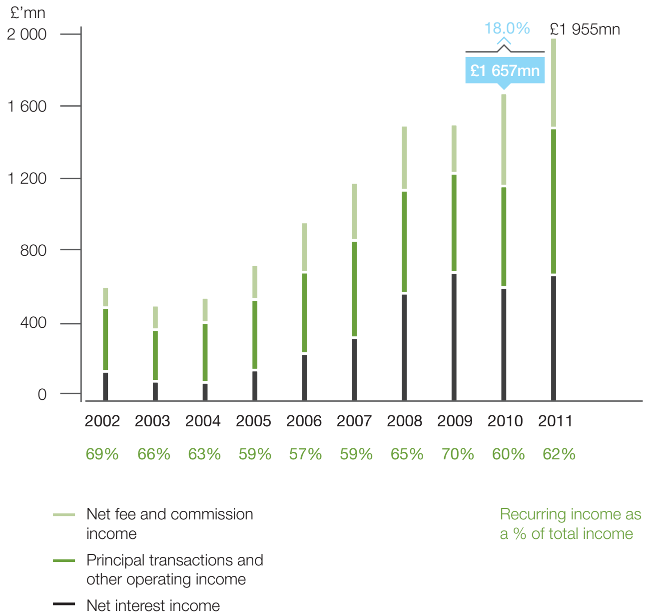
	Target in £	31 March 2011	31 March 2010
ROE	>20%	11.2%	13.5%
Cost to income ratio	<65%	61.7%	57.8%
Adjusted EPS* growth	10% > UK RPI	(4.2%)	6.4%
Dividend cover range	1.7 – 3.5 times	2.5x	2.8x
Capital adequacy ratio range	14% – 17%	plc: 16.8% Ltd: 15.9%	plc: 15.9% Ltd: 15.6%

* *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

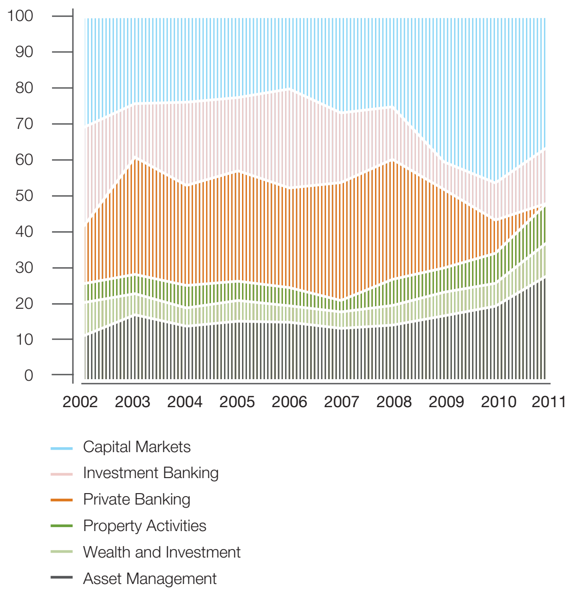
Total operating income



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

% contribution to operating profit before taxation*

(excluding Group Services and Other Activities)

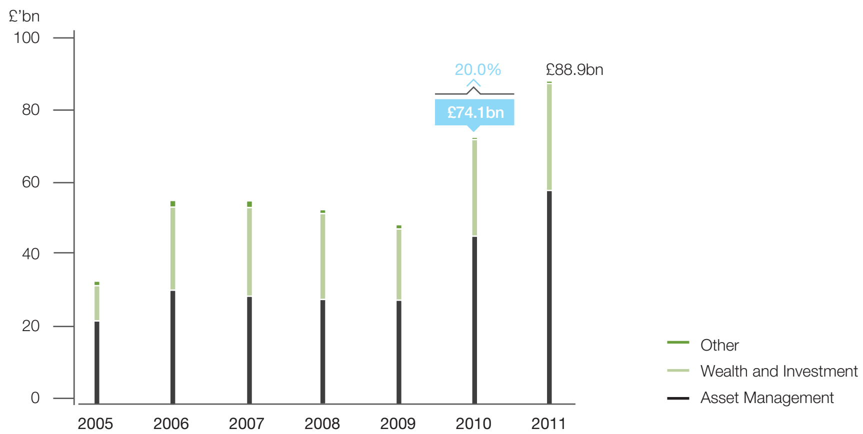


* *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

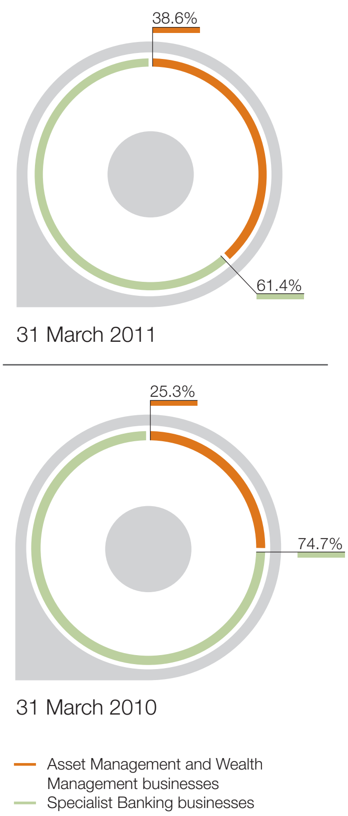
Good growth in third party assets under management… momentum in realigning our business model continues

- 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



Contribution to group earnings



Resulting in strong contribution from Asset Management and Wealth Management businesses

Sound capital and liquidity position maintained… achieved capital targets across all geographics

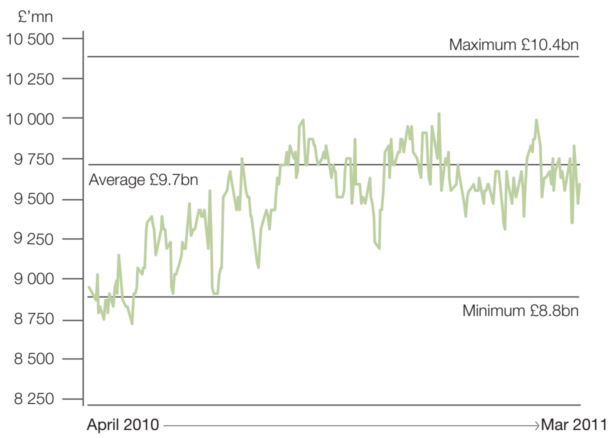
- The intimate involvement of senior management ensures stringent management of risk and liquidity
- Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- Investec has maintained a strong capital base and has met its targets in this 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%

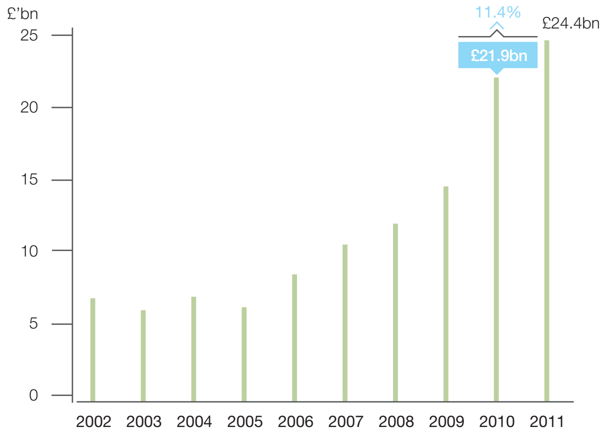
Sound capital and liquidity position maintained… benefited from growing retail franchise

Cash and near cash trend



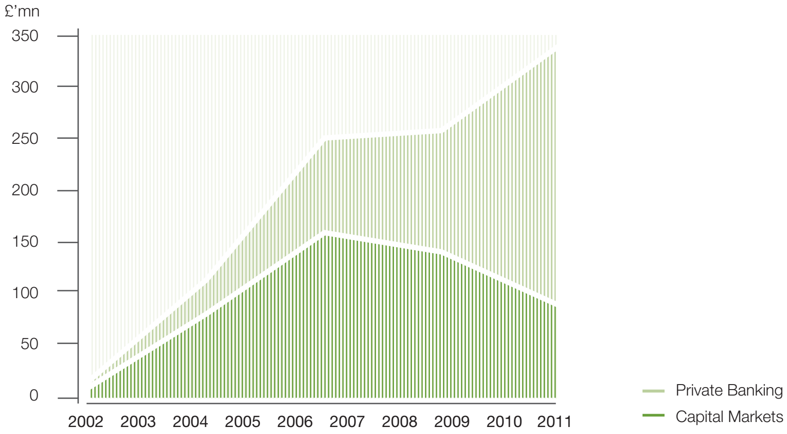
Total 31 March 2011	£9.3bn
Investec plc	£4.5bn
Investec Limited	£4.8bn

Customer accounts (deposits)



Specialist Banking impacted by an increase in impairments and defaults…

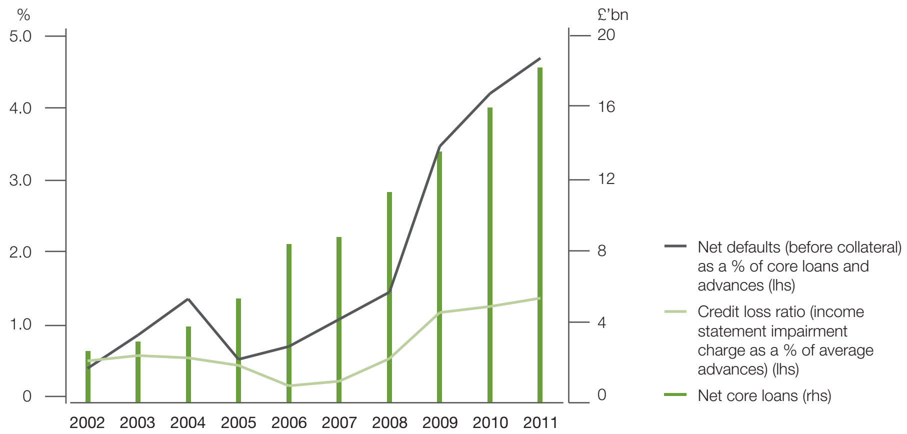
Impairments by business



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…

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

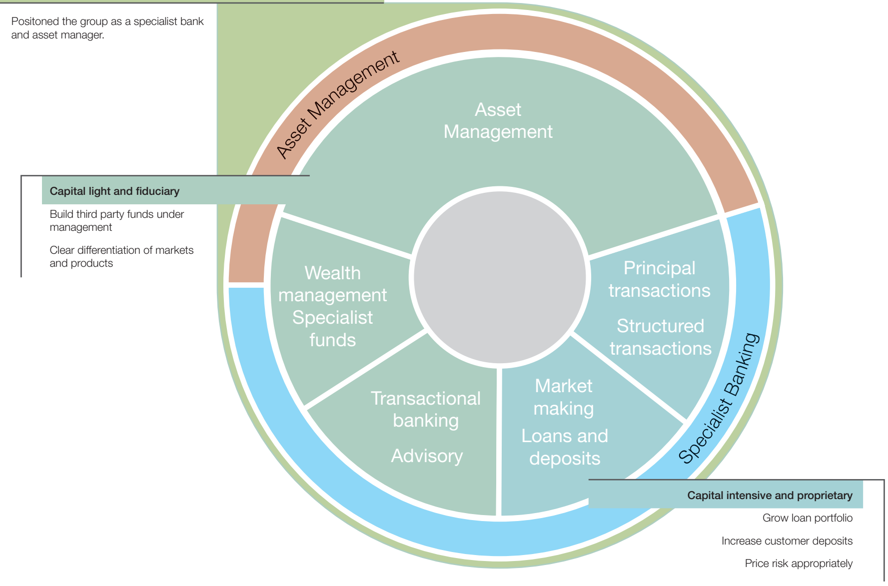
- Doing the right thing for clients, employees and communities is integral to our way of doing business
- Focus on projects that are educational, entrepreneurial and sustainable.

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

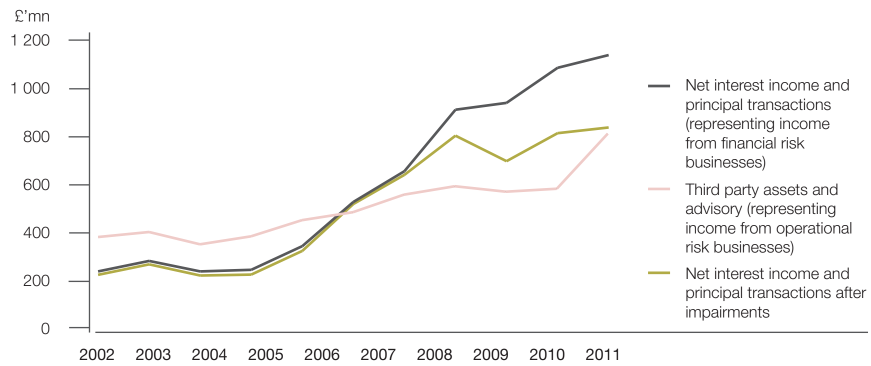
Continue strategy of building our franchise… realigning the business model

- 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

- Asset management and wealth management
- Property funds
- Advisory services
- Transactional services

Core advisory and core banking

Overall objectives:
- Containing costs
- Maintaining credit quality
- Strictly managing risk and liquidity

Financial risk businesses

- Lending portfolios
- Principal transactions
- Structured transactions
- 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.

Operating financial review

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.

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.

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.)

The operating financial review provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read together with the sections that follow on pages 22 to 286, which elaborate on the aspects highlighted in this review.

Financial review

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

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. Further detail on the performance of our business divisions is provided in the divisional review section of this report. 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.

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.

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[o]	16.8%	15.9%	–
Capital adequacy ratio: Investec Limited[o]	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%)

* *Refer to definitions on page 398.*

** *The numbers prior to 2005 are reported in terms of UK GAAP, and thereafter in terms of IFRS.*

^ *Calculation not comparable.*

o *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

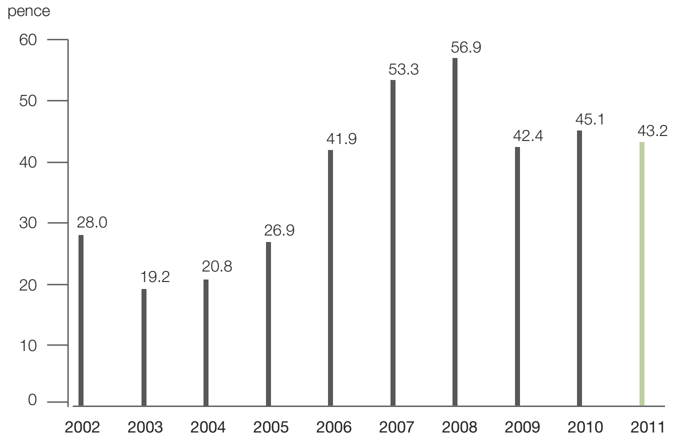
For comparative purposes historical information has been adjusted for the 5:1 share split that took place on 4 September 2006.

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.*

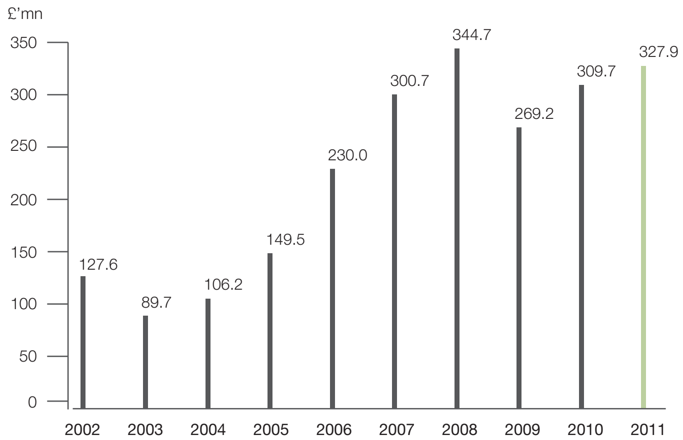
Track record

Adjusted earnings per share*



Down 4.2% to 43.2p

Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items

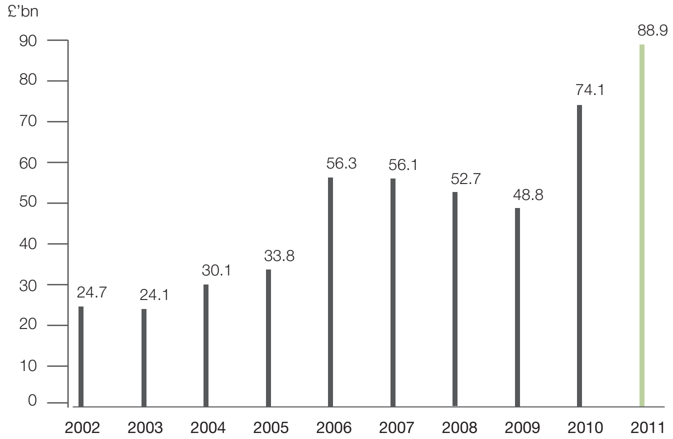


Up 5.9% to £327.9mn

Note:
Results are shown for the year ended 31 March. Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS.

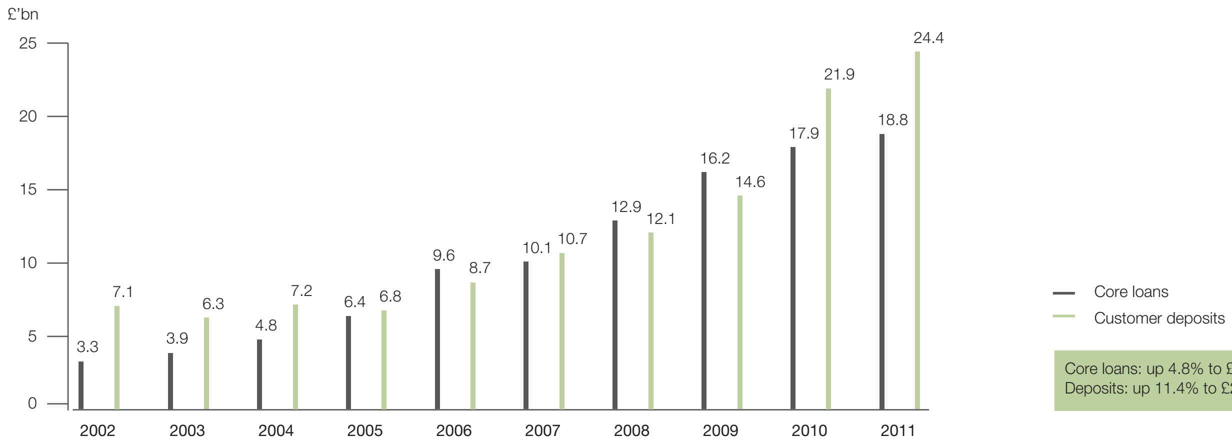
* *Historical EPS numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

Third party assets under management



Up 20.0% to £88.9bn

Core loans and customer deposits



Core loans: up 4.8% to £18.8bn
Deposits: up 11.4% to £24.4bn

Note:
Results are shown for the year ended 31 March. Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS.

Five year income statements

Year end to 31 March £'000	2011	2010*	2009	2008	2007
Interest income	2 238 783	2 041 153	2 596 913	2 083 380	1 233 226
Interest expense	(1 557 314)	(1 428 067)	(1 902 882)	(1 499 960)	(889 311)
Net interest income	681 469	613 086	694 031	583 420	343 915
Fee and commission income	896 300	612 574	592 814	614 357	577 773
Fee and commission expense	(108 642)	(67 497)	(61 292)	(63 061)	(56 275)
Principal transactions	418 686	457 759	276 521	276 705	245 463
Investment income on assurance activities	64 834	94 914	74 584	89 593	36 821
Premiums and reinsurance recoveries on insurance contracts	6 110	31 938	18 773	40 849	80 542
Other operating income/(loss)	54 003	34 332	(17 802)	62 181	60 370
Other income	1 331 291	1 164 020	883 598	1 020 624	944 694
Claims and reinsurance premiums on insurance business	(57 774)	(119 918)	(88 108)	(120 358)	(111 492)
Total operating income net of insurance claims	1 954 986	1 657 188	1 489 521	1 483 686	1 177 117
Impairment losses on loans and advances	(318 230)	(286 581)	(256 173)	(114 185)	(16 530)
Operating income	1 636 756	1 370 607	1 233 348	1 369 501	1 160 587
Operating costs	(1 196 865)	(957 151)	(833 260)	(831 830)	(694 002)
Depreciation on operating leased assets	(16 447)	–	–	–	–
Operating profit before goodwill and acquired intangibles	423 444	413 456	400 088	537 671	466 585
Impairment of goodwill	(6 888)	(3 526)	(32 467)	(62 765)	2 569
Amortisation of acquired intangibles	(6 341)	–	–	–	–
Operating profit	410 215	409 930	367 621	474 906	469 154
Profit on disposal of group operations	–	–	721	72 855	–
Profit arising from associate converted to subsidiary	73 465	–	–	–	–
Net loss on sale of subsidiaries	(17 302)	–	–	–	–
Profit before taxation	466 378	409 930	368 342	547 761	469 154
Taxation on operating profit before goodwill	(65 075)	(82 599)	(81 675)	(127 249)	(119 781)
Taxation on intangibles and sale of businesses	6 610	–	–	–	–
Profit after taxation	407 913	327 331	286 667	420 512	349 373
Operating losses/(earnings) attributable to non-controlling interests	10 962	18 802	5 355	(28 954)	(9 054)
Loss on subsidiaries attributable to non-controlling interests	1 641	–	–	–	–
Earnings attributable to shareholders	420 516	346 133	292 022	391 558	340 319

* *As restated.*

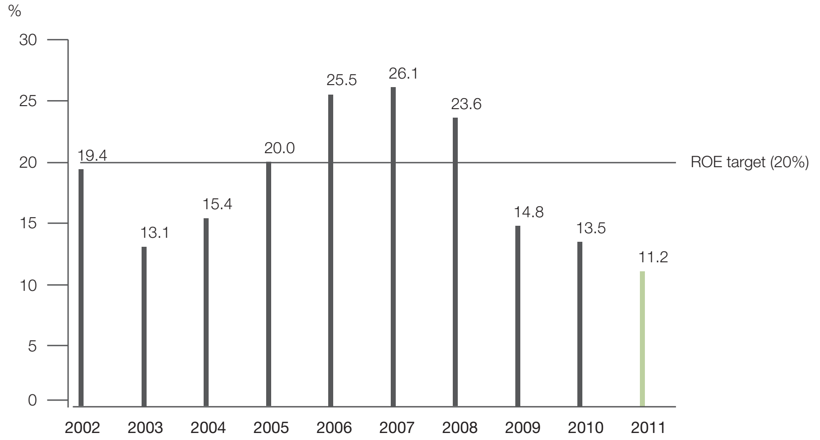
Five year balance sheets

At 31 March £'000	2011	2010*	2009*	2008*	2007
Assets					
Cash and balances at central banks	1 769 078	2 338 234	1 105 089	788 472	102 751
Loans and advances to banks	1 468 705	2 781 630	2 018 089	2 153 773	2 431 769
Cash equivalent advances to customers	535 983	581 117	396 173	504 382	548 602
Reverse repurchase agreements and cash collateral on securities borrowed	2 467 775	911 432	569 770	794 153	2 324 638
Trading securities	5 114 322	4 221 645	2 313 845	1 984 580	2 015 144
Derivative financial instruments	1 799 204	1 591 841	1 843 143	1 425 587	724 492
Investment securities	3 828 609	1 996 073	1 063 569	1 130 872	1 776 601
Loans and advances to customers	18 758 524	17 414 691	15 390 519	12 011 261	9 527 080
Loans and advances to customers – Kensington warehouse assets	1 612 181	1 776 525	1 897 878	2 034 874	–
Securitised assets	4 924 293	5 334 453	5 628 347	6 082 975	831 742
Interests in associated undertakings	23 481	104 059	93 494	82 576	70 332
Deferred taxation assets	114 838	134 355	136 757	84 493	59 394
Other assets	1 410 593	1 240 624	894 062	882 209	1 420 681
Property and equipment	279 801	161 255	174 532	141 352	131 505
Investment properties	379 527	273 038	189 156	134 975	85 424
Goodwill	456 608	274 417	255 972	271 932	195 883
Intangible assets	136 452	36 620	34 402	31 506	35 829
	44 579 974	41 172 009	34 004 797	30 539 972	22 281 867
Other financial instruments at fair value through profit or loss in respect of					
– Liabilities to customers	6 361 296	5 397 014	3 358 338	2 878 894	3 024 997
– Assets related to reinsurance contracts	–	2 842	1 768	805 009	992 824
	50 941 270	46 571 865	37 364 903	34 223 875	26 299 688
Liabilities					
Deposits by banks	1 858 893	2 439 670	3 781 153	3 489 032	2 347 095
Deposits by banks – Kensington warehouse funding	975 542	1 213 042	1 412 961	1 778 438	–
Derivative financial instruments	1 486 419	1 193 421	1 456 561	1 001 900	509 919
Other trading liabilities	716 556	504 618	344 561	450 580	321 863
Repurchase agreements and cash collateral on securities lent	1 599 646	1 110 508	915 850	382 384	1 765 671
Customer accounts (deposits)	24 441 260	21 934 044	14 572 568	12 133 120	10 650 102
Debt securities in issue	2 145 213	2 187 040	1 014 871	777 769	1 253 752
Liabilities arising on securitisation	4 340 864	4 714 556	5 203 473	5 760 208	826 627
Current taxation liabilities	206 957	196 965	155 395	132 656	113 967
Deferred taxation liabilities	148 750	136 974	120 135	79 172	48 048
Other liabilities	1 411 137	1 177 589	1 264 144	1 279 373	1 778 488
Pension fund liabilities	–	1 285	1 212	–	1 467
	39 331 237	36 809 712	30 242 884	27 264 632	19 616 999
Liabilities to customers under investment contracts	6 358 732	5 392 662	3 352 863	2 862 916	3 004 254
Insurance liabilities, including unit-linked liabilities	2 564	4 352	5 475	15 978	20 743
Reinsured liabilities	–	2 842	1 768	805 009	992 824
	45 692 533	42 209 568	33 602 990	30 948 535	23 634 820
Subordinated liabilities	1 287 635	1 070 436	1 141 376	1 065 321	844 452
	46 980 168	43 280 004	34 744 366	32 013 856	24 479 272
Equity					
Ordinary share capital	208	195	190	177	169
Perpetual preference share capital	153	152	151	151	151
Share premium	2 242 067	1 928 296	1 769 040	1 632 634	1 421 881
Treasury shares	(42 713)	(66 439)	(173 068)	(114 904)	(109 279)
Equity portion of convertible instruments	–	–	–	2 191	2 191
Other reserves	315 878	246 718	42 509	(42 057)	40 545
Retained income	1 131 980	846 060	658 129	433 012	186 827
Shareholders' equity excluding non-controlling interests	3 647 573	2 954 982	2 296 951	1 911 204	1 542 485
Non-controlling interests	313 529	336 879	323 586	298 815	277 931
– Perpetual preferred securities issued by subsidiaries	317 997	314 944	295 084	251 637	241 081
– Non-controlling interests in partially held subsidiaries	(4 468)	21 935	28 502	47 178	36 850
Total equity	3 961 102	3 291 861	2 620 537	2 210 019	1 820 416
Total liabilities and equity	50 941 270	46 571 865	37 364 903	34 223 875	26 299 688

* *As restated.*

Financial objectives

ROE*

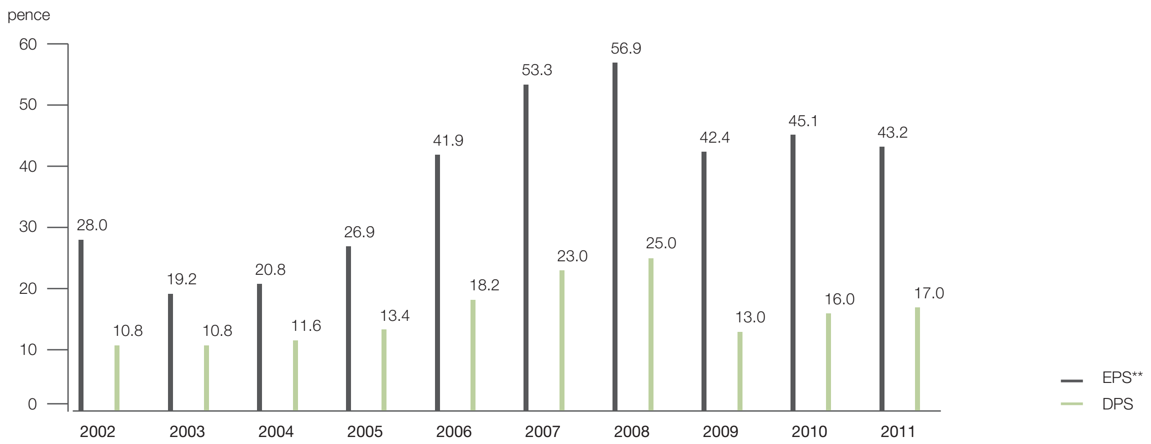


* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 47.*

We have set the following target over the medium to long term:

- Group ROE: greater than 20% in Pounds Sterling

Adjusted earnings per share (EPS) and dividends per share (DPS)

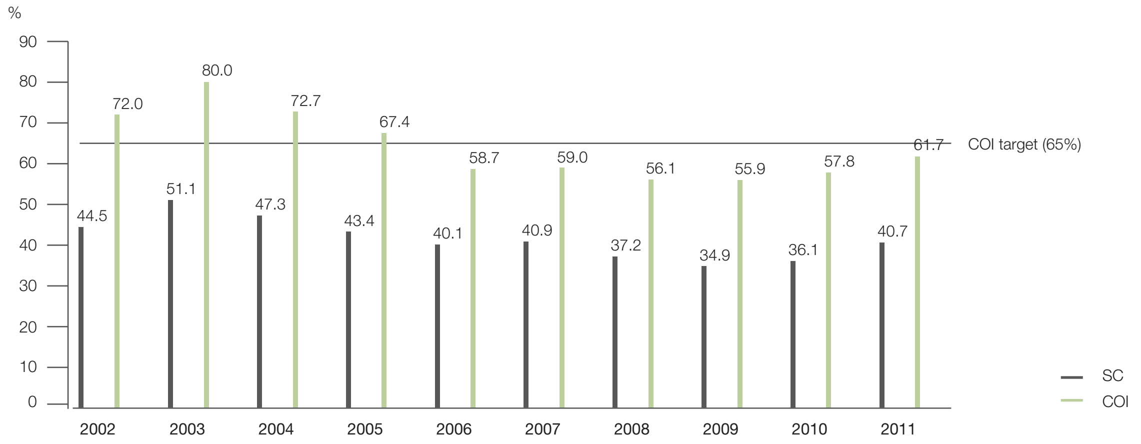


** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 398. The numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

In the medium to long term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as defined above, denominated in Pounds Sterling.

Refer to note on page 31.

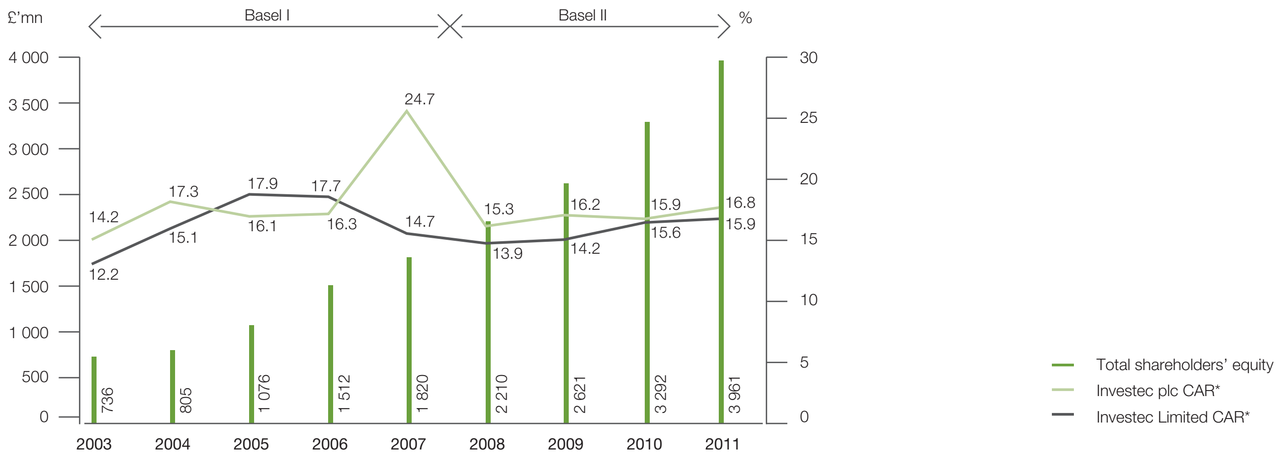
Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



We have set the following target over the medium to long term:

- Group COI ratio: less than 65% in Pounds Sterling

Total shareholders' equity and capital adequacy ratios (CAR)



* *Capital adequacy figures prior to 2008 are disclosed under Basel I and thereafter under Basel II.*

We intend to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long term. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio in excess of 11%.

Note:
The numbers shown in the financial objectives graphs on pages 30 and 31 are for the years ended 31 March. The numbers prior to 2005 are reported in terms of UK GAAP.

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.

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.

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 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.

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.

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.

An overview of our key income drivers

We provide a wide range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia. We are organised as a network comprising 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 and other activities, such as our Trade Finance operations.

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

Business activity	Key income drivers	Income impacted primarily by	Income statement – reflected as
Asset Management			
	• Fixed fees as a percentage of assets under management • Variable performance fees	• Movements in the value of the assets underlying client portfolios • Performance of portfolios against set benchmarks • Net sales	• Fees and commissions
Wealth and Investment			
	• Investment management fees levied as a percentage of assets under management • Commissions earned for executing transactions for clients	• Movement in the value of assets underlying client portfolios • The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity	• Fees and commissions
Property Activities			
	• Fees levied as a percentage of assets under management • Performance fees • Capital and debt raising fees • Asset acquisition fees • Property development fees	• Movements in the value of assets underlying client portfolios • Movements in the value of property assets	• Fees and commissions
	• Trading and development activities	• Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale	• Principal transactions

An overview of our key income drivers (continued)

Business activity	Key income drivers	Income impacted primarily by	Income statement – reflected as
Private Banking			
	• Interest earned in connection with the bank's lending and funding activities	• Size of loan portfolio • Interest rate environment	• Net interest income
	• Fees earned for banking and lending services	• Levels of activity	• Net interest income and fees and commissions
	• Income earned in respect of growth and acquisition finance activities	• Quality of transactions and deal flow	• Fees and commissions and principal transactions
Investment Banking			
Corporate Finance	• Fees resulting from the provision of capital raising and financial advisory work	• Macro- and micro- economic fundamentals • Industry-specific trends • Underlying stock market activity particularly in our primary markets • Idea generation	• Fees and commissions
Institutional Research, Sales and Trading	• Brokerage commissions • Trading and market making activities	• Stock market trading volume and volatility • Client allocation of broking transactions • Our ability to source securities and execute trades on behalf of our clients	• Fees and commissions and principal transactions
Principal Investments	• Sale of investments and revaluation of trading investments • Dividends	• Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities	• Principal transactions
Capital Markets			
	• Asset creation	• Rate environment • Size of loan portfolio • Credit spreads • Clients' capital and infrastructural investments • Client activity	• Net interest income • Principal transactions • Other operating income
	• Structuring, management and distribution	• Rate environment • Ability to originate appropriate assets • Credit spreads • Clients' capital and infrastructural investments • Market conditions in the relevant exit markets	• Fees and commissions • Principal transactions

An overview of our key income drivers (continued)

Business activity	Key income drivers	Income impacted primarily by	Income statement – reflected as
Capital Markets (continued)			
	• Derivative, sales, trading and hedging	• Client activity • Market conditions • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity	• Principal transactions • Fees and commissions
	• Deposit and product structuring and distribution	• The level of clients' investment activity, which, in turn, is affected by among other things, the performance of the global markets and the investment risk appetite of our clients • Distribution channels • Ability to create innovative products • Regulatory requirements	• Net interest income • Principal transactions • Fees and commissions
	• Advisory	• The demand for our specialised advisory services, which, in turn is affected by applicable tax, regulatory and other economic factors e.g. project activity in the relevant markets	• Fees and commissions
Group Services and Other Activities			
International Trade Finance Central Funding	• These businesses earn a variety of management and banking fees, brokerage commissions • As this division holds the group's capital resources, income generated from these net assets is offset by the cost of group funding	• A variety of factors including: Interest rate environment • Rand/Dollar exchange rate in the case of the International Trade Finance operations • Level of client activity	• All categories of income other than net operating income from assurance activities

Risks relating to our operations

An overview of key risks

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

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

Key risks	Reference
Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 117 to 154
Liquidity risk may impair our ability to fund our operations	See pages 177 to 188
Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 173 to 177
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 155 to 171
We may be unable to recruit, retain and motivate key personnel	See pages 237 to 239
Employee misconduct could cause harm that is difficult to detect	See pages 189 to 193
Operational risk may disrupt our business or result in regulatory action	See pages 189 to 193
We are exposed to non-traded currency risk, where fluctuations in exchange rates against Pounds Sterling, could have an impact on our financial results	See page 22
We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 189 to 193
We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 195 to 199
The financial services industry in which we operate is intensely competitive	See pages 18 to 23 and pages 32 to 34
Legal and regulatory risks are substantial in our businesses	See page 194 and 195
Reputational, strategic and business risk	See page 194
We may be exposed to pension risk in our UK operations	See page 194

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

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. Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 55 to 108.

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%

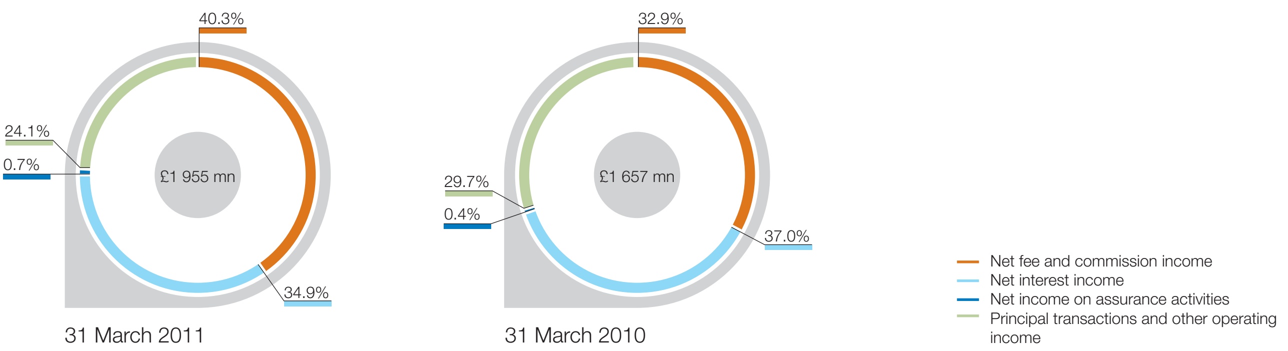
The following table sets out information on total operating income net of insurance claims by geography for the year under review.

£'000	31 March 2011	% of total income	31 March 2010	% of total income	% change
UK and Europe	989 661	50.6%	782 655	47.2%	26.4%
Southern Africa	849 115	43.4%	757 851	45.7%	12.0%
Australia	116 210	6.0%	116 682	7.1%	(0.4%)
Total operating income net of insurance claims	1 954 986	100.0%	1 657 188	100.0%	18.0%

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

£'000	31 March 2011	% of total income	31 March 2010	% of total income	% change
Asset Management	344 590	17.6%	250 785	15.2%	37.4%
Wealth and Investment	156 239	8.0%	51 901	3.1%	>100.0%
Property Activities	73 598	3.8%	53 461	3.2%	37.7%
Private Banking	399 587	20.4%	390 545	23.6%	2.3%
Investment Banking	201 135	10.3%	161 046	9.7%	24.9%
Capital Markets	669 112	34.2%	599 982	36.2%	11.5%
Group Services and Other Activities	110 725	5.7%	149 468	9.0%	(25.9%)
Total operating income net of insurance claims	1 954 986	100.0%	1 657 188	100.0%	18.0%

% of total operating income net of insurance claims



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). Further information is provided on page 135.

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.

£'000	31 March 2011	31 March 2010	Variance	% change
Asset Management	29	5	24	>100.0%
Private Banking	(244 976)	(115 195)	(129 781)	(>100.0%)
Investment Banking	223	(2 566)	2 789	>100.0%
Capital Markets	(87 981)	(137 854)	49 873	36.2%
Group Services and Other Activities	14 475	(30 971)	45 446	>100.0%
Impairment losses on loans and advances	(318 230)	(286 581)	(31 649)	11.0%

£'000	31 March 2011	31 March 2010	Variance	% change
UK	(112 567)	(138 732)	26 165	(18.9%)
Ireland	(97 918)	(49 598)	(48 320)	97.4%
Southern Africa	(77 538)	(70 841)	(6 697)	9.5%
Australia	(30 207)	(27 410)	(2 797)	10.2%
Impairment losses on loans and advances	(318 230)	(286 581)	(31 649)	11.0%
Impairment losses on loans and advances in home currency				
Southern Africa (R'mn)	(860)	(863)	3	(0.3%)
Australia (A$'mn)	(49.5)	(51.3)	1.8	(3.5%)

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. An analysis of the increase in costs is provided in the tables below.

£'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%

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

£'000	31 March 2011	% of total expenses	31 March 2010	% of total expenses	% change
UK and Europe	(656 729)	54.1%	(493 204)	51.5%	33.2%
Southern Africa	(471 013)	38.8%	(392 211)	41.0%	20.1%
Australia	(85 570)	7.1%	(71 736)	7.5%	19.3%
Total expenses	(1 213 312)	100.0%	(957 151)	100.0%	26.8%

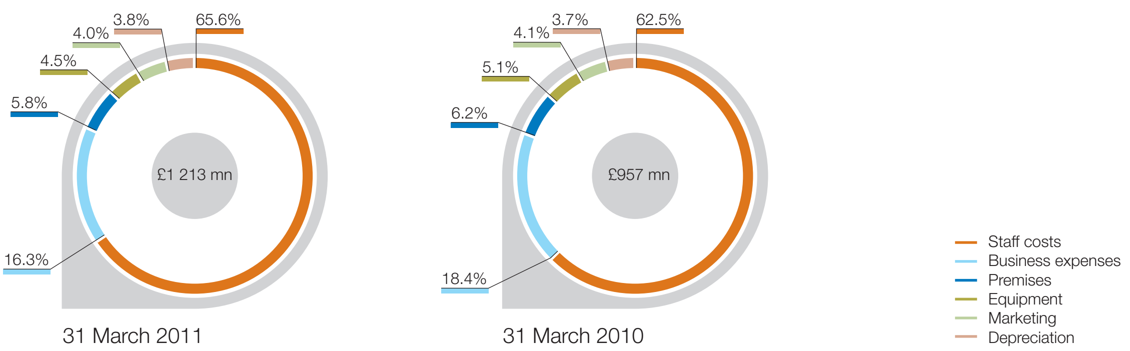
The following table sets out certain information on total expenses by division for the year under review.

£'000	31 March 2011	% of total expenses	31 March 2010	% of total expenses	% change
Asset Management	(216 947)	17.9%	(166 943)	17.4%	30.0%
Wealth and Investment	(115 813)	9.5%	(26 014)	2.7%	>100.0%
Property Activities	(25 890)	2.1%	(19 982)	2.1%	29.6%
Private Banking	(246 052)	20.3%	(238 298)	24.9%	3.3%
Investment Banking	(146 155)	12.0%	(133 035)	13.9%	9.9%
Capital Markets	(339 825)	28.0%	(282 952)	29.6%	20.1%
Group Services and Other Activities	(122 630)	10.2%	(89 927)	9.4%	36.4%
Total expenses	(1 213 312)	100.0%	(957 151)	100.0%	26.8%

The increase in expenses of £256.2 million can further be analysed as follows:

	£'million	% change
Currency adjustments	56.9	5.9%
Acquisitions of Rensburg Sheppards plc, Masterlease UK and Lease Direct Finance Limited	93.5	9.8%
Variable remuneration: an increase in certain divisions given their increase in profitability	53.6	5.6%
Staff costs: an increase in headcount in certain divisions and base salary increases	52.6	5.5%
Marketing expenses	5.8	0.6%
Other expenses	(6.2)	(0.6%)
Total increase in expenses	256.2	26.8%

% of total expenses



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

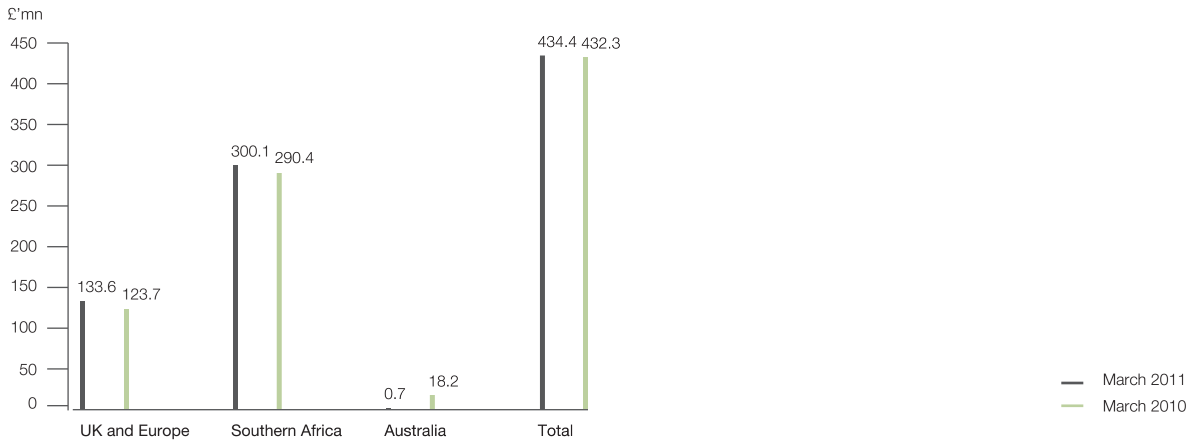
As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests increased by 0.5% from £432.3 million to £434.4 million.

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 £'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 £'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%	

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

Goodwill

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

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2011	31 March 2010
UK and Europe	393 417	207 892
Asset Management	88 045	88 045
Wealth and Investment	197 119	–
Private Banking	19 005	18 695
Investment Banking	6 086	17 951
Capital Markets	83 162	83 201
South Africa	18 655	25 147
Asset Management	14 930	21 498
Wealth and Investment	3 320	3 253
Property Activities	405	396
Australia	44 536	41 378
Private Banking	22 541	22 213
Investment Banking	21 995	19 165
Intangibles	136 452	36 620
Total group	593 060	311 037

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, refer to page 68.

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.

	Effective operational tax rates					
For the year ended 31 March	2011	2010	2011 £'000	2010 £'000	Variance £'000	% change
UK and Europe	24.6%	10.6%	(29 228)	(9 426)	(19 802)	(>100.0%)
Southern Africa	11.8%	23.5%	(35 357)	(69 297)	33 940	49.0%
Australia	284.9%	21.4%	(490)	(3 876)	3 386	87.4%
Tax	15.5%	20.6%	(65 075)	(82 599)	17 524	21.2%

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

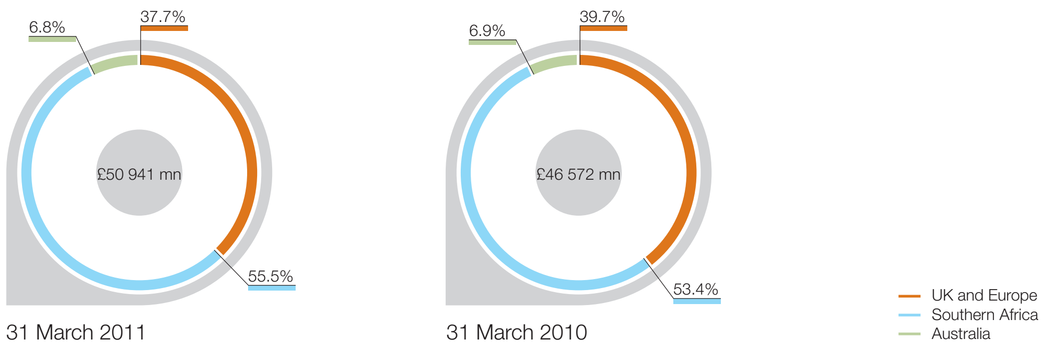
Information with respect to dividends and earnings per share is provided on pages 291 and 292 and pages 337 and 338.

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



Net tangible asset value per share

The group's net tangible asset value per share is reflected in the table below.

£'000	31 March 2011	31 March 2010
Shareholders' equity	3 647 573	2 954 982
Less: perpetual preference shares issued by holding companies	(394 207)	(378 071)
Less: goodwill and intangible assets (excluding software)	(564 726)	(282 264)
Net tangible asset value	2 688 640	2 294 647
Number of shares in issue (million)	810.0	741.0
Treasury shares (million)	(28.0)	(33.0)
Number of shares in issue in this calculation (million)	782.0	708.0
Net tangible asset value per share (pence)	343.8	324.1

Capital adequacy

We hold capital in excess of regulatory requirements targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited. Capital ratios are within the group's target range across all core geographies. Further information is provided on pages 206 and 207.

ROE – assessment of economic capital utilised

Return on capital by segment

The methodology applied in accessing the utilisation of the group's economic capital is as follows:

- A notional return on capital (net of the costs of subordinated debt) which is managed and borne in the centre is allocated from Group Services and Other Activities (GSO) to the business segments based on their total capital utilisation.

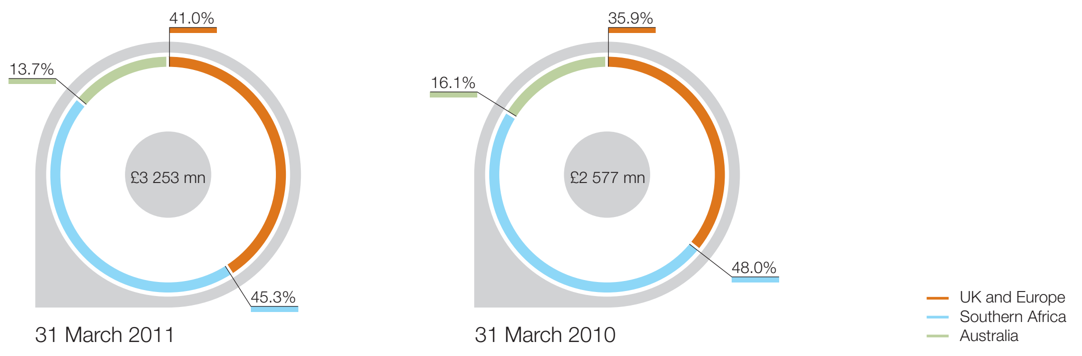
£'000	31 March 2011	31 March 2010	Average	31 March 2009	Average
Calculation of average ordinary shareholders' equity					
Ordinary shareholders' equity	3 253 213	2 576 759	2 914 986	1 997 342	2 287 051
Goodwill and intangible assets (excluding software)	(564 726)	(282 264)	(423 495)	(274 998)	(278 631)
Ordinary tangible shareholders' equity	2 688 487	2 294 495	2 491 491	1 722 344	2 008 420

£'000	31 March 2011	31 March 2010
Operating profit before goodwill impairment and non-operational items	423 444	413 456
Operating losses attributable to non-controlling interests	10 962	18 802
Preference dividends paid	(41 434)	(39 949)
Operating profit	392 972	392 309
Tax on ordinary activities	(65 075)	(82 599)
Operating profit after tax	327 897	309 710
Pre-tax return on average ordinary shareholders' equity	13.5%	17.2%
Post-tax return on average ordinary shareholders' equity	11.2%	13.5%
Pre-tax return on average ordinary tangible shareholders' equity	15.8%	19.5%
Post-tax return on average ordinary tangible shareholders' equity	13.2%	15.4%

ROE by geography

£'000	UK and Europe	Southern Africa	Australia	Total group
Total operating profit	122 447	300 564	433	423 444
Tax on profit on ordinary activities	(29 228)	(35 357)	(490)	(65 075)
Non-controlling interests	11 179	(490)	273	10 962
Preference dividends paid	(14 319)	(27 115)	–	(41 434)
Profit on ordinary activities after taxation – 31 March 2011	90 079	237 602	216	327 897
Profit on ordinary activities after taxation – 31 March 2010	99 461	195 933	14 316	309 710
Ordinary shareholders' equity – 31 March 2011	1 333 460	1 472 732	447 021	3 253 213
Goodwill and intangible assets (excluding software)	(500 585)	(18 654)	(45 487)	(564 726)
Tangible ordinary shareholders' equity – 31 March 2011	832 875	1 454 078	401 534	2 688 487
Ordinary shareholders' equity – 31 March 2010	926 184	1 237 783	412 792	2 576 759
Goodwill and intangible assets (excluding software)	(214 278)	(25 214)	(42 772)	(282 264)
Tangible ordinary shareholders' equity – 31 March 2010	711 906	1 212 569	370 020	2 294 495
Average ordinary shareholders' equity – 31 March 2011	1 129 822	1 355 258	429 906	2 914 986
Average ordinary shareholders' equity – 31 March 2010	872 460	1 058 307	356 284	2 287 051
Average tangible shareholders' equity – 31 March 2011	772 391	1 333 323	385 777	2 491 491
Average tangible shareholders' equity – 31 March 2010	656 915	1 034 399	317 106	2 008 420
Post-tax return on average ordinary shareholders' equity – 31 March 2011	8.0%	17.5%	0.1%	11.2%
Post-tax return on average ordinary shareholders' equity – 31 March 2010	11.4%	18.5%	4.0%	13.5%
Post-tax return on average tangible shareholders' equity – 31 March 2011	11.7%	17.8%	0.1%	13.2%
Post-tax return on average tangible shareholders' equity – 31 March 2010	15.1%	18.9%	4.5%	15.4%

Ordinary shareholders' equity by geography



ROE by division

£'000	AM*	WI*	PA*	PB*	IB*	CM*	GSO*	Total group
Total operating profit, after non-controlling interests	127 308	40 426	47 708	(91 441)	67 362	242 049	994	434 406
Notional return on regulatory capital	1 316	1 101	6 928	54 535	13 590	43 876	(121 346)	–
Notional cost of statutory capital	(10 096)	(2 443)	(6 374)	(133)	–	(21 792)	40 838	–
Cost of subordinated debt	(780)	(674)	(3 915)	(28 572)	(7 716)	(24 472)	66 129	–
Cost of preference shares	(362)	(343)	(1 684)	(13 041)	(3 509)	(12 001)	(10 494)	(41 434)
Absorption of additional residual costs**	(7 929)	(5 663)	(5 357)	(18 458)	(18 891)	(26 241)	82 539	–
Adjusted earnings/(losses) – 31 March 2011	109 457	32 404	37 306	(97 110)	50 836	201 419	58 660	392 972
Adjusted earnings – 31 March 2010	68 342	19 142	25 499	44 795	38 167	163 924	32 440	392 309
Ordinary shareholders' equity – 31 March 2011	141 608	373 166	112 775	1 099 642	285 909	1 078 395	161 718	3 253 213
Goodwill and intangible assets (excluding software)	(102 975)	(307 607)	(405)	(41 548)	(28 081)	(83 162)	(948)	(564 726)
Tangible ordinary shareholders' equity – 31 March 2011	38 633	65 559	112 370	1 058 094	257 828	995 233	160 770	2 688 487
Ordinary shareholders' equity – 31 March 2010	137 308	20 094	75 615	1 008 371	256 666	958 173	120 532	2 576 759
Goodwill and intangible assets (excluding software)	(109 543)	(3 253)	(396)	(40 908)	(44 963)	(83 201)	–	(282 264)
Tangible ordinary shareholders' equity – 31 March 2010	27 765	16 841	75 219	967 463	211 703	874 972	120 532	2 294 495
Average ordinary shareholders' equity – 31 March 2011	139 458	196 630	94 195	1 054 007	271 288	1 018 284	141 124	2 914 986
Average ordinary shareholders' equity – 31 March 2010	128 865	18 857	62 265	852 517	223 661	888 250	112 636	2 287 051
Average tangible shareholders' equity – 31 March 2011	33 199	41 200	93 795	1 012 779	234 766	935 103	140 649	2 491 491
Average tangible shareholders' equity – 31 March 2010	20 263	15 900	61 905	813 011	175 501	809 205	112 635	2 008 420
Pre-tax return on average ordinary shareholders' equity – 31 March 2011	78.5%	16.5%	39.6%	(9.2%)	18.7%	19.8%	41.5%	13.5%
Pre-tax return on average ordinary shareholders' equity – 31 March 2010	53.0%	101.5%	41.0%	5.3%	17.1%	18.5%	28.8%	17.2%
Pre-tax return on average tangible shareholders' equity – 31 March 2011	329.7%	78.7%	39.8%	(9.6%)	21.7%	21.5%	41.7%	15.8%
Pre-tax return on average tangible shareholders' equity – 31 March 2010	337.3%	120.4%	41.2%	5.5%	21.7%	20.3%	28.8%	19.5%

* *Where: 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*

** *This allocation represents a portion of the costs remaining in the centre which are indirectly allocated to operating divisions as they facilitate their operations but are excluded in calculating performance incentive remuneration. These allocations are based on managements' estimates of relative benefit derived.*

Total third party assets under management and operating income earned

	Third party assets under management (£'million)		Operating income earned from third party assets under management (£'000) for year ended 31 March 2011
	31 March 2011	31 March 2010	
Wealth and Investment*	29 448	27 139	156 239
Rensburg Sheppards plc and other international businesses	14 852	15 086	102 229
South Africa	14 596	12 053	54 010
Property Activities	292	261	3 896
UK and Europe	80	73	1 578
Southern Africa	46	61	640
Australia	166	127	1 678
Investec Asset Management	58 802	46 403	344 590
UK and international	30 765	21 666	179 010
Southern Africa	28 037	24 737	165 580
Australia Private Equity and Capital Markets	336	278	2 782
Total	88 878	74 081	507 507

A further analysis of third party assets under management

31 March 2011 £'million	UK, Europe and Other	Southern Africa	Australia	Total
Wealth and Investment*	14 852	14 596	–	29 448
– Discretionary	9 571	2 076	–	11 647
– Non–discretionary	3 164	12 520	–	15 684
– Other	2 117	–	–	2 117
Investec Asset Management	30 765	28 037	–	58 802
– Institutional	15 363	18 571	–	33 934
– Retail	15 402	9 466	–	24 868
Property Activities	80	46	166	292
Australia Private Equity and Capital Markets	–	–	336	336
Total third party assets under management	45 697	42 679	502	88 878

31 March 2010 £'million	UK, Europe and Other	Southern Africa	Australia	Total
Wealth and Investment*	14 709	12 053	377	27 139
– Discretionary	8 517	1 776	–	10 293
– Non–discretionary	3 082	10 277	–	13 359
– Other	3 110	–	377	3 487
Investec Asset Management	21 666	24 737	–	46 403
– Institutional	10 602	16 980	–	27 582
– Retail	11 064	7 757	–	18 821
Property Activities	73	61	127	261
Australia Private Equity and Capital Markets	–	–	278	278
Total third party assets under management	36 448	36 851	782	74 081

* *Now incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.*

Operating profit (before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests) per employee

By division	AM*	WI*	PA*	PB*	IB*	CM*	GSO*	Total group
Number of employees – 31 March 2011	1 071	976	81	2 096	390	1 334	1 289	7 237
Number of employees – 31 March 2010	968	211	77	2 232	371	1 089	1 175	6 123
Number of employees – 31 March 2009	925	208	78	2 200	366	1 060	1 114	5 951
Average employees – 12 months to 31 March 2011	1 020	594	79	2 164	381	1 212	1 232	6 682
Average employees – 12 months to 31 March 2010	947	210	77	2 216	369	1 075	1 144	6 038
Operating profit^ – Year to 31 March 2011 (£'000)	127 308	37 775	47 651	(91 702)	66 623	242 049	760	430 464
Operating profit^ – Year to 31 March 2010 (£'000)	83 412	14 253	33 479	37 656	41 387	179 060	31 416	420 663
Operating profit per employee^^ – 31 March 2011 (£'000)	124.8	63.6	603.2	(42.4)	174.9	199.7	0.6	64.4
Operating profit per employee^^ – 31 March 2010 (£'000)	88.1	67.9	434.8	17.0	112.2	166.6	27.5	69.7

By geography	UK and Europe	Southern Africa	Australia	Total group
Number of employees – 31 March 2011	2 709	4 101	427	7 237
Number of employees – 31 March 2010	1 862	3 883	378	6 123
Number of employees – 31 March 2009	1 803	3 794	354	5 951
Average employees – 12 months to 31 March 2011	2 286	3 993	403	6 682
Average employees – 12 months to 31 March 2010	1 833	3 839	366	6 038
Operating profit^ – Year to 31 March 2011 (£'000)	129 890	300 129	445	430 464
Operating profit^ – Year to 31 March 2010 (£'000)	111 448	290 419	18 796	420 663
Operating profit per employee^^ – 31 March 2011 (£'000)	56.8	75.2	1.1	64.4
Operating profit per employee^^ – 31 March 2010 (£'000)	60.8	75.6	51.4	69.7

* *Where: 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*

^ *Excluding operating income from associates.*

^^ *Based on average number of employees over the period.*

Number of employees

By division – permanent employees	31 March 2011	31 March 2010
Asset Management		
UK, Europe and Other	314	272
Southern Africa	672	627
Total	986	899
Wealth and Investment		
UK and Europe	663	–
Southern Africa	256	200
Total	919	200
Property Activities		
UK and Europe	3	5
Southern Africa	57	57
Australia	11	8
Total	71	70
Private Banking		
UK and Europe	404	502
Southern Africa	1 355	1 382
Australia	176	179
Total	1 935	2 063
Investment Banking		
UK, Europe and Hong Kong	169	164
Southern Africa	139	145
Australia	47	41
USA	15	13
Total	370	363
Capital Markets		
UK and Europe	798	587
Southern Africa	452	431
Australia	69	43
Total	1 319	1 061
Group Services and Other Activities		
UK and Europe	272	245
Southern Africa	749	700
Australia	95	83
Total	1 116	1 028
Total number of permanent employees	6 716	5 684

By geography	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
UK and Europe	2 606	1 763	1 706	1 812	1 294
SA and Other	3 680	3 542	3 541	3 666	3 476
Australia	401	356	354	424	235
USA	29	23	22	12	5
Temporary employees and contractors	521	439	328	419	420
Total number of employees	7 237	6 123	5 951	6 333	5 430

Divisional review

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

Asset Management

Investec Asset Management is a specialist investment manager of third party assets on behalf of its clients.

Business profile

Established in South Africa in 1991, Investec Asset Management has achieved consistent, organic growth since inception.

The business has grown from domestic roots in the UK and Southern Africa to a position where we serve a growing international client base from the Americas, Europe, Asia, the Middle East, Australia and Africa. We employ over 125 investment professionals. The firm is still managed by its founding members, representing continuity and stability throughout the firm's successful growth.

Investec Asset Management is a significant component and independently managed subsidiary of the Investec group.

Our investment teams are organised around seven core investment capabilities servicing our primarily institutional and professional client base around the globe.

Capabilities and organisational structure

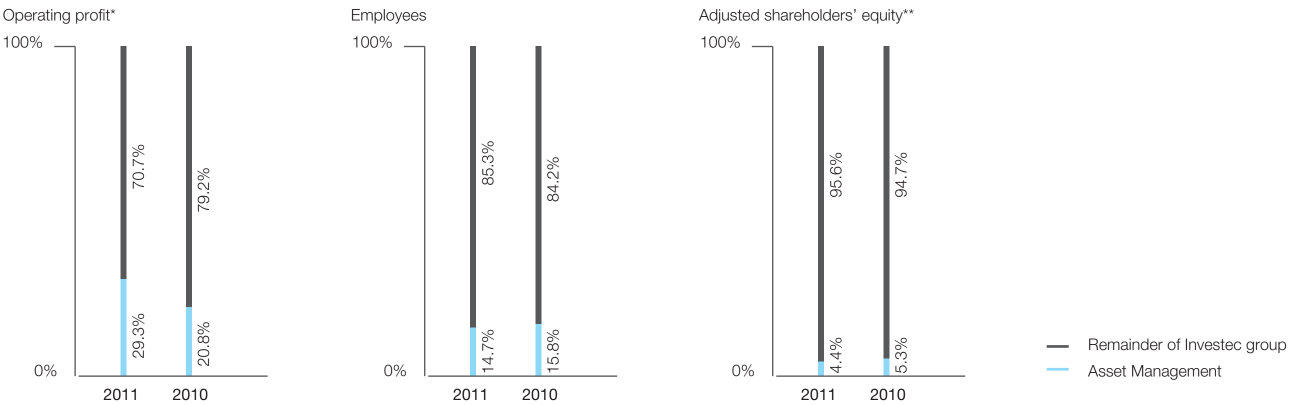
Review of operating environment

During the year under review, our business has benefited from the continued recovery of financial asset prices, supported by monetary accommodation from central banks in many developed economies as well as higher savings rates in the western world. The current economic environment is supportive of asset management businesses. Of concern is the relentless regulatory change impacting on the asset management industry. Our portfolio of investment capabilities is well positioned to serve current and future investor demand and our global client reach and focus on the institutional market have acted as stabilising factors in a world subject to dramatic changes in regulatory agendas, demography and relative risk perceptions.

Financial analysis

- 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.

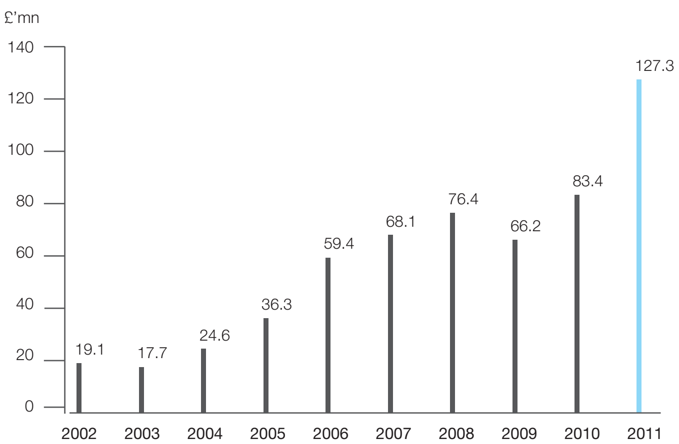
Contribution analysis



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

** As calculated on page 49.

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.*

Income statement analysis

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	2 989	1 977	1 012	51.2%
Net fee and commission income	339 104	243 599	95 505	39.2%
Other income	2 497	5 209	(2 712)	(52.1%)
Total operating income	344 590	250 785	93 805	37.4%
Impairment losses on loans and advances	29	5	24	>100.0%
Operating costs	(216 947)	(166 943)	(50 004)	30.0%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	127 672	83 847	43 825	52.3%
Earnings attributable to non-controlling interests	(364)	(435)	71	(16.3%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	127 308	83 412	43 896	52.6%
UK and international	53 002	25 335	27 667	>100.0%
Southern Africa	74 306	58 077	16 229	27.9%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	127 308	83 412	43 896	52.6%
Ordinary shareholders' equity*	141 608	137 308	4 300	3.1%
ROE (pre-tax)*	78.5%	53.0%		
Return on tangible equity (pre-tax)*	329.7%	337.3%		
Cost to income ratio	63.0%	66.6%		
Operating profit per employee (£'000)*	124.8	88.1	36.7	41.7%

* *As calculated on pages 49 and 51.*

The variance in operating profit over the year can be explained as follows:

United Kingdom and international

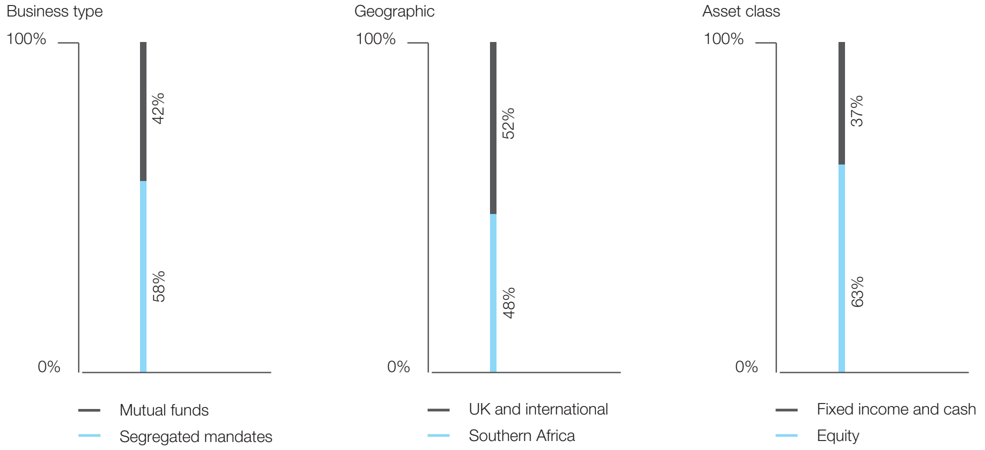
- Operating profit in the UK and international business increased by 109.2% to £53.0 million
- The increase in profitability of the UK and international business is due to higher average assets under management, positive net flows and increased performance fees
- Performance fee revenue increased to £20.4 million (2010: £4.2 million).

Southern Africa

- Operating profit in the Southern Africa business increased by 27.9% to £74.3 million
- The increase in profitability of the Southern Africa business is due to higher average assets under management and increased performance fees
- Performance fee revenue increased to £31.0 million (R346 million) (2010: £24.6 million (R285 million)).

Analysis of key earnings drivers (assets under management)

Assets under management*



Movement in assets under management*

	£'million			R'million
	Total	UK and international	Southern Africa	Southern Africa
31 March 2010	46 403	21 666	24 737	274 828
Net flows	7 427	7 287	140	1 426
Market/FX movement	4 972	1 812	3 160	28 789
31 March 2011	58 802	30 765	28 037	305 043

Developments

- We continue to deepen our distribution footprint and develop our seven investment capabilities
- We had record net inflows for the year of £7.4 billion and assets under management were £58.8 billion at the end of the year
- Segregated mandates have performed well; on a weighted-average AUM basis, IAM's capabilities have all outperformed their benchmarks since either inception or GIPS (Global Investment Performance Standards) inception
- 81% by value and 67% by number of our mutual funds are in the first and second quartile over three years
- 70% by value and 71% by number of our mutual funds are in the first and second quartile over five years.

* *On a managed basis.*

Investec Asset Management in the UK mutual fund industry

£'million	2011	2010	2009	2008
IAM assets under management	9 383	6 839	3 736	4 322
Total industry size	583 201	510 897	347 897	432 672
Market share	1.6%	1.3%	1.1%	1.0%
Size ranking in industry	22nd of 100	28th of 104	30th of 110	33rd of 109
Industry net retail sales	23 091	27 166	7 997	6 705
IAM % of net industry retail sales	6.0%	4.9%	(1.8%)	5.9%

Sourced from Investment Management Association data.
Statistics as at 31 March, sales for the 12 month period.

Investec Asset Management in the South African unit trust industry

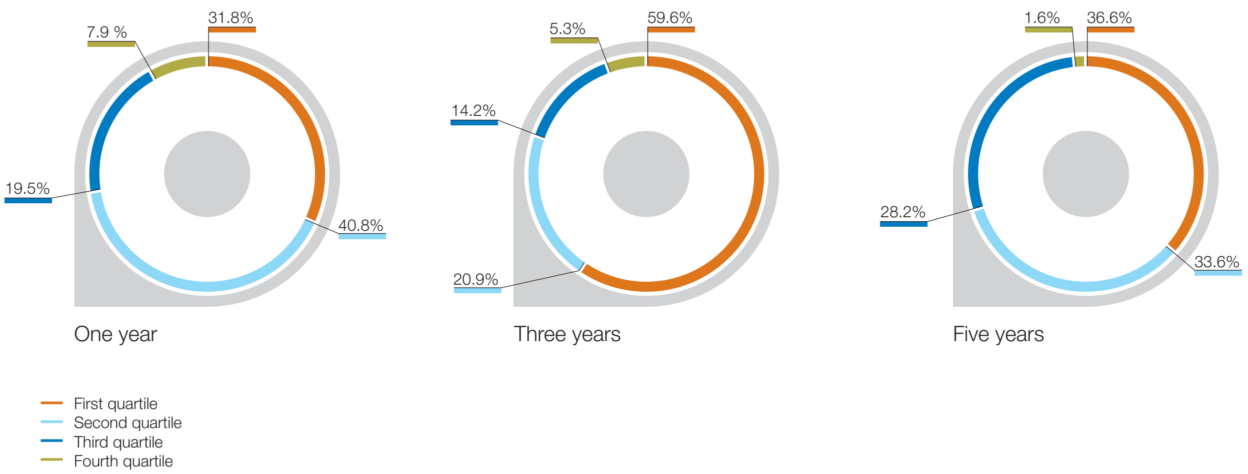
R'million	2011	2010	2009	2008
IAM assets under management	94 417	78 967	57 155	63 809
Total industry size	1 034 623	888 363	715 719	658 073
Market share	9.1%	8.9%	8.0%	9.7%
Size ranking in industry	4th of 38	4th of 39	5th of 39	4th of 39
Industry net sales	131 835	92 277	79 469	57 504
IAM % of net industry sales	10.1%	16.6%	3.0%	8.4%

Sourced from Association for Savings and Investment South Africa data.
Statistics as at 31 March, sales for the 12 month period.

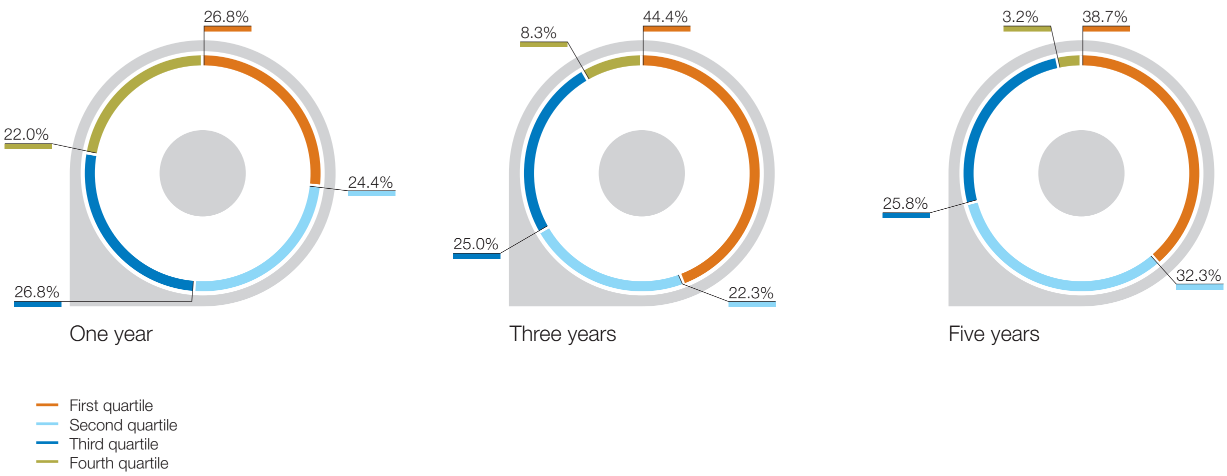
Investment performance

Mutual fund investment performance

By value of funds

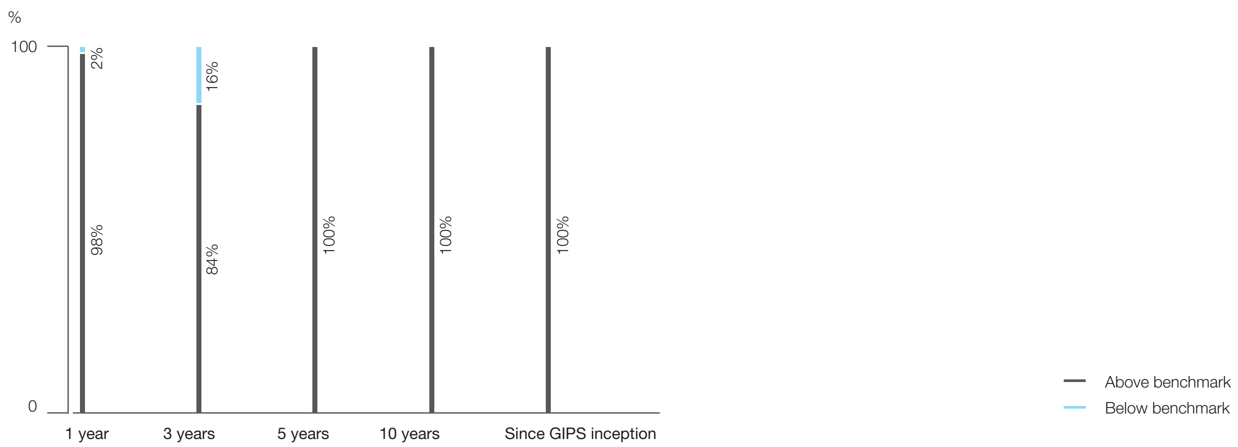


By number of funds



Calculated from Lipper and Morningstar data.
Excludes cash, cash plus and liquidity funds.

Investment performance of segregated mandates



Calculated by Investec Asset Management, capability weighted.

Looking forward we will continue to support broader communities and the environment, with no planned changes in strategy.

Outlook

- The risks for our business include market levels, key staff retention, reputational risk and investment performance
- Momentum is positive and the business is benefiting from sustained performance over many years.

Sustainability considerations

As an active asset manager focused on the long term, sustainability is a core focus. As such we see ourselves as stewards of our clients' capital. We demonstrate this by actively managing our client investments and exercising their shareholder rights to the best of our ability, seeking to maximise long-term value for them. Accordingly a deeper understanding of sustainability is fundamental to our reputation and track record, and as such we have developed a stewardship policy that reflects our philosophy and approach. We have committed our business to engendering this approach and integrating sustainability considerations, as appropriate, into our internal research and investment processes.

High quality relationships with our employees, clients and communities in which we operate are at the core of our business. This is illustrated through:

- Integrating the assessment of relationships into the performance development review process, thus making it part of the remuneration procedure
- Providing leadership training to every person responsible for managing a team/staff member
- Embedding the relationship dimension alongside the results dimension in everything we do.

In order to build on previous employment equity initiatives in South Africa and to ensure ongoing momentum, Investec Asset Management in South Africa established an employee and management selected employment equity forum in 2008. Feedback from this forum is raised with the management team in order to ensure follow through and ongoing transformation within our business.

Given our African roots, we are conscious of the needs of broader communities. We have committed ourselves to using our skills, experience and resources to make a sustainable, positive impact on society. Our corporate social investment approach focuses on education and partnering initiatives that support local communities.

The environment matters to us. Ongoing staff involvement in environmental activities takes place primarily through our locally based Investec Green Teams. They represent groups of employees who seek to raise staff awareness of how to become more environmentally responsible.

Investec Asset Management is an investor signatory to the Carbon Disclosure Project and is also a signatory to the UN Principles for Responsible Investment. In terms of new products, the Investec TDI (targeted development investment) Balanced fund, an unconstrained balanced strategy, invests in assets that have a clear and demonstrated 'socially responsible' character and provides attractive sustainable real returns over the long term. Our clients are also starting to request greener mandates on the institutional side and the Investec RI Equity fund which seeks to integrate environmental, social and governance factors within traditional fundamental analysis reflects a response to this emerging trend.

In summary as long-term managers of 'other people's money' we are deeply aware our broader responsibility to our stakeholders and to society at large.

Wealth and Investment

Business profile

The Wealth and Investment division comprises the following:

- Rensburg Sheppards group
- Private Bank Wealth Management, UK, Europe and Other (effective 1 July 2010)
- Wealth and Investment, South Africa.

UK and Europe

Rensburg Sheppards

Rensburg Sheppards provides investment management services for private clients, charities, pension schemes and trusts, and independent financial planning advice for private clients and businesses. Over 600 staff operate from offices across the UK. With £12.7 billion of funds under management, Rensburg Sheppards is one of the UK's leading private client investment management businesses.

The services provided by Rensburg Sheppards include:

- Investments and savings
  - Discretionary and advisory portfolio management services for private clients
  - Specialist investment management services for charities, pension schemes and trusts
  - Independent financial planning advice for private clients and businesses.
- Pensions and retirement
  - Discretionary investment management for company pension and self invested personal pension (SIPP) schemes
  - Advice and guidance on pension schemes, life assurance and income protection schemes.
- Tax planning and mitigation
  - Individual and corporate tax planning services, including individual savings accounts (ISAs) and venture capital trusts
  - Inheritance tax planning.

On 31 May 2011, Rensburg Sheppards was renamed Investec Wealth and Investment.

Private Bank Wealth Management, UK, Europe and Other

The process of integrating the UK Private Bank Wealth Management business into the Rensburg Sheppards group is ongoing.

South Africa

The creation of the Wealth and Investment division in South Africa is the result of the recent merger of the South African Private Bank's Wealth Management division with Investec Private Client Securities on 1 April 2010.

Investec Wealth and Investment South Africa provides investment management and stockbroking services for private clients, charities, pension funds and trusts. Over 290 staff operate from eight offices across South Africa. With R22.6 billion of funds under full discretionary management and a further R136.2 billion of funds under various other forms of administration, Investec Wealth and Investment is one of SA's leading private client investment management businesses.

Wealth and Investment (continued)

Management structure

Global head of Wealth and Investment	Steve Elliott

UK and Europe

Rensburg Sheppards

Chief executive	Jonathan Wragg
Chief operating officer	Judy Price
Marketing	Aidan Lisser
Settlements	Ann Mosey
Chief investment officer	Chris Hills
Finance	Iain Hooley
Research	John Haynes
IT	Lio Lopez-Welsch
Human resources and treasury	Mark Redmayne
Compliance and risk management	Mike Rigby
Regional heads	David Bulteel
	Simon Kaye
	Jon Seal
	Tom Street

Wealth management

Head: UK, Europe and Other	Steve Elliott

South Africa

Chief executive	Henry Blumenthal
Chief operating officer	Joubert Hay
Regional heads: Cape Town	Jonathan Bloch
	Stephen Glanz
Regional head: Durban	Craig Hudson
Regional head: Johannesburg	Paul Deuchar
Regional head: Pietermaritzburg	Andrew Smythe
Regional head: Port Elizabeth	Andy Vogel
Regional head: Pretoria	Peter Kempen
Research	Peter Armitage
Investment specialists	Raymond Goss
	Sean Caveney
Finance	Bella Ferreira
IT	Lyndon Subroyen
Risk Management	Alex Harding
Settlements	Hennie de Waal
Compliance	Bernadette Ghenne

Review of operating environment

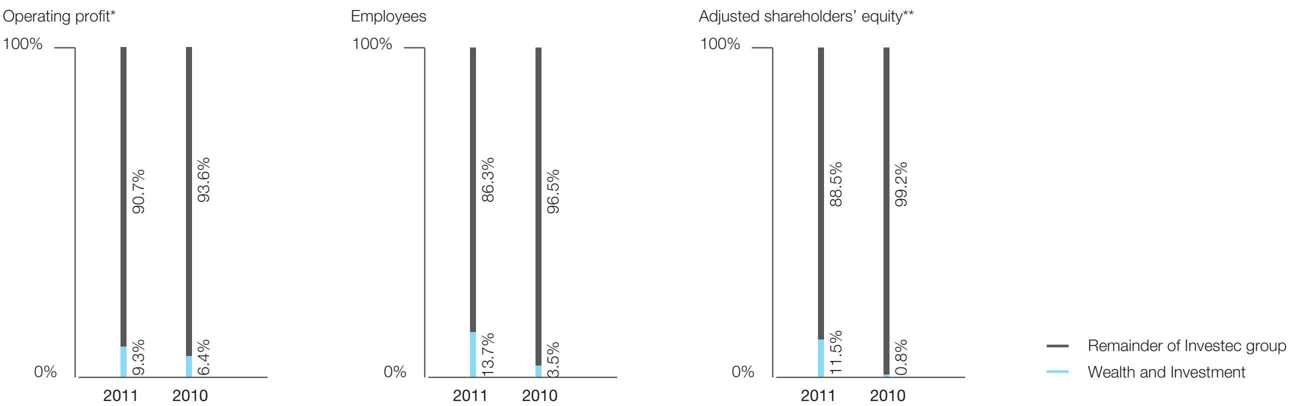
Financial markets have moved into uncertain territory following the unprecedented two year post crisis rally of 2009 and 2010. Investors are becoming increasingly wary of recent global events, particularly the spectre of a European country debt default. Economic recovery in most developed markets is evidently slower than originally expected and this, together with recent volatility in commodity prices and an imminent slowdown in government stimulus related spending, is causing a shift in investment behavior towards a more cautious bias.

This, more recent rise of investor anxiety has led to a decline in private client risk appetite and a consequent reduction in equity turnover for our core target market. In addition to this, our industry is experiencing some pressure in equity trading margins as competitors seek to protect market share.

Financial analysis

- 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.

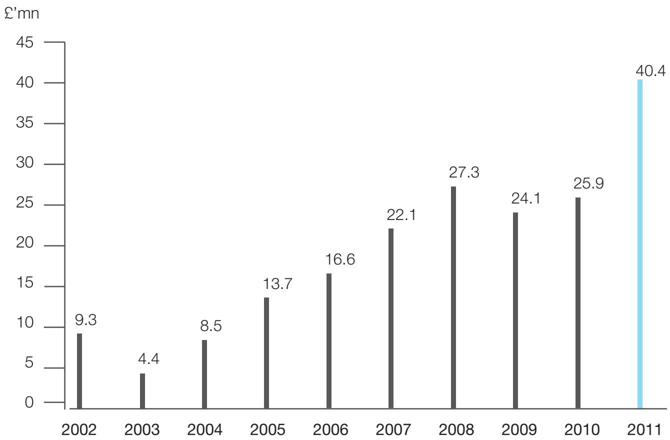
Contribution analysis



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

** *As calculated on page 49.*

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.*

Income statement analysis

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	7 281	2 392	4 889	>100.0%
Net fee and commission income	147 641	36 852	110 789	>100.0%
Principal transactions	(1 334)	1 023	(2 357)	(>100.0%)
Other operating income and operating income from associates	2 651	11 634	(8 983)	(77.2%)
Total operating income	156 239	51 901	104 338	>100.0%
Operating costs	(115 813)	(26 014)	(89 799)	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	40 426	25 887	14 539	56.2%
UK and Europe	25 008	11 637	13 371	>100.0%
Rensburg Sheppards	27 686	11 204	16 482	>100.0%
Other UK and Europe businesses	(2 678)	433	(3 111)	(>100.0%)
South Africa	15 418	14 250	1 168	8.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	40 426	25 887	14 539	56.2%
Ordinary shareholders' equity*	373 166	20 094	353 072	>100.0%
ROE (pre-tax)*	16.5%	101.5%		
Return on tangible equity (pre-tax)*	78.7%	120.4%		
Cost to income ratio	74.1%	50.1%		
Cost to income ratio excluding income from associates	75.4%	64.6%		
Operating profit per employee (£'000)*	63.6	67.9	(4.3)	(6.3%)

* *As calculated on pages 49 and 51.*

The variance in operating profit over the year can be explained as follows:

- The merger with the Private Bank Wealth Management business became effective on 1 April 2010. The South African business has benefited from higher assets under management. Results as reported in Rands have, however, been negatively impacted by increased personnel costs resulting from the merger, higher IT costs and lower earnings on deal driven and asset swap activities
- On 30 March 2010, it was announced that Investec and Rensburg Sheppards plc had reached agreement on the terms of a recommended all share offer under which Investec would acquire the entire issued and to be issued ordinary share capital of Rensburg Sheppards plc not already owned by it. Following shareholder and regulatory approvals the acquisition became effective on 25 June 2010. Prior to this date Investec's 47.1% interest in Rensburg Sheppards plc was accounted for as an associate. As a result of requirements under new accounting rules, the group was required to fair value its existing 47.1% holding in Rensburg Sheppards plc at the point it acquired the remaining 52.9%. This has resulted in an exceptional gain of £73.5 million (net of acquisition costs). The group issued 37.9 million shares to acquire the remaining shares in Rensburg Sheppards plc for a consideration of £180.4 million. This consideration combined with the existing fair valued holding resulted in the recognition of goodwill and intangibles of £198.5 million and £133.4 million, respectively Further detail is provided below. The Rensburg Sheppards group comprised two principal trading subsidiaries, Rensburg Sheppards Investment Management Limited (RSIM) and Rensburg Fund Management (RFM). RFM was sold in January 2011
- The UK Private Bank Wealth Management business became part of the Wealth and Investment division with effect from 1 July 2010.

Further analysis of operating income

UK and Europe

Rensburg Sheppards

£'000	Actual reported results year to 31 March 2011#	For illustrative purposes^	
		Year to 31 March 2011	Year to 31 March 2010
Net interest income	4 265	5 414	5 136
Net fee and commission income	84 581	109 997	102 487
– Annuity fees	61 013	79 076	72 199
Trail commission	4 184	5 474	4 993
Fees earned on funds under management	53 646	69 537	63 235
Other*	3 183	4 065	3 971
– Deal/non-recurring fees	23 568	30 921	30 288
Dealing commission	20 877	27 272	26 980
Other**	2 691	3 649	3 308
Share of associate income	2 135	–	–
Total operating income	**90 981**	**115 411**	**107 623**

* *Comprises income from the provision of financial planning and corporate ISA services and other miscellaneous income.*

** *Comprises profit on sale of units of unit trusts (RFM) and administration/other miscellaneous income.*

^ *Disclosure reflects the full year results of the Rensburg Sheppards business as if it were a stand alone group.*

Rensburg Sheppards became a wholly-owned subsidiary of the Investec group on 25 June 2010. Prior to this date, Rensburg Sheppards was accounted for as an associate.

South Africa

£'000	Year to 31 March 2011	Year to 31 March 2010
Net interest income	1 638	2 392
Net fee and commission income	51 945	36 852
– Annuity fees	49 983	34 676
Trail commission	8 245	1 817
Fees earned on funds under management	35 636	28 348
Other^^	6 102	4 511
– Deal/non-recurring fees	1 962	2 176
Other##	1 962	2 176
Other income***	427	1 023
Total operating income	**54 010**	**40 267**

^^ *Mainly comprises JSET, admin and other miscellaneous fees.*

Mainly brokerage fees.

*** *Mainly comprises income from specialised securities.*

Accounting for the acquisition of Rensburg Sheppards plc

£'000	Book value	Fair value
Loans and advances to banks	65 449	65 449
Investment securities	2 193	1 320
Deferred taxation assets	2 095	2 095
Other assets	97 865	97 865
Property plant and equipment	4 921	4 378
Intangible assets	34 764	133 356
Assets	207 287	304 463
Deposits by banks	534	534
Current taxation liabilities	8 823	6 915
Deferred taxation liabilities	9 996	35 951
Other liabilities	93 931	100 746
Subordinated liabilities	18 125	18 125
Liabilities	131 409	162 271
Net assets/fair value of net assets	75 878	142 192
Goodwill*		198 520
Fair value of consideration		340 712
Acquisition of 52.9% holding (i.e. 23.3 million shares) on 25 June 2010**		180 440
Fair value of 47.1% holding (i.e. 20.7 million shares)**		160 272
Carrying value of 47.1% holding at 25 June 2010		80 752
Fair value gain arising on acquisition		79 520
Investec costs of acquisition of 52.9% holding		(6 055)
Net gain in income statement		73 465

* *The goodwill of £198.5 million arising from the acquisition consists largely of the benefits expected to arise from the enhancement of the group's Wealth and Investment offering through the combination of Rensburg Sheppards plc with the group's existing Wealth and Investment business. None of the goodwill is expected to be deductable for corporation tax purposes.*

** *As calculated in relation to the 37.9 million Investec plc shares issued for the remaining 52.9% shares in Rensburg Sheppards plc at £4.76; which valued Rensburg Sheppards at approximately £7.76 per share, Rensburg Sheppards plc had 43.9 million shares in issue.*

For the post-acquisition period 26 June to 31 March 2011, the operating income of Rensburg Sheppards plc totalled £87.9 million and profits before taxation and amortisation of client relationships totalled £25.6 million. The operating income of Investec would have been £1 662.1 million and profits before taxation and amortisation of client relationships would have totalled £416.1 million if the acquisition of Rensburg Sheppards plc had been on 1 April 2010 as opposed to 25 June 2010.

Analysis of key earnings drivers (total funds under management)

	£'million		
	31 March 2011	31 March 2010	% change
UK, Europe and Other	14 852	15 086	(1.6%)
Discretionary	9 571	8 517	12.4%
Non-discretionary and other	5 281	6 569	(19.6%)
South Africa	14 596	12 053	21.1%
Discretionary	2 076	1 776	16.9%
Non-discretionary	12 520	10 277	21.8%
Total	29 448	27 139	8.5%

UK, Europe and Other: analysis of key earnings drivers (funds under management and inflows)

Funds under management as at	£'million		% change
	31 March 2011	31 March 2010	
Rensburg Sheppards	12 735	12 899	(1.3%)
Discretionary	9 571	8 517	12.4%
Non-discretionary	3 164	3 082	2.7%
Other^	–	1 300	(100.0%)
UK, Europe and Other*	2 117	2 187	(3.2%)
Total	14 852	15 086	(1.6%)

^ *Reflects outflows relating to RFM, valued at 31 March 2010. RFM was sold on 18 January 2011.*

* *Now incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.*

Further analysis of Rensburg Sheppards Investment Management business

	31 March 2011	31 March 2010	% change
Funds under management (£'billion)	12.74	11.60	9.8%
FTSE/APCIMS Private Investors Balanced Index (at period end)	2 985	2 862	4.3%
Annual underlying rate of net organic growth in total funds under management**	4.2%	6.0%	
% of total funds managed on a discretionary basis	75.2%	73.4%	

** *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.*

Analysis of funds under management	£'billion		% change
	31 March 2011	31 March 2010	
At the beginning of the period	11.60	8.93	29.9%
Inflows	1.08	1.06	1.9%
Inflows – acquired	–	0.05	(100.0%)
Outflows	(0.59)	(0.52)	13.5%
Outflows – exceptional	–	(0.58)	100.0%
Market adjustment^^	0.65	2.66	(75.6%)
At the end of the period	12.74	11.60	9.8%

^^ *Impact of market movement and relative performance.*

South Africa: analysis of key earnings drivers (funds under management and inflows)

Funds under management as at	R'million		% change
	31 March 2011	31 March 2010	
Discretionary	22 585	19 726	14.5%
Non-discretionary#	136 216	114 168	19.3%
Total	158 801	133 894	18.6%

Net inflows/(outflows) at cost over the period	R'million	
	31 March 2011	31 March 2010
Discretionary	1 182	537
Non-discretionary	11 544	(999)
Total	12 726	(462)

\# *Now incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.*

Developments

UK and Europe

Rensburg Sheppards

- Equity markets declined during the first quarter of the financial year, before beginning a gradual recovery during the remainder of the year and ending the year in positive territory (the FTSE 100 index ended the year 5% higher than it started). The level of the equity markets is a key factor influencing the value of client portfolios and funds under management (the others being investment performance and net organic growth in clients) and hence the level of investment management fee income
- The Edinburgh office, which was opened two years ago, continued to deliver its planned growth
- The sale of RFM, the Rensburg Sheppards group's unit trust management business which accounted for approximately 10% of the Rensburg Sheppards group, was successfully completed in January 2011. The company was sold to Franklin Templeton Global Investors Limited (UK) for a cash consideration of £45 million
- The Financial Services Compensation Scheme levied an exceptional contribution from investment management businesses to meet the cost of compensating investors who suffered losses following the failure of investment firm Keydata. Rensburg Sheppards Investment Management incurred a levy of £2.45 million during the year in respect of Keydata (which was accounted for as a pre-acquisition cost).

South Africa

- The merger process is progressing reasonably well with a new operational team and management structures in place. In line with our medium-term strategy, the next few months will be dedicated to entrenching a common aspiration throughout the business to acquire new advisory and discretionary assets in an endeavour to drive future annuity income growth supported by good investment management performance.

Outlook

UK and Europe

Rensburg Sheppards

- While equity markets have improved during the year, the economic outlook remains uncertain. Future performance will be influenced significantly by the level of the equity markets
- Rensburg Sheppards will continue to seek to achieve net organic growth in funds under management of 5% per annum
- Market expectations are for an increase in the UK base rate during the second half of the financial year from its historic low level. This would have a positive impact on performance as it will increase the margin on interest earned on client money deposits
- Conversely, the Individual Liquidity Adequacy Standards (ILAS) regulations, which are beginning to affect the way that banks categorise certain deposits, including those made by RSIM, may put downward pressure on the rates which can be negotiated on deposits in the future. The full effect of these regulations is yet to emerge and the company is continuing to monitor developments and seek to mitigate the risk that the margin earned on clients' and firm's deposits going forward may reduce
- The conclusions and proposals of the retail distribution review (RDR) continue to be debated. This review is seeking to change professional qualification requirements, increase the transparency of charging structures, and tighten the rules governing firms' rights to promote themselves as independent advisers. A significant recommendation of the review is that unit trust trail commission be phased out. The full impact that the RDR will have on the industry remains unclear and the progress of the review and its potential consequences are being monitored by a specific committee within RSIM.

South Africa

- While equity markets have improved during the year, the economic outlook remains uncertain. Future performance will be influenced significantly by the level of the equity markets and the direction of the Rand
- Cost growth in the new financial year will be lower than the year under review and the newly merged business is well positioned to leverage off a more streamlined cost and operational base
- The turnover line will be influenced by the success of the business in increasing the value of managed assets, both by attracting new assets and converting non-discretionary assets to discretionary assets, with the addition of new managed mandates/funds. With a relatively stable fixed cost base, there is a high level of operating leverage to an increase in turnover
- Potential further relaxation of exchange controls provides both risk and opportunity. While asset swap revenues could come under additional pressure, our international fund of funds should help offset this source of revenue with a higher quality annuity revenue stream.

Property Activities

Business profile

UK and Europe

The overall strategy is to align the strategic focus of the UK business with that of South Africa.

South Africa

Investec Property is one of South Africa's pre-eminent property operations. The business has built strong expertise within the specialist areas of:

- Property fund and asset management

  We manage property portfolios to maximise returns and capital growth of property assets over time

- Development

  We develop, re-develop and refurbish properties within the office, retail, industrial, residential and land conversion sectors using our extensive experience and skill

- Trading and acquisitions

  The division sources buildings or land opportunities with the specific intention of adding or unlocking value and ultimately trading the assets in order to optimise the return.

Australia

The Australian Property division focuses on the following activities:

- Property investments, trading and development
- Property fund and asset management
- Property backed distressed debt acquisitions.

Management structure

Global head of Property	Sam Hackner
Deputy chairman	Sam Leon
UK and Europe	
Regional head	Sam Hackner
Property Projects	Robin Magid
South Africa	
Property Projects	Robin Magid
Investec Property fund	Sam Leon
Finance and operations	Dave Donald
Australia	
Regional head	Graeme Katz
Finance and operations	Darrell Godin

Review of operating environment

The South African commercial property market (rent producing) has weathered the impact of the global economic downturn more favourably than its international counterparts. The property development environment is relatively uncertain and difficult to anticipate due to pressures on capital funding from financial institutions. The property industry relies on a well regulated environment within which to operate. Changes in this environment are impacting on planning and development, availability of services and deeds' registration. To manage the impact of the changing legislative and operating environment, the business has ensured that it is well prepared and adequately staffed.

The Australian property market has seen some interesting developments and gone through what would appear to be some fundamental changes over the past year:

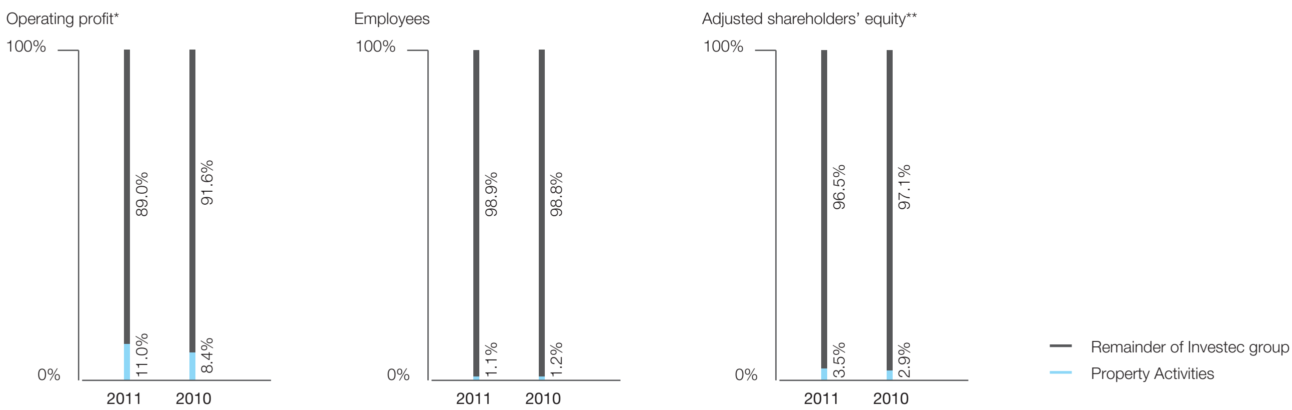
- Listed property players continue to stabilise their capital structures and refocus on core business
- Valuations and senior debt availability appear to be stabilising, but remain conservative
- Property fundamentals are beginning to stabilise and the general consensus is that the market is at or near the end of the downward cycle
- Increasing M&A activity in the local market, with a number of acquisitions/mergers and management changes, although still in the early stages
- The fund management environment is fundamentally different, with many retail fund management players no longer operating independently
- Limited material unlisted capital raisings, particularly opportunistically, with current focus on smaller, yielding syndicates.

Overall, despite increasing market confidence, many investors remain cautious. Over time we anticipate investor confidence returning, but in the near term likely to be focused on yield and certainty of investment. However, in contrast, many opportunities continue to present themselves in the development and opportunistic area for the principal investor who can take advantage of the recent downturn to acquire projects from pressurised vendors.

Financial analysis

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

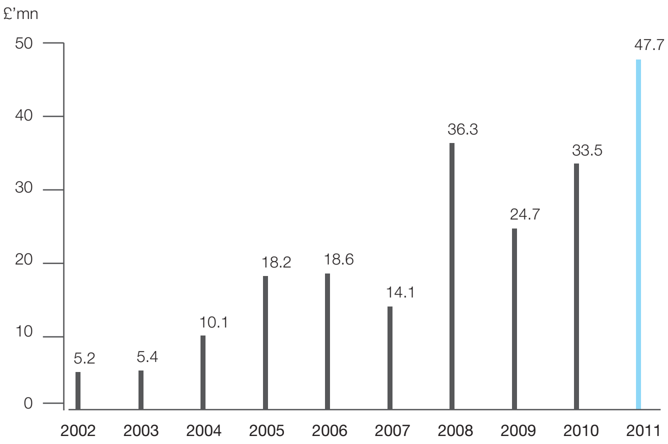
Contribution analysis



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

** *As calculated on page 49.*

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.*

Income statement analysis

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	(1 595)	(7 513)	5 918	78.8%
Net fee and commission income	22 808	15 375	7 433	48.3%
Other income	52 385	45 599	6 786	14.9%
Total operating income	73 598	53 461	20 137	37.7%
Operating costs	(25 890)	(19 982)	(5 908)	29.6%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**47 708**	**33 479**	**14 229**	**42.5%**
UK and Europe	375	825	(450)	(54.5%)
Southern Africa	40 178	31 582	8 596	27.2%
Australia	7 155	1 072	6 083	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**47 708**	**33 479**	**14 229**	**42.5%**
Ordinary shareholders' equity*	112 775	75 615	37 160	49.1%
ROE (pre-tax)*	39.6%	41.0%		
Return on tangible equity (pre-tax)*	39.8%	41.2%		
Cost to income ratio	35.2%	37.4%		
Operating profit per employee (£'000)*	603.2	434.8	168.4	38.7%

* *As calculated on pages 49 and 51.*

The variance in operating profit over the year can be explained as follows:

- In South Africa, the revaluation of investment properties net of funding costs amounted to R485 million (2010: R398 million).
- The Australian business benefited from a successful equity raising, a discounted distressed debt acquisition and the sale of investments.

Analysis of key earnings drivers (funds under management)

Total funds under management as at	£'million 31 March 2011	£'million 31 March 2010	% change	Home currency 'million 31 March 2011	Home currency 'million 31 March 2010	% change
UK and Europe	80	73	9.6%	£80	£73	9.6%
South Africa	46	61	(24.6%)	R503	R677	(25.7%)
Australia	166	^127	30.7%	A$258	^A$211	22.3%
	292	261	11.9%			

^ *Restated due to change in calculation methodology for Property funds.*

Developments

Southern Africa

- The business has successfully formed a new diversified property fund in South Africa valued at R1.7 billion comprising Investec group owned assets. The fund was listed on the JSE Limited in April 2011
- Successfully procured development and re-development projects for major clients
- The business has cemented its status as a premier industrial developer.

Australia

- The Investec Property Opportunity fund enters its final year, with some of its major assets fully completed and others anticipated to complete construction by mid 2011
- A second opportunity fund, Investec Property Opportunity fund no. 2 (IPOF2) was raised during the year, with A$38.6 million of committed equity
- The Toga Accommodation fund resumed distributions and reached the end of its initial five year life, subsequently moving into the anticipated two year liquidity period during which we will facilitate an exit for investors
- We acquired a portfolio of distressed loans which we aim to realise over the next two years.

Outlook

Southern Africa

- The business has a substantial pipeline of development and re-development projects
- The listing of the fund enhances capacity to procure new business and grow assets under management
- The business will continue to embark on trading and development of identified assets on a deal by deal basis
- The business aims to fully invest the Investec GLL Global Special Opportunities (GSO) Real Estate fund I. Total capital committed to the fund is €150 million.

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
- We intend to fully invest IPOF2 by 2012. Thereafter we will continue to source and manage value adding property opportunities for both the balance sheet and investors while actively managing investments currently underway through to maturity.

We influence sustainability policy formulation through our membership on the Green Building Council of South Africa, the South African Property Owners' Association and the South African Council of Shopping Centres.

Sustainability considerations

Despite the reality that economic returns still drive the long-term sustainability of our business, we recognise the importance of investing in communities.

Our sustainability approach focuses on:

- Driving environmental strategies around paper recycling, building and construction design and energy saving
- Catering for multinational tenants requiring green star rated buildings
- Encouraging our investors to be conscious of the necessity for 'green building' practices
- Conducting an environmental impact assessment of property development projects where we are cognisant of environmental degradation
- Encouraging every team member to attend and/or participate in activities associated with sustainability, e.g. talent fairs, road shows, business updates, and social and well-being presentations
- Engaging in and supporting corporate social investment initiatives and encouraging employees to do the same.

Our employees are integral to the success of the business. We encourage the development of entrepreneurial skills in the specialist areas of property investments, property developments and property analysis. Our focus is on retaining employees with the required skills set and relevant experience. The division participates in the group's graduate training programme, specifically focusing on Bachelor of Science Property Studies students.

The South African business has made good progress in addressing employment equity during the past three years but recognises that a few challenges remain. We have exceeded the targets set at senior manager and semi-skilled/discretionary decision maker occupational levels.

A portion of Property's budget is allocated each year for specific external corporate social investment activity, usually in the form of donations.

Private Banking

Business profile

Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes ultra high net worth individuals, active wealthy entrepreneurs, high income professionals, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors.

Private Banking focuses on the following activities:

Banking

We deliver a number of personal savings, transactional activities and mortgage services for individuals, as well as cash management and treasury products for businesses.

Growth and acquisition finance

We focus on providing mezzanine or composite debt funding and minority equity investment to assist entrepreneurs, management teams and private equity houses to implement acquisition and organic growth strategies in mid-market companies.

Specialised lending

We are specialists in providing structured debt solutions for high net worth individuals with complex borrowing requirements.

Structured property finance

We play an integral role in the financing of property acquisitions and development transactions for our commercial and residential clients through delivery of senior debt, mezzanine and equity funding structures.

Trust and fiduciary

Our Trust and Fiduciary business focuses on the delivery and administration of appropriate financial structures which hold financial and non-financial assets for our clients.

Investec Private Bank positions itself as the 'investment bank for private clients', offering both credit and investment services to our select clientele.

Management structure

Global head of Private Banking	Steven Heilbron
UK and Europe	
Regional heads	Avron Epstein Paul Stevens
Chief operating officer	Chris Forsyth
Structured property finance	Gary Dobson
Specialised lending	David Drewienka
Growth and acquisition finance	Ed Cottrell
Specialised banking	Wayne Preston Linda McBain
Trust and fiduciary	Xavier Isaacs
Investec Bank Channel Islands	Stephen Henry
Investec Bank Ireland	Michael Cullen
Marketing	Linda McBain
Finance	Liza Jacobs
IT	Alan Bletcher
South Africa	
Country head	Colin Franks
Chief operating officer	Jodi Joseph
Risk management	Mark Trollip
Credit risk	Anthony Church
Banking	Kobus Burger
Strategic projects	Grant Hartland
IT	Graeme Lockley
Regional head: Cape Town	Rob Nicolella
Regional head: Durban	Brendan Stewart
Regional head: Johannesburg	Brett Copans
Regional head: Port Elizabeth	Dion Millson
Regional head: Pretoria	Charl Wiid
Australia	
High income transactional banking	Barry Lanesman
Structured property finance	Paul Hanley
Specialised lending	Paul Hanley
Growth and acquisition finance	Paul Hanley
Private wealth management	Paul Hanley

Treasury and operations in Australia have been centralised.

Review of operating environment

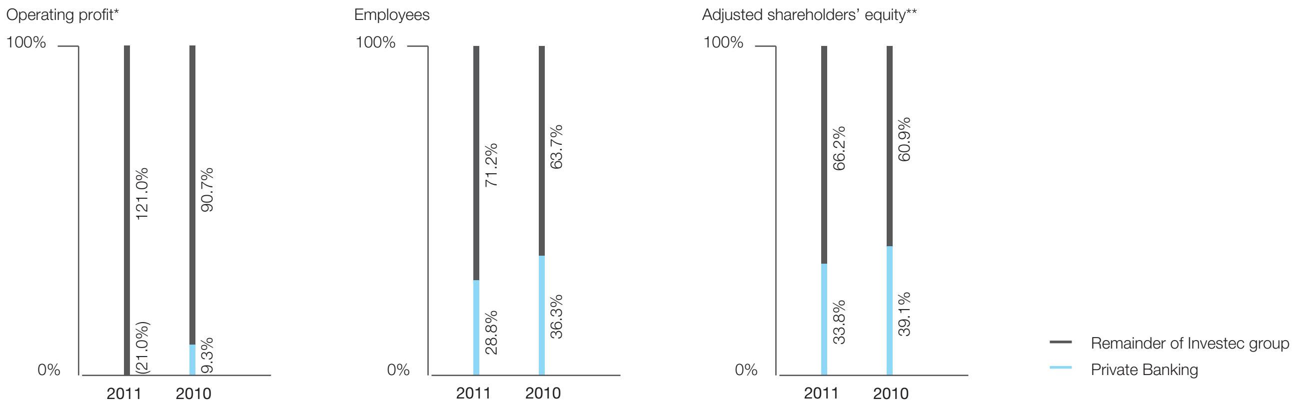
In each of the geographies in which we operate, private clients were materially impacted by the global financial crisis. Private clients experienced significant wealth erosion resulting in risk aversion, reduced appetite for leverage and a focus on balance sheet management.

This in turn had a significant impact on each of our business units resulting in materially reduced activity and increased impairment levels over the past two and half years. In response to these conditions the businesses have been through rigorous strategic reviews and restructuring. Economic recovery has been slower than anticipated but across all geographies we have now started to experience an increase in activity levels.

Financial analysis

- 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.

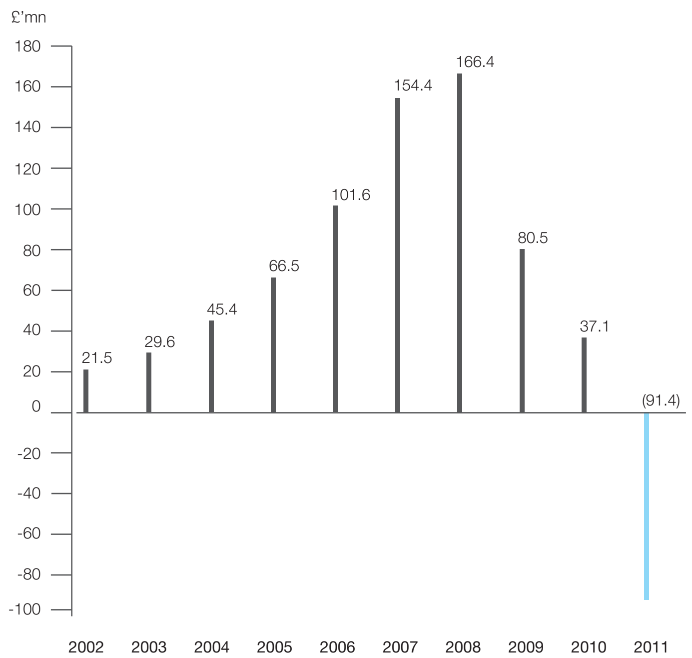
Contribution analysis



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

** *As calculated on page 49.*

Operating profit/(loss)^ – 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.*

Private Banking (continued)

Income statement analysis

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	295 249	287 121	8 128	2.8%
Net fee and commission income	70 963	91 344	(20 381)	(22.3%)
Principal transactions	33 027	12 578	20 449	>100.0%
Other operating income	348	(498)	846	>100.0%
Total operating income	399 587	390 545	9 042	2.3%
Impairment losses on loans and advances	(244 976)	(115 195)	(129 781)	(>100.0%)
Operating costs	(246 052)	(238 298)	(7 754)	3.3%
Operating (loss)/profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**(91 441)**	**37 052**	**(128 493)**	**(>100.0%)**
UK and Europe	(84 041)	6 545	(90 586)	(>100.0%)
Southern Africa	2 990	29 330	(26 340)	(89.8%)
Australia	(10 390)	1 177	(11 567)	(>100.0%)
Operating (loss)/profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**(91 441)**	**37 052**	**(128 493)**	**(>100.0%)**
Ordinary shareholders' equity*	1 099 642	1 008 371	91 271	9.1%
ROE (pre-tax)*	(9.2%)	5.3%		
Return on tangible equity (pre-tax)*	(9.6%)	5.5%		
Cost to income ratio	61.6%	61.0%		
Operating (loss)/profit per employee (£'000)*	(42.4)	17.0	(59.4)	(>100.0%)

* *As calculated on pages 49 and 51.*

The variance in operating loss over the year can be explained as follows:

- The increase in net interest income is mainly due to improved lending margins and a growth in the loan portfolio in South Africa. In the UK and Europe net interest income has been negatively impacted by increased liquidity levels
- Net fees and commissions receivable have decreased as a result of lower lending activity levels in prior periods, the closure of the trust office in Guernsey and the successful migration of the Private Bank Wealth Management business to the new Investec Wealth and Investment pillar
- Principal transactions include the revaluations and realisations of equity and warrant positions held. The increase in principal transactions reflects the realisation of equity holdings in the UK and Europe and the increased value of equity held in South Africa
- Impairment losses on loans and advances have increased substantially in the UK and Europe and South African businesses. In the UK and Europe this is due to the limited improvement in the UK economic situation combined with the continued difficult operating environment in Ireland. The increase in South Africa is due to a slower than expected recovery in the default book. Refer to pages 40 and 41 for further commentary on the group's view on impairments
- The increase in expenses was mainly driven by the increase in average headcount in South Africa. In the UK and Europe expenses decreased due to a drop in the average headcount related to the migration of the Private Bank Wealth Management business to the new Investec Wealth and Investment pillar and the significant restructuring of the Irish business at the beginning of the financial year.

Further analysis of operating income and impairments

Operating income £'000	UK and Europe		Southern Africa		Australia		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Structured Property Finance	54 739	80 999	88 286	75 676	16 827	19 882	159 852	176 557
Growth and Acquisition Finance	21 129	9 600	44 007	26 757	6 094	5 776	71 230	42 133
Specialised Lending	4 758	8 334	13 630	16 455	274	–	18 662	24 789
Banking	23 544	21 021	78 868	53 626	26 434	26 053	128 846	100 700
Wealth Management	3 162	13 937	–	7 161	2 019	2 003	5 181	23 101
Trust and Fiduciary	14 028	21 012	1 788	2 253	–	–	15 816	23 265
Total	121 360	154 903	226 579	181 928	51 648	53 714	399 587	390 545

Impairments £'000	UK and Europe		Southern Africa		Australia		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Structured Property Finance	(106 554)	(53 794)	(56 953)	(16 151)	(24 162)	(15 986)	(187 669)	(85 931)
Growth and Acquisition Finance	(17 496)	(484)	(17 043)	(7 613)	(84)	(266)	(34 623)	(8 363)
Specialised Lending	463	(1 405)	(3 029)	(792)	–	–	(2 566)	(2 197)
Banking	(194)	250	(17 182)	(16 242)	(2 616)	(2 884)	(19 992)	(18 876)
Wealth Management	–	–	–	175	–	–	–	175
Trust and Fiduciary	(110)	–	(16)	(3)	–	–	(126)	(3)
Total	(123 891)	(55 433)	(94 223)	(40 626)	(26 862)	(19 136)	(244 976)	(115 195)

Net operating income £'000	UK and Europe		Southern Africa		Australia		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Structured Property Finance	(51 815)	27 205	31 333	59 525	(7 335)	3 896	(27 817)	90 626
Growth and Acquisition Finance	3 633	9 116	26 964	19 144	6 010	5 510	36 607	33 770
Specialised Lending	5 221	6 929	10 601	15 663	274	–	16 096	22 592
Banking	23 350	21 271	61 686	37 384	23 818	23 169	108 854	81 824
Wealth Management	3 162	13 937	–	7 336	2 019	2 003	5 181	23 276
Trust and Fiduciary	13 918	21 012	1 772	2 250	–	–	15 690	23 262
Total	(2 531)	99 470	132 356	141 302	24 786	34 578	154 611	275 350

Analysis of key earnings drivers (loans and deposits)

£'million As at	UK and Europe 31 March 2011	UK and Europe 31 March 2010	Southern Africa 31 March 2011	Southern Africa 31 March 2010	Australia 31 March 2011	Australia 31 March 2010	Total 31 March 2011	Total 31 March 2010
Residential property	1 447	1 502	3 346	2 850	424	383	5 217	4 735
Residential property investment	547	532	325	168	41	146	913	846
Residential mortgages (owner occupied)	191	178	2 548	2 189	67	41	2 806	2 408
Residential property development	537	589	134	139	218	135	889	864
Residential estates/land	172	203	339	354	98	61	609	618
Commerical property	1 538	1 581	3 475	3 702	609	602	5 622	5 885
Commercial property investment	986	1 160	3 061	3 267	555	568	4 602	4 995
Commercial property land	281	322	288	303	28	18	597	643
Commercial property development	271	99	126	132	26	16	423	247
Other	535	565	1 405	1 183	815	695	2 755	2 443
Asset backed lending	252	226	204	339	530	529	986	1 094
Unlisted securities and general corporate lending	82	75	580	336	117	99	779	510
Unsecured lending	57	74	134	130	66	48	257	252
Other	144	190	486	378	102	19	733	587
Total gross core loans and advances	3 520	3 648	8 225	7 735	1 848	1 680	13 594	13 063
Specific impairments	(142)	(58)	(85)	(27)	(26)	(30)	(253)	(115)
Portfolio impairments	–	(5)	(14)	(10)	(2)	(1)	(16)	(16)
Net core loans and advances	3 378	3 585	8 127	7 698	1 820	1 649	13 325	12 932
Asset quality								
Gross defaults	331	205	550	399	222	211	1 103	815
Collateral value	(291)	(149)	(651)	(521)	(211)	(206)	(1 153)	(876)
Impairments	(142)	(63)	(99)	(37)	(28)	(31)	(269)	(131)
Net defaults (limited to zero)	–	–	–	–	–	–	–	–
Gross defaults as a % of gross core loans and advances	9.4%	5.6%	6.7%	5.2%	12.0%	12.5%	8.1%	6.2%
Defaults (net of impairments) as a % of net core loans and advances	5.6%	4.0%	5.5%	4.7%	10.7%	10.9%	6.2%	5.3%
Credit loss ratio	3.5%	1.5%	1.2%	0.6%	1.5%	1.3%	1.8%	1.0%

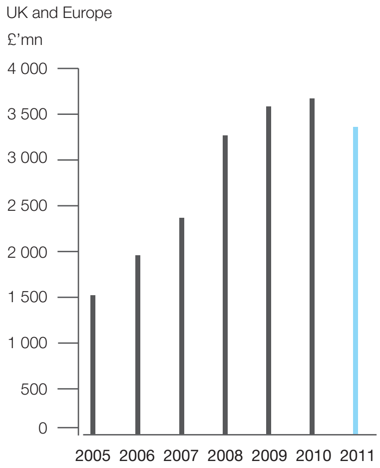
* *Further information on the type of lending we undertake within the division and the asset quality of the loan portfolio is provided on pages 135 to 141.*

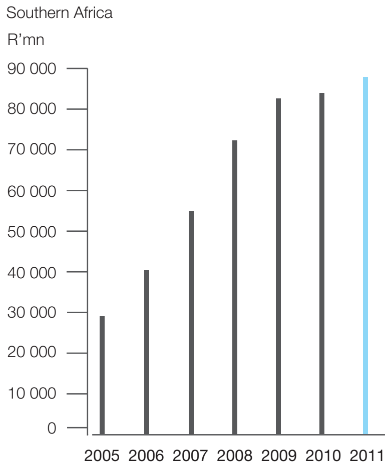
Net core loans and advances as at	£'million 31 March 2011	£'million 31 March 2010	£'million % change	Home currency 'million 31 March 2011	Home currency 'million 31 March 2010	Home currency 'million % change
UK and Europe	3 378	3 585	(5.8%)	£3 378	£3 585	(5.8%)
Southern Africa	8 127	7 698	5.6%	R88 374	R85 500	3.4%
Australia	1 820	1 649	10.4%	A$2 825	A$2 730	3.5%
	13 325	12 932	3.0%			

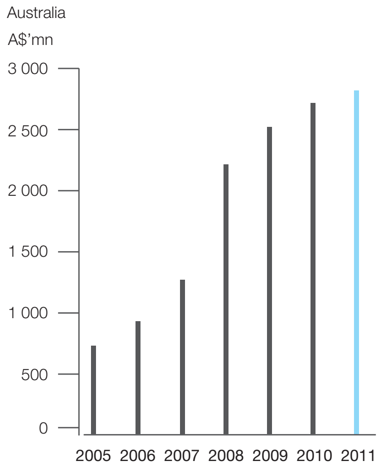
Total deposits as at	£'million 31 March 2011	£'million 31 March 2010	£'million % change	Home currency 'million 31 March 2011	Home currency 'million 31 March 2010	Home currency 'million % change
UK and Europe	6 100	6 308	(3.3%)	£6 100	£6 308	(3.3%)
Southern Africa	5 155	4 607	11.9%	R56 081	R51 181	9.6%
Australia	1 211	851	42.3%	A$1 877	A$1 413	32.8%
	12 466	11 766	5.9%			

Further analysis of key earnings drivers

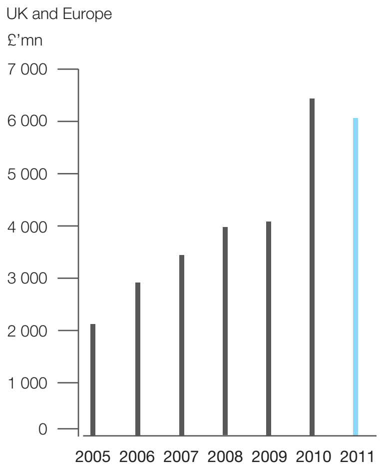
Net core loans and advances

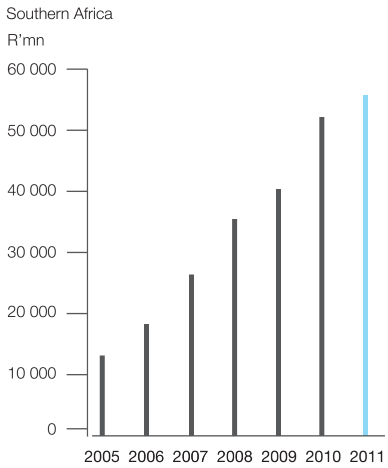


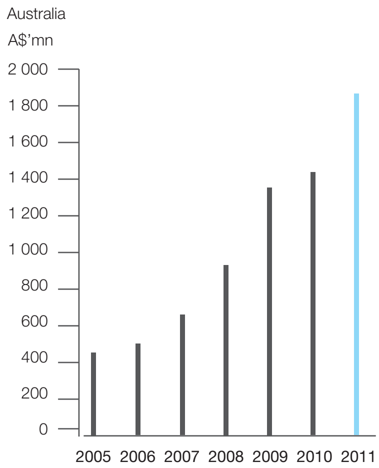




Deposits







Trend reflects numbers as at the year ended 31 March.

Developments

UK and Europe

- Private Bank UK and Europe can be analysed in three distinct sub-sets for the year to March 2011: the UK banking business, Ireland and the Trust business
- The UK banking business has experienced:
  - Continued moderate increases in activity levels across all lending specialisations
  - Increased impairments as a result of the limited improvement in the economic situation
  - A stable cost of funds and opportunities to reprice loans to reflect the new market conditions
  - Low deposit raising activities as the group focuses on managing the cost of funds and levels of surplus liquidity
  - A series of new product launches aimed at diversifying our portfolio of deposit products
  - A focused team in place to explore and develop transactional banking capabilities.
- The Private Bank Wealth Management business was migrated into Investec Wealth and Investment with effect from 1 July 2010
- The Irish operating environment has continued to be very difficult resulting in increased impairments over the period. No new business is being written within this geography
- The Trust business has been subject to an extensive strategic review over the period resulting in the closure of the Guernsey based Trust business and a significant reduction in headcount in the Jersey based business. The emphasis now is the development of new business opportunities.

Southern Africa

- The Private Bank continues to be active in the raising of retail deposits. However, growth was muted due to the lack of support for cash as an asset class and the low interest rate environment
- Lending activity levels have improved compared with the previous year. Due to significant growth in repayments, overall asset growth was subdued
- Revaluations and realisations of equity stakes and profit shares contributed significantly to operating income
- The economic environment remains subdued and contributed to an increase in impairments, while also delaying the exit of some of the larger non-performing transactions. Exit opportunities on residential leisure developments in particular are very limited at present
- In line with the strategy to consolidate the Wealth and Investment business, the Private Bank Wealth Management business was integrated into this pillar from 1 April 2010
- A renewed focus on core banking activities is currently in progress, aiming to improve the offering and client experience to target market individuals.

Australia

- In order to achieve operational efficiencies within this geography, the Private Bank was rationalised into two business units; namely High Income Transactional Banking and Private Client Investment Banking. All divisional operational support and treasury activities were centralised
- The Private Client Investment Banking business has three key areas of focus; that is, structured property finance, specialised lending and growth and acquisition finance
- The structured property finance book continued to experience elevated levels of impairments
- The Private Wealth Management business unit, lacking a stockbroking platform, will be divested early in the new financial year.

Outlook

The Private Bank is cautiously optimistic as we anticipate a gradual economic recovery. The past six months have shown an increase in activity as our entrepreneurial private clients' risk appetite returns. This is supported by a healthy pipeline and an improvement in the impairment outlook.

UK and Europe

- The key objectives remain broadly consistent with those stated in September 2010. These are to:
  - Entrench our positioning with the entrepreneurial class
  - Drive down our cost of funds and diversify our funding channels
  - Diversify the loan portfolio away from property
  - Achieve an appropriate risk reward ratio on all assets
  - Balance cost containment with investment for the future
  - Diversify revenue streams through the development of non-interest income
  - Provide a fresh alternative to our selected clients within transactional banking.

Southern Africa

- The key objectives for the forthcoming period are:
  - Restoration of profitability largely due to improved activity levels in both lending and funding activities and an anticipated reduction in impairments
  - Growing our client base within our key target markets
  - Reduce the risk profile through increased focus on lower risk lending activities
  - Increase in annuity income through a focus on banking activities and transactional activities
  - Diversifying deposit base
  - Balance cost containment with investment for the future.

Australia

High Income Transactional Banking

- The business has grown substantially over the past year and the investment in infrastructure ensures a base for solid growth
- Critical objectives are to:
  - Continue to focus on dominating the medical markets
  - Maintain losses and arrears at current low levels
  - Maintain current margins
- New products launched through the year will grow the business through broadening relationships
- Profitability to grow substantially through control of expenses and benefits of scale.

Private Client Investment Banking

- An increasing interest rate environment and relatively subdued economic activity in non-mining sectors will continue to exert pressure on the non-performing loan portfolio. We therefore expect impairments to remain at elevated levels over the short term
- The critical objective of the Private Client Investment Banking business is to generate non lending, advisory fee income.

We have seen partnerships in our business around 'green issues and business' and we are considering ways that we can empower change in this area.

Sustainability considerations

Investec Private Bank has distinguished itself as a sustainable and diversified banking business, with a compliant and risk conscious culture. Our approach to sustainability is based on:

- Our clients: client engagement is core to our business and our belief in partnership
- Our profitability: forms the basis of our business model, taking into account the economy and how it affects our clients
- Our people: the talent within our business
- Our environment: the planet and how we engage the challenges we face.

Over the past year our focus has been on keeping staff morale high and creating opportunities for the business and individuals to grow. Our internal people strategy emphasises the creation of an environment of accountability and responsibility and making emotional connections with staff. We also focus on the creation of stability and retaining/growing talent, as well as ensuring transformation and succession planning in the division. Core areas of emphasis are: learning and development programmes, addressing identified skills gaps, engagement through performance development programme processes, talent retention and people strategy sessions with Organisational Development.

During the past year, our South African business has focused on increasing its learning and development spend on employment equity and maintaining a conscious awareness of employment equity responsibilities, broadly in line with its objectives for junior and middle level roles. Moving forward we see a need to engage with transformation specialists in order to identify gaps and to become more representative of the South African talent pool.

In February 2011 the Private Bank in Johannesburg launched a solar water geyser initiative, where employees were offered the opportunity to finance solar water geysers for their homes through the Private Bank. For every three solar water geysers purchased by staff members, one is installed in a low-cost housing project through the Investec social enterprise fund, enabling a family in need to gain access to hot water. We are the first corporate to offer such a financing model to employees. This will be rolled out to other offices in South Africa during 2011.

Our CSI activity centres around:

- Supporting staff initiatives in the form of collections and donations to projects and charities of their choice
- Directing funds to skills development and broad food security projects.

We have seen partnerships in our business around 'green issues and business' and we are considering ways that we can empower change in this area. This can be done through carefully leveraged equity stakes and profit share type transactions with clients engaging in renewable energy and water related activities. Our focus would be for these to have a strong social enterprise slant where we see great benefit at the bottom end of the economic pyramid.

Investment Banking

Business profile

The Investment Banking division engages in a range of investment banking activities and positions itself as an integrated business focused on local client delivery with international access. We target clients seeking a highly customised service, which we offer through a combination of domestic depth and expertise within each geography and a client centric approach.

Our activities include: corporate finance, institutional research, sales and trading and principal investments.

Our target market includes: listed and unlisted companies, fund managers, government and parastatals.

UK and Europe

- The UK business offers a full service mid-market investment banking capability comprising both corporate finance and securities
- Corporate finance activities include:
  - M&A services
  - Corporate broking
  - Strategic advice
  - IPO's and secondary fundraisings
  - Debt advisory.
- Securities activities include:
  - Equity research covering over 80% of the UK All Share Index and select European equities
  - Distribution in the UK, USA and Europe
  - Market making in UK and European equities.

Southern Africa

Corporate Finance

The Corporate Finance division in South Africa focuses on the following activities:

- Financial advisory
  - M&A including disposals
  - Corporate and balance sheet restructuring
  - Privatisation
  - Corporate BEE transactions (partner selection, structuring, full negotiation, debt raising)
  - Fair and reasonable opinions.
- Equity capital markets
  - Primary listings (primary capital raisings) and inward listings
  - Secondary issues (rights offers/vendor placings/issues for cash)
  - Share buy-backs.
- Sponsor services
  - JSE/Securities Regulation Panel liaison and compliance.

Institutional Research, Sales and Trading

Institutional Research, Sales and Trading is a specialist South African equity broker which targets both the local and foreign institutional and hedge fund investor. The offering is presented on a single platform providing clients with access to broad-based, in-depth South African centric research and sales, equity execution, electronic trading, prime broking services and a selection of equity derivative instruments.

Principal Investments

We invest in businesses using our balance sheet and apply a buy, build and grow strategy to deliver superior, sustainable returns through a combination of insightful investing, strategic participation and long-term trusted partnerships.

We invest directly into private companies or work as a specialist team to buy out public companies.

We back management teams through building trusted partnerships focusing on organic growth combined with bolt-on acquisitions to help build considerable, sustainable businesses, fund new technologies, expand working capital, make acquisitions and strengthen balance sheets.

Investment Banking (continued)

Australia

The business in Australia offers an integrated service including advisory, private equity and direct investment activities.

Hong Kong

- Investec Asia Limited was formed in Hong Kong in 2005 and focuses on making direct equity-related investments in greater China on behalf of the Investec group. Investec Asia Limited opened a representative office in Beijing in 2010 to facilitate relationships with its growing client base in China
- Investec finalised the acquisition of Access Capital Limited in April 2011, and changed its name to Investec Capital Asia Limited. Investec Capital Asia Limited is a licensed entity regulated by the Hong Kong Securities and Futures Commission that has been providing investment banking services to clients based in Greater China since 2000.

Management structure

Global head of Investment Banking	Andy Leith
UK and Europe	
Regional head	David Currie
Corporate Finance	David Currie
Securities	Clive Murray
Operations	Leanne Gordon-Kagan
Finance	Ray Milner
Southern Africa	
Regional head	Andy Leith
Corporate Finance	Kevin Kerr
	Hugo Steyn
Institutional Research, Sales and Trading	Kevin Brady
Principal Investments	Vincent Langlois
Finance: Corporate Finance and Principal Investments	Robert Slater
	Caroline Thomson
Operations: Institutional Research, Sales and Trading	Joubert Hay
Australia	
Regional head	Christian Nicks
Hong Kong	
Regional head	Richard Forlee

Review of operating environment

In the UK, the market has recovered reflecting the FTSE 100's exposure to growth in emerging economies. Despite this the UK economy remains under pressure as government austerity measures take hold. Trading volumes have remained low over the last year and have returned to levels last seen in 2000. However, there are tentative signs that the M&A and IPO markets are starting to improve as the corporate sector has gained in confidence and de-leveraged over the last couple of years. The landscape however, remains highly competitive.

In South Africa market activity has remained muted over the past 12 months with total JSE activity recording a 12% improvement. The agency component of this has actually contracted slightly over the period, down 2%.

Competition in the institutional broking space has intensified over the past year. This has been driven by a combination of new entrants to the equity market along with some brokers rebuilding their teams post the financial crisis.

The hedge fund industry has experienced a challenging year as the closure of some high profile hedge funds resulted in the contraction of assets in the industry. However, improving visibility on regulatory issues is lifting interest in the industry and while tentative at this point, the industry seems to have stabilised.

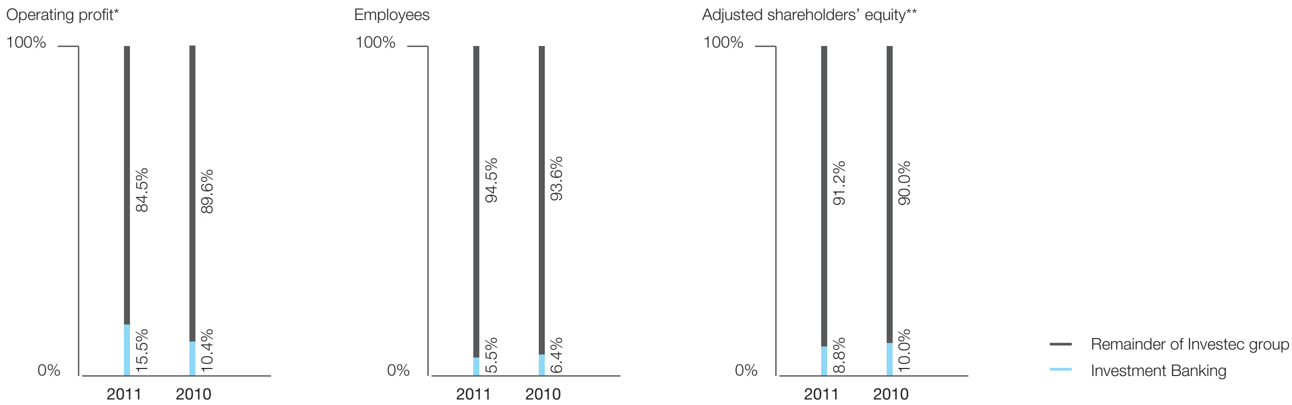
For corporate finance in South Africa we expect local and cross-border M&A transactions to continue to drive activity, even though increased regulation and governance effects deal lead time.

The Australian M&A and capital markets remain challenging but are showing signs of improvement.

Financial analysis

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

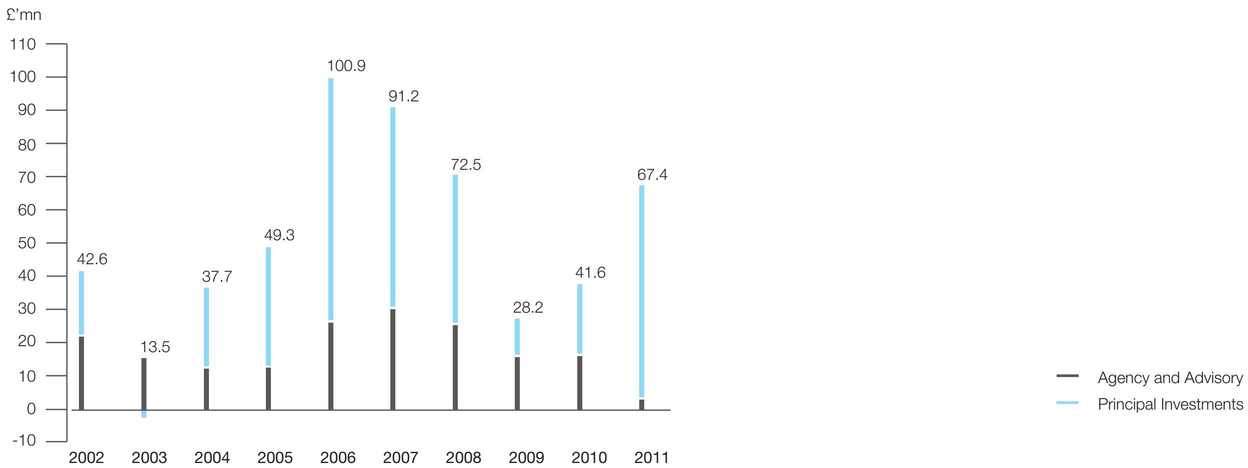
Contribution analysis



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

** As calculated on page 49.

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.*

Investment Banking (continued)

Income statement analysis

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	(338)	(7 265)	6 927	95.3%
Net fee and commission income	79 089	71 088	8 001	11.3%
Principal transactions	114 117	80 985	33 132	40.9%
Other operating income and operating income from associates	8 267	16 238	(7 971)	(49.1%)
Total operating income	201 135	161 046	40 089	24.9%
Impairment losses on loans and advances	223	(2 566)	2 789	>100.0%
Operating costs	(146 155)	(133 035)	(13 120)	9.9%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	55 203	25 445	29 758	>100.0%
Earnings attributable to non-controlling interests	12 159	16 123	(3 964)	(24.6%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	67 362	41 568	25 794	62.1%
Corporate Finance	7 581	2 016	5 565	>100.0%
Institutional Research, Sales and Trading	(4 230)	4 904	(9 134)	(>100.0%)
Principal Investments	64 011	34 648	29 363	84.7%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	67 362	41 568	25 794	62.1%
UK, Europe and Other	8 887	(4 399)	13 286	>100.0%
Southern Africa	65 191	45 694	19 497	42.7%
Australia	(6 716)	273	(6 989)	(>100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	67 362	41 568	25 794	62.1%
Ordinary shareholders' equity*	285 909	256 666	29 243	11.4%
ROE (pre-tax)*	18.7%	17.1%		
ROE excluding investments that are consolidated (pre-tax)*	21.2%	18.7%		
Return on tangible equity (pre-tax)*	21.7%	21.7%		
Return on tangible equity excluding investments that are consolidated (pre-tax)*	24.4%	24.5%		
Cost to income ratio	72.7%	82.6%		
Cost to income ratio excluding investments that are consolidated	59.2%	60.1%		
Operating profit per employee (£'000)*	174.9	112.2	62.7	55.9%

* *As calculated on pages 49 and 51.*

A further analysis of operating profit

31 March 2011 £'000	UK, Europe and Other	Southern Africa	Australia	Total
Corporate Finance	3 638	7 144	(3 201)	7 581
Institutional Research, Sales and Trading	901	(5 131)	–	(4 230)
Principal Investments (Direct Investments and Private Equity)	21 344	63 178	(1 198)	83 324
	25 883	65 191	(4 399)	86 675
Consolidated investments	(16 996)	–	(2 317)	(19 313)
Total	8 887	65 191	(6 716)	67 362

A further analysis of operating profit (continued)

31 March 2010 £'000	UK, Europe and Other	Southern Africa	Australia	Total
Corporate Finance	(720)	5 408	(2 672)	2 016
Institutional Research, Sales and Trading	3 283	1 621	–	4 904
Principal Investments (Direct Investments and Private Equity)	14 844	38 665	2 031	55 540
	17 407	45 694	(641)	62 460
Consolidated investments	(21 806)	–	914	(20 892)
Total	(4 399)	45 694	273	41 568

Corporate Finance and Institutional Research, Sales and Trading

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	754	(405)	1 159	>100.0%
Net fee and commission income	79 119	64 021	15 098	23.6%
Principal transactions	14 698	17 480	(2 782)	(15.9%)
Total operating income	94 571	81 096	13 475	16.6%
Operating costs	(91 220)	(74 176)	(17 044)	23.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	3 351	6 920	(3 569)	(51.6%)

The variance in operating profit over the year can be explained as follows:

- The Corporate Finance divisions have benefited from a good deal pipeline, with the UK and South African businesses recording a strong increase in net fees and commissions
- The Institutional Research, Sales and Trading operations in the UK and South Africa continued to be negatively impacted by challenging market conditions.

Principal Investments

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	(1 092)	(6 860)	5 768	84.1%
Net fee and commission income	(30)	7 067	(7 097)	(>100.0%)
Principal transactions	99 419	63 505	35 914	56.6%
Other operating income and operating income from associates	8 267	16 238	(7 971)	(49.1%)
Total operating income	106 564	79 950	26 614	33.3%
Impairment losses on loans and advances	223	(2 566)	2 789	>100.0%
Operating costs	(54 935)	(58 859)	3 924	(6.7%)
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	51 852	18 525	33 327	>100.0%
Earnings attributable to non-controlling interests	12 159	16 123	(3 964)	(24.6%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	64 011	34 648	29 363	84.7%

The variance in operating profit over the year can be explained as follows:

- Principal transaction income represents the year to date cumulative increase/decrease in the value of the division's Direct Investments and Private Equity portfolios, the profit/loss on realisation of these investments and dividends and other income received (further analysis provided below). The South African and Hong Kong businesses are scalable and are benefiting from a well diversified portfolio
- All other income categories largely relate to two investments which were consolidated into our results for the full year and the other for part of the year. These investments generated a net loss before taxation of £19.3 million.

Analysis of operating profit for the year to 31 March 2011

£'million	Realised	Un-realised	Divi-dends	Funding costs	Principal trans-actions total	Interest and other	Net income	Ex-penses	Net profit	Minori-ties	Opera-ting profit
UK Private Equity and Direct Investments	1.4	3.6	0.5	–	5.5	(4.0)	1.5	(27.0)	(25.5)	11.9	(13.6)
SA Direct Investments	38.0	12.4	0.1	(10.0)	40.5	–	40.5	(10.3)	30.2	–	30.2
SA Private Equity	0.2	25.3	16.0	(3.9)	37.6	1.8	39.4	(6.4)	33.0	–	33.0
Australia	–	(1.0)	–	–	(1.0)	0.3	(0.7)	(3.1)	(3.8)	0.3	(3.5)
Hong Kong Direct Investments	13.3	3.5	–	–	16.8	9.1	25.9	(8.0)	17.9	–	17.9
Total	52.9	43.8	16.6	(13.9)	99.4	7.2	106.6	(54.8)	51.8	12.2	64.0

Analysis of operating profit for the year to 31 March 2010

£'million	Realised	Un-realised	Divi-dends	Funding costs	Principal trans-actions total	Interest and other	Net income	Ex-penses	Net profit	Minori-ties	Opera-ting profit
UK Private Equity and Direct Investments	–	2.6	–	–	2.6	6.1	8.7	(43.2)	(34.5)	15.5	(19.0)
SA Direct Investments	9.8	(5.3)	0.6	(12.0)	(6.9)	(1.8)	(8.7)	(1.0)	(9.7)	–	(9.7)
SA Private Equity	12.6	33.4	13.0	(3.6)	55.4	2.5	57.9	(9.6)	48.3	–	48.3
Australia	–	0.8	–	–	0.8	3.7	4.5	(2.2)	2.3	0.6	2.9
Hong Kong Direct Investments	18.0	(6.7)	0.3	–	11.6	3.3	14.9	(2.8)	12.1	–	12.1
Total	40.4	24.8	13.9	(15.6)	63.5	13.8	77.3	(58.8)	18.5	16.1	34.6

Value of trading investments on balance sheet as at 31 March 2011

£'million	Listed	Unlisted	Advances	Total
UK Private Equity and Direct Investments	42	55	8	105
SA Direct Investments	91	131	9	231
SA Private Equity	–	319	33	352
Australia	6	5	–	11
Hong Kong Direct Investments	–	13	41	54
	139	523	91	753

Value of trading investments on balance sheet as at 31 March 2010

£'million	Listed	Unlisted	Advances	Total
UK Private Equity and Direct Investments	15	34	–	49
SA Direct Investments	21	113	8	142
SA Private Equity	–	262	35	297
Australia	6	10	–	16
Hong Kong Direct Investments	–	15	53	68
	42	434	96	572

Developments

Corporate Finance

UK and Europe

- The year was characterised by good M&A activity, an increase in debt advisory mandates and increased fundraising activity over the last six months
- We completed 17 M&A transactions with a value of £2.1 billion (2010: 15 transactions with a value of £0.6 billion). Most notable was the sale of Chloride Group to Emerson Electric
- We were involved in eight fundraisings during the period raising in aggregate £472 million (2010: 13 fundraisings raising in aggregate £599 million). This included three IPO's
- We continue to build the quality and size of the corporate client list, gaining 12 new brokerships during the period. We now have 87 quoted clients with an average market cap of £333 million, of which 26 are FTSE 250 companies.

Southern Africa

- We have maintained our strong positioning
- Our focus was on local and cross-border M&A, capital raisings and restructuring transactions
- We retained our major clients and gained several new mandates during the period
- Numerous new mandates were entered into, however, it remains difficult to close deals given current market conditions
- The total value of corporate finance transactions increased to R76.9 billion (2010: R26.8 billion) during the period and the number of transactions increased to 60 (2010: 56)
- Sponsor broker deals completed during the period decreased to 74 (2010: 82) with the value increasing to R91.5 billion (2010: R46.7 billion)
- The Corporate Finance division was ranked first in volume of listed M&A transactions and second in general corporate finance by volume in Dealmakers Magazine Survey for Corporate Finance (2010 calendar year). This is the seventh year that we have been ranked first in volume of listed M&A transactions
- The Sponsor division was ranked second in volume of M&A transactions and second in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2010 calendar year). The Sponsor division has been ranked in the top 2 in M&A transactions and general corporate finance by volume for the past eight years.

Australia

- We have a significant pipeline with a number of advisory mandates won
- A strengthened and reorganised Sydney based team is well positioned to drive the business going forward
- The outlook for M&A is improving with transaction volume increasing and lending markets re-opening
- We have executed a number of equity raisings over the last 12 months and have secured first rights of refusal over several upcoming raisings.

Institutional Research, Sales and Trading

UK and Europe

- Against a backdrop of weak volumes and continuing pressure on brokerage rates we have managed to grow secondary commissions
- The trading books have performed strongly
- We have continued to strengthen our business with additional hires in research, sales and trading. New sector coverage includes banks, insurance, oil and utilities
- We continue to expand our international distribution capability.

Southern Africa

- Institutional Securities experienced a challenging financial year
- Agency revenues decreased 9% as some market share growth in the local institutional space was offset by a sharp reduction in revenues from our prime broking activities
- The closure of two large hedge fund clients necessitated the re-sizing of the Prime Broking business at the end of 2010
- Our international agency revenues declined marginally as international flows into the region remained subdued
- Facilitation losses, experienced when committing capital to capture trade flow, increased sharply
- Intense broker competition combined with difficult equity markets saw the loss ratio move higher
- The SA UK hedge book performed well and revenue from this source increased significantly.

Australia

- New accounts have been opened and the trading activities are going well
- We are publishing quarterly research which is receiving very positive investor feedback.

Principal Investments

Southern Africa

- The Direct Investments portfolio increased to R2 511 million at 31 March 2011 (March 2010: R1 587 million). The increase in value was primarily due to a good performance from the portfolio
- The Private Equity portfolio was R3 838 million at 31 March 2011 (March 2010: R3 301 million). We continued to expand the capacity of our private equity investments through the acquisition of two new private equity assets as well as large capital projects and expenditure within the portfolio. The benefits of these activities will only be felt in future financial years. The increase in value in the current year was driven by a good performance of the underlying investments and acquisitions mentioned.

Australia

- During the year two additional assets were added to the Direct Investments portfolio which co-invests with the private equity funds. These are both listed equities. The Direct Investments portfolio increased in value by A$5.1 million during the year. The increase in value was primarily due to revaluations of listed equities.

Outlook

Corporate Finance

- While market conditions remain uncertain, the pipeline in the UK business is looking positive and includes a number of potential fundraisings
- The deal pipeline in the South African business remains reasonable
- The Australian M&A and capital markets remain challenging but are showing signs of improvement. Continuing economic uncertainty suggests M&A and capital markets will recover slowly.

Institutional Research, Sales and Trading

- Considering the UK business's investment in sales, trading and research we believe that we are well positioned to gain further market share
- The outlook for the next 12 months remains challenging in the South African business. The intensity of competition in the market is unlikely to abate and the resource pool for specialist skills is set to remain tight. Nevertheless, we forecast a return to profitability next year on the back of our key strategies to grow market share amongst the foreign client base, reduce loss ratios associated with capital commitment and to better leverage our specialist skills into the broader investment bank.
- The Australian business has significant potential but is not without a measure of risk. The team members who have been hired to grow this business have a considerable amount of high quality experience and an extensive client network, however, as this is a new business for Investec Bank Australia the coming 12 months will be critical to ensuring its success.

Principal Investments

- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and building BEE platforms in South Africa
- The majority of the companies in our Private Equity portfolio in South Africa are trading profitably in very difficult market conditions and the overall outlook remains positive for future growth
- All of the companies in the Australian Direct Investments portfolio are trading well and are on target to execute their growth plans. The outlook remains positive for future increases in the value of these investments. We remain active in seeking new investment opportunities.

Sustainability considerations

Our sustainability philosophy and focus is on balancing environmental, social and economic sustainability issues. We want to make a valuable contribution to our future uplifting and empowering people and preserving our natural resources. We drive this philosophy internally as well as in our investee companies.

We are acutely aware of the challenging global conditions facing the banking industry, and remain committed to risk management as an integral component of our business. Our Securities division in South Africa considers environmental impacts when compiling research reports on specific companies. In our Principal Investments area, we have stringent corporate governance and risk assessment processes in place to vet all new investments. These processes typically address the following key risks: financial, reputation and brand, environmental and skills/management.

Our people drive our business. This remains key to achieving sustainable profits and the creation of shareholder value. We believe that living the value of open and honest dialogue remains our competitive advantage.

In South Africa our approach to transformation is to employ black staff at a junior level and grow and nurture them into more senior positions. This is key to sustainability as it ensures that these staff members have the confidence and ability to take on more senior roles.

We support group CSI initiatives and also provide small donations in response to certain client requests. We are particularly supportive of the group's focus on educational projects, especially Maths and Science oriented initiatives, as this contributes to the development of skills required in our sphere of business.

The past year saw an increased focus around carbon awareness, measurement and reduction initiatives. We continue to monitor our impact and our investee company impacts in terms of carbon emissions.

Looking forward we are constantly in the market for new opportunities. We have seen increased dialogue around the 'green space' and continue to look for attractive opportunities in this area. Renewable energy presents more of an opportunity now given recent developments in this sector.

In South Africa our approach to transformation is to employ black staff at a junior level and grow and nurture them into more senior positions.

Capital Markets

Business profile

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

We focus on the following activities:

Asset and liability management (Treasury)

Central treasury provides funding to the group and manages liquidity and interest rate risk for the group.

Treasury products and distribution

We offer a broad range of treasury products and services to the corporate, institutional and public sector markets which are primarily aimed at money market and foreign exchange risk management. We offer medium to small corporate entities deposit product, spot, forward exchange, currency swaps and currency options, principally in G7 currencies.

Interest rates

We are involved with interest rate products, money market instruments, government and public sector bonds, and repurchase agreements aimed at solutions for corporate, institutional and public sector clients.

Structured equity

The desks undertake structuring, finance, product issuance, market making, arbitrage and principal trading in equities and equity derivatives. The team manufactures and delivers a comprehensive suite of solutions to the retail and wholesale markets.

Financial products

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

Principal finance

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

Structured and asset finance

We focus on small and large ticket asset leasing and finance. The large ticket asset finance business focuses on aircraft and shipping. We also manage the Investec Global Aircraft fund.

Project finance

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

The Project Infrastructure and Investment team applies an investment banking paradigm to the investment of equity in infrastructure projects. The team originates and executes investments for Investec and for the bank's private and institutional clients. The team's primary focus is on environmentally-sustainable infrastructure, notably clean and renewable energy, waste management and water supply.

The Social Infrastructure Investment business originates, finances and develops facilities with long-term sovereign or semi sovereign rent streams, for all levels of government, their agencies and universities. It also employs the same disciplines to originate high quality institutional property.

Commodities and resource finance

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

Debt capital markets

The Debt Capital Markets business focuses on bond origination, distribution and trading.

Corporate and leveraged debt

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

Management structure

Global head of Capital Markets	David Van Der Walt
UK and Europe	
Regional head	Andy Clapham
Treasury products and distribution	Chris Meyer
Central treasury	John Barbour
Commodities and resource finance	George Rogers
Structured equity derivatives	Andrew Brogden
Principal finance (including Kensington)	Andy Clapham
Structured and asset finance	Alistair Crowther
Project finance (UK and International)	Maurice Hochschild
Operations (UK and International)	Kevin McKenna
Regional head: Ireland	Michael Cullen
Treasury products and distribution: Ireland	Aisling Dodgson
Equity finance: Ireland	Loman Gallagher
Regional head: Canada	John Casola
Regional head: India	Ajeeth Narayan
South Africa	
Regional head	Richard Wainwright
Resource and infrastructure finance	Michael Meeser
Equity derivatives and foreign exchange trading	Mark Currie
Financial products	Lourens Van Rensburg
Treasury sales and structuring	Ryan Tholet
Structured and asset finance	David Kuming
Balance sheet management and interest rate trading	Clive Sindelman
Regional head: Mauritius	Craig McKenzie
Operations	Stuart Spencer
Australia	
Joint regional heads	Jose de Nobrega
	Milton Samios
Commodities and resource finance	Anthony Hawke
Project finance	Peter Mansfield
Project and infrastructure investments	Mark Schneider
Social infrastructure investment	Michael Still
Structured finance	David Phillips
Corporate and leveraged debt	Simon Beissel
Treasury	Jeff Duncan-Nagy
Equity derivatives	David Jones-Prichard
Financial products	Dean You Lee
Operations	Carl Dennis

Review of operating environment

The UK is emerging slowly out of recession with liquidity sources expensive and capital remaining scarce. Interest rates remain low but are forecast to rise steadily over the next two years. Credit spreads are tightening and the securitisation market has reopened. There is a “wall of money” chasing yield and we have positioned our business to take advantage of this. We have expanded our product and service capability over the last few years and our platform businesses are now all well established. We believe that these factors have positioned us to grow market share and to take advantage of slowly increasing levels of market activity through the next reporting period.

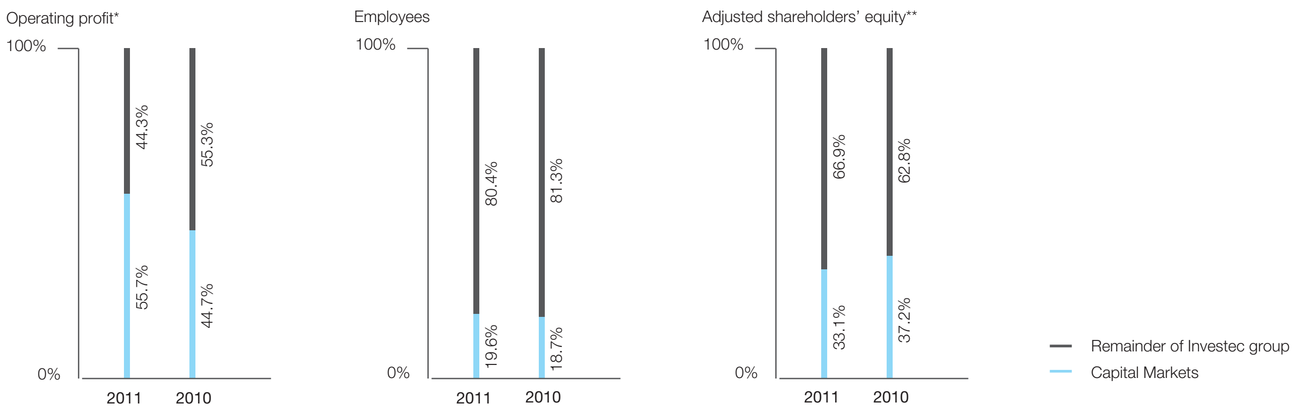
South Africa has emerged from recession, however, corporates remain long cash, exports are weak owing to the strong currency and overall activity levels are low. The business has positioned itself for a recovery in activity levels.

Activity levels in Australia have continued to pick up and the economy is well supported by interest in resources. We are continuing to invest on the business and should benefit from the increased activity.

Financial analysis

- 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.

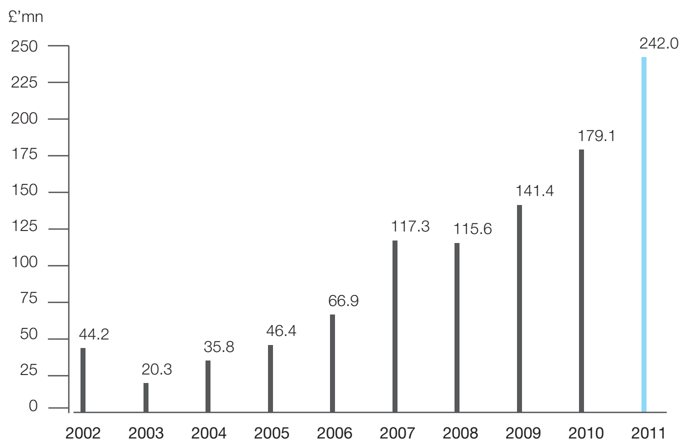
Contribution analysis



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

** *As calculated on page 49.*

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.*

Income statement analysis

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income	330 603	309 878	20 725	6.7%
Net fee and commission income	120 327	93 180	27 147	29.1%
Principal transactions	181 761	196 845	(15 084)	(7.7%)
Other operating income	^36 421	^79	36 342	>100.0%
Total operating income	669 112	599 982	69 130	11.5%
Impairment losses on loans and advances	(87 981)	(137 854)	49 873	(36.2%)
Operating costs	(323 378)	(282 952)	(40 426)	14.3%
Depreciation on operating leased assets	(16 447)	–	(16 447)	100.0%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	**241 306**	**179 176**	**62 130**	**34.7%**
Earnings attributable to non-controlling interests	743	(37)	780	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**242 049**	**179 139**	**62 910**	**35.1%**
UK and Europe	139 978	93 163	46 815	50.3%
Southern Africa	92 211	70 572	21 639	30.7%
Australia	9 860	15 404	(5 544)	(36.0%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**242 049**	**179 139**	**62 910**	**35.1%**
Ordinary shareholders' equity*	1 078 395	958 173	120 222	12.5%
ROE (pre-tax)*	19.8%	18.5%		
Return on tangible equity (pre-tax)*	21.5%	20.3%		
Cost to income ratio^	49.5%	47.2%		
Operating profit per employee (£'000)*	199.7	166.6	33.1	19.9%

* *As calculated on pages 49 and 51.*

^ *The cost to income ratio has been calculated by subtracting the depreciation on operating leased assets from operating income.*

The variance in operating profit over the year can be explained as follows:

- The increase in net interest income is largely due to the investment in higher yielding trading assets and the growth in the loan portfolio in the UK and Europe. This has been somewhat offset by an increase in surplus cash held and a decline in the size of the Kensington portfolio of assets
- The increase in net fee and commission income is largely attributable to a strong performance from the Structured Equity Finance business given a larger client base, and increased levels of activity within the Structured Finance business in the UK
- Principal transaction income declined marginally during the year. The division benefited from a sound performance from its fixed income and Principal Finance business. This was offset by less customer flow activity in some of the businesses and negative fair value adjustments on some of the division's equity investments held
- Other operating income reflects income earned on operating leases acquired during the year
- The improvement in impairments largely reflects recoveries in the South African business
- Expenses have increased largely due to acquisitions made and an increase in headcount and related expenses.

Analysis of total operating income by geography, type of activity and category of income

£'000	31 March 2011	31 March 2010	Variance
UK and Europe	466 595	396 215	70 380
Treasury and trading activities	85 290	58 401	26 889
Principal finance	261 553	282 253	(20 700)
Lending and leasing activities	119 752	55 561	64 191
Southern Africa	171 602	163 613	7 989
Trading activities	27 159	26 516	643
Treasury activities	66 946	51 630	15 316
Financial products	32 697	27 548	5 149
Lending activities	44 800	57 919	(13 119)
Australia	30 915	40 154	(9 239)
Treasury and trading activities	3 556	6 398	(2 842)
Financial products	9 638	4 557	5 081
Lending activities	17 721	29 199	(11 478)
Total	669 112	599 982	69 130

UK and Europe

For the year to 31 March 2011 £'000	Net interest income	Net fee and commission income	Principal transactions and other income	Total operating income
Treasury and trading activities	(692)	42 280	43 702	85 290
Principal Finance	172 855	7 817	80 881	261 553
Lending and leasing activities	45 479	28 616	45 657	119 752
Total	217 642	78 713	170 240	466 595

For the year to 31 March 2010 £'000	Net interest income	Net fee and commission income	Principal transactions and other income	Total operating income
Treasury and trading activities	(20 828)	21 949	57 280	58 401
Principal Finance	197 730	10 575	73 948	282 253
Lending and leasing activities	21 303	7 561	26 697	55 561
Total	198 205	40 085	157 925	396 215

Southern Africa

For the year to 31 March 2011 £'000	Net interest income	Net fee and commission income	Principal transactions and other income	Total operating income
Trading activities	(59)	67	27 151	27 159
Treasury activities	25 654	18 643	22 649	66 946
Financial products	28 848	4 076	(227)	32 697
Lending activities	49 066	6 606	(10 872)	44 800
Total	103 509	29 392	38 701	171 602

For the year to 31 March 2010 £'000	Net interest income	Net fee and commission income	Principal transactions and other income	Total operating income
Trading activities	180	179	26 157	26 516
Treasury activities	35 918	11 394	4 318	51 630
Financial products	17 208	8 723	1 617	27 548
Lending activities	51 386	9 027	(2 494)	57 919
Total	104 692	29 323	29 598	163 613

Australia

For the year to 31 March 2011 £'000	Net interest income	Net fee and commission income	Principal transactions and other income	Total operating income
Treasury and trading activities	1 002	(45)	2 599	3 556
Financial products	5 116	1 633	2 889	9 638
Lending activities	3 334	10 634	3 753	17 721
Total	9 452	12 222	9 241	30 915

For the year to 31 March 2010 £'000	Net interest income	Net fee and commission income	Principal transactions and other income	Total operating income
Treasury and trading activities	(1 920)	929	7 389	6 398
Financial products	3 312	510	735	4 557
Lending activities	5 589	22 333	1 277	29 199
Total	6 981	23 772	9 401	40 154

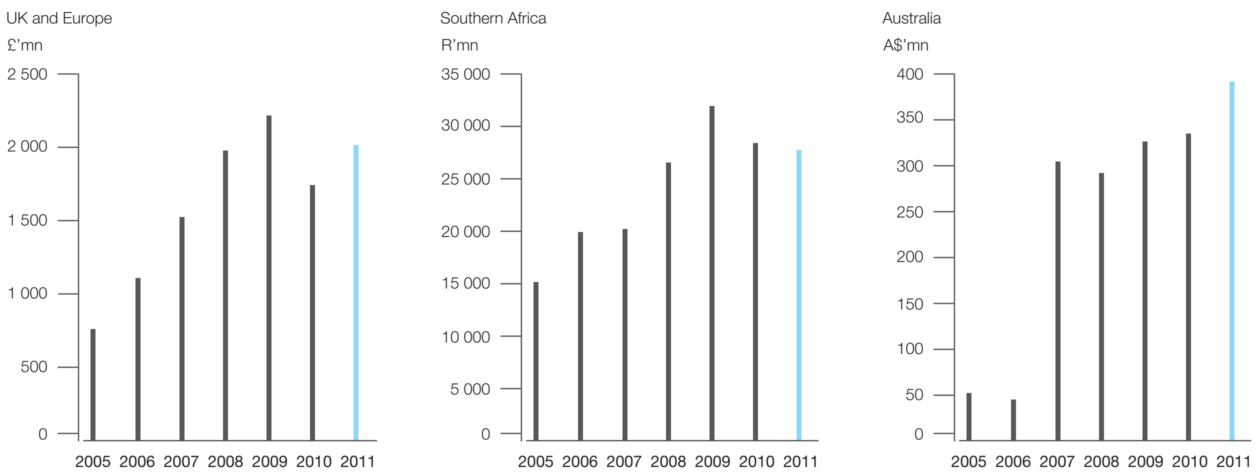
Analysis of key earnings drivers (core loans and advances excluding Kensington)

£'million As at	UK and Europe 31 March 2011	UK and Europe 31 March 2010	Southern Africa 31 March 2011	Southern Africa 31 March 2010	Australia 31 March 2011	Australia 31 March 2010	Total 31 March 2011	Total 31 March 2010	% change
Preference share finance	–	–	665	704	–	–	665	704	(5.5%)
Acquisition finance	732	638	282	383	22	–	1 036	1 021	1.5%
Asset finance	341	351	250	251	10	–	601	602	(0.2%)
Principal finance	265	432	–	–	71	61	336	493	(31.8%)
Project finance	284	134	184	182	72	69	540	385	40.3%
Structured finance	363	157	1 072	974	28	10	1 463	1 141	28.2%
Resource finance and commodities	52	65	106	98	50	31	208	194	7.2%
Total gross core loans and advances	2 037	1 777	2 559	2 592	253	171	4 849	4 540	6.8%
Specific impairments	(14)	(23)	(1)	–	–	(5)	(15)	(28)	(46.4%)
Portfolio impairments	–	(2)	(2)	(1)	–	–	(2)	(3)	(33.3%)
Net core loans and advances	2 023	1 752	2 556	2 591	253	166	4 832	4 509	7.2%
Asset quality*									
Gross defaults	60	66	4	6	4	12	68	84	(19.0%)
Collateral value	(46)	(44)	(3)	(14)	(4)	(7)	(53)	(65)	(18.5%)
Impairments	(14)	(25)	(3)	(1)	–	(5)	(17)	(31)	(45.2%)
Net defaults (limited to zero)	–	–	–	–	–	–	–	–	–
Gross defaults as a % of gross core loans and advances	2.9%	3.7%	0.2%	0.3%	1.6%	6.9%	1.4%	1.9%	
Defaults (net of impairments) as a % of net core loans and advances	2.3%	2.4%	0.1%	0.2%	1.5%	4.2%	1.1%	1.2%	
Credit loss ratio	1.1%	1.7%	(0.5%)	0.4%	1.6%	4.9%	0.3%	1.2%	

* *Further information on the type of lending we undertake within the division and the asset quality of the loan portfolio is provided on pages 135 to 141.*

Net core loans and advances as at	£'million 31 March 2011	£'million 31 March 2010	£'million % change	Home currency 'million 31 March 2011	Home currency 'million 31 March 2010	Home currency 'million % change
UK and Europe	2 023	1 752	15.5%	£2 023	£1 752	15.5%
Southern Africa	2 556	2 591	(1.4%)	R27 804	R28 778	(3.4%)
Australia	253	166	52.4%	A$393	A$275	42.9%
Net core loans and advances	4 832	4 509	7.2%			

Net core loans and advances (excluding Kensington)



Trend reflects numbers as at the year ended 31 March.

Developments

UK and Europe

- The Project Finance team continues to be a leader in the UK PFI advisory business, and the office in Canada, set up to service the North American PFI market, is performing very well
- The Principal Finance business has continued to take advantage of the condition of the credit markets through its fixed income investments and trading operations. The desk recently closed a residential mortgage securitisation (RMS 25)
- We successfully established a debt capital markets business as well as an export credit agency finance capability
- The Kensington business remains profitable. We launched a new mortgage offering and extended the product range during the year
- The Acquisition Finance book has performed above expectations and defaults were lower than expected
- We successfully integrated Lease Direct Finance Limited and acquired the Masterlease UK book (December 2010)
- The Asset Finance business was awarded 'Best SME Champion' award at the Asset Finance awards 2010
- The trading desks showed varied but overall improved performance benefiting from market volatility, the introduction of new products and increased staff
- The Structured Equity retail distribution platforms are now established and we have recently marketed launch 23 in the UK market. We are currently one of the top two retail structured product issuers in the UK market and have recently won a number of awards for our efforts in this area.

Southern Africa

- The corporate market continues to remain weak with low levels of activity leading to depressed lending activity and consequently, lower hedging activity. We have however, seen an increase in pipeline in our lending businesses
- Significant surplus liquidity levels were maintained during the year and we continue to be a provider of liquidity to the South African interbank market. Our surplus liquidity has had a negative effect on our margin for the period
- We grew our portfolio of highly rated yield enhancing fixed income investments as opportunities presented themselves.

Australia

- The Financial Markets sales team recorded a strong performance for the first year since they have been in operation
- We have started hiring people to build an equity derivatives sales and structuring capability, and have also acquired a social infrastructure development team that is a good fit with our existing Project and Infrastructure Investments team.

Outlook

UK and Europe

- We continue to build a balanced business model, where we can easily switch between primary and secondary markets and have natural hedges
- The business is well positioned to grow significantly from current levels as market conditions improve.

South Africa

- Our business is well positioned to grow significantly with a recovery in the South African market and levels of fixed direct investment improving
- We continue to build and grow sustainable businesses on the back of client driven transactional flow in derivatives and financial markets
- We will grow our portfolio of highly rated yield enhancing fixed income investments as opportunities present themselves
- The margin line is expected to improve over the coming months as the cost of funding reduces
- We continue to be a net provider of liquidity to the interbank market
- We anticipate that trading and structuring opportunities will improve as the markets move into an upward interest rate cycle.

Australia

- The Resources division has strengthened key strategic business ties and continues to build a pipeline of deals focused on mid-tier and larger mining companies with one or more assets in production, where the risk and return profile remains attractive
- The Aviation team is working closely with the aviation finance teams in London and Johannesburg to pursue aircraft leasing transactions and, in parallel, create investment opportunities for the additional capital that has been raised for the Investec Global Aircraft fund
- In renewable energy, we continue to work on a number of development assets and will seek to profitably exit some of these during the course of the year.
- A new team focused on social infrastructure opportunities has been acquired and an exciting pipeline of prospects has been assembled
- Our recently established Corporate and Leveraged Debt business will continue to target event-driven borrowing by mid-tier and larger corporate borrowers
- The new Financial Markets business is starting to gather momentum. We have added to the trading and sales teams and expect a significant improvement in revenues. A significant amount of work is taking place to integrate the private client treasury with the wholesale treasury. This work is expected to be completed in the second quarter of 2012
- Equity Derivatives is a new business for the bank and we are busy hiring the team and implementing systems.

Sustainability considerations

Capital Markets' focus is on the financial aspect of the triple bottom line by helping to protect the sustainability of the group. Our specific role is to ensure that current credit exposures are monitored and that our balance sheet remains strong.

At the same time, we are aware of the need to embrace sustainability issues more, with the advent of societal changes and, through them, government policy and legislative changes. We have to keep abreast of these changes to align ourselves accordingly and finance appropriate transactions, counterparties and industries, as part of our corporate social responsibility. Sustainability is therefore being increasingly addressed through financing appropriate business transactions.

Non-financial considerations are taken into account in all our business plans as these are considered from both a risk and opportunity perspective, and can at times render the economics unviable. We do not pursue opportunities that do not stack up from an economic perspective.

In the UK and Australia, where pressure to conform to international environmental practice norms and agreements is much more intense, environmental concerns are taken into account on a transaction by transaction basis at the credit forums. At the same time, however, we are cautious about subscribing to international norms such as the Equator principles. We support the key provisions of these by:

- Requiring that all projects comply with applicable environmental, planning, labour and procurement law
- Not funding or investing in projects which do not have acceptable environmental impact assessments, do not comply with procurement and labour laws, and either do or could reasonably be expected to breach acceptable behavioural, ethical or moral standards.

We are not, however, a signatory to the Equator principles for the following reasons:

- The principles contain some excessively bureaucratic requirements which we feel are not within the remit of a bank (and are contrary to shareholders' interests) but are within the natural ambit of a government
- In the case of a number of large infrastructure and energy projects, there is inevitable conflict between larger, nationwide developmental imperatives (e.g. additional power generation or road transportation) to enhance the socio-economic welfare of the region, and locally affected parties whose quality of life stands to be adversely affected by re-location or job loss, for example. These trade-offs are a matter for local parties and their representatives. While we should not be unaware of them, it is not our responsibility to make the call on such trade-offs. Key to this, however, is that we deal in countries where rule of law and due process applies more or less effectively and civil rights are not abused
- There is a concern that accession is used to cover the avoidance of exercising fundamental moral judgement. NGOs, for example, are not universally supportive of the principles and have therefore been accused of tokenism. The principles do not stop business or projects in countries where, notwithstanding written legal code, opponents and critics may be extra-judicially detained or worse.

We recognise that employees are fundamental to our success as an operation and we therefore prioritise the retention of key staff and the creation of a work environment conducive to performance. We are also aware that the younger generation entering the industry want to align themselves with firms that have a social conscience.

In South Africa, we strive to meet the requirements of representation within our team, but black representation at the top and middle management levels remains difficult. We are striving to address this through our transformation/employment equity strategy focused on various pillars including recruitment, retention and communication.

On 7 September 2010 the project and infrastructure team hosted a 'Power Summit' in South Africa. The key note speaker was the minister of energy, Dipuo Peters, and an expert panel fielded questions from attendees. The objective of the event was to tackle the most pertinent and current issues facing the sector, including:

- The establishment and functioning of the single buyer's office
- Government's approach to funding conventional and renewable independent power producers' (IPP) energy commitments
- Process and timing for the establishment of IPPs
- Meeting South Africa's renewable energy objectives
- Self-generation.

Investec has concluded a number of transactions in the power, telecoms, PFI and infrastructure sectors in the UK, South Africa and Australia. Our role has included that of financier, co-developer, arranger and adviser.

We recognise that employees are fundamental to our success as an operation and we therefore prioritise the retention of key staff and the creation of a work environment conducive to performance.

Group Services and Other Activities

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

Central Services

- Corporate Social Investment
- Economics Research
- Finance and Operations
- Head Office
- Human Resources
- Information and Business Intelligence Centre
- Information Technology
- International Financial Institutions
- Investor Relations
- Legal and Tax
- Marketing
- Organisation Development
- Regulatory, Internal Audit and Compliance
- Risk Management
- Secretarial
- Staff Share Schemes.

Other Activities

- International Trade Finance (ReichmansCapital) – trade, asset and debtor finance.

Management structure

Banking and institutions	David Lawrence
Chief integrating officer	Allen Zimbler
Corporate governance and compliance	Bradley Tapnack
Finance, IT and operations	Rayanne Jacobson
Human resources	Allen Zimbler (UK)
	Tracey Rowe (SA)
International financial institutions	Helmut Bahrs
Investor relations	Ursula Nobrega
Legal	David Nurek
Marketing	Raymond van Niekerk
Organisation development	Caryn Solomon (UK)
	Marc Kahn (SA)
Risk management	Ciaran Whelan
Secretarial and staff share schemes	Les Penfold
Tax	Pankaj Shah (UK)
	Justin Cowley (SA)
ReichmansCapital	Robin Jacobson
	John Wilks

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 £'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 £'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

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. Refer to page 49 for further details
- 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 and Other Activities (continued)

£'000	31 March 2011	31 March 2010	Variance	% change
Net interest income (excluding interest on sub debt and debentures)	119 717	84 337	35 380	42.0%
Principal transactions	40 512	120 054	(79 542)	(66.3%)
Other income	19 831	(721)	20 552	>100.0%
	180 060	203 670	(23 610)	(11.6%)
Interest paid on sub-debt and debentures	(86 981)	(70 920)	(16 061)	22.6%
Impairment losses on loans and advances	16 151	(28 634)	44 785	>100.0%
Operating costs	(16 617)	(9 522)	(7 095)	(74.5%)
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	92 613	94 594	(1 981)	(2.1%)
Earnings attributable to non-controlling interests	(1 576)	3 151	(4 727)	(>100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	91 037	97 745	(6 708)	(6.9%)

The variance in operating profit over the year can be explained as follows:

- Net interest income was largely impacted by:
  - An increase in cash held and lower levels of average interest rates, notably in South Africa
  - An increase in interest paid on sub-debt as a result of the debt issuance of R1.5 billion in South Africa
  - An improvement in returns in the Australian portfolio
- The decrease in principal transaction income largely reflects a lower return on certain equity investments held in the South African portfolio
- The increase in other income relates to intergroup fees earned
- The group has decreased its portfolio impairments.

03 Risk and governance

Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1: Presentation of Financial Statements (IAS 1) are included within this section of the annual report (pages 111 to 210) with further disclosures provided within the financial statements section (pages 302 to 397). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

Philosophy and approach

The group recognises that an effective risk management function is fundamental to 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.

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 32 to 34.

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

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.

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

- 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.

Geographic summary of the year in review from a risk perspective

Detailed information on key developments during the financial year in review is provided in the sections that follow (refer to pages 125 to 127, page 171 and pages 186 to 187), with a high level geographic summary of the most salient aspects provided below.

UK and Europe

Credit risk

The year in review remained challenging as 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.*

An overview of key risks

In our ordinary course of business we face a number of risks that could affect our business operations. These risks have been highlighted on page 38. The sections that follow provide information on a number of these risk areas.

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

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level, as described more fully below. These committees and forums operate together with group Risk Management and are mandated by the board. A diagram of our governance and risk framework is provided on page 217.

Committee	Function
Audit committees Members: Non-executive directors Chairman: Sam Abrahams (non-executive director) Frequency: DLC audit committee – 4 times a year Investec Limited and Investec plc audit committee – 4 times each per year	• See pages 226 and 227 • The Internal Audit, Compliance and Operational Risk departments report to the audit committees.
Board risk and capital committee (BRCC) Members: Executive and non-executive directors (senior management by invitation) Chairman: Stephen Koseff (CEO) Frequency: Six times a year	• See pages 229 and 230.
DLC capital committee Members: Executive and non-executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: At least quarterly	• See page 231.
Executive risk review forum (ERRF) Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Every Friday except on BRCC dates	• See pages 230 and 231.
Global credit committee Members: Executive and senior management. Non-executive directors have a level of oversight which is exercised within the applicable committee Chairman: Glynn Burger (group risk and finance director) Frequency: Twice a week	• Considers and approves the granting of credit to counterparties in excess of the current mandates to centralised and decentralised credit committees • Considers the level of acceptable counterparty and geographical exposures within the board approved risk appetite framework • Reviews and approves changes to credit policies and methodologies.
Group investment committee Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Weekly	• Is responsible for reviewing and approving: – Acquisitions or disposals of strategic investments in which we act as principal and retain an equity interest (above predetermined thresholds) – Capital expenditure or disposals (above predetermined thresholds).
Group deal forum Members: Executive and senior management. Non-executive directors have a level of oversight which is exercised within the applicable committee Chairman: Glynn Burger (group risk and finance director) Frequency: Weekly	• Considers, approves and mitigates the risks inherent in any acquisition, disposal, new product or other non-standard transactions that we are considering.

Committee	Function
Group market risk forum Members: Global heads of Risk, Market Risk and the trading desks; senior management; members of the Market Risk teams and other members of group Risk Management Chairman: Mark Trollip (global head of Market Risk) Frequency: Weekly	• Reviews and recommends limit adjustments in all existing products and markets across all desks in the group • Recommends limits for new products and new markets • Recommends methodology as to how risks are to be measured.
Asset and liability committee Members: Executive, senior management, economist, treasurer, business heads and head of Asset and Liability Management Chairman: Managing director, chief financial officer and head of Risk Frequency: Monthly (or ad hoc if required)	• Recommend and monitors our funding and liquidity policy and non-trading interest rate risk policy, which translates into a suite of limits that define our risk appetite • Directs the implementation of the methodology, techniques, models and risk measures • Reviews the structure of our balance sheet and business strategies, taking into account market conditions, including stress tests • Maintains liquidity contingency plans.
Operational risk committee (UK) Members: Head of Operational Risk and embedded risk managers Chairman: Bharat Thakker Frequency: Quarterly	• Promotes sound operational risk management practices • Considers and recommends the enhancement of operational risk management practices and techniques • Considers key operational risk reports.
Operational risk working group (UK) Members: Embedded risk managers or their alternates, group Operational Risk team members, key enterprise risk assessor (ERA) users, chairperson of the operational risk committee Frequency: Monthly	• Reviews and facilitates the implementation of decisions made by the operational risk committee.
Operational risk working group (South Africa) Members: Head of Operational Risk, group Operational Risk team members and embedded risk managers or their alternates Frequency: Monthly	• Promotes sound operational risk management practices • Considers and recommends the enhancement of operational risk management practices and techniques • Reviews and facilitates the implementation of operational risk management practices • Considers key operational risk reports • Escalates issues to BRCC.
Group legal risk forum Members: Executive directors, senior management and divisional legal managers Chairman: David Nurek (global head of legal risk) Frequency: Half-yearly (or ad hoc if required)	• Considers and manages legal risks throughout the group.

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

BRCC	Board risk and capital committee
ERRF	Executive risk review forum
FSA	Financial Services Authority
SARB	South African Reserve Bank
APRA	Australian Prudential Regulatory Authority

Integrated global risk management structure

Group risk and finance director	Glynn Burger
Global head of Risk	Ciaran Whelan

Divisional and geographic roles	Global	UK and Europe	South Africa	Australia
Credit Risk	Ciaran Whelan	Ian Wohlman	Justin Cowley	Peter Binetter
Market Risk	Mark Trollip	Jeremy Arnold	Adrienne Betts	Adam Rapeport
Balance Sheet Risk Management	Cyril Daleski	Wendy Robinson	Cyril Daleski	Peter Binetter
Operational Risk	Colin Fiddes	Bharat Thakker	Colin Fiddes	Shirley Snoyman
Legal Risk	David Nurek	Richard Brearley	David Nurek	Stephen Chipkin
Internal Audit	Bradley Tapnack	Noel Sumner	Marle van der Walt	Aik Leow
Compliance	Bradley Tapnack	Richard Brearley	Geoff Cook	Belinda Dorfan

Credit and counterparty risk management

Credit and counterparty risk description Audited

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

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

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

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

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

Credit and counterparty risk governance structure Audited

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

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

- Day-to-day arrears management and regular arrears reporting ensures that individual positions and any potential trends are dealt with in a timely manner

- Watchlist committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate watch forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- Arrears, default and recoveries forum which specifically reviews and manages distressed loans and potentially distressed loans within the Private Bank division.

Whilst we do not have a separate country risk committee, the local and global credit committees will consider, analyse, and assess the appropriate limits to be recorded when required, to extend the loans to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee is responsible for approving country limits not within the mandate of local group credit committees.

Credit and counterparty risk appetite

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

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to pages 150 to 154 for further information).

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

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a 'hands on' and longstanding relationship with our clients. In certain instances we have elected to sell certain assets down and/or securitised them (refer to pages 158 to 160 for further information).

Sustainability considerations

Credit risk committees engage in quantitative and qualitative risk assessments as part of the responsible lending approach to doing business. Sustainability aspects form the cornerstone of the evaluation conducted by the credit committees. In addition to the traditional financial review, evaluations encompass a review of a client's business model, governance, environmental practices and the social impact of the business.

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

Group Risk Management strives to maintain independence and objectivity in risk assessment and to give proactive input to lending transactions on a sustainable basis. For example, with respect to mining transactions, group Risk Management not only routinely requires environmental impact assessments or rehabilitation plans, but also relies on support from leading specialist mining consultants to ensure the highest level of international compliance. We focus on ensuring ongoing compliance with standards as they evolve. We acknowledge that waste management and recycling transactions (i.e. 'green' investment) is increasing and requires a specialised understanding of the risk factors, both due to their technical nature and the lack of a single, recognised standard. This does present a new challenge to group Risk Management, as a sophisticated understanding of the more complex technical aspects of environmental compliance is necessary. We do support key provisions of the Equator principles but we are not a signatory. Further information is provided on page 105.

Management and measurement of credit and counterparty risk Audited

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

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties

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

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

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

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

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

The internal rating models used are specific to each portfolio. The internal ratings are used as an input into the credit decision and as a means of assessing the risk of rated portfolios. Ongoing development of internal rating models has yielded good results in project finance, private bank property related transactions, corporate, bank and financial institutions areas of operation. We remain focused on developing our models in the light of our idiosyncratic risk profile and against extreme downturn events.

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

- In relation to sovereigns and securitisations, Fitch, Moody's, Standard & Poors and DBRS have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch, Moody's and Standard & Poors are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

Credit and counterparty risk in the UK and Europe

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

Private Banking

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

Corporates must have scale, relevance, experienced management, able board members and strong earnings/cash flow.

The Specialised Finance, Project Finance and Resource Finance businesses lend money on a structured basis to corporates, government and institutions, with full recourse to either a suitable asset or to the balance sheet of the entity to which the funds are advanced.

The Structured Property Finance area provides senior debt and secondary funding for property transactions covering the residential and commercial markets. Client quality and expertise are at the core of our credit philosophy. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and tenant quality for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan to security values. Most assets are located in the UK, however our exposure to Irish domiciled assets has been under intensive management during the past two years. Irish property exposure is appropriately impaired and significant additional specific impairments were taken during the financial year following concerns with respect to the weakening of economic conditions in Ireland. Where we have had exposures to properties linked to asset performance we have experienced extremely illiquid market conditions and have had to employ appropriate strategies to exit distressed positions. All facilities are reviewed at least annually and property values are monitored by reference to reports from our appointed panel valuation firms.

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

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

Specialised Lending provides structured credit facilities to high net worth individuals in the fund management, media/music, sports, and professional services sector. Risk is mitigated through sector expertise, client quality and certainty of serviceability.

Specialised Banking provides bespoke secured lending to high net worth and high income individuals. Credit risk is assessed against prudent debt servicing cover ratios. Lending is underpinned by good quality assets, including residential and commercial property, bank guarantees, discretionary investment portfolios and cash deposits. In determining serviceability, we also consider the liquidity of the client, including cash reserves and liquid asset holdings. Funding is characterised by long-term annuity income and a historically low probability of default. The total bespoke mortgage portfolio at 31 March 2011 was £191 million. The high sustainable income streams and liquid asset holdings exhibited by our private clients is reflected in the quality of this portfolio which has continued to show little stress during the financial year in review.

An analysis of the Private Banking loan portfolio and asset quality information is provided on pages 148 and 149.

Capital Markets

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

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

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

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

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

- Structured and Asset Finance: loans/leases against fixed assets linked to the success of the business they are employed in. These transactions amortise from anticipated cash flows
- Project Finance: provides advisory, debt and equity arranging services to renewable energy projects and public/private projects, e.g. roads, hospitals, prisons. Loans are secured on the project themselves with a high degree of due diligence around both the delivery risks and the cash flow to repay any facilities
- Commodities and Resource Finance: provides project finance and working capital lending and hedging to existing, producing, base and precious metal entities. Provable reserves and strong cash flow are paramount considerations in the credit decision process
- Principal Finance: origination of assets for securitisation (including the Kensington platform), broking and trading, investing as principal, and management of CLO's. Included within Principal Finance is the specialist corporate capital team, which originates and participates in senior debt facilities in the leveraged buy-out market relating to medium to large corporates. Specialist corporate capital's average counterparty exposure is approximately £9 million per entity, giving portfolio diversity.

An analysis of the Capital Markets loan portfolio and asset quality information is provided on pages 148 and 149.

Investment Banking

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

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

Asset Management

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

Credit and counterparty risk in South Africa

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

Private Banking

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

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

An analysis of the Private Banking loan portfolio and asset quality information is provided on page 148 and 149.

Capital Markets

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

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

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

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

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

An analysis of the Capital Markets loan portfolio and asset quality information is provided on page 148 and 149.

ReichmansCapital

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

Credit and counterparty risk in Mauritius

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

Credit and counterparty risk in Australia

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

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

An analysis of the Private Banking and Capital Markets loan portfolios and asset quality information is provided on page 148 and 149.

Asset quality analysis – credit risk classification and provisioning policy Audited

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

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 135). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the ‘International Convergence of Capital Measurement and Capital Standards’ of the Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of assets with credit risk where a ‘loss trigger event’ has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfill their credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons: • Covenant breaches; • There is a slowdown in the counterparty's business activity; • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty; or • Any restructured credit exposures until appropriate watchlist committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

<table>
<tr><th>Regulatory and economic capital classification</th><th>IFRS impairment treatment</th><th>Arrears, default and recoveries classification category</th><th>Description</th></tr>
<tr><td rowspan="3">Assets in default</td><td rowspan="3">Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered:
• Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client’s business
• Likely dividend or amount recoverable on liquidation or bankruptcy
• Nature and extent of claims by other creditors
• Amount and timing of expected cash flows
• Realisable value of security held (or other credit mitigants)
• Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.</td><td>Sub-standard</td><td>The counterparty is placed in substandard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected.
• The risk that such credit exposure may become an impaired asset is probable;
• The bank is relying, to a large extent, on available collateral; or
• The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital.

Credit exposures overdue for more than 90 days will at a minimum be included in ‘sub-standard’ (or a lower quality category).</td></tr>
<tr><td>Doubtful</td><td>• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.</td></tr>
<tr><td>Loss</td><td>• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or
• Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets is remote.</td></tr>
</table>

Credit risk mitigation Audited

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

The bulk of collateral taken by the Private Bank, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. In the year under review the value of residential and commercial real estate remained under pressure with low/static growth in all our key operating jurisdictions (UK, South Africa and Australia). In particular certain property assets remained under considerable pressure. Planning and development transactions in the Irish market were significantly impaired as a result of ongoing economic difficulties in that country. Significant impairments were recorded against these assets. Residential and commercial property valuations will continue to form part of our increased focus on collateral assessment.

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

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

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

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

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

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

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

An analysis of collateral is provided on pages 150 to 154.

Credit and counterparty risk year in review

UK and Europe

The year in review remained challenging as the severe deterioration in economic conditions globally continued to impact on clients' activities and underlying asset values. Impairments and defaults have as a result continued to increase. The Irish market was particularly affected by economic difficulties and the local banking crisis.

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

Core loans and advances 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.

Default 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. Gross default loans (before collateral and impairments) in the Private Bank have risen from 5.63% at 31 March 2010 to 9.41% at 31 March 2011. The UK and Channel Islands businesses have shown marginal deterioration in gross default loans from 3.2% to 3.9% for the year. However, our Irish branch gross defaults have deteriorated from 19.5% of the gross Irish loan portfolio to 40.8% as at 31 March 2011. These loan defaults are predominantly related to planning and development transactions in Ireland.

Within our Capital Markets division there was a marked reduction in defaults in the Specialist Corporate Capital division compared to previous financial years. Trading in the underlying leverage loan corporates has generally improved and secondary market prices have rallied.

The first quarter of 2011 appeared to reflect an improving economic environment as total arrears, defaults and impairment figures tapered off. We believe that the impairment cycle has reached its peak and the group expects a gradual improvement in defaults and impairments during the course of the new financial year. Whilst impairments and defaults have risen in the Irish portfolio due to economic difficulties during the financial year under review, all other portfolios across the business units have proven to be resilient.

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

The charge to the income statement with respect to the Kensington mortgage portfolio declined from £81.2 million to £69.9 million during the year. Whilst we have seen an improvement in arrears in our UK portfolio, impairments against our Irish portfolio increased. The overall amount in arrears has remained stable, and the legacy book continues to decrease in size. During the year under review, Kensington resumed new business origination, focusing on the prime mortgage market. The origination continues to gain traction, and arrears in the new business have been negligible.

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

Southern Africa

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

- The slow to moderate recovery of the domestic economy from the global financial crisis as a result of:
  - Increased discretionary spending, although marginal in a low interest rate environment, accompanied by the existing debt burden on consumers;
  - Inflationary pressures as a result of oil and utility price increases;
  - Limited investment by corporates due to economic uncertainty throughout the 2010 calendar year with increased lending to the corporate sector in the first quarter of 2011;
  - Infrastructure spending by government a key driver of local economic growth in the financial year in review;
  - The European sovereign debt crisis and contagion fears;
  - Secondary economic effects as a result of the conflict in the North African, Middle East and Arabian regions and the natural disaster in Japan; and
  - Continuation of the appreciation in the value of the Rand against the US dollar, Pound and Euro.
- Market volatility continued in the first two quarters of the financial year under review, with strong growth in the third and fourth quarters with the JSE reflecting overall growth of 12% year on year improving to levels last seen before the start of the 2008 crisis
- The property market remains under pressure with low or static growth across the residential and commercial property markets.

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

Lower levels of volatility relative to the 2010 financial year have resulted in lower profitability levels and exposure for the majority of our trading divisions with the exception of the Interest Rate Trading division which benefited from the multiple rate cuts during the financial year in review.

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

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

For assets written during the current year there has been adherence to lower loan to value lending and a continuation of downward pricing pressures.

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 and 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.

A lot of emphasis has been placed on the strengthening of recoveries and administrative areas and increased involvement from executive and senior management to deal with potential problematic loans and working on the best outcome/solution for our clients and ourselves. However, managing certain of the larger defaulted property developments in order to maximise recoveries may take longer than originally anticipated.

Australia

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 from 10.26% 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.

Credit risk-regulatory considerations

In January 2011, Investec implemented the enhancements in respect of credit risk in the Basel II framework as recommended by the Basel Committee on Banking Supervision (BCBS) and as stipulated by the SARB. These amendments relate specifically to the amount of credit risk capital required when providing liquidity facilities to securitisation vehicles, as well as when holding re-securitisation exposures. Since these activities constitute less than 1% of total gross credit exposure, the impact on required capital for the group is immaterial.

In addition, in enhancing risk coverage, the Basel committee expects banks to hold capital for the deterioration in credit quality of its counterparties in its over the counter (OTC) trading portfolios. This is more commonly referred to as credit valuation adjustments (CVA).

The market is still awaiting further clarity on the exact form of the CVA change. In many cases, the amendments will follow a phased approach with implementation beginning 2013. Investec will continue to engage with the regulator and seek to adopt market best practice in accordance with these regulatory amendments.

Credit and counterparty risk information

Pages 117 to 127 describe where and how credit risk is assumed in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

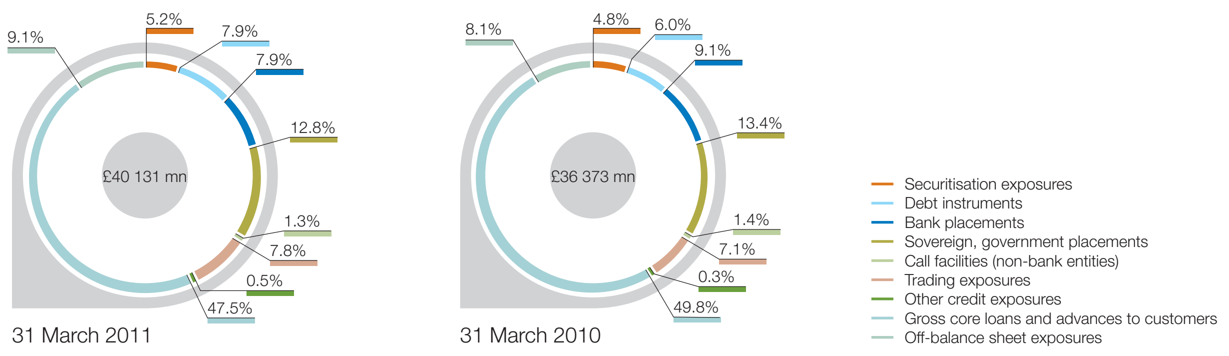
An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 10.3% to £40.1 billion largely as a result of an increase in fixed income investments and core loans and advances. Cash and near cash balances increased by 2.2% to £9.3 billion and are largely reflected in the following line items in the table below: debt instruments; bank placements and sovereign, government placements.

Audited £'000	31 March 2011	31 March 2010	% change	Average*
On-balance sheet exposures	36 479 737	33 424 983	9.1%	34 952 362
Securitisation exposures arising from securitisation/principal finance activities	2 071 151	1 753 645	18.1%	1 912 398
Rated instruments	712 783	546 469	30.4%	629 626
Unrated instruments	224 264	203 032	10.5%	213 648
Other	1 134 104	1 004 144	12.9%	1 069 124
Debt instruments – non sovereign (NCDs, bonds held, debentures)	3 174 000	2 209 936	43.6%	2 691 968
Bank placements	3 173 678	3 293 211	(3.6)%	3 233 445
Sovereign, government placements	5 127 371	4 867 650	5.3%	4 997 511
Call facilities (non-bank entities)	535 983	502 036	6.8%	519 010
Trading exposures (positive fair value excluding potential future exposures)	3 120 144	2 597 731	20.1%	2 858 938
Other credit exposures	207 802	103 636	>100%	155 719
Gross core loans and advances to customers**	19 069 608	18 097 138	5.4%	18 583 373
Off-balance sheet exposures	3 651 759	2 948 037	23.9%	3 299 898
Guarantees^	553 231	345 363	60.2%	449 297
Contingent liabilities, committed facilities, other	3 098 528	2 602 674	19.1%	2 850 601
Total gross credit and counterparty exposures pre collateral or other credit enhancements	40 131 496	36 373 020	10.3%	38 252 260

* *Where the average is based on a straight line average.*
** *As calculated on page 135.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

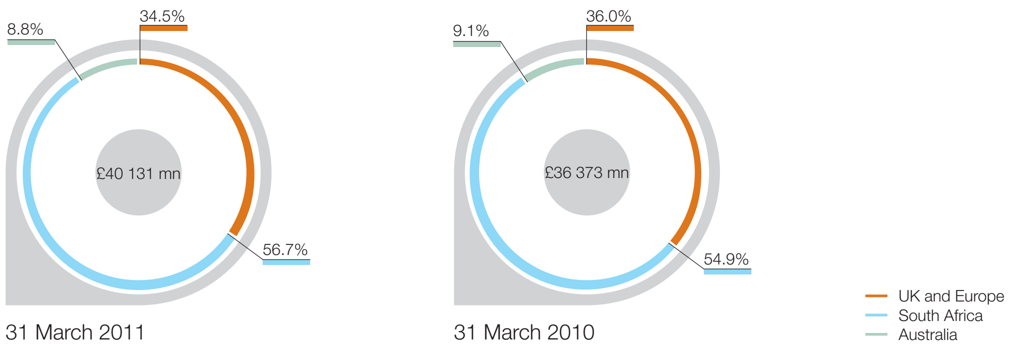
An analysis of gross credit and counterparty exposures



An analysis of gross credit and counterparty exposures by geography

Audited £'000	UK and Europe 31 March 2011	UK and Europe 31 March 2010	Southern Africa 31 March 2011	Southern Africa 31 March 2010	Australia 31 March 2011	Australia 31 March 2010	Total 31 March 2011	Total 31 March 2010
On-balance sheet exposures	13 135 516	12 637 394	20 019 930	17 648 464	3 324 291	3 139 125	36 479 737	33 424 983
Securitisation exposures arising from securitisation/ principal finance activities	1 641 153	1 387 876	363 648	296 860	66 350	68 909	2 071 151	1 753 645
Rated instruments	391 295	316 046	255 138	161 514	66 350	68 909	712 783	546 469
Unrated instruments	194 798	168 497	29 466	34 535	–	–	224 264	203 032
Other	1 055 060	903 333	79 044	100 811	–	–	1 134 104	1 004 144
Debt instruments (NCDs, bonds held, debentures)	623 807	205 834	1 783 175	1 402 311	767 018	601 791	3 174 000	2 209 936
Bank placements	1 666 304	1 674 188	1 410 902	1 549 090	96 472	69 933	3 173 678	3 293 211
Sovereign, government placements	1 585 366	2 348 319	3 386 868	2 013 550	155 137	505 781	5 127 371	4 867 650
Call facilities (non-bank entities)	–	–	535 983	502 036	–	–	535 983	502 036
Trading exposures (positive fair value excluding potential future exposures)	1 816 236	1 467 111	1 222 240	1 090 364	81 668	40 256	3 120 144	2 597 731
Other credit exposures	70 883	17 311	82 942	86 325	53 977	–	207 802	103 636
Gross core loans and advances to customers	5 731 767	5 536 755	11 234 172	10 707 928	2 103 669	1 852 455	19 069 608	18 097 138
Off-balance sheet exposures	730 962	442 116	2 716 051	2 337 012	204 746	168 909	3 651 759	2 948 037
Guarantees	11 982	9 948	501 312	294 969	39 937	40 446	553 231	345 363
Contingent liabilities, committed facilities, other	718 980	432 168	2 214 739	2 042 043	164 809	128 463	3 098 528	2 602 674
Total gross credit and counterparty exposures pre collateral or other credit enhancements	13 866 478	13 079 510	22 735 981	19 985 476	3 529 037	3 308 034	40 131 496	36 373 020

An analysis of gross credit and counterparty exposures by geography



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

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

Audited £'000	Securitisation exposures arising from securitisation/principal finance activities				Debt instruments non sovereign (NCDs, bonds held, debentures)
	Total	Rated instruments	Unrated instruments	Other	
As at 31 March 2011					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	105 642
Trading securities	47 373	26 441	20 932	–	924 756
Derivative financial instruments	7 521	–	–	7 521	–
Investment securities	78 553	55 934	22 619	–	2 063 778
Loans and advances to customers	1 207 475	604 161	99 525	503 789	79 824
Loans and advances to customers – Kensington warehouse assets	619 246	–	–	619 246	–
Securitised assets	107 435	26 247	81 188	–	–
Deferred taxation assets	–	–	–	–	–
Other assets	3 548	–	–	3 548	–
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Insurance assets	–	–	–	–	–
Total	2 071 151	712 783	224 264	1 134 104	3 174 000
As at 31 March 2010					
Cash and balances at central banks	–	–	–	–	–
Loans and advances to banks	–	–	–	–	–
Cash equivalent advances to customers	–	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	119 403
Trading securities	49 812	23 305	26 507	–	1 122 547
Derivative financial instruments	22 769	–	–	22 769	–
Investment securities	69 133	62 390	6 743	–	918 989
Loans and advances to customers	800 389	375 027	10 085	415 277	–
Loans and advances to customers – Kensington warehouse assets	555 307	–	–	555 307	–
Securitised assets	248 710	85 747	159 697	3 266	–
Deferred taxation assets	–	–	–	–	–
Other assets	7 525	–	–	7 525	48 997
Interests in associated undertakings	–	–	–	–	–
Property and equipment	–	–	–	–	–
Investment property	–	–	–	–	–
Goodwill	–	–	–	–	–
Intangible assets	–	–	–	–	–
Insurance assets	–	–	–	–	–
Total	1 753 645	546 469	203 032	1 004 144	2 209 936

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 155 to 157.*
2. *Largely relates to impairments and the impact of hedge accounting.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the*

Bank placements	Sovereign, government placements	Call facilities (non-bank entities)	Trading exposures (positive fair value excluding potential future exposures)	Other credit exposures	Gross core loans and advances to customers	Total credit and counter-party exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
4 233	1 764 647	–	162	–	–	1 769 042	36		1 769 078
1 448 804	–	–	19 899	2	–	1 468 705	–		1 468 705
–	–	535 983	–	–	–	535 983	–		535 983
1 445 868	38 960	–	877 301	–	–	2 467 771	4	1	2 467 775
–	2 475 325	–	468 288	5 933	–	3 921 675	1 192 647		5 114 322
–	–	–	1 546 092	–	–	1 553 613	245 591		1 799 204
248 652	848 439	–	168	–	–	3 239 590	89 019	1	3 328 609
–	–	–	–	53 977	18 002 199	19 343 475	(584 951)	2	18 758 524
–	–	–	–	–	–	619 246	992 935	3	1 612 181
–	–	–	–	–	1 067 409	1 174 844	3 749 449	4	4 924 293
–	–	–	–	–	–	–	114 838		114 838
26 121	–	–	208 234	83 177	–	321 080	1 089 513		1 410 593
–	–	–	–	–	–	–	23 481		23 481
–	–	–	–	64 713	–	64 713	215 088		279 801
–	–	–	–	–	–	–	379 527		379 527
–	–	–	–	–	–	–	456 608		456 608
–	–	–	–	–	–	–	136 452		136 452
–	–	–	–	–	–	–	6 361 296		6 361 296
3 173 678	5 127 371	535 983	3 120 144	207 802	19 069 608	36 479 737	14 461 533		50 941 270
3 914	2 334 273	–	–	–	–	2 338 187	47		2 338 234
2 754 037	–	319	27 079	195	–	2 781 630	–		2 781 630
–	–	501 717	–	79 400	–	581 117	–		581 117
377 277	–	–	414 752	–	–	911 432	–	1	911 432
–	1 687 945	–	486 500	–	–	3 346 804	874 841		4 221 645
–	–	–	1 321 333	–	–	1 344 102	247 739		1 591 841
100 581	845 432	–	–	–	–	1 934 135	61 938	1	1 996 073
–	–	–	–	–	16 924 421	17 724 810	(310 119)	2	17 414 691
–	–	–	–	–	–	555 307	1 221 218	3	1 776 525
–	–	–	–	–	1 172 717	1 421 427	3 913 026	4	5 334 453
–	–	–	–	–	–	–	134 355		134 355
57 402	–	–	348 067	24 041	–	486 032	754 592		1 240 624
–	–	–	–	–	–	–	104 059		104 059
–	–	–	–	–	–	–	161 255		161 255
–	–	–	–	–	–	–	273 038		273 038
–	–	–	–	–	–	–	274 417		274 417
–	–	–	–	–	–	–	36 620		36 620
–	–	–	–	–	–	–	5 399 856		5 399 856
3 293 211	4 867 650	502 036	2 597 731	103 636	18 097 138	33 424 983	13 146 882		46 571 865

maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no credit exposure'.

4. *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 161 and 164. Also includes liquidity facilities provided to third party corporate securitisation vehicles in South Africa. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposure of the bank.*

Detailed analysis of gross credit and counterparty exposures by industry

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services
As at 31 March 2011				
On-balance sheet exposures	13 602 632	72 302	370 907	5 717 112
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–
Rated instruments	–	–	–	–
Unrated instruments	–	–	–	–
Other	–	–	–	–
Debt instruments – non sovereign (NCDs, bonds held, debentures)	–	–	–	–
Bank placements	–	–	–	–
Sovereign, government placements	–	–	–	5 127 371
Call facilities (non-bank entities)	–	9 250	–	–
Trading exposures (positive fair value excluding potential future exposures)	8 340	78	18 449	367 422
Other credit exposures	–	–	–	13 535
Gross core loans and advances to customers	13 594 292*	62 974	352 458	208 784
Off-balance sheet exposures	2 652 764	17 843	181 618	16 009
Guarantees	396 454	–	3 047	–
Contingent liabilities, committed facilities, other	2 256 310	17 843	178 571	16 009
Total gross credit and counterparty exposures pre collateral or other credit enhancements	16 255 396	90 145	552 525	5 733 121
As at 31 March 2010				
On-balance sheet exposures	13 087 885	57 698	290 454	5 097 621
Securitisation exposures arising from securitisation/ principal finance activities	–	–	–	–
Rated instruments	–	–	–	–
Unrated instruments	–	–	–	–
Other	–	–	–	–
Debt instruments – non sovereign (NCDs, bonds held, debentures)	–	–	20 663	–
Bank placements	–		–	–
Sovereign, government placements	–	–	–	4 867 650
Call facilities (non-bank entities)	–	4 535	–	–
Trading exposures (positive fair value excluding potential future exposures)	21 972	926	20 298	–
Other credit exposures	3 129	–	–	107
Gross core loans and advances to customers	13 062 784*	52 237	249 493	229 864
Off-balance sheet exposures	2 329 509	8 977	9 754	4 984
Guarantees	275 279	–	3 886	23
Contingent liabilities, committed facilities, other	2 054 230	8 977	5 868	4 961
Total gross credit and counterparty exposures pre collateral or other credit enhancements	15 417 394	66 675	300 208	5 102 605

* *A further analysis of our Private Banking loan book is provided on pages 148 and 149.*

Business services	Finance and insurance (including central banks)	Retailers and wholesalers	Manu-facturing and commerce	Real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport and communi-cation	Total
439 371	11 128 990	556 802	1 148 292	2 077 872	314 855	303 814	746 788	36 479 737
–	808 211	–	–	1 262 940	–	–	–	2 071 151
–	603 697	–	–	109 086	–	–	–	712 783
–	117 950	–	–	106 314	–	–	–	224 264
–	86 564	–	–	1 047 540	–	–	–	1 134 104
–	3 160 929	–	–	–	–	–	13 071	3 174 000
–	3 173 678	–	–	–	–	–	–	3 173 678
–	–	–	–	–	–	–	–	5 127 371
30 008	154 421	150 031	155 381	–	22 435	–	14 457	535 983
17 244	2 493 094	50 071	13 485	114 236	11 442	4 506	21 777	3 120 144
52 535	82 112	790	1 663	54 894	1 534	739	–	207 802
339 584	1 256 545	355 910	977 763	645 802	279 444	298 569	697 483	19 069 608
25 104	203 964	18 375	91 063	13 041	265 080	57 761	109 137	3 651 759
5 745	16 103	3 482	20 363	6 254	100 705	650	428	553 231
19 359	187 861	14 893	70 700	6 787	164 375	57 111	108 709	3 098 528
464 475	11 332 954	575 177	1 239 355	2 090 913	579 935	361 575	855 925	40 131 496
321 733	9 549 068	455 589	1 195 082	1 976 055	261 218	297 537	835 043	33 424 983
–	539 958	8 260	–	1 205 427	–	–	–	1 753 645
–	391 812	–	–	154 657	–	–	–	546 469
–	34 630	4 994	–	163 408	–	–	–	203 032
–	113 516	3 266	–	887 362	–	–	–	1 004 144
–	2 176 523	–	–	–	–	–	12 750	2 209 936
–	3 293 211	–	–	–	–	–	–	3 293 211
–	–	–	–	–	–	–	–	4 867 650
30 220	131 964	110 235	162 382	–	23 294	–	39 406	502 036
68 716	2 257 000	61 921	23 612	81 508	38 342	5 092	18 344	2 597 731
–	96 027	243	2 331	477	1 283	10	29	103 636
222 797	1 054 385	274 930	1 006 757	688 643	198 299	292 435	764 514	18 097 138
4 836	267 829	11 986	85 326	700	131 019	35 332	57 785	2 948 037
4 798	8 882	27	19 150	–	33 095	–	223	345 363
38	258 947	11 959	66 176	700	97 924	35 332	57 562	2 602 674
326 569	9 816 897	467 575	1 280 408	1 976 755	392 237	332 869	892 828	36 373 020

Summary analysis of gross credit and counterparty exposures by industry

Private Banking loans account for 72.0% of total core loans and advances, as represented by the industry classification 'HNW and professional individuals'. A description of the type of lending we undertake within the Private Bank is provided on pages 119, 120 and 121, and a more detailed analysis of the Private Banking loan portfolio is provided on pages 148 to 149. The remainder of core loans and advances largely reside within our Capital Markets division and are evenly spread across industry sectors. A description of the type of lending we undertake within the Capital Markets division is provided on pages 120 and 121, and a more detailed analysis of the Capital Markets loan portfolio is provided on pages 148 to 149.

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

Breakdown of gross credit exposure by industry

£'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
HNW and professional individuals	13 594 292	13 062 784	2 661 104	2 354 610	16 255 396	15 417 394
Agriculture	62 974	52 237	27 171	14 438	90 145	66 675
Electricity, gas and water (utility services)	352 458	249 493	200 067	50 715	552 525	300 208
Public and non-business services	208 784	229 864	5 524 337	4 872 741	5 733 121	5 102 605
Business services	339 584	222 797	124 891	103 772	464 475	326 569
Finance and insurance (including central banks)	1 256 545	1 054 385	10 076 409	8 762 512	11 332 954	9 816 897
Retailers and wholesalers	355 910	274 930	219 267	192 645	575 177	467 575
Manufacturing and commerce	977 763	1 006 757	261 592	273 651	1 239 355	1 280 408
Real estate	645 802	688 643	1 445 111	1 288 112	2 090 913	1 976 755
Mining and resources	279 444	198 299	300 491	193 938	579 935	392 237
Leisure, entertainment and tourism	298 569	292 435	63 006	40 434	361 575	332 869
Transport and communication	697 483	764 514	158 442	128 314	855 925	892 828
Total	19 069 608	18 097 138	21 061 888	18 275 882	40 131 496	36 373 020

Gross credit and counterparty exposures by residual contractual maturity as at 31 March 2011

£'000	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	>10 years	Total
On-balance sheet exposures	12 375 955	1 978 841	3 340 875	10 264 850	3 012 492	5 506 724	36 479 737
Securitisation exposures arising from securitisation/principal finance activities	–	–	671	148 909	312 837	1 608 734	2 071 151
Rated instruments	–	–	–	48 906	301 352	362 525	712 783
Unrated instruments	–	–	206	20 959	3 964	199 135	224 264
Other	–	–	465	79 044	7 521	1 047 074	1 134 104
Debt instruments – non sovereign (NCDs, bonds held, debentures)	516 174	96 532	442 023	1 418 513	591 794	108 964	3 174 000
Bank placements	2 766 230	99 497	86 321	221 630	–	–	3 173 678
Sovereign, government placements	3 979 239	473 896	80 163	203 888	71 681	318 504	5 127 371
Call facilities (non-bank entities)	535 983	–	–	–	–	–	535 983
Trading exposures (positive fair value excluding potential future exposures)	1 596 395	62 767	93 557	743 859	240 571	382 995	3 120 144
Other credit exposures	143 516	9 372	18 765	36 149	–	–	207 802
Gross core loans and advances to customers	2 838 418	1 236 777	2 619 375	7 491 902	1 795 609	3 087 527	19 069 608
Off–balance sheet exposures	2 414 918	204 199	346 840	633 843	46 753	5 206	3 651 759
Guarantees	133 270	93 698	201 570	119 344	5 349	–	553 231
Contingent liabilities, committed facilities and other	2 281 648	110 501	145 270	514 499	41 404	5 206	3 098 528
Total gross credit and counterparty exposures pre collateral or other credit enhancements	14 790 873	2 183 040	3 687 715	10 898 693	3 059 245	5 511 930	40 131 496

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

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

The following methodology has been applied:

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

Calculation of core loans and advances to customers

Audited £'000	31 March 2011	31 March 2010
Loans (pre-impairments and intercompany loans) as per balance sheet	19 343 475	17 724 810
Less: warehouse facilities and structured credit investments arising out of our securitisation and principal finance activities and other credit exposures (pre-impairments)	(1 341 276)	(800 389)
Add: own-originated securitised assets	1 067 409	1 172 717
Gross core loans and advances to customers (pre-impairments)	19 069 608	18 097 138

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers. An overview of developments during the financial year is provided on page 125 to 127.

Audited £'000	31 March 2011	31 March 2010
Gross core loans and advances to customers	19 069 608	18 097 138
Total impairments	(311 470)	(206 341)
Portfolio impairments	(30 844)	(48 942)
Specific impairments	(280 626)	(157 399)
Net core loans and advances to customers	18 758 138	17 890 797
Average gross core loans and advances to customers	18 583 373	17 245 171
Current loans and advances to customers	17 438 856	16 643 441
Past due and default core loans and advances to customers	1 630 752	1 453 697
Past due loans and advances to customers (1 – 60 days)	356 756	381 539
Special mention loans and advances to customers	87 541	154 589
Default loans and advances to customers	1 186 455	917 569
Gross core loans and advances to customers	19 069 608	18 097 138
Past due and default core loans and advances to customers	1 630 752	1 453 697
Default loans that are current and not impaired	6 746	39 605
Gross core loans and advances to customers that are past due but not impaired	803 813	952 813
Gross core loans and advances to customers that are impaired	820 193	461 279
Total income statement charge for core loans and advances	(248 343)	(205 201)
Gross default loans and advances to customers	1 186 455	917 569
Specific impairments	(280 626)	(157 399)
Portfolio impairments	(30 844)	(48 942)
Defaults net of impairments	874 985	711 228
Collateral and other credit enhancements	1 210 061	947 192
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.63%	1.14%
Total impairments as a % of gross default loans	26.25%	22.49%
Gross defaults as a % of gross core loans and advances to customers	6.22%	5.07%
Defaults (net of impairments) as a % of net core loans and advances to customers	4.66%	3.98%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e income statement impairment charge as a % of average gross loans and advances)	1.27%	1.16%

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

Audited £'000	UK and Europe 31 March 2011	UK and Europe 31 March 2010	Southern Africa 31 March 2011	Southern Africa 31 March 2010	Australia 31 March 2011	Australia 31 March 2010	Total 31 March 2011	Total 31 March 2010
Gross core loans and advances to customers	5 731 767	5 536 755	11 234 172	10 707 928	2 103 669	1 852 455	19 069 608	18 097 138
Total impairments	(155 515)	(99 974)	(127 727)	(70 452)	(28 228)	(35 915)	(311 470)	(206 341)
Portfolio impairments	–	(18 672)	(29 326)	(29 033)	(1 518)	(1 237)	(30 844)	(48 942)
Specific impairments	(155 515)	(81 302)	(98 401)	(41 419)	(26 710)	(34 678)	(280 626)	(157 399)
Net core loans and advances to customers	5 576 252	5 436 781	11 106 445	10 637 476	2 075 441	1 816 540	18 758 138	17 890 797
% of total	29.7%	30.4%	59.2%	59.4%	11.1%	10.2%	100.0%	100.0%
% change since 31 March 2010	3.5%	–	4.9%	–	13.6%	–	5.4%	–
Average gross core loans and advances to customers	5 634 261	5 787 671	10 971 050	9 819 370	1 978 062	1 638 130	18 583 373	17 245 171
Current loans and advances to customers	5 094 608	5 002 250	10 504 773	10 053 663	1 839 475	1 587 528	17 438 856	16 643 441
Past due and default core loans and advances to customers	637 159	534 505	729 399	654 265	264 194	264 927	1 630 752	1 453 697
Past due loans and advances to customers (1 – 60 days)	232 866	165 540	99 738	181 499	24 152	34 500	356 756	381 539
Special mention loans and advances to customers	13 161	97 344	60 489	49 193	13 891	8 052	87 541	154 589
Default loans and advances to customers	391 132	271 621	569 172	423 573	226 151	222 375	1 186 455	917 569
Gross core loans and advances to customers	5 731 767	5 536 755	11 234 172	10 707 928	2 103 669	1 852 455	19 069 608	18 097 138
Past due and default core loans and advances to customers	637 159	534 505	729 399	654 265	264 194	264 927	1 630 752	1 453 697
Default loans that are current and not impaired	–	4 985	6 746	34 620	–	–	6 746	39 605
Gross core loans and advances to customers that are past due but not impaired	300 874	327 925	362 600	467 360	140 339	157 528	803 813	952 813
Gross core loans and advances to customers that are impaired	336 285	201 595	360 053	152 285	123 855	107 399	820 193	461 279
Total income statement charge for core loans and advances	(140 598)	(106 950)	(77 538)	(70 841)	(30 207)	(27 410)	(248 343)	(205 201)
Gross default loans and advances to customers	391 132	271 621	569 172	423 573	226 151	222 375	1 186 455	917 569
Specific impairments	(155 515)	(81 302)	(98 401)	(41 419)	(26 710)	(34 678)	(280 626)	(157 399)
Portfolio impairments	–	(18 672)	(29 326)	(29 033)	(1 518)	(1 237)	(30 844)	(48 942)
Defaults net of impairments	235 617	171 647	441 445	353 121	197 923	186 460	874 985	711 228
Collateral and other credit enhancements	336 740	192 490	658 781	541 548	214 540	213 154	1 210 061	947 192
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–	–	–

Audited	UK and Europe		Southern Africa		Australia		Total	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Total impairments as a % of gross core loans and advances to customers	2.71%	1.81%	1.14%	0.66%	1.34%	1.94%	1.63%	1.14%
Total impairments as a % of gross default loans	39.76%	36.81%	22.44%	16.63%	12.48%	16.15%	26.25%	22.49%
Gross defaults as a % of gross core loans and advances to customers	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 to customers	4.23%	3.16%	3.97%	3.32%	9.54%	10.26%	4.66%	3.98%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–	–	–	–	–
Credit loss ratio (i.e income statement impairment charge as a % of average gross loans and advances)	2.22%	1.72%	0.71%	0.71%	1.53%	1.67%	1.27%	1.16%

An analysis of core loans and advances to customers and asset quality by geography and division as at 31 March 2011

Audited £'000	Private Bank** UK and Europe	Southern Africa	Australia	Total
Gross core loans and advances to customers	3 519 886	8 225 970	1 848 436	13 594 292
Total impairments	(141 673)	(99 822)	(27 986)	(269 481)
Portfolio impairments	–	(14 476)	(1 518)	(15 994)
Specific impairments	(141 673)	(85 346)	(26 468)	(253 487)
Net core loans and advances to customers	3 378 213	8 126 148	1 820 450	13 324 811
Average gross core loans and advances	3 583 746	7 980 565	1 764 225	13 328 536
Current loans and advances to customers	2 971 055	7 537 610	1 589 647	12 098 312
Past due and default core loans and advances to customers	548 831	688 360	258 789	1 495 980
Past due loans and advances to customers (1 – 60 days)	204 866	86 358	24 152	315 376
Special mention loans and advances to customers	12 674	52 108	12 628	77 410
Default loans and advances to customers	331 291	549 894	222 009	1 103 194
Gross core loans and advances to customers	3 519 886	8 225 970	1 848 436	13 594 292
Past due and default core loans and advances to customers	548 831	688 360	258 789	1 495 980
Default loans that are current and not impaired	–	6 746	–	6 746
Gross core loans and advances to customers that are past due but not impaired	272 151	340 839	135 205	748 195
Gross core loans and advances to customers that are impaired	276 680	340 775	123 584	741 039
Total income statement charge for impairments on loans and advances	(123 891)	(94 223)	(26 862)	(244 976)
Gross default loans and advances to customers	331 291	549 894	222 009	1 103 194
Specific impairments	(141 673)	(85 346)	(26 468)	(253 487)
Portfolio impairments	–	(14 476)	(1 518)	(15 994)
Defaults net of impairments	189 618	450 072	194 023	833 713
Collateral and other credit enhancements	290 759	651 391	210 637	1 152 787
Net default loans and advances to customers (limited to zero)	–	–	–	–
Total impairments as a % of gross core loans and advances to customers	4.02%	1.21%	1.51%	1.98%
Total impairments as a % of gross default loans	42.76%	18.15%	12.61%	24.43%
Gross defaults as a % of gross core loans and advances to customers	9.41%	6.68%	12.01%	8.12%
Defaults (net of impairments) as a % of net core loans and advances to customers	5.61%	5.54%	10.66%	6.26%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–
Credit loss ratio (i.e income statement impairment charge as a % of average gross loans and advances)	3.46%	1.18%	1.52%	1.84%

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

** *A further analysis of our Private Bank and Capital Markets loan portfolios, broken down by type of loan, is provided on pages 148 and 149.*

Capital Markets**				Other*				
UK and Europe	Southern Africa	Australia	Total	UK and Europe	Southern Africa	Australia	Total	Total
2 036 660	2 559 305	253 366	4 849 331	175 222	448 897	1 866	625 985	19 069 608
(13 842)	(2 574)	(241)	(16 657)	–	(25 332)	–	(25 332)	(311 470)
–	(1 654)	–	(1 654)	–	(13 196)	–	(13 196)	(30 844)
(13 842)	(920)	(241)	(15 003)	–	(12 136)	–	(12 136)	(280 626)
2 022 818	2 556 731	253 125	4 832 674	175 222	423 565	1 866	600 653	18 758 138
1 907 079	2 575 797	212 029	4 694 905	143 436	414 688	1 808	559 932	18 583 373
1 948 588	2 547 067	247 960	4 743 615	174 966	420 097	1 866	596 929	17 438 856
88 072	12 238	5 406	105 716	256	28 800	–	29 056	1 630 752
27 761	1 555	–	29 316	239	11 825	–	12 064	356 756
487	6 786	1 263	8 536	–	1 595	–	1 595	87 541
59 824	3 897	4 143	67 864	17	15 380	–	15 397	1 186 455
2 036 660	2 559 305	253 366	4 849 331	175 222	448 897	1 866	625 985	19 069 608
88 072	12 238	5 406	105 716	256	28 800	–	29 056	1 630 752
–	–	–	–	–	–	–	–	6 746
28 483	8 341	5 135	41 959	239	13 420	–	13 659	803 813
59 589	3 897	271	63 757	17	15 380	–	15 397	820 193
(28 411)	13 662	(3 345)	(18 094)	11 704	3 023	–	14 727	(248 343)
59 824	3 897	4 143	67 864	17	15 380	–	15 397	1 186 455
(13 842)	(920)	(241)	(15 003)	–	(12 136)	–	(12 136)	(280 626)
–	(1 654)	–	(1 654)	–	(13 196)	–	(13 196)	(30 844)
45 982	1 323	3 902	51 207	17	(9 952)	–	(9 935)	874 985
45 983	2 977	3 902	52 862	–	4 412	–	4 412	1 210 061
–	–	–	–	17	–	–	–	–
0.68%	0.10%	0.10%	0.34%	–	5.64%	–	4.05%	1.63%
23.14%	66.05%	5.82%	24.54%	–	>100%	–	>100%	26.25%
2.94%	0.15%	1.64%	1.40%	0.01%	3.43%	–	2.46%	6.22%
2.27%	0.05%	1.54%	1.06%	0.01%	(2.35%)	–	(1.65%)	4.66%
–	–	–	–	–	–	–	–	–
1.07%	(0.49%)	1.58%	0.32%	(8.16%)	(0.73%)	–	(2.63%)	1.27%

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

Audited £'000	Private Bank** UK and Europe	Southern Africa	Australia	Total
Gross core loans and advances to customers	3 647 608	7 735 161	1 680 015	13 062 784
Total impairments	(62 621)	(37 586)	(31 048)	(131 255)
Portfolio impairments	(4 458)	(10 193)	(1 237)	(15 888)
Specific impairments	(58 163)	(27 393)	(29 811)	(115 367)
Net core loans and advances to customers	3 584 987	7 697 575	1 648 967	12 931 529
Average gross core loans and advances	3 665 185	6 982 042	1 466 415	12 113 641
Current loans and advances to customers	3 205 251	7 127 430	1 426 910	11 759 591
Past due and default core loans and advances to customers	442 357	607 731	253 105	1 303 193
Past due loans and advances to customers (1 – 60 days)	146 705	159 918	34 500	341 123
Special mention loans and advances to customers	90 294	48 794	8 052	147 140
Default loans and advances to customers	205 358	399 019	210 553	814 930
Gross core loans and advances to customers	3 647 608	7 735 161	1 680 015	13 062 784
Past due and default core loans and advances to customers	442 357	607 731	253 105	1 303 193
Default loans that are current and not impaired	4 985	34 620	–	39 605
Gross core loans and advances to customers that are past due but not impaired	277 180	438 990	155 275	871 445
Gross core loans and advances to customers that are impaired	160 192	134 121	97 830	392 143
Total income statement charge for impairments on core loans	(55 433)	(40 626)	(19 136)	(115 195)
Gross default loans and advances to customers	205 358	399 019	210 553	814 930
Specific impairments	(58 163)	(27 393)	(29 811)	(115 367)
Portfolio impairments	(4 458)	(10 193)	(1 237)	(15 888)
Defaults net of impairments	142 737	361 433	179 505	683 675
Collateral and other credit enhancements	148 861	521 227	206 198	876 286
Net default loans and advances to customers (limited to zero)	–	–	–	–
Total impairments as a % of gross core loans and advances to customers	1.72%	0.49%	1.85%	1.00%
Total impairments as a % of gross default loans	30.49%	9.42%	14.75%	16.11%
Gross defaults as a % of gross core loans and advances to customers	5.63%	5.16%	12.53%	6.24%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.98%	4.70%	10.89%	5.29%
Net defaults as a % of gross core loans and advances to customers	–	–	–	–
Credit loss ratio (i.e income statement impairment charge as a % of average gross loans and advances)	1.51%	0.58%	1.30%	0.95%

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

** *A further analysis of our Private Bank and Capital Markets loan portfolios, broken down by type of loan, is provided on pages 148 and 149.*

Capital Markets**				Other*				
UK and Europe	Southern Africa	Australia	Total	UK and Europe	Southern Africa	Australia	Total	Total
1 777 498	2 592 288	170 692	4 540 478	111 649	380 478	1 749	493 876	18 097 138
(24 853)	(1 459)	(4 867)	(31 179)	(12 500)	(31 407)	–	(43 907)	(206 341)
(1 714)	(1 444)	–	(3 158)	(12 500)	(17 396)	–	(29 896)	(48 942)
(23 139)	(15)	(4 867)	(28 021)	–	(14 011)	–	(14 011)	(157 399)
1 752 645	2 590 829	165 825	4 509 299	99 149	349 071	1 749	449 969	17 890 797
2 028 407	2 505 170	170 220	4 703 797	94 079	332 158	1 496	427 733	17 245 171
1 685 350	2 571 935	158 869	4 416 154	111 649	354 298	1 749	467 696	16 643 441
92 148	20 353	11 823	124 324	–	26 180	–	26 180	1 453 697
18 835	13 963	–	32 798	–	7 618	–	7 618	381 539
7 050	–	–	7 050	–	399	–	399	154 589
66 263	6 390	11 823	84 476	–	18 163	–	18 163	917 569
1 777 498	2 592 288	170 692	4 540 478	111 649	380 478	1 749	493 876	18 097 138
92 148	20 353	11 823	124 324	–	26 180	–	26 180	1 453 697
–	–	–	–	–	–	–	–	39 605
50 744	20 353	2 254	73 351	–	8 017	–	8 017	952 813
41 404	–	9 569	50 973	–	18 163	–	18 163	461 279
(39 210)	(9 184)	(8 274)	(56 668)	(12 500)	(20 838)	–	(33 338)	(205 201)
66 263	6 390	11 823	84 476	–	18 163	–	18 163	917 569
(23 139)	(15)	(4 867)	(28 021)	–	(14 011)	–	(14 011)	(157 399)
(1 714)	(1 444)	–	(3 158)	(12 500)	(17 396)	–	(29 896)	(48 942)
41 410	4 931	6 956	53 297	(12 500)	(13 244)	–	(25 744)	711 228
43 629	14 012	6 956	64 597	–	6 309	–	6 309	947 192
–	–	–	–	–	–	–	–	–
1.40%	0.06%	2.85%	0.69%	11.20%	8.25%	–	8.89%	1.14%
37.51%	22.83%	41.17%	36.91%	–	>100%	–	>100%	22.49%
3.73%	0.25%	6.93%	1.86%	–	4.77%	–	3.68%	5.07%
2.36%	0.19%	4.19%	1.18%	–	–	–	–	3.98%
–	–	–	–	–	–	–	–	–
1.65%	0.36%	4.86%	1.20%	13.29%	6.33%	–	7.84%	1.16%

An age analysis of past due and default core loans and advances to customers

Audited £'000	31 March 2011	31 March 2010
Default loans that are current	59 170	67 891
1 – 60 days	414 546	422 486
61 – 90 days	66 944	148 259
91 – 180 days	431 589	260 253
181 – 365 days	230 810	209 382
>365 days	427 693	345 426
Past due and default core loans and advances to customers (actual capital exposure)	1 630 752	1 453 697
1 – 60 days	33 871	54 035
61 – 90 days	21 405	21 204
91 – 180 days	68 058	81 436
181 – 365 days	154 279	163 005
>365 days	381 518	250 001
Past due and default core loans and advances to customers (actual amount in arrears)	659 131	569 681

A further age analysis of past due and default core loans and advances to customers

Audited £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 31 March 2011							
Watchlist loans neither past due nor impaired							
Total capital exposure	6 746	–	–	–	–	–	6 746
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	372 173	59 603	113 228	121 612	137 197	803 813
Amount in arrears	–	30 042	17 585	33 378	85 937	100 607	267 549
Gross core loans and advances to customers that are impaired							
Total capital exposure	52 424	42 373	7 341	318 361	109 198	290 496	820 193
Amount in arrears	–	3 829	3 820	34 680	68 342	280 911	391 582
As at 31 March 2010							
Watchlist loans neither past due nor impaired							
Total capital exposure	39 605	–	–	–	–	–	39 605
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	406 191	145 236	128 620	128 755	144 011	952 813
Amount in arrears	–	41 035	20 265	69 099	102 290	122 498	355 187
Gross core loans and advances to customers that are impaired							
Total capital exposure	28 286	16 295	3 023	131 633	80 627	201 415	461 279
Amount in arrears	–	13 000	939	12 337	60 715	127 503	214 494

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on total capital exposure)

Audited £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	356 756	–	–	–	–	356 756
Special mention	–	6 118	58 314	19 870	550	2 689	87 541
Special mention (1 – 90 days)	–	6 118	25 051	19 870*	550*	2 689*	54 278
Special mention (61 – 90 days and item well secured)	–	–	33 263	–	–	–	33 263
Default	59 170	51 672	8 630	411 719	230 260	425 004	1 186 455
Sub-standard	4 869	39 545	842	182 075	109 083	106 997	443 411
Doubtful	54 301	12 127	7 788	55 861	121 177	313 475	564 729
Loss	–	–	–	173 783	–	4 532	178 315
Total	59 170	414 546	66 944	431 589	230 810	427 693	1 630 752

An age analysis of past due and default core loans and advances to customers as at 31 March 2011 (based on actual amount in arrears)

Audited £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	28 280	–	–	–	–	28 280
Special mention	–	217	17 258	3 386	46	1 509	22 416
Special mention (1 – 90 days)	–	217	10 406	3 386*	46*	1 509*	15 564
Special mention (61 – 90 days and item well secured)	–	–	6 852	–	–	–	6 852
Default	–	5 374	4 147	64 672	154 233	380 009	608 435
Sub-standard	–	448	139	27 912	75 201	76 419	180 119
Doubtful	–	4 926	4 008	36 742	78 991	299 058	423 725
Loss	–	–	–	18	41	4 532	4 591
Total	–	33 871	21 405	68 058	154 279	381 518	659 131

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

An age analysis of past due and default core loans and advances to customers as at 31 March 2010 (based on total capital exposure)

Audited £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	381 539	–	–	–	–	381 539
Special mention	–	10 853	132 328	1 480	9 075	853	154 589
Special mention (1 – 90 days)	–	10 853	7 783	1 480*	9 075*	853*	30 044
Special mention (61 – 90 days and item well secured)	–	–	124 545	–	–	–	124 545
Default	67 891	30 094	15 931	258 773	200 307	344 573	917 569
Sub-standard	42 428	13 832	7 597	138 213	103 304	171 222	476 596
Doubtful	24 921	16 262	8 334	64 101	96 107	172 995	382 720
Loss	542	–	–	56 459	896	356	58 253
Total	67 891	422 486	148 259	260 253	209 382	345 426	1 453 697

An age analysis of past due and default core loans and advances to customers as at 31 March 2010 (based on actual amount in arrears)

Audited £'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	37 283	–	–	–	–	37 283
Special mention	–	1 583	12 996	638	1 286	301	16 804
Special mention (1 – 90 days)	–	1 583	5 466	638*	1 286*	301*	9 274
Special mention (61 – 90 days and item well secured)	–	–	7 530	–	–	–	7 530
Default	–	15 169	8 208	80 798	161 719	249 700	515 594
Sub-standard	–	2 200	1 275	48 314	89 624	112 592	254 005
Doubtful	–	12 969	6 933	32 440	72 095	137 108	261 545
Loss	–	–	–	44	–	–	44
Total	–	54 035	21 204	81 436	163 005	250 001	569 681

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

An analysis of core loans and advances to customers

Audited £'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 31 March 2011								
Current core loans and advances	17 438 856	–	–	17 438 856	–	(29 430)	17 409 426	–
Past due (1 – 60 days)	–	356 756	–	356 756	–	(826)	355 930	28 280
Special mention	–	87 541	–	87 541	–	(588)	86 953	22 416
Special mention (1 – 90 days)	–	54 278	–	54 278	–	(295)	53 983	15 564
Special mention (61 – 90 days and item well secured)	–	33 263	–	33 263	–	(293)	32 970	6 852
Default	6 746	359 516	820 193	1 186 455	(280 626)	–	905 829	608 435
Sub-standard	4 863	304 471	134 077	443 411	(37 755)	–	405 656	180 119
Doubtful	1 883	55 045	507 801	564 729	(134 085)	–	430 644	423 725
Loss	–	–	178 315	178 315	(108 786)	–	69 529	4 591
Total	17 445 602	803 813	820 193	19 069 608	(280 626)	(30 844)	18 758 138	659 131
As at 31 March 2010								
Current core loans and advances	16 643 441	–	–	16 643 441	–	(44 513)	16 598 928	–
Past due (1 – 60 days)	–	381 539	–	381 539	–	(592)	380 947	37 283
Special mention	–	154 589	–	154 589	–	(597)	153 992	16 804
Special mention (1 – 90 days)	–	30 044	–	30 044	–	(584)	29 460	9 274
Special mention (61 – 90 days and item well secured)	–	124 545	–	124 545	–	(13)	124 532	7 530
Default	39 605	416 685	461 279	917 569	(157 399)	(3 240)	756 930	515 594
Sub-standard	36 185	353 307	87 104	476 596	(23 546)	(2 003)	451 047	254 005
Doubtful	3 420	61 296	318 004	382 720	(108 100)	(1 237)	273 383	261 545
Loss	–	2 082	56 171	58 253	(25 753)	–	32 500	44
Total	16 683 046	952 813	461 279	18 097 138	(157 399)	(48 942)	17 890 797	569 681

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

Audited £'000	Current core loans and advances	Past due (1 – 60 days)	Special mention (1 – 90 days)
As at 31 March 2011			
Private Banking professional and HNW individuals	12 092 906	315 376	47 492
Corporate sector	3 681 121	28 964	6 786
Banking, insurance, financial services (excluding sovereign)	1 255 864	352	–
Public and government sector (including central banks)	208 146	–	–
Trade finance and other	200 819	12 064	–
Total gross core loans and advances to customers	17 438 856	356 756	54 278
As at 31 March 2010			
Private Banking professional and HNW individuals	11 759 592	341 123	30 044
Corporate sector	3 416 036	32 799	–
Banking, insurance, financial services (excluding sovereign)	1 053 765	–	–
Public and government sector (including central banks)	229 071	–	–
Trade finance and other	184 977	7 617	–
Total gross core loans and advances to customers	16 643 441	381 539	30 044

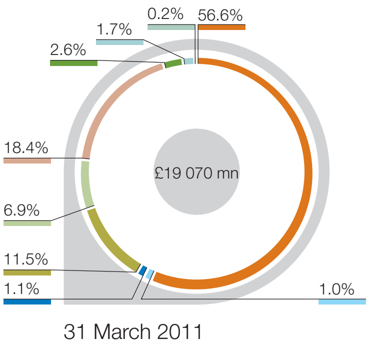
Summary analysis of gross core loans and advances to customers by counterparty type

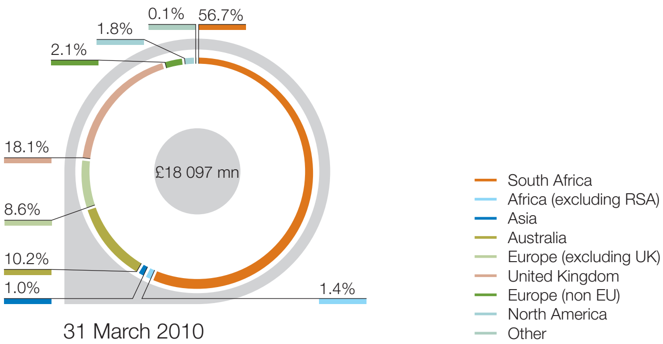
Audited £'000	31 March 2011	31 March 2010
Private Banking professional and HNW individuals	13 594 292	13 062 784
Corporate sector	3 787 358	3 546 252
Banking, insurance, financial services (excluding sovereign)	1 256 545	1 054 385
Public and government sector (including central banks)	208 784	229 864
Trade finance and other	222 629	203 853
Total gross core loans and advances to customers	19 069 608	18 097 138

	Special mention (61 – 90 days and well secured)	Sub-standard	Doubtful	Loss	Total gross core loans and advances to customers	Portfolio impairments	Specific impairments	Total impairments
	31 181	404 034	529 520	173 783	13 594 292	(16 008)	(253 729)	(269 737)
	487	39 288	26 180	4 532	3 787 358	(14 278)	(21 430)	(35 708)
	–	–	329	–	1 256 545	(558)	(198)	(756)
	–	–	638	–	208 784	–	(379)	(379)
	1 595	89	8 062	–	222 629	–	(4 890)	(4 890)
	33 263	443 411	564 729	178 315	19 069 608	(30 844)	(280 626)	(311 470)
	117 096	433 110	323 566	58 253	13 062 784	(15 888)	(115 368)	(131 256)
	7 050	43 139	47 228	–	3 546 252	(20 025)	(34 264)	(54 289)
	–	–	620	–	1 054 385	(13 029)	(507)	(13 536)
	–	–	793	–	229 864	–	(553)	(553)
	399	347	10 513	–	203 853	–	(6 707)	(6 707)
	124 545	476 596	382 720	58 253	18 097 138	(48 942)	(157 399)	(206 341)

Additional information

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



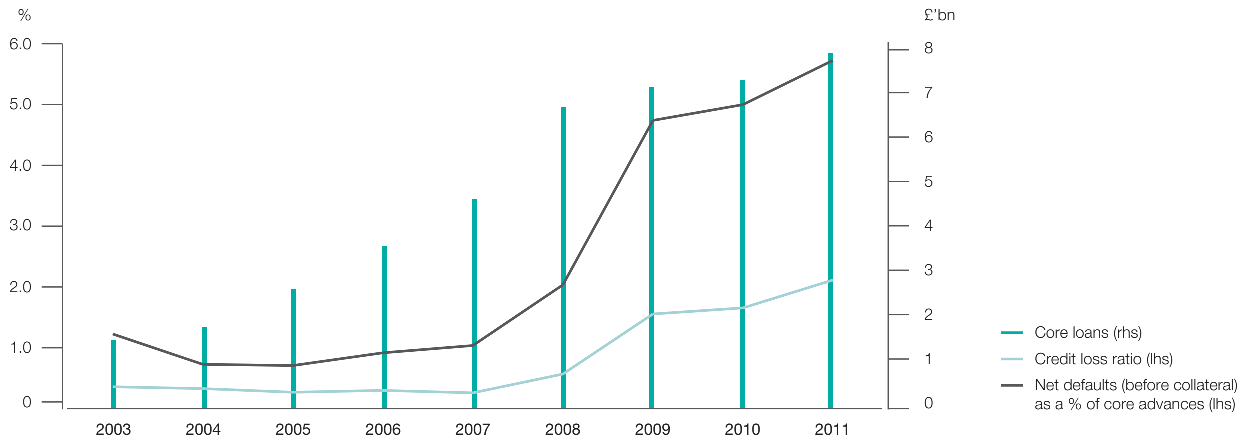


An analysis of default core loans and advances as at 31 March 2011

£'million	UK and Europe				Southern Africa			
	Gross core loans	Gross defaults	Collateral	Impairments	Gross core loans	Gross defaults	Collateral	Impairments
Private Bank								
Residential property	1 447	194	171	73	3 346	309	369	39
Residential property investment	547	10	16	–	325	58	71	3
Residential mortgages (owner occupied and second homes)	191	–	–	–	2 548	63	88	7
Residential property development	537	86	66	32	134	31	38	2
Residential estates/land	172	98	89	41	339	157	172	27
Commercial property	1 538	103	87	52	3 475	125	160	23
Commercial property investment	986	29	46	12	3 061	95	121	18
Commercial property land	281	63	37	33	288	29	38	5
Commercial property development	271	11	4	7	126	1	1	–
Other	535	34	33	17	1 405	116	122	37
Asset backed lending	252	–	–	–	204	30	46	11
Unlisted securities and general corporate lending	82	12	–	12	580	48	44	14
Unsecured lending	57	16	11	5	134	8	6	4
Other	144	6	22	–	486	30	26	8
Total Private Bank	3 520	331	291	142	8 225	550	651	99
Capital Markets								
Preference shares	–	–	–	–	665	–	–	–
Acquisition finance	732	–	–	–	282	–	–	–
Asset finance	341	16	7	9	250	–	–	–
Principal finance	265	–	–	–	–	–	–	–
Project finance	284	33	31	2	184	–	–	–
Structured finance	363	11	8	3	1 072	4	3	3
Resource finance and commodities	52	–	–	–	106	–	–	–
Total Capital Markets	2 037	60	46	14	2 559	4	3	3
Other*	175	–	–	–	450	15	5	26
Total group	5 732	391	337	156	11 234	569	659	128

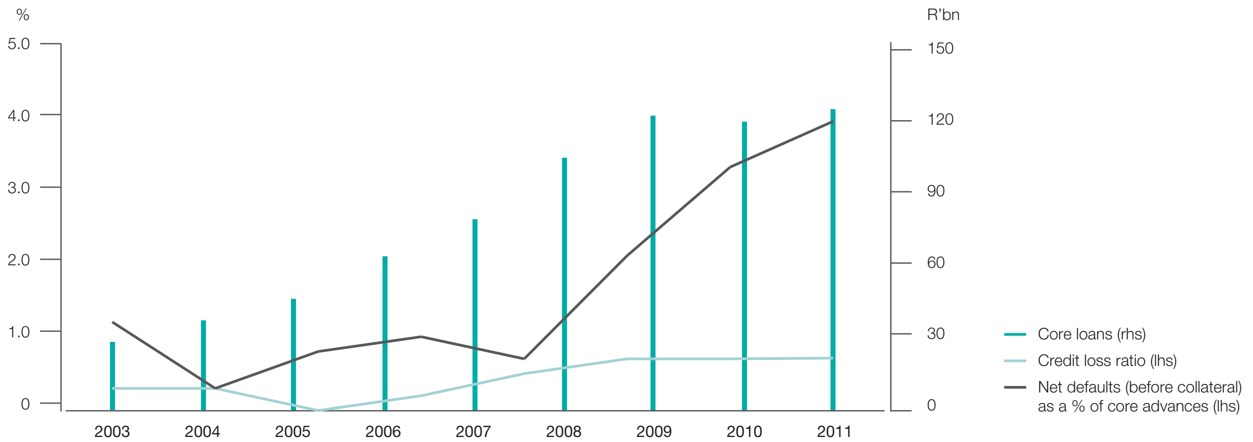
* *Largely includes lending activities within our Central Funding and International Trade Finance business.*

United Kingdom, Europe and Australia



	Australia				Total group			
	Gross core loans	Gross defaults	Collateral	Impairments	Gross core loans	Gross defaults	Collateral	Impairments
	424	144	129	23	5 217	647	669	135
	41	14	10	4	913	82	97	7
	67	–	–	–	2 806	63	88	7
	218	95	84	17	889	212	188	51
	98	35	35	2	609	290	296	70
	609	71	76	3	5 622	299	323	78
	555	60	65	2	4 602	184	232	32
	28	10	10	1	597	102	85	39
	26	1	1	–	423	13	6	7
	815	7	6	2	2 755	157	161	56
	530	1	–	1	986	31	46	12
	117	5	6	–	779	65	50	26
	66	1	–	1	257	25	17	10
	102	–	–	–	733	36	48	8
	1 848	222	211	28	13 594	1 103	1 153	269
	–	–	–	–	665	–	–	–
	22	–	–	–	1 036	–	–	–
	10	–	–	–	601	16	7	9
	71	4	4	–	336	4	4	–
	72	–	–	–	540	33	31	2
	28	–	–	–	1 463	15	11	6
	50	–	–	–	208	–	–	–
	253	4	4	–	4 849	68	53	17
	2	–	–	–	627	15	5	26
	2 103	226	215	28	19 070	1 186	1 211	312

Southern Africa



Collateral

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

Collateral by line of business

£'000	Private Bank – Collateral held against – Core loans and advances	Private Bank – Collateral held against – Other credit and counterparty exposures*	Private Bank – Total
As at 31 March 2011			
Eligible financial collateral	1 799 126	372 820	2 171 946
Listed shares	1 543 312	–	1 543 312
Cash	255 814	372 820	628 634
Debt securities issued by sovereigns	–	–	–
Mortgage bonds	18 620 946	1 398	18 622 344
Residential mortgages	7 293 887	–	7 293 887
Residential development	1 283 378	–	1 283 378
Commercial property developments	814 607	1 398	816 005
Commercial property investments	9 229 074	–	9 229 074
Other collateral	3 447 731	380	3 448 111
Unlisted shares	1 344 565	–	1 344 565
Bonds other than mortgage bonds	38 651	–	38 651
Asset backed lending	602 067	–	602 067
Guarantees	519 382	380	519 762
Credit derivatives	–	–	–
Other	943 066	–	943 066
Total collateral	23 867 803	374 598	24 242 401
As at 31 March 2010			
Eligible financial collateral	1 531 351	268 663	1 800 014
Listed shares	1 344 950	–	1 344 950
Cash	186 401	268 663	455 064
Debt securities issued by sovereigns	–	–	–
Mortgage bonds	17 738 238	24 273	17 762 511
Residential mortgages	5 422 904	789	5 423 693
Residential development	1 602 255	15 580	1 617 835
Commercial property developments	907 964	7 839	915 803
Commercial property investments	9 805 115	65	9 805 180
Other collateral	3 386 063	54 772	3 440 835
Unlisted shares	420 812	4 111	424 923
Bonds other than mortgage bonds	74 944	–	74 944
Asset backed lending	1 985 524	5 773	1 991 297
Guarantees	389 604	–	389 604
Credit derivatives	–	–	–
Other	515 179	44 888	560 067
Total collateral	22 655 652	347 708	23 003 360

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

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

Capital Markets			Other**			Total		
Collateral held against			Collateral held against			Collateral held against		
Core loans and advances	Other credit and counterparty exposures*	Total	Core loans and advances	Other credit and counterparty exposures*	Total	Core loans and advances	Other credit and counterparty exposures*	Total
622 445	333 930	956 375	265 512	109 704	375 216	2 687 083	816 454	3 503 537
465 439	115 995	581 434	247 351	88 738	336 089	2 256 102	204 733	2 460 835
157 006	85 686	242 692	10 126	20 966	31 092	422 946	479 472	902 418
–	132 249	132 249	8 035	–	8 035	8 035	132 249	140 284
721 441	–	721 441	116 778	136 035	252 813	19 459 165	137 433	19 596 598
–	–	–	74 264	–	74 264	7 368 151	–	7 368 151
–	–	–	–	–	–	1 283 378	–	1 283 378
1 246	–	1 246	42 514	–	42 514	858 367	1 398	859 765
720 195	–	720 195	–	136 035	136 035	9 949 269	136 035	10 085 304
4 601 467	98 178	4 699 645	333 025	–	333 025	8 382 223	98 558	8 480 781
229 239	–	229 239	59 942	–	59 942	1 633 746	–	1 633 746
439 827	20 240	460 067	76 650	–	76 650	555 128	20 240	575 368
2 159 994	–	2 159 994	77 016	–	77 016	2 839 077	–	2 839 077
1 050 763	77 938	1 128 701	754	–	754	1 570 899	78 318	1 649 217
–	–	–	–	–	–	–	–	–
721 644	–	721 644	118 663	–	118 663	1 783 373	–	1 783 373
5 945 353	432 108	6 377 461	715 315	245 739	961 054	30 528 471	1 052 445	31 580 916
479 251	78 499	557 750	199 027	44 842	243 869	2 209 629	392 004	2 601 633
314 219	78 499	392 718	197 574	39 151	236 725	1 856 743	117 650	1 974 393
163 036	–	163 036	1 453	5 691	7 144	350 890	274 354	625 244
1 996	–	1 996	–	–	–	1 996	–	1 996
1 870 664	–	1 870 664	53 557	–	53 557	19 662 459	24 273	19 686 732
90 505	–	90 505	53 557	–	53 557	5 566 966	789	5 567 755
–	–	–	–	–	–	1 602 255	15 580	1 617 835
–	–	–	–	–	–	907 964	7 839	915 803
1 780 159	–	1 780 159	–	–	–	11 585 274	65	11 585 339
3 045 447	295 133	3 340 580	206 582	–	206 582	6 638 092	349 905	6 987 997
41 727	–	41 727	–	–	–	462 539	4 111	466 650
705 259	287 931	993 190	65 795	–	65 795	845 998	287 931	1 133 929
1 375 743	–	1 375 743	70 974	–	70 974	3 432 241	5 773	3 438 014
659 960	7 202	667 162	–	–	–	1 049 564	7 202	1 056 766
–	–	–	–	–	–	–	–	–
262 758	–	262 758	69 813	–	69 813	847 750	44 888	892 638
5 395 362	373 632	5 768 994	459 166	44 842	504 008	28 510 180	766 182	29 276 362

Collateral by line of business and geography

Further breakdown of collateral held against core loans and advances by geography and division.

£'000	Private Bank				Capital Markets			
	UK and Europe	Southern Africa	Australia	Total	UK and Europe	Southern Africa	Australia	Total
As at 31 March 2011								
Eligible financial collateral	181 235	1 600 479	17 412	1 799 126	–	619 426	3 019	622 445
Listed shares	65 180	1 478 132	–	1 543 312	–	465 439	–	465 439
Cash	116 055	122 347	17 412	255 814	–	153 987	3 019	157 006
Debt securities issued by sovereigns	–	–	–	–	–	–	–	–
Mortgage bonds	4 613 263	12 555 709	1 451 974	18 620 946	303 938	417 503	–	721 441
Residential mortgages	1 661 557	5 567 801	64 529	7 293 887	–	–	–	–
Residential development	726 869	–	556 509	1 283 378	–	–	–	–
Commercial property developments	213 416	71 750	529 441	814 607	–	1 246	–	1 246
Commercial property investments	2 011 421	6 916 158	301 495	9 229 074	303 938	416 257	–	720 195
Other collateral	975 632	1 487 845	984 254	3 447 731	2 497 980	1 853 140	250 347	4 601 467
Unlisted shares	91 156	998 957	254 452	1 344 565	–	229 239	–	229 239
Bonds other than mortgage bonds	25 279	13 372	–	38 651	281 982	157 845	–	439 827
Asset backed lending	181 542	6 796	413 729	602 067	2 159 994	–	–	2 159 994
Guarantees	512 818	1 666	4 898	519 382	4 408	1 046 355	–	1 050 763
Credit derivatives	–	–	–	–	–	–	–	–
Other	164 838	467 054	311 175	943 066	51 596	419 701	250 347	721 644
Total collateral	5 770 130	15 644 033	2 453 640	23 867 803	2 801 918	2 890 069	253 366	5 945 353
As at 31 March 2010								
Eligible financial collateral	273 096	1 247 333	10 922	1 531 351	2 439	447 762	29 050	479 251
Listed shares	119 853	1 225 097	–	1 344 950	–	314 219	–	314 219
Cash	153 243	22 236	10 922	186 401	2 439	131 547	29 050	163 036
Debt securities issued by sovereigns	–	–	–	–	–	1 996	–	1 996
Mortgage bonds	4 677 548	11 718 816	1 341 874	17 738 238	431 964	1 438 700	–	1 870 664
Residential mortgages	1 341 724	4 041 204	39 976	5 422 904	90 505	–	–	90 505
Residential development	1 055 367	9 386	537 502	1 602 255	–	–	–	–
Commercial property developments	311 986	61 070	534 908	907 964	–	–	–	–
Commercial property investments	1 968 471	7 607 156	229 488	9 805 115	341 459	1 438 700	–	1 780 159
Other collateral	1 164 533	1 375 604	845 926	3 386 063	1 433 030	1 466 407	146 010	3 045 447
Unlisted shares	150 017	56 105	214 689	420 812	–	41 727	–	41 727
Bonds other than mortgage bonds	55 516	19 429	–	74 944	–	705 259	–	705 259
Asset backed lending	331 612	1 284 608	369 304	1 985 524	1 353 408	22 335	–	1 375 743
Guarantees	388 396	–	1 208	389 604	–	658 752	1 208	659 960
Credit derivatives	–	–	–	–	–	–	–	–
Other	238 993	15 461	260 725	515 179	79 622	38 334	144 802	262 758
Total collateral	6 115 177	14 341 753	2 198 722	22 655 652	1 867 433	3 352 869	175 060	5 395 362

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

Other**				Total			
UK and Europe	Southern Africa	Australia	Total	UK and Europe	Southern Africa	Australia	Total
96 119	169 393	–	265 512	277 354	2 389 298	20 431	2 687 083
86 902	160 449	–	247 351	152 082	2 104 020	–	2 256 102
9 217	909	–	10 126	125 272	277 243	20 431	422 946
–	8 035	–	8 035	–	8 035	–	8 035
65 628	51 150	–	116 778	4 982 829	13 024 362	1 451 974	19 459 165
23 114	51 150	–	74 264	1 684 671	5 618 951	64 529	7 368 151
–	–	–	–	726 869	–	556 509	1 283 378
42 514	–	–	42 514	255 930	72 996	529 441	858 367
–	–	–	–	2 315 359	7 332 415	301 495	9 949 269
151 043	181 982	–	333 025	3 624 655	3 522 967	1 234 601	8 382 223
59 942	–	–	59 942	151 098	1 228 196	254 452	1 633 746
38 880	37 770	–	76 650	346 141	208 987	–	555 128
–	77 016	–	77 016	2 341 536	83 812	413 729	2 839 077
754	–	–	754	517 980	1 048 021	4 898	1 570 899
–	–	–	–	–	–	–	–
51 467	67 196	–	118 663	267 900	953 951	561 522	1 783 373
312 790	402 525	–	715 315	8 884 838	18 936 627	2 707 006	30 528 471
–	199 027	–	199 027	275 535	1 894 122	39 972	2 209 629
–	197 574	–	197 574	119 853	1 736 890	–	1 856 743
–	1 453	–	1 453	155 682	155 236	39 972	350 890
–	–	–	–	–	1 996	–	1 996
–	53 557	–	53 557	5 109 512	13 211 073	1 341 874	19 662 459
–	53 557	–	53 557	1 432 229	4 094 761	39 976	5 566 966
–	–	–	–	1 055 367	9 386	537 502	1 602 255
–	–	–	–	311 986	61 070	534 908	907 964
–	–	–	–	2 309 930	9 045 856	229 488	11 585 274
25 979	180 603	–	206 582	2 623 542	3 022 614	991 936	6 638 092
–	–	–	–	150 017	97 833	214 689	462 539
11 892	53 903	–	65 795	67 407	778 591	–	845 998
–	70 974	–	70 974	1 685 020	1 377 917	369 304	3 432 241
–	–	–	–	388 396	658 752	2 416	1 049 564
–	–	–	–	–	–	–	–
14 087	55 726	–	69 813	332 702	109 521	405 527	847 750
25 979	433 187	–	459 166	8 008 589	18 127 809	2 373 782	28 510 180

Collateral (continued)

A summary of total collateral

£'000	Collateral held against Core loans and advances	Collateral held against Other credit and counterparty exposures*	Total
As at 31 March 2011			
Eligible financial collateral	2 687 083	816 454	3 503 537
Listed shares	2 256 102	204 733	2 460 835
Cash	422 946	479 472	902 418
Debt securities issued by sovereigns	8 035	132 249	140 284
Mortgage bonds	19 459 165	137 433	19 596 598
Residential mortgages	7 368 151	–	7 368 151
Residential development	1 283 378	–	1 283 378
Commercial property development	858 367	1 398	859 765
Commercial property investments	9 949 269	136 035	10 085 304
Other collateral	8 382 223	98 558	8 480 781
Unlisted shares	1 633 746	–	1 633 746
Bonds other than mortgage bonds	555 128	20 240	575 368
Debtors, stock and other corporate assets	2 839 077	–	2 839 077
Guarantees	1 570 899	78 318	1 649 217
Credit derivatives	–	–	–
Other	1 783 373	–	1 783 373
Total collateral	30 528 471	1 052 445	31 580 916
As at 31 March 2010			
Eligible financial collateral	2 209 629	392 004	2 601 633
Listed shares	1 856 743	117 650	1 974 393
Cash	350 890	274 354	625 244
Debt securities issued by sovereigns	1 996	–	1 996
Mortgage bonds	19 662 459	24 273	19 686 732
Residential mortgages	5 566 966	789	5 567 755
Residential development	1 602 255	15 580	1 617 835
Commercial property development	907 964	7 839	915 803
Commercial property investments	11 585 274	65	11 585 339
Other collateral	6 638 092	349 905	6 987 997
Unlisted shares	462 539	4 111	466 650
Bonds other than mortgage bonds	845 998	287 931	1 133 929
Debtors, stock and other corporate assets	3 432 241	5 773	3 438 014
Guarantees	1 049 564	7 202	1 056 766
Credit derivatives	–	–	–
Other	847 750	44 888	892 638
Total collateral	28 510 180	766 182	29 276 362

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

Equity and investment risk in the banking book

Equity and investment risk description

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

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

Management of equity and investment risk

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

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

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

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to page 312 and pages 346 to 349 for factors taken into consideration in determining fair value. We have a low level of assets exposed to the volatility of IFRS fair value accounting with 'level 3' assets amounting to 0.8% of total assets (refer to page 346 for further information).

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

Audited £'000 Country/category	Income (pre funding costs)				Fair value through equity
	Unrealised	Realised	Dividends, net interest and other	Total	
For the year ended 31 March 2011					
Unlisted investments	(27 304)	67 041	19 214	58 951	(3 526)
UK and Europe	9 473	21 978	(2 696)	28 755	(2 608)
South Africa	(36 777)	42 076	21 706	27 005	–
Australia	–	2 987	204	3 191	(918)
Listed equities	37 748	5 679	(19 005)	24 422	7 155
UK and Europe	3 302	42	(19 240)	(15 896)	5 606
South Africa	34 446	1 764	(15)	36 195	64
Australia	–	3 873	250	4 123	1 485
Investment and trading properties	55 456	193	2 030	57 679	–
UK and Europe	472	193	614	1 279	–
South Africa	54 984	–	837	55 821	–
Australia	–	–	579	579	–
Warrants, profit shares and other embedded derivatives	6 098	23 142	(26)	29 214	–
UK and Europe	(936)	10 744	(26)	9 782	–
South Africa	7 034	12 398	–	19 432	–
Australia	–	–	–	–	–
Total	71 998	96 055	2 213	170 266	3 629
For the year ended 31 March 2010					
Unlisted investments	21 442	34 088	16 664	72 194	(929)
UK and Europe	(1 177)	9 911	(1 278)	7 456	(1 689)
South Africa	22 619	22 036	17 182	61 837	–
Australia	–	2 141	760	2 901	760
Listed equities	16 125	18 621	(15 359)	19 387	3 673
UK and Europe	2 705	9 919	(15 487)	(2 863)	(84)
South Africa	13 420	6 377	94	19 891	62
Australia	–	2 325	34	2 359	3 695
Investment and trading properties	36 102	65	(16)	36 151	4
UK and Europe	–	65	171	236	4
South Africa	36 102	–	(187)	35 915	–
Warrants, profit shares and other embedded derivatives	17 211	19 199	(1 475)	34 935	–
UK and Europe	980	14 409	(1 744)	13 645	–
South Africa	16 578	4 790	270	21 638	–
Australia	(347)	–	(1)	(348)	–
Total	90 880	71 973	(186)	162 667	2 748

Unrealised revaluation gains through profit and loss are included in Tier 1 capital. Revaluations that are posted directly to equity are excluded from capital within Investec Limited and included in Tier 2 capital within Investec plc.

Summary of investments held and stress testing analyses

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

Audited £'000 Country/category	On-balance sheet value of investments 31 March 2011	Valuation change stress test* 31 March 2011	On-balance sheet value of investments 31 March 2010	Valuation change stress test* 31 March 2010
Unlisted investments	681 730	102 260	677 742	101 661
UK and Europe	116 994	17 549	135 356	20 303
South Africa	558 184	83 728	530 129	79 519
Australia	6 552	983	12 257	1 839
Listed equities	187 402	46 850	97 912	24 478
UK and Europe	61 337	15 334	16 472	4 118
South Africa	117 124	29 281	73 356	18 339
Australia	8 941	2 235	8 084	2 021
Investment and trading properties	589 244	81 693	437 167	50 228
UK and Europe	30 554	6 111	10 810	2 162
South Africa	530 810	70 006	426 357	48 066
Australia	27 880	5 576	–	–
Warrants, profit shares and other embedded derivatives	85 432	29 902	91 559	32 045
UK and Europe	32 387	11 336	34 150	11 952
South Africa	53 045	18 566	57 409	20 093
Australia	–	–	–	–
Total	1 543 808	260 705	1 304 380	208 412

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

Stress test values applied

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

Stress testing summary

Based on the information as at 31 March 2011, as reflected above we could have a £260.7 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel II capital requirements, unlisted and listed equities within the banking book are represented under the category of 'equity risk' and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. Refer to page 205 for further detail.

Securitisation/principal finance activities and exposures

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

UK and Europe

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

We retain residual net exposures amounting to £600 million to the assets originated, warehoused and securitised by Kensington. Further information is provided on pages 161 and 164.

South Africa

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

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

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1; Series 1 Tranche 2; Series 2; and Series 3). These facilities, which totalled R2.0 billion as at 31 March 2011 (31 March 2010: R2.4 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to pages 159 and 160). The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

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

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

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

Total assets that have been originated and securitised by the Private Bank amount to R6.3 billion (March 2010: R7.2 billion) and include auto loans (R0.9 billion), residential mortgages (R4.4 billion) and commercial mortgages (R1.0 billion).These securitisation structures have all been rated by Moody's.

Australia

Investec Bank (Australia) Limited acquired Experien in October 2007. As is the case in the South African Private Banking division assets originated by the business have been securitised. These amount to A$751 million (31 March 2010: A$860 million).

Accounting policies Audited

Refer to pages 355 to 356.

Credit analysis

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

Nature of exposure/ activity	Exposure as at 31 March 2011 £'mn	Exposure as at 31 March 2010 £'mn	Credit analysis internal risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	900	629	On-balance sheet securitisation/principal finance exposure.		Risk-weighted or supervisory deductions against primary and secondary capital.
Rated	713	546			
Unrated	176	50			
Other	11	33			
Kensington – mortgage assets: Net exposures (after impairments) to the securitised book (i.e. those assets have been securitised)	65	104	On-balance sheet securitisation/principal finance exposure. Classified as 'unrated'. We are required to fully consolidate assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under 'no credit exposures'.	Refer to pages 161 to 164	Risk-weighted or supervisory deductions against primary and secondary capital.
Kensington – mortgage assets: Net exposures (after impairments) to the warehouse book (i.e. those assets that have been originated and placed in special purpose vehicles awaiting securitisation)	535	486	On-balance sheet securitisation/principal finance exposure. Classified as 'other'. We are required to fully consolidate assets acquired from Kensington. However, only those assets to which we are legally at risk are reflected in this analysis with the balance reflected under 'no credit exposures'.	Refer to pages 161 to 164	Risk-weighted
Warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans)	497	413	On-balance sheet securitisation/principal finance exposure.		Risk-weighted depending on rating of counterparty
Private Banking division assets which have been securitised	1 067	1 172	On-balance sheet exposure – reclassified from 'accounting securitised assets' to core loans and advances for credit analysis purposes.	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 135	We apply securitisation rules: either risk-weighted or supervisory deductions against primary and secondary capital.
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	188	219	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.		Unutilised facility that is risk-weighted.

*Analysis of structured rated and unrated credit investments

£'million	31 March 2011				31 March 2010			
	Rated**	Unrated	Other	Total	Rated	Unrated	Other	Total
US sub-prime	–	–	–	–	1	–	–	1
US corporate loans	20	–	–	20	40	6	–	46
US ABS	3	–	–	3	–	–	–	–
European ABS	3	7	–	10	5	8	–	13
European RMBS	514	147	–	661	385	36	–	421
European CMBS	75	5	–	80	62	–	–	62
European credit cards	5	–	–	5	5	–	–	5
European corporate loans	–	17	–	17	–	–	–	–
South African RMBS	25	–	–	25	12	–	–	12
South African CMBS	2	–	–	2	–	–	–	–
Australian RMBS	66	–	–	66	36	–	–	36
Other (credit default swaps)	–	–	11	11	–	–	33	33
Total	713	176	11	900	546	50	33	629

**Further analysis of rated structured credit investments as at 31 March 2011

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	–	10	5	5	20
US ABS	–	–	–	–	–	–	3	3
European ABS	–	–	–	3	–	–	–	3
European RMBS	222	91	59	48	52	20	22	514
European CMBS	20	7	29	7	9	3	–	75
European credit cards	5	–	–	–	–	–	–	5
South African RMBS	–	22	3	–	–	–	–	25
South African CMBS	–	–	2	–	–	–	–	2
Australian RMBS	16	23	13	14	–	–	–	66
Total	263	143	106	72	71	28	30	713

Kensington group plc – salient features

As at 31 March 2011	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 613	2 605	4 218	
IFRS adjustments (£'million)	(34)	63	29	
Mortgage assets under management (£'million)	1 647	2 542	4 189	
First charge % of total mortgage assets under management	93.8%	94.6%	94.3%	
Second charge % of total mortgage assets under management	6.2%	5.4%	5.7%	
Fixed rate loans % of total mortgage assets under management	0.7%	–	0.3%	
Number of accounts	14 753	28 073	42 826	
Average loan balance (first charge) (£)	143 689	109 232	120 542	
Largest loan balance (£)	1 106 793	1 211 581	1 211 581	
Weighted average loan mature margin	4.1%	4.6%	4.4%	
Product mix (pre-IFRS adjustments) (£'million)	1 647	2 542	4 189	100.0%
Prime	5	–	5	0.1%
Near prime	553	418	971	23.2%
Prime buy to let	1	–	1	–
Adverse	396	1 682	2 078	49.7%
Adverse buy to let and right to buy	66	124	190	4.5%
Start – Irish operations	626	318	944	22.5%
Geographic distribution (£'million)	1 647	2 542	4 189	100.0%
UK – North	315	711	1 026	24.5%
UK – South West	79	156	235	5.6%
UK – South East	228	462	690	16.5%
Outer London	155	280	435	10.4%
Inner London	73	162	235	5.6%
Midlands	171	453	624	14.9%
Start – Irish operations	626	318	944	22.5%
Spread of value of properties	100.0%	100.0%	100.0%	
>£500 000	3.5%	1.4%	2.2%	
>£250 000 – <=£500 000	23.8%	12.5%	16.4%	
>£200 000 – <=£250 000	16.0%	12.1%	13.4%	
>£150 000 – <=£200 000	20.5%	19.8%	20.0%	
>£100 000 – <=£150 000	23.2%	28.4%	26.6%	
>£70 000 – <=£100 000	11.4%	19.3%	16.6%	
>£50 000 – <=£70 000	1.5%	5.2%	3.9%	
<£50 000	0.1%	1.3%	0.9%	
Asset quality statistics				
Weighted average current LTV of active portfolio (adjusted for house price deflation*)	93.7%	80.5%	85.8%	

* *Bad debt provision is based on house price index assumptions of:*
UK: calendar year 2011: house price decline assumption of circa -12.5% for 2011 and flat thereafter, and an additional –10% haircut to the price to reflect forced sale discount.
Ireland: calendar year 2011: house price decline assumption of -4.9%, and house price growth assumption of 1% for 2012 to 2015.

Kensington group plc – salient features (continued)

As at 31 March 2011	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	14.2%	23.6%	20.1%	
>65% – <70%	3.6%	6.1%	5.2%	
>70% – <75%	4.2%	7.4%	6.3%	
>75% – <80%	5.0%	9.1%	7.6%	
>80% – <85%	6.2%	10.6%	8.9%	
>85% – <90%	7.1%	11.3%	9.7%	
>90% – <95%	8.8%	9.5%	9.2%	
>95% – <100%	10.5%	7.4%	8.6%	
> 100%	40.4%	15.0%	24.4%	
% of accounts > 90 days in arrears	30.9%	31.0%	31.0%	
Number of accounts > 90 in arrears	4 566	8 694	13 260	
Total capital lent in arrears (£'million)	745	1 197	1 942	100.0%
Arrears 0 – 60 days	90	171	261	13.4%
Arrears 61 – 90 days	58	110	168	8.7%
Arrears >90 days	558	859	1 417	73.0%
Possession	39	57	96	4.9%
Debt to income ratio of clients %	19.5%	19.3%	19.3%	
Investec investment/exposure to assets reflected above (£'million)	619	113	732	
On balance sheet provision (£'million)	(84)	(48)	(132)	
Investec net investment/exposure to assets reflected above (£'million)	535	65	600	

Kensington group plc – salient financial information (continued)

As at 31 March 2010	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 776	2 874	4 650	
IFRS adjustments (£'million)	(10)	81	71	
Mortgage assets under management (£)	1 786	2 793	4 579	
First charge % of total mortgage assets under management	93.5%	94.4%	94.0%	
Second charge % of total mortgage assets under management	6.5%	5.6%	6.0%	
Fixed rate loans % of total mortgage assets under management	38.1%	0.7%	15.3%	
Number of accounts	16 155	30 723	46 878	
Average loan balance (first charge) (£)	142 214	109 831	120 489	
Largest loan balance (£)	1 126 641	1 194 619	1 194 619	
Weighted average loan mature margin	4.1%	4.6%	4.4%	
Product mix (pre-IFRS adjustments) (£'million)	1 786	2 793	4 579	100.0%
Prime	9	–	9	0.2%
Near prime	626	468	1 094	23.9%
Prime buy to Let	1	–	1	–
Adverse	443	1 861	2 304	50.3%
Adverse buy to let and right to buy	76	138	214	4.7%
Start – Irish operations	631	326	957	20.9%
Geographic distribution (£'million)	1 786	2 793	4 579	100.0%
UK – North	359	796	1 155	25.2%
UK – South West	90	173	263	5.7%
UK – South East	259	513	772	16.9%
Outer London	171	304	475	10.4%
Inner London	86	180	266	5.8%
Midlands	191	501	692	15.1%
Start – Irish operations	630	326	956	20.9%
Spread of value of properties	100.0%	100.0%	100.0%	
>£500 000	3.9%	1.5%	2.3%	
>£250 000 – <=£500 000	24.1%	12.6%	16.4%	
>£200 000 – <=£250 000	15.6%	11.7%	13.0%	
>£150 000 – <=£200 000	19.9%	19.4%	19.5%	
>£100 000 – <=£150 000	23.4%	28.6%	26.9%	
>£70 000 – <=£100 000	11.6%	19.6%	17.0%	
>£50 000 – <=£70 000	1.4%	5.3%	4.0%	
<£50 000	0.1%	1.3%	0.9%	
Asset quality statistics				
Weighted average current LTV of active portfolio (adjusted for house price indexation)*	89.1%	77.6%	82.1%	

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

As at 31 March 2010	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	16.9%	24.9%	21.8%	
>65% – <70%	4.0%	6.2%	5.4%	
>70% – <75%	5.1%	7.8%	6.8%	
>75% – <80%	5.1%	10.3%	8.3%	
>80% – <85%	6.5%	11.5%	9.6%	
>85% – <90%	7.7%	12.4%	10.6%	
>90% – <95%	10.5%	10.1%	10.2%	
>95% – <100%	12.0%	6.9%	8.9%	
> 100%	32.2%	9.9%	18.4%	
% of accounts > 90 days in arrears	27.0%	29.1%	28.4%	
Number of accounts > 90 in arrears	4 368	8 946	13 314	
Total capital lent in arrears (£'million)	709	1 244	1 953	100.0%
Arrears 0 – 60 days	94	191	285	14.6%
Arrears 61 – 90 days	74	129	203	10.4%
Arrears >90 days	517	880	1 397	71.5%
Possession	24	44	68	3.5%
Debt to income ratio of clients	20.4%	19.1%	19.6%	
Investec investment/exposure to assets reflected above (£'million)	555	147	702	
On balance sheet provision (£'million)	(69)	(43)	(112)	
Investec net investment/exposure to assets reflected above (£'million)	486	104	590	

Traded market risk management

Traded market risk description Audited

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

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

Traded market risk governance structure Audited

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

Management and measurement of traded market risk

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

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

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

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR, expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

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

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

In South Africa, we have internal model approval and so trading capital is calculated as a function of the 99% 10-day VaR. Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis. In the UK, all desks are currently on capital adequacy (CAD) 1 level for regulatory capital.

Risk management (continued)

VaR

Audited	UK and Europe 95% (one-day)			
	Year end £'000	Average £'000	High £'000	Low £'000
31 March 2011				
Commodities	49	19	49	11
Equity derivatives	900	1 391	2 196	780
Foreign exchange	9	28	85	3
Interest rates	239	391	519	208
Consolidated*	1 129	1 592	2 260	997
31 March 2010				
Commodities	27	28	91	19
Equity derivatives	1 798	1 450	2 333	683
Foreign exchange	16	29	162	4
Interest rates	501	593	1 474	101
Consolidated*	1 791	1 607	2 598	995

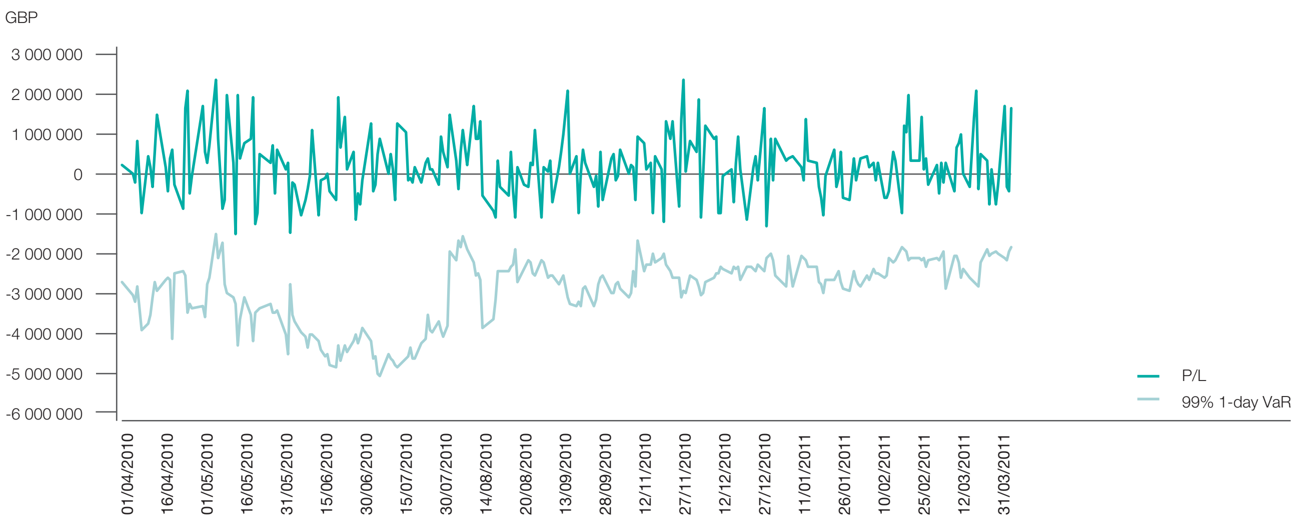
* *The consolidated VaR for each desk and each entity at year end is lower than the sum of the individual VaR's. This arises from the consolidation offset between various asset classes (diversification).*

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

UK and Europe

There have been no exceptions i.e. where the loss is greater than the VaR. This is less than the expected two to three exceptions per year at the 99% level. The reason for this is that the data set that was used for most of the year included the Lehman's crisis and hence contained some exceptionally large moves. As a result, the calculated VaR was conservative for the majority of the year. The average VaR utilisation was similar to that of 2010, although by year end, the VaR had reduced to £1.1 million, mainly as a result of a reduction in risk on the Structured Equity Derivatives desk.

99% 1-day VaR backtesting

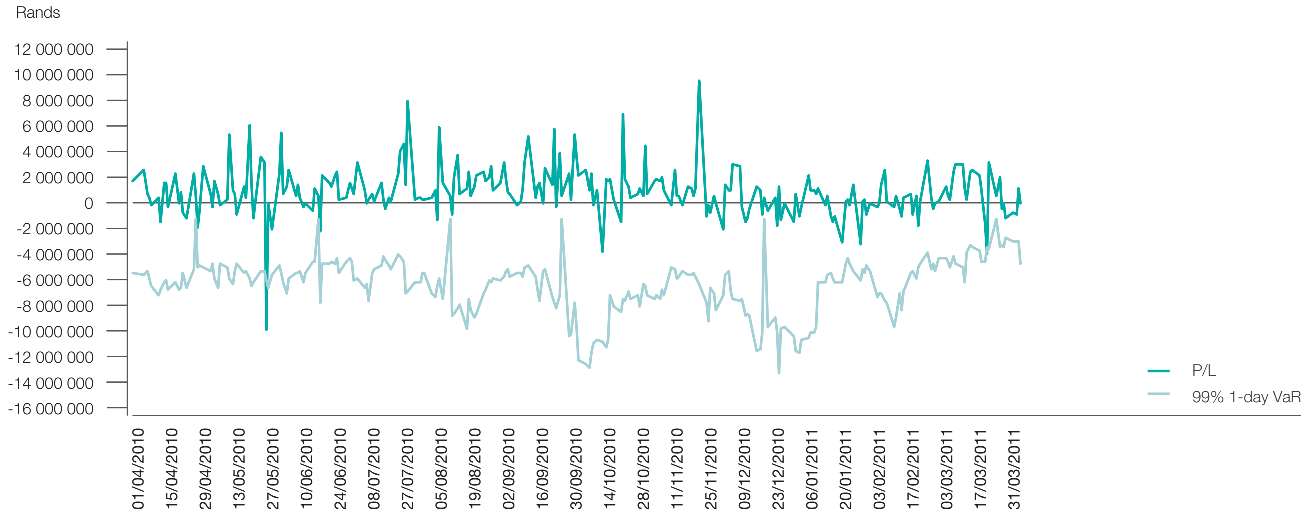


South Africa – Limited 95% (one-day)				Australia 95% (one-day)			
Year end R'mn	Average R'mn	High R'mn	Low R'mn	Year end A$'000	Average A$'000	High A$'000	Low A$'000
0.1	0.1	0.3	–	1	1	29	–
1.6	1.8	9.1	0.6	–	–	–	–
0.9	1.9	5.7	0.7	6	21	146	1
1.3	2.4	5.1	0.9	17	82	198	11
3.8	4.0	10.0	2.0	20	89	202	12
0.1	0.1	0.6	–	–	–	–	–
1.1	2.9	18.2	0.6	–	–	–	–
2.4	2.4	7.1	1.2	9	11	69	1
1.3	2.0	6.5	0.9	146	130	205	53
3.6	4.5	16.9	2.3	154	141	230	69

South Africa

VaR for 2011 in the South African trading book has remained at low levels as experienced in 2010. Using hypothetical (clean) profit and loss data for backtesting resulted in two exceptions, which is less than the two to three exceptions that a 99% VaR implies. Last year we displayed the backtesting with the actual profit and loss data, using this data there would have been no exceptions over the year. The exceptions were due to normal trading losses.

99% 1-day VaR backtesting



Australia

VaR limits increased during 2011 to accommodate expanded forex trading activity. Average VaR utilisation for 2011 remained at the moderate levels experienced in 2010. There have been no exceptions i.e. where the loss is greater than the VaR. This is less than the expected number of exceptions at the 99% level as a result of the conservative data set used to generate the VaR.

99% 1-day VaR backtesting

ETL

Audited	UK and Europe 95% (one-day) £'000	Australia 95% (one-day) A$'000	South Africa 95% (one-day) R'mn
31 March 2011			
Commodities	71	10	0.1
Equity derivatives	1 339	–	3.3
Foreign exchange	13	8	1.3
Interest rates	409	30	2.4
Consolidated*	1 636	40	5.8
31 March 2010			
Commodities	43	n/a^	0.1
Equity derivatives	2 648	n/a^	1.8
Foreign exchange	24	n/a^	4.0
Interest rates	783	n/a^	2.4
Consolidated*	2 663	n/a^	5.0

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

^ *Not previously reported.*

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The March 2010 methodology is not comparable to that used for March 2011. The March 2010 numbers assume a normal distribution of profits and losses and looked at the 15 standard deviation number. The March 2011 number does not assume normality but rather relies on fitting a distribution to the tails of the distribution. This method is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event.

Audited	UK and Europe using 99% EVT £'000	Australia using 99% EVT A$'000	South Africa using 99% EVT R'mn
31 March 2011			
Commodities	266	–	0.3
Equity derivatives	3 782	–	24.3
Foreign exchange	33	15	5.6
Interest rates	2 087	121	10.0
Consolidated	3 915	273	13.6

Audited	UK and Europe using VaR £'000	Australia using VaR A$'000	South Africa using VaR R'mn
31 March 2010			
Commodities	207	–	0.6
Equity derivatives	13 760	–	8.6
Foreign exchange	122	50	18.4
Interest rates	3 834	846	10.3
Consolidated	17 923	896	37.9

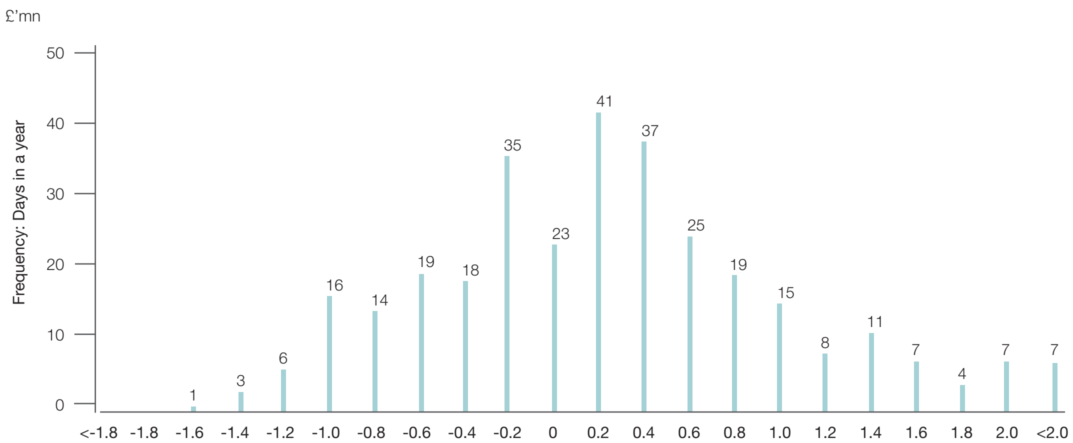
Profit and loss histograms

UK and Europe

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 147 days out of a total of 253 days in the trading business.

The average daily trading revenue generated for the year ended 31 March 2011 was £144 616 (2010: £60 261).

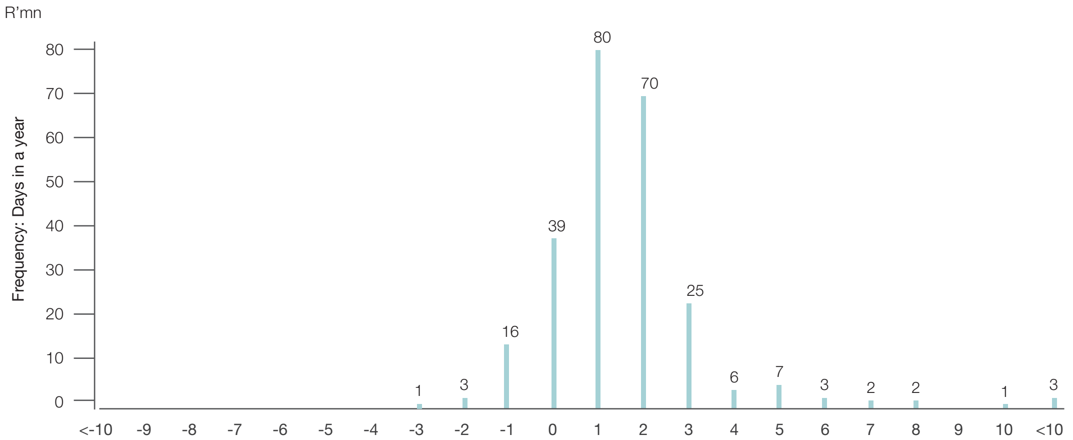
Profit and loss



South Africa

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 199 days out of a total of 258 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2011 was R1.2 million (2010: R0.6 million).

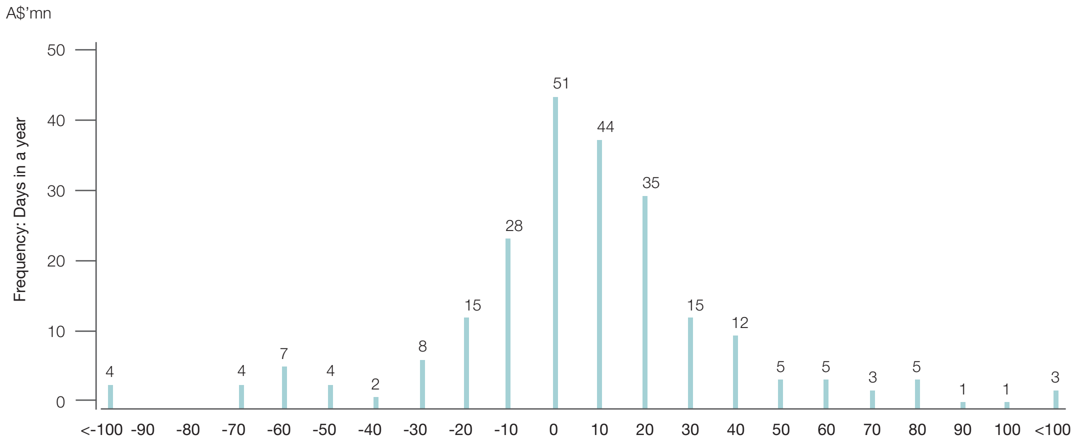
Profit and loss



Australia

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The graph shows that negative trading revenue was realised on 123 days out of a total of 252 days in the trading business. The average daily trading loss generated for the year ended 31 March 2011 was A$1 393 (2010: revenue of A$4 000).

Profit and loss



Traded market risk mitigation

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

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

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

Traded market risk year in review

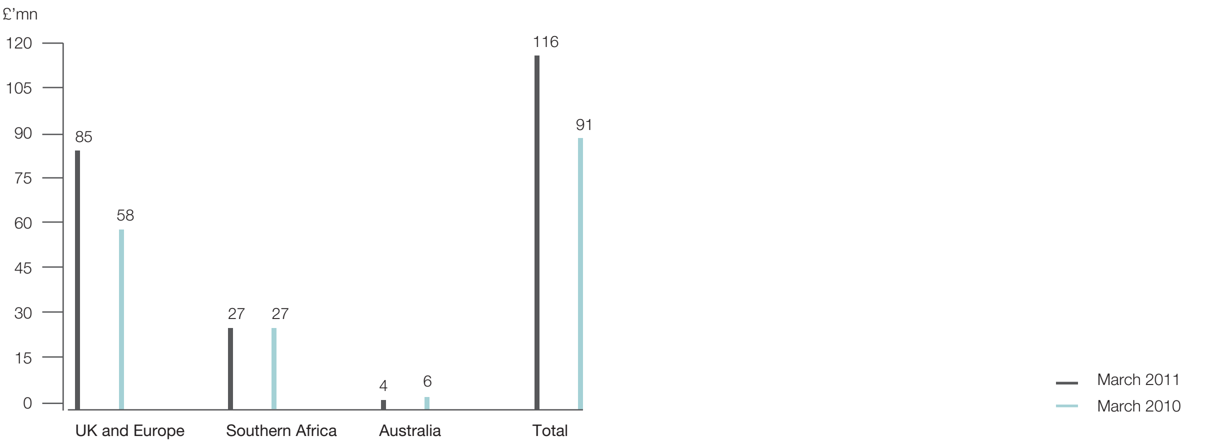
Trading conditions in South Africa remained difficult, as client flow failed to pick up much over the year. Risk assumed in the trading businesses continues to be low and has in some cases been even lower than last year. Investec remains committed to trading on client flow as opposed to proprietary trading.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

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.

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.

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

Revenue from trading activities within our Capital Markets division



Market risk – derivatives Audited

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 352 and 353.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

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

Balance sheet risk management

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and monitoring and the enhanced regulatory framework to be established, as published in December 2009 and updated in December 2010. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. In some jurisdictions Investec already exceeds minimum requirements of these standards, whilst in other geographies we have commenced with strategies to shape our liquidity and funding profile where necessary, as we move towards the compliance timeline.

Balance sheet risk description

Balance sheet risk management encompasses the independent monitoring and prudential management of the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

Balance sheet risk governance structure and risk mitigation

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

The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

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

The ALCO's typically comprise the managing director, the head of risk, the head of the Funding desk, economists, divisional heads, the Balance Sheet Risk Management team, the treasurer, Private Bank representatives and any appropriate co-opted personnel. The ALCO's meet on a monthly basis to discuss and decide on strategies to mitigate any undesirable liquidity and interest rate risk.

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

The group's central treasury function directs pricing for all deposit products (including deposit products offered to the private clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, internally administers funds transfer pricing which ensures that the costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management, and manages liquid securities and collateral, thus providing for a controlled and flexible response to volatile market conditions. The central treasury function is the sole interface to the wholesale market for both cash and derivative transactions.

The Balance Sheet Risk Management team, based within group Risk Management, independently identifies, quantifies and monitors risks, providing daily independent governance and oversight of the central treasury activities and the execution of the bank's policy, continuously assessing the risks whilst taking changes in market conditions into account. In carrying out its duties the balance sheet risk management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting and scenario analysis which quantify our positions, thus providing a comprehensive and consistent governance framework.

The balance sheet risk function further performs scenario modelling and daily liquidity stress tests designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios, in which the rate and timing of deposit withdrawals and draw-downs on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The parameters used in the scenarios are regularly reviewed, taking into account changes in the business environments and input from business units. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board approved risk appetite.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by the independent audit committee.

The group operates an industry recognised third party system to identify, measure, manage and monitor liquidity risk on both a current and forward-looking basis. The system is reconciled to the bank's general ledger and audited by Internal Audit thereby ensuring integrity of the process.

Daily, weekly and monthly reports are independently produced showing bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the central treasury function, ERRF, BRCC and the board.

Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate.

Non-trading interest rate risk description Audited

Non-trading interest rate risk otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected, adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of banking-related risk exposures include potential adverse effect of volatility and changes in interest rate levels, the shape of the yield curves, basis risk spreads, and optionality inherent in certain products. These affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity. The mix of interest rate repricing characteristics is influenced by the underlying financial needs of customers.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking and arises from the provision of retail and wholesale (non-trading) banking products and services. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally, we are exposed to yield curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk. The group considers the management of banking margin of vital importance, and our core non-trading interest rate risk philosophy is reflected in day-to-day practices which encompass the following:

- The group complies with the Basel Committee on Banking Supervision's (BCBS) framework for assessing banking book (non-trading) interest rate risk

Non-trading interest rate risk otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected, adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

- The management of interest rate risk in the banking book is centralised within Central Treasury and Central Treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios
- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- Most non-trading interest rate risk and asset funding requirements are transferred from the originating business to Central Treasury
- The policy dictates that long term non-trading interest rate risk is materially eliminated
- Central Treasury directs pricing for all deposit products (including deposit products offered to the private clients)
- Central Treasury maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long and short-term funding to consumers of liquidity and provide long-term stable funding for our asset creation activity
- Central Treasury is the sole interface to the wholesale market for both cash and derivative transactions
- Daily management of interest rate risk by Central Treasury, subject to independent ALCO review
- Technical interest rate analysis and economic review of fundamental developments by geography and global trends
- Independent measurement and analysis of both traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure.

Non-trading interest rate risk is measured and managed both from a net interest margin perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities.

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

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

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

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

Interest rate sensitivity gap

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

UK and Europe – interest rate sensitivity as at 31 March 2011

£'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	1 535	3	–	–	–	24	1 562
Investment/trading assets	1 780	50	24	63	797	294	3 008
Securitised assets	3 677	–	1	–	–	1	3 679
Advances	7 264	365	109	269	103	5	8 115
Other assets	–	–	–	199	–	1 440	1 639
Assets	14 256	418	134	531	900	1 764	18 003
Deposits – banks	(1 436)	(49)	(41)	(60)	–	–	(1 586)
Deposits – non-banks	(7 238)	(146)	(1 271)	(102)	(51)	(5)	(8 813)
Negotiable paper	(554)	(5)	(306)	(70)	(26)	–	(961)
Securitised liabilities	(217)	(7)	(23)	–	–	(109)	(356)
Investment/trading liabilities	(3 174)	–	–	–	–	–	(3 174)
Subordinated liabilities	(65)	–	–	(53)	(503)	(49)	(670)
Other liabilities	–	–	–	(24)	–	(991)	(1 015)
Liabilities	(12 684)	(207)	(1 641)	(309)	(580)	(1 154)	(16 575)
Intercompany loans	5	–	34	41	–	(11)	69
Shareholders' funds	–	–	–	–	–	(1 616)	(1 616)
Balance sheet	1 577	211	(1 473)	263	320	(1 017)	(119)
Off-balance sheet	(188)	(342)	1 210	(316)	(332)	304	336
Repricing gap	1 389	(131)	(263)	(53)	(12)	(713)	217
Cumulative repricing gap	1 389	1 258	995	942	930	217	–

South Africa – interest rate sensitivity as at 31 March 2011

R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	5 176	483	–	–	–	6 779	12 438
Cash and short-term funds – non-banks	5 829	–	–	–	–	–	5 829
Investment/trading assets and statutory liquids	35 958	7 996	2 464	6 850	3 553	14 682	71 503
Securitised assets	7 425	26	21	124	23	667	8 286
Advances	101 147	649	1 744	7 671	3 108	915	115 234
Other assets	–	–	–	–	–	5 820	5 820
Assets	155 535	9 154	4 229	14 645	6 684	28 863	219 110
Deposits – banks	(10 806)	(30)	–	(120)	–	–	(10 956)
Deposits – non-banks	(133 574)	(8 893)	(7 555)	(2 502)	(630)	(998)	(154 152)
Negotiable paper	(4 016)	(90)	(936)	(50)	(49)	–	(5 141)
Securitised liabilities	(6 753)	–	–	(218)	–	(582)	(7 553)
Investment/trading liabilities	(4 885)	–	–	–	–	(3 028)	(7 913)
Subordinated liabilities	(2 791)	–	(1 688)	(2 187)	(200)	–	(6 866)
Other liabilities	–	–	–	–	–	(7 238)	(7 238)
Liabilities	(162 825)	(9 013)	(10 179)	(5 077)	(879)	(11 846)	(199 819)
Intercompany loans	3 547	(58)	(425)	(1 335)	–	(580)	1 149
Shareholders' funds	(3 193)	–	–	–	(871)	(16 649)	(20 713)
Balance sheet	(6 936)	83	(6 375)	8 233	4 934	(212)	(273)
Off-balance sheet	13 330	(837)	2 360	(10 278)	(4 302)	–	273
Repricing gap	6 394	(754)	(4 015)	(2 045)	632	(212)	–
Cumulative repricing gap	6 394	5 640	1 625	(420)	212	–	–

Australia – interest rate sensitivity as at 31 March 2011

A$'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	391	–	–	–	–	–	391
Investment/trading assets	1 083	2	–	193	–	39	1 317
Securitised assets	183	64	103	390	9	–	749
Advances	2 162	42	67	245	8	30	2 554
Other assets	–	–	–	–	–	339	339
Assets	3 819	108	170	828	17	408	5 350
Deposits – non-banks	(1 558)	(393)	(132)	(89)	(12)	(27)	(2 211)
Negotiable paper	(658)	(4)	(231)	(650)	–	(3)	(1 546)
Securitised liabilities	(732)	–	–	–	–	–	(732)
Subordinated loans	(71)	–	–	–	–	–	(71)
Other liabilities	–	–	–	–	–	(105)	(105)
Liabilities	(3 019)	(397)	(363)	(739)	(12)	(135)	(4 665)
Intercompany loans	(20)	–	–	(1)	–	20	(1)
Shareholders' funds						(684)	(684)
Balance sheet	780	(289)	(193)	88	5	(391)	–
Off-balance sheet	60	(24)	138	(158)	(7)	(9)	–
Repricing gap	840	(313)	(55)	(70)	(2)	(400)	–
Cumulative repricing gap	840	527	472	402	400	–	

Economic value sensitivity as at 31 March 2011

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

UK and Europe

	Sensitivity to the following interest rates (expressed in original currencies)						
’million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	All (GBP)
200bp down	(10.0)	0.1	(1.3)	–	–	0.1	(11.0)
200bp up	10.0	(0.1)	1.3	–	–	(0.1)	11.0

South Africa

	Sensitivity to the following interest rates (expressed in original currencies)						
’million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bp down	(184.6)	0.1	1.5	–	0.9	–	(166.8)
200bp up	174.8	(0.2)	(2.1)	(0.1)	(0.7)	–	152.4

Australia

’million	AUD
200bp down	(1.75)
200bp up	1.75

Liquidity risk

Liquidity risk description Audited

Liquidity risk is the risk that we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and marketwide events.

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements without adversely affecting the normal course of business, its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

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

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost effective sources of funding. Inadequate liquidity can bring about the untimely demise of any financial institution. As such, the group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following:

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the FSA, SARB, the Bank of Mauritius and APRA
- The group complies with the BCBS Principles for Sound Liquidity Risk Management and Supervision
- The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and monitoring and the enhanced regulatory framework to be established, as published in December 2009 and updated in December 2010
- The risk appetite is clearly defined
- Each geographic entity must have its own board approved policies with respect to liquidity risk management
- Each geographic entity must be self sufficient from a funding and liquidity stand point so that there is no reliance on intergroup lines either from or to other group entities
- Branches and subsidiaries have no responsibility for contributing to group liquidity
- We maintain a liquidity buffer in the form of unencumbered, cash, government, or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity’s maturity ladder and funding gap (cashflow maturity mismatch) on a ‘liquidation’, ‘going concern’ and ‘stress’ basis
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board approved risk appetite
- Our liquidity risk parameters reflect a range of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis
- The Balance Sheet Risk Management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators
- The group centrally manages access to funds in the market through the Central Treasury divisions
- Maintenance of sustainable, prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The central treasury function charges out the price of long and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans.

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates, and projected balance sheet growth, to estimate future funding and liquidity needs, whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits. This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that, in the event of either a firm-specific or general market event, we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions.

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

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many Private Bank customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. Our Private Bank continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 5.9% from 1 April 2010 to £12.5 billion at 31 March 2011. We have also introduced a number of innovative retail deposit initiatives within our Capital Markets division and these continued to experience strong inflows during the financial year. Our total retail customer deposit base increased by 11.4% from 1 April 2010 to £24.4 billion at 31 March 2011. On average our fixed and notice customer deposits have amounted to approximately 71% and 85% of total deposits since April 2006 for Investec Limited and Investec plc respectively, thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers.

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

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

As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short–term interbank borrowings. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch. We do not rely on interbank deposits to fund term lending. From 1 April 2010 to 31 March 2011 average cash and near cash balances over the period amounted to £9.7 billion (£3.6 billion in UK and Europe; R56.0 billion in South Africa and A$1.7 billion in Australia).

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

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

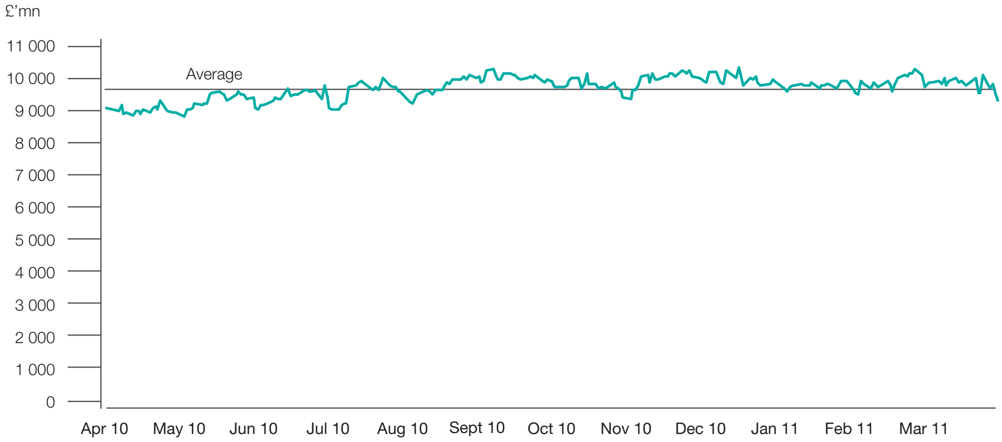
Group cash and near cash
up 2.2% to
£9 319 million

Investec plc cash and near cash
down 5.3% to
£4 502 million

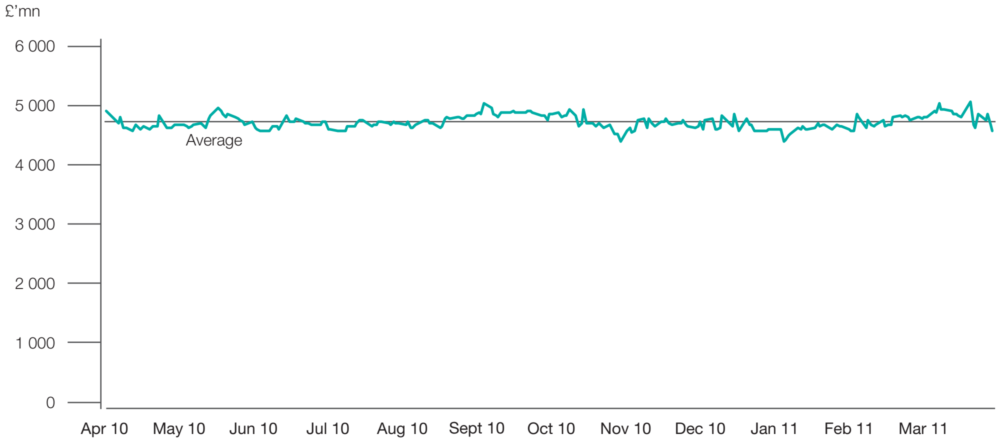
Investec Limited cash and near cash
up 9.6% to
R52 591 million

Average cash and near cash for the group
up to
£9 723 million

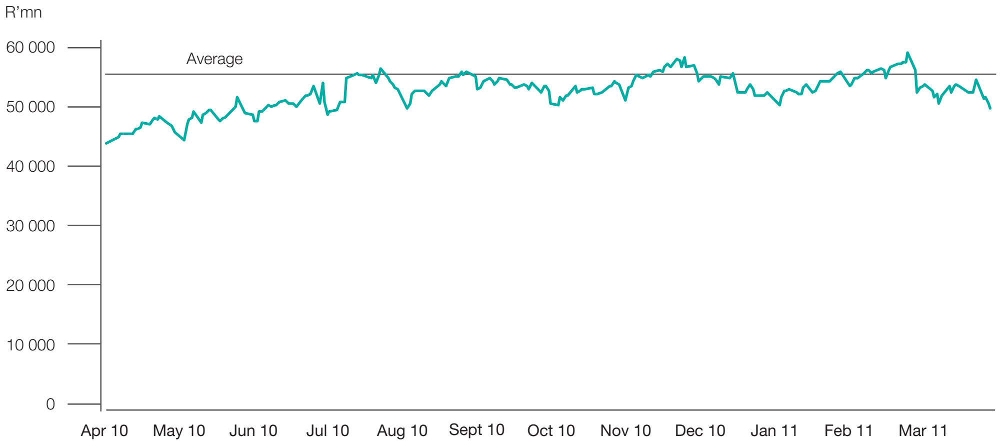
Total Investec group cash and near cash trend



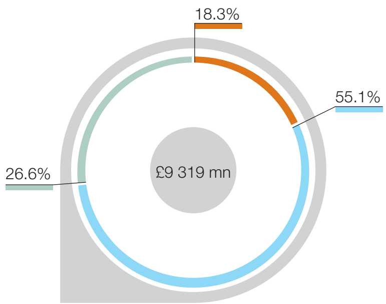
Investec plc (UK, Europe and Australia) cash and near cash trend



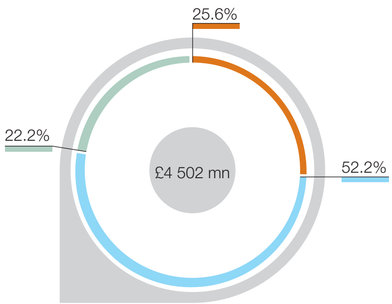
Investec Limited (Southern Africa) cash and near cash trend



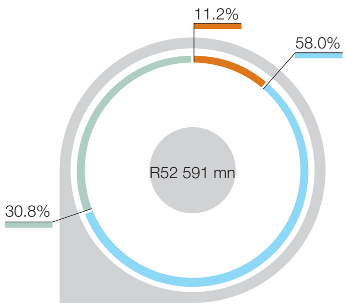
An analysis of cash and near cash



Total group



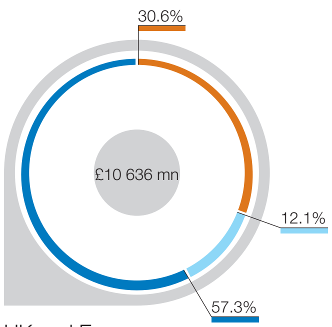
Investec plc



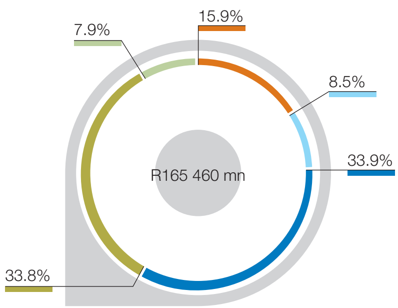
Investec Limited

- Cash
- Near cash (central bank guaranteed liquidity)
- Near cash (other 'monetisable' assets)

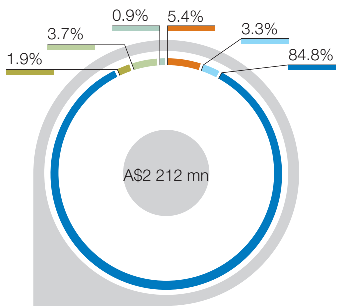
Bank and non-bank depositor concentration by type



UK and Europe



South Africa



Australia

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

We maintained a strong liquidity profile throughout the year.

Liquidity mismatch

The tables that follow show our liquidity mismatch across our core geographies.

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

We maintained a strong liquidity profile throughout the year. Despite competitive pressures we were able to increase deposits taken from the retail market and raise additional liquidity. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

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

With respect to the behavioural liquidity mismatch:

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

UK and Europe

Contractual liquidity as at 31 March 2011

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds – banks	1 558	219	16	2	–	–	–	1 795
Investment/trading assets	1 595	950	194	68	146	302	1 030	4 285
Securitised assets	54	–	1	2	2	18	3 602	3 679
Advances	41	609	431	467	827	2 383	3 357	8 115
Other assets	227	505	80	28	61	163	575	1 639
Assets	3 475	2 283	722	567	1 036	2 866	8 564	19 513
Deposits – banks	(232)^	(171)	(72)	(97)	(42)	(620)	(589)	(1 823)
Deposits – non-banks	(580)	(1 535)	(2 520)	(2 531)	(423)	(1 157)	(67)	(8 813)
Negotiable paper	(27)	(10)	(7)	(21)	(19)	(486)	(414)	(984)
Securitised liabilities	(272)	–	–	–	–	–	(2 902)	(3 174)
Investment/trading liabilities	(1 062)	(98)	(237)	(8)	(25)	(59)	–	(1 489)
Subordinated liabilities	–	(49)	–	–	–	(56)	(565)	(670)
Other liabilities	(180)	(512)	(119)	(34)	(70)	(30)	(70)	(1 015)
Liabilities	(2 353)	(2 375)	(2 955)	(2 691)	(579)	(2 408)	(4 607)	(17 968)
Intercompany loans	(8)	(14)	(1)	–	–	106	(12)	71
Shareholders' funds	–	–	–	–	–	–	(1 616)	(1 616)
Contractual liquidity gap	1 114	(106)	(2 234)	(2 124)	457	564	2 329	–
Cumulative liquidity gap	1 114	1 008	(1 226)	(3 350)	(2 893)	(2 329)	–	–

Behavioural liquidity (as discussed on page 182)

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	2 342	67	(640)	74	630	(3 574)	1 101	–
Cumulative	2 342	2 409	1 769	1 843	2 473	(1 101)	–	–

^ *The deposits shown in the demand column at 31 March 2011 reflect cash margin deposits held.*

South Africa

Contractual liquidity as at 31 March 2011

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds – banks*	10 452	669	136	508	43	1 137	–	12 945
Cash and short-term funds – non-banks	5 829	–	–	–	–	–	–	5 829
Investment/trading assets and statutory liquids**	23 652	27 169	–	207	1 852	24 221	12 800	89 901
Securitised assets	1 076	167	406	423	440	2 335	3 439	8 286
Advances	1 917	8 172	8 836	7 542	11 790	47 588	29 389	115 234
Other assets	812	1 644	699	646	76	–	2 223	6 100
Assets	43 738	37 821	10 077	9 326	14 201	75 281	47 851	238 295
Deposits – banks	(718)	(1 656)	(927)	(911)	(6 516)	(228)	–	(10 956)
Deposits – non-banks	(47 423)^	(28 450)	(31 549)	(13 586)	(17 188)	(14 788)	(1 520)	(154 504)
Negotiable paper	–	(708)	(438)	(375)	(2 695)	(437)	(489)	(5 142)
Securitised liabilities	(107)	(1 639)	(1 979)	–	(273)	(3 555)	–	(7 553)
Investment/trading liabilities	(210)	(13 307)	(496)	(952)	(1 019)	(8 661)	–	(24 645)
Subordinated liabilities	–	–	–	–	(1 688)	(3 628)	(1 550)	(6 866)
Other liabilities	(230)	(1 348)	(489)	(630)	(548)	(555)	(4 047)	(7 847)
Liabilities	(48 688)	(47 108)	(35 878)	(16 454)	(29 927)	(31 851)	(7 607)	(217 513)
Shareholders' funds	–	–	–	–	–	–	(20 782)	(20 782)
Contractual liquidity gap	(4 950)	(9 287)	(25 801)	(7 128)	(15 726)	43 430	19 462	–
Cumulative liquidity gap	(4 950)	(14 237)	(40 038)	(47 166)	(62 892)	(19 463)	–	–

Note: contractual liquidity adjustments (as discussed on page 182)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
*Cash and short-term funds – banks	6 721	669	136	508	43	1 137	3 731	12 945
**Investment/trading assets and statutory liquids	196	23 272	11 603	6 250	6 709	28 083	13 515	89 628

Behavioural liquidity (as discussed on page 182)

R'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	23 586	(193)	(2 541)	2 455	(5 762)	(52 595)	35 051	–
Cumulative	23 586	23 394	20 852	23 307	17 545	(35 051)	–	–

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

Australia

Contractual liquidity as at 31 March 2011

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Cash and short-term funds – banks	391	–	–	–	–	–	–	391
Investment/trading assets*	1 099	13	19	7	19	211	78	1 446
Securitised assets	1	25	65	87	142	419	10	749
Advances**	54	123	230	330	630	1 116	69	2 553
Other assets	–	–	–	–	–	–	210	210
External assets	1 545	161	314	424	791	1 746	368	5 349
Deposits – banks	–	(6)	–	–	–	–	–	(6)
Deposits – non-banks	(572)^	(202)	(753)	(420)	(150)	(97)	(12)	(2 206)
Negotiable paper	(2)	(88)	(68)	(37)	(244)	(1 106)	–	(1 545)
Securitised liabilities	(1)	(22)	(50)	(242)	(416)	–	–	(731)
Invest/trading liabilities	–	(1)	(10)	(5)	(8)	(46)	(6)	(76)
Subordinated liabilities	–	–	–	–	–	(72)	–	(72)
Other liabilities	–	–	–	–	–	–	(29)	(29)
Liabilities	(575)	(319)	(881)	(704)	(818)	(1 321)	(47)	(4 665)
Intercompany loans	15	4	–	–	–	(20)	2	1
Shareholders' funds	–	–	–	–	–	–	(685)	(685)
Contractual liquidity gap	985	(154)	(567)	(280)	(27)	405	(362)	–
Cumulative liquidity gap	985	831	264	(16)	(43)	362	–	–

Note: contractual liquidity adjustments (as discussed on page 182)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
*Investment/trading assets	–	110	276	7	48	910	95	1 446
**Advances	512	100	184	208	385	1 093	70	2 552

Behavioural liquidity (as discussed on page 182)

A$'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	> 5 years	Total
Behavioural liquidity gap	1 475	(234)	(784)	(383)	(116)	405	(363)	–
Cumulative	1 475	1 241	457	74	(42)	363	–	–

^ *Includes call deposits of A$545 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Balance sheet risk year in review

UK and Europe

'Two speed' Europe shows the peripheral countries continuing to struggle. Portugal joined Ireland and Greece in taking a bailout from its fellow Europeans. Yields on 10 year Portuguese bonds started the year at 4.20% and, despite the bailout, are trading at all time highs of 9.82%. Greece also trades at all-time highs of 16.50% with the threat of a second round of bailout financing being required. Default by Greece in some forms remains a very real threat. The Euro has remained surprisingly robust in the face of these debt concerns, especially as the European banking system remains highly exposed to holdings of peripheral sovereign paper.

Despite global turmoil on many fronts, credit spreads continue to contract, with the XOVER Index (40 most liquid sub-investment grade credits) falling from its annual peak of 628 in June 2010.

On the interest rate front, European markets are beginning to price in the start of rate rises, with EUR rates being particularly affected by comments from Trichet in early March. EUR rates are 90 basis points higher at the 2 year point of the curve, versus the beginning of April. GBP rates are 25 points higher and the UK has maintained its official base rate at 50 basis points, which reflects 'no change' since March 2009. The exception amongst major economies is the USA, where USD rates are 25 to 90 points lower across the curve since April last year and the curve remains very flat in the front end, reflecting market views that rates won't be going up anytime soon.

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 (comprising Private Bank deposits of £6.1 billion, structured equity deposits of £1.4 billion and corporate deposits of £1.3 billion). 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.

South Africa

The financial year was characterised by 100bp of rate cuts and 150bp if the rate cut at the end of March 2010 is included. The Rand was exceptionally strong and this pushed inflation lower and facilitated the drop in interest rates to generational lows. The cost of term deposits plummeted precipitously and this allowed for a restoration of margins in the latter half of the year. Trading profits on the surplus liquid asset books and liquid asset books boosted income.

Liquidity conditions improved dramatically over the year. The wholesale deposit base grew moderately relative to real asset growth which resulted in a buildup of cash reserves which were placed in highly liquid treasury bills and government bonds.

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. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues totaling R6 billion.

The prospect of regulatory change will continue to force us along with other South African banks to lengthen our deposit books, review asset pricing and asset growth. Conditions remain favourable for further regular forays into the Rand bond and Euro bond markets during the course of 2011/12.

Australia

In Australia the economy has continued to see resilience, with near full employment, moderate inflation, and robust economic growth lead by Australia's commodities and resources sector and their linkage into the strong regional growth from Asia. Notwithstanding this, we have seen muted domestic credit growth particularly in the SME business and personal credit segments, and the prices and tradability of commercial property remains under some pressure. Added to this environment, environment shocks internationally and in some areas domestically, including natural 'disasters', sovereign risk concern, political upheaval, has resulted in a highly variable landscape for business and consumer confidence. In response to the evolving environment the Reserve Bank of Australia raised interest rates largely in the first half of the year with three increases of 0.25% to take the cash rate from 4.00% to 4.75%.

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. Total customer deposits increased by 28.5% from 1 April 2010 to A$2.2 billion at 31 March 2011 (Private Bank deposits amount to A$1.9 billion and other retail deposits amount to A$0.3 billion).

Investec group

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

- Investec plc:
  - A replacement Schuldschein loan was raised on 7 March 2011 of £133 million with an 18 month tenure.
- Investec Bank plc (IBP):
  - IBP did not have any wholesale term funding initiatives for this year due to the continued success within the retail funding and strong levels of liquidity
  - IBP offered investors in its £200 million lower tier II and the £350 million perpetual note the option to roll into a new £500 million, 11 year tier II capital issuance and at the same time raised £136 million of new capital.
- Investec Bank (Australia) Limited (IBAL):
  - Undertook an inaugural term securitisation of $240 million Professional Finance assets from the Impala securitisation vehicle
  - IBAL bought-back $195 million of previously issued government guaranteed term debt.
- Investec Bank Limited (IBL):
  - We issued medium-term 3.5 and seven year notes totaling R6.0 billion over the course of the year
  - We raised EUR 220 million and USD 310 million for 18 months to boost our foreign currency cash reserves.

Regulatory considerations – balance sheet risk

The financial crisis has kindled increased global regulation and supervision with regulators proposing to both strengthen and harmonise global liquidity standards. More stringent and potentially costly prerequisites in the areas of capital and liquidity management, could imply significant shifts evolving into the new regulatory generation.

Substantial progress has been made to date to reform the global regulatory framework initiated by the G20 in April 2009.

In December 2010, BCBS updated its guidelines for liquidity risk measurement standards and monitoring, which supplemented the 2008 'Principles of Sound Liquidity Risk Management and Supervision'.

Two key measures were defined:

Liquidity coverage ratio (LCR)

This ratio is designed to promote short-term resilience of 1 month liquidity profile, by ensuring that banks have sufficient high quality liquid assets to meet potential outflows in a stressed environment.

Net stable funding ratio (NSFR)

This ratio is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

The BCBS guidelines were followed by a quantitative impact study (QIS) in an attempt to assess the impact of the new proposals on banks and the broader economy. Investec participated in the QIS study and believes it will be adequately capitalised to meet the new requirements.

The guidelines have yet to be implemented by law, therefore remain subject to refinements and change. In addition Basel has catered for areas of national discretion to be set by the local supervisors, that take into account structural issues that may exist in a financial system of a country. The impact of any unintended consequences of the new standards for funding liquidity, both on a global and national level, should become apparent during the planned observation period. Banks are expected to commence reporting on the ratios in 2012 and full implementation and compliance of the LCR and NSFR in 2015 and 2018 respectively.

Investec group has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. In some jurisdictions Investec already exceeds these standards, whilst in other geographies we have commenced with strategies to shape our liquidity and funding profile where necessary, as we move towards the compliance timeline.

UK

In the area of liquidity, the UK regulator, the FSA, has continued its tradition of being one of the first major regulators to introduce tighter requirements. This culminated in the release of its policy statement 'Strengthening liquidity standards' in October 2009. The intention of the policy was to be consistent with the principles of the BCBS's 'Principles for Sound Liquidity Management and Supervision', published in September 2008.

Under the new regime, one of the key requirements is that banks operating in the UK stress their balance sheets under at least three scenarios: a market-wide stress, a firm-specific, and a combination of the two and then determine the corresponding 'survival horizon' for each.

The survival horizon is defined as the number of days before a banks' cash position turns negative and subsequently it can no longer meet its financial obligations. Each firm is then required to set its risk appetite in terms of the number of days it wishes to survive.

In October 2010, the quantitative requirements of the new rules switched-on whereby Investec Bank plc has been required to submit a number of data items to the FSA (with varying frequencies) including amongst others a report highlighting daily flows (FSA047) and an enhanced mismatch report (FSA048).

Another key component of the new regime is an 'individual liquidity adequacy assessment' (ILAA) per the FSA, a key function of the ILAA is to inform a firm's board of the ongoing assessment and quantification of the firm's liquidity risks, how the firm intends to mitigate those risks, and how much current and future liquidity is required. The resulting document is also the mechanism for demonstrating and explaining to the FSA a firm's internal liquidity adequacy assessment process.

With respect to the BCBS guidelines highlighted above (which when finalised will be implemented through EU law), the FSA has stated it will consider how best to calibrate the UK regime once they are finalised. Having said this, the liquidity metric monitor, a tool designed by the FSA to demonstrate some of the metrics they monitor, contains the BCBS ratios and some UK firms are already publicly releasing their results.

South Africa

It is expected that South Africa, as a member of the G20, will adopt the BCBS guidelines for liquidity risk measurement standards and monitoring.

The liquidity proposals in their original form have, however, highlighted the shortcomings in the collective financial markets in South Africa, brought about by structural impediments that can only be addressed in a collaborative environment. The banks alone are powerless to change the landscape of the South African financial markets and the industry faces many challenges in complying with these standards.

In recognition thereof the South African minister of finance recommended the institution of a structural funding and liquidity risk management task team, chaired by South Africa National Treasury, to investigate the structural funding profile which is conducive to continued resilience of the South African financial sector. The task team will aim to provide recommendations to improve the structural funding profile of South Africa in a way that leads to balanced economic growth, the long-term sustainability of the South African financial system and social well being of the country.

The BCBS has endowed regulatory prudence to the discretion of the national regulator, SARB, who will have to lead South African banks into the new generation of regulatory supervision. The Banking Association South Africa formed an industry task group whose mandate is to develop a series of position papers that will contextualise the challenges that need to be considered, in order to facilitate dialogue with National Treasury and the SARB on matters relating to the proposed LCR and NSFR.

Investec is a participant in the structural funding and liquidity risk management task team as well as the Banking Association South Africa task group.

Although implementation time lines seem far into the future, compliance to 100% of the two ratios remain a target in the South African banking industry.

Australia

The federal government, reflecting Australia's membership of the G20 nations, has committed itself to implementation of the BCBS requirements, through the enhancement to the established regulatory framework which is under the control of APRA. APRA has stated its intention to adopt the BCBS standard as a minimum, and may apply metrics at a higher level. APRA has also indicated that it will progressively formulate revised local regulatory standards over 2011 and 2012 utilising its normal industry consultation approach.

With respect to the capital requirements, APRA has indicated it may implement its new standard with a shorter (or no) transition period, given the assessed strength of Australian banks' capital positions relative to the expected new BCBS minimum requirements.

With respect to the liquidity requirements, in accordance with the BCBS provisions and reflecting the lack of qualifying the liquid assets in Australia, APRA and the RBA have jointly announced there will be available a mechanism for ADI's to gain contractually committed liquidity facilities with the RBA, subject to a fee charge.

The local banking industry has been actively consulting with APRA on an informal basis, through bilateral discussions and industry working groups, which Investec Australia participates in, including the Australian Bankers' Association and the Australian Financial Markets Association.

Operational risk management

Operational risk description

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

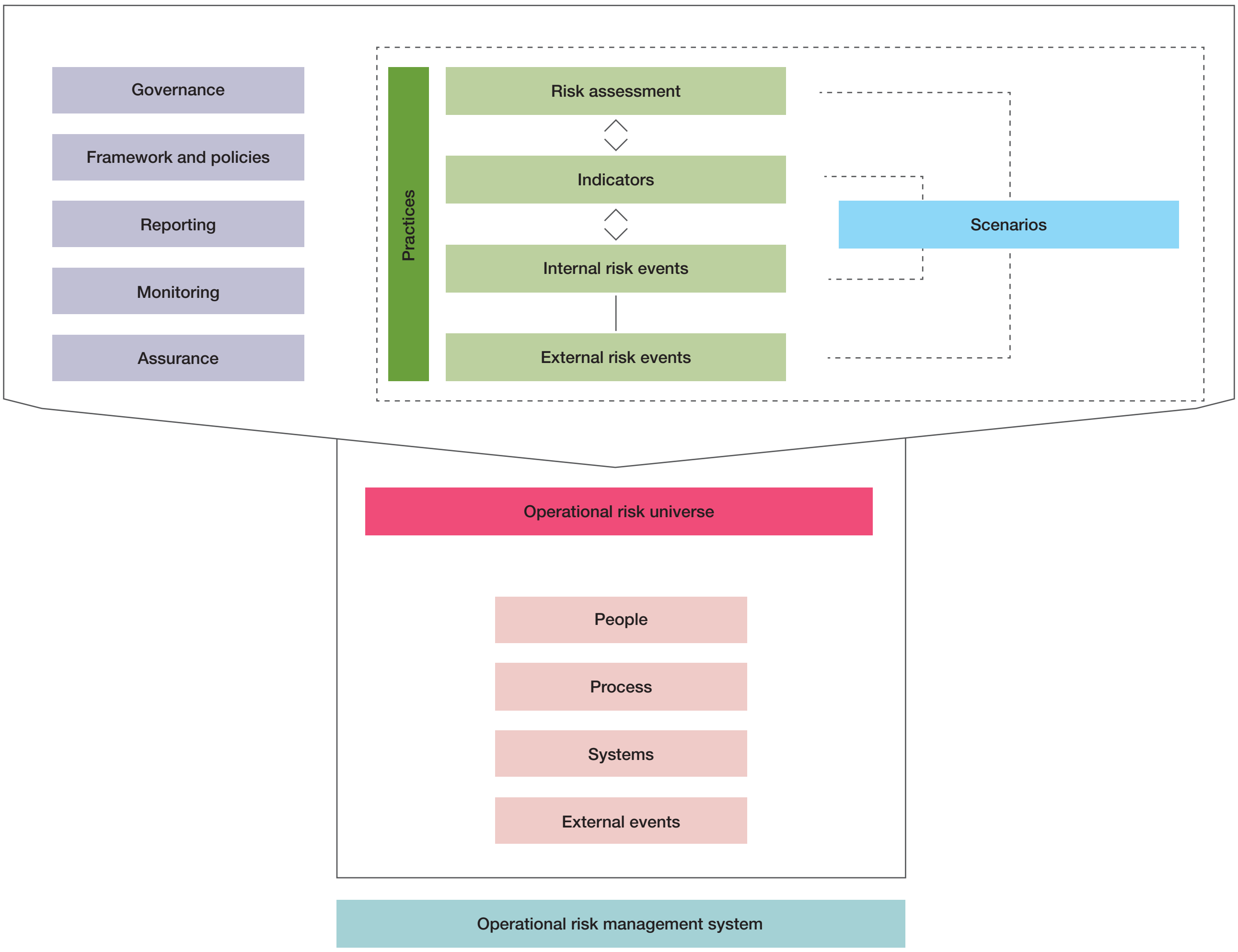
We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of appropriate and relevant sound operational risk management practices.

We have adopted the standardised approach to calculate the regulatory operational risk capital requirement.

Operational risk management framework

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

A group-wide operational risk management system is used to record and evidence the operational risk management process. This system allows for the recording and linking of risk assessments, risk events and risk indicators where appropriate, enabling a comprehensive view, analysis and reporting of the group's operational risk profile.



Governance

The governance structure adopted by the operational risk management function operates in terms of a levels of defence model and provides combined assurance as described below:

Level	Function	Activity
1	Business unit management	• Identify and mitigate operational risk • Own the operational risks arising in their business area • Establish and maintain an appropriate operational risk and control environment • Maintain an embedded operational risk management capability • Implement and execute sound operational risk management practices.
2	Group Operational Risk Management	• Independent of operations • Maintain the group operational risk management framework and policy • Develop and promote sound operational risk management practices • Challenge and review business unit operational risk practices and data • Report on operational risk exposures, events, and emerging issues to board and board committees, and relevant business unit forums • Ensure supervisory requirements are achieved.
3	Internal audit and specialist assurance	• Independent review of the operational risk framework, and the effectiveness of its implementation • Audit findings integrated into the operational risk management process • Specialist validation of key practices.
4	External audit and supervisors	• External assessment of the operational risk management environment • Regulatory onsite reviews by the SARB, the FSA and APRA.
5	Board and board committees	• Monitor and review the operational risk exposures and metrics • Approve the operational risk management framework and key operational risk management policies.

Framework and policies

Policies and practices have been established by group Operational Risk Management to ensure that operational risk is managed in an appropriate and consistent manner across the group. These are regularly reviewed through the operational risk governance structure as well as the BRCC.

Practices

Operational risk identification and assessments

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

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

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

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

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

Risk assessments are reviewed regularly based on the internal and external events and changes in the business environment. Risks are assessed and considered before implementation of new products in line with the relevant policies and procedures applicable to the respective operating jurisdictions.

Key operational risks

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

Key operational risks	Key considerations
Business continuity	• Availability of systems and processes • Ability to continue operations.
Financial crime	• Theft or misappropriation of client or company assets from internal or external sources.
Legal	• Appropriate advice, documentation and implementation.
Process failure	• Execution, delivery and process failure due to errors or omissions.
Regulatory compliance	• Adherence to laws, regulations and industry codes • Pace of new regulatory requirements and developments.

Operational risk indicators

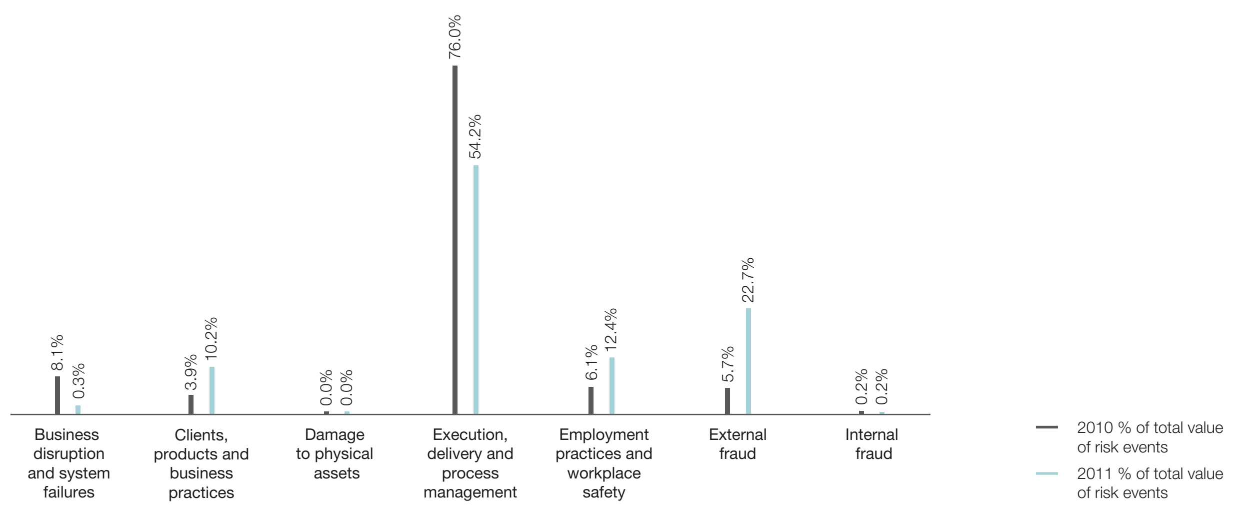
Business units track and report appropriate risk indicators in order to monitor and control their operational risk exposures. These are reviewed regularly to ensure that they are relevant.

Internal operational risk events

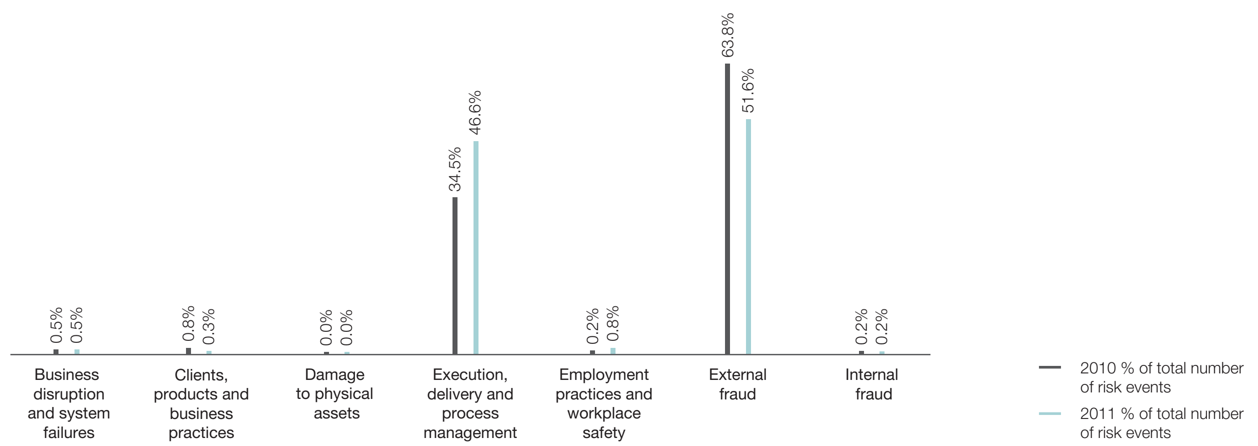
Internal operational risk events are recorded in the group-wide operational risk management system. Causal analyses are performed and actions are identified to mitigate and minimise losses and improve controls. Processes are in place for the monitoring and escalation of recorded events.

The figures below represent the distribution of the value and number of risk events across the risk event types.

Operational risk events by risk category – % of total value of risk events



Operational risk events by risk category – % of total number of risk events



The controls in place to mitigate risks that are highlighted by execution, delivery and process management events are considered and improved continually.

External fraud includes credit card fraud. Initiatives to improve, detect, prevent and mitigate credit card fraud is ongoing.

External operational risk events

External operational risk events from selected public sources are recorded in a central database and monitored and analysed in the same manner as internal operational risk events. This allows for enhancement or improvements to the risk and control environment through the lessons learnt from these events.

Scenarios

Key operational risks and other material operational risks are subjected to a scenario analysis process. Various plausible, extreme, scenarios are developed and documented for each material operational risk. Scenario information is sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

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

Reporting

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

Monitoring

The individual components of the operational risk management framework are monitored on an ongoing basis by group Operational Risk Management and the embedded risk managers (ERMs). These components are integrated to inform each other, enabling more efficient monitoring of operational risk data integrity, compliance with the policies and practices, and the operational risk profile across the group.

Group-wide operational risk focus areas

Business continuity management

The group manages a global business continuity management capability which focuses on building an appropriate level of resilience into the bank's operations to mitigate the risk of severe operational disruptions occurring. The group conducts regular exercises to ensure that its recovery capability remains appropriate.

Information technology risk

The group continues to ensure that information technology risk is appropriately mitigated within a rapidly changing technology and threat landscape. ERMs focus on ensuring the confidentiality, integrity and availability of information. Information security remains a key area of focus.

Financial crime

In ensuring that financial crime risk is appropriately managed the group pursues a policy of mitigating this risk as follows:

- Ensuring that appropriate action is taken in respect of fraudulent activities
- Identifying criminal acts against the group, investigating and recovering losses
- Engaging with external specialists and industry forums.

Developments

Areas of focus during the year included:

- Ongoing development and enhancement of the operational risk management framework having consideration for advanced operational risk management practices
- Regular engagement with industry groups and fora enables the group to be informed of developments
- Enhancing the risk and control environment remains an area of focus, particularly in areas where trends are identified
- Using outputs from operational risk processes more effectively in proactively managing operational risk
- Continue to monitor regulatory developments and actively engage with regulators.

Insurance

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

Reputational risk

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

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

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

Pension risk

Pension risk arises from obligations arising from defined benefit pension schemes, where Investec plc is required to fund any deficit in the schemes.

There are two defined benefit schemes within Investec plc and both are closed to new business. Pension risk arises if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary sources at risk include:

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

Investec plc monitors the position of the funds closely and regularly assesses potential adverse movements in the schemes in close conjunction with external, independent advisors. Further information is provided on pages 367 to 369.

Legal risk management

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

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

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

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

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process

- Establishing minimum standards for mitigating and controlling each risk, including the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing legal risk forums, bringing together the various legal risk managers, to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

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

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

Capital management and allocation

Although Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries) are managed independently, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital sufficiency of both Investec plc and Investec Limited.

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

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

Philosophy and approach

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec has always held capital in excess of regulatory requirements and the group intends to ensure that it continues to remain well capitalised. Accordingly, the group maintains capital adequacy targets of a minimum tier one capital ratio of 11% and a total capital adequacy ratio range of 14% to 17%, on a consolidated basis, for Investec plc and Investec Limited.

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

Our internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Support a target level of financial strength aligned with a long-term external rating of at least 'A'
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions
- Informal discussions with the group's regulators to assist in setting minimum regulatory capital.

The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital.

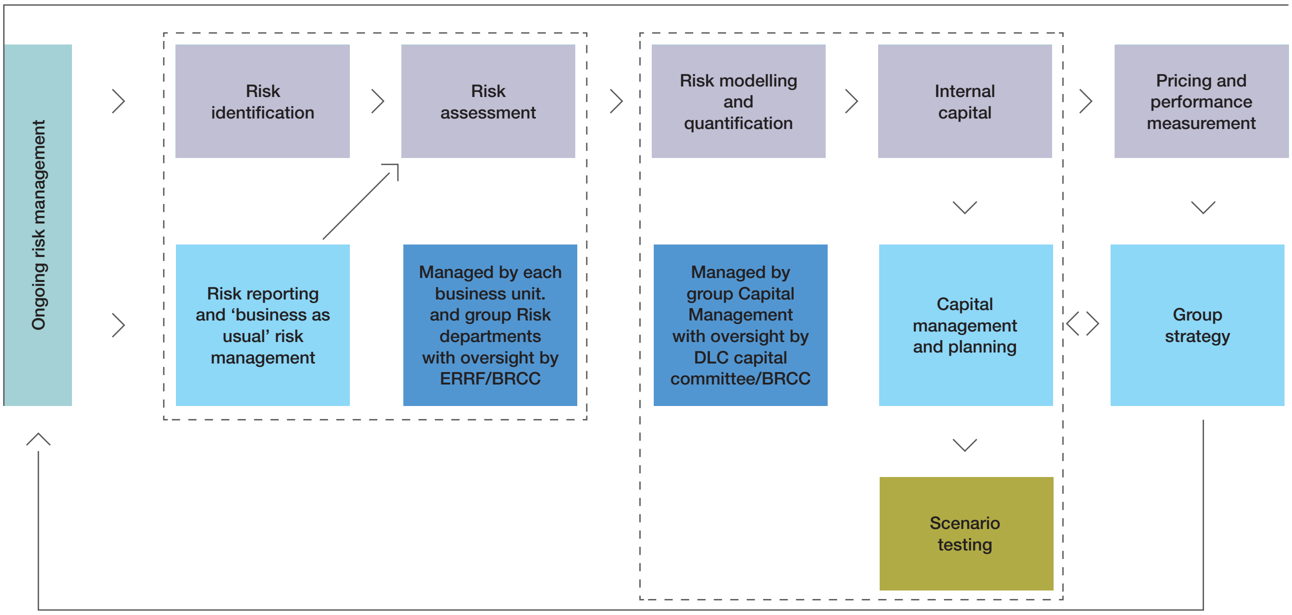
Internal capital performs a critical role in:

- Investment decision making and pricing that is commensurate with the risk being taken
- Allocating capital according to the greatest expected marginal risk-based return, and track performance on this basis
- Determining transactional risk-based returns on capital
- Rewarding performance taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence the basis for discretionary variable remuneration
- Comparing risk-based performance across business areas.

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

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

The (simplified) integration of risk and capital management



Risk assessment and identification

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

Risk reporting

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

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

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

Role of regulatory capital in capital management

On 1 January 2008, we began operating under the Basel II regulatory regime across all regulated entities. We have adopted the standardised approach under 'pillar 1' to determine our regulatory minimum capital requirements.

Since the introduction of Basel II, a number of significant amendments have either been introduced or are expected to be introduced over the coming financial year and beyond. Such changes reflect regulatory objectives around financial stability and affect many areas of our approach to ensuring prudential ongoing management of our risks. With respect to capital sufficiency, rules will tend to require banks generally to hold greater amounts of higher quality capital which will have impacts on a range of processes within all banks. We have historically managed our capital to a very high standard and as such we are well placed to meet any new requirements. Because of this, even after allowing for regulatory changes, the risk appetite of the board and senior management remains unchanged.

Local management within each geography are responsible for compliance with the entity's minimum regulatory requirements, although the allocation of capital supply is controlled by the DLC capital committee.

While consideration of regulatory capital is an important component of our management of capital sufficiency, we do not use regulatory capital as the exclusive driver of capital allocation.

Therefore, while regulatory capital requirements under 'pillar 1' form the minimum capital for Investec plc, Investec Limited and their various regulated subsidiaries, our capital management framework places emphasis on the internal assessment of capital requirements and is based on a conservative assessment of the underlying risk of the portfolio. This requirement has been adopted within our approach to 'pillar 2', of which the internal capital framework constitutes a central role.

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board approved risk assessment process described above. Quantification of all risks are based on analysis of internal data, management expertise and judgement and external benchmarking.

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

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Traded market risk
- Equity and property risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks
- Business risk
- Operational risk
- Pension risk (UK only)
- Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Capital management, planning and scenario testing

A group capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on our capital sufficiency. This plan is designed to assess capital sufficiency under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Stressing the business plans through the capital planning process is an important tool by which the board can gain insight to potential sources of vulnerability of the capital sufficiency of the group by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after consultation with relevant internal and external experts and research. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence determination of our risk appetite.

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

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

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

Pricing and performance measurement

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk adjusted internal capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

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

For an assessment of return on equity and our return on internal capital utilised refer to pages 47 and 48.

Responsibility for the risk and capital management process

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

These forums have been in place for several years and their roles and responsibilities are discussed on pages 229 and 230.

In order to manage local capital considerations, Investec plc convenes a separate capital committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted capital management committee also exists in Australia. Capital adequacy within the Southern African operations is discussed monthly through the regulatory forum, which includes Investec Bank Limited and Investec Bank (Mauritius) Limited. The use of these committees ensures that capital is actively managed from the lowest and most detailed reporting level and cascades up to the ultimate responsible body – the BRCC.

The following areas within the group have specific operational capital management responsibilities:

- Business units, in particular those who conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Capital Markets):
  - The transactional consultants within the business units consider the capital requirements and the projected return on this capital as part of the deal approval process. Pricing explicitly takes into account capital usage
  - Management are responsible for translating their detailed individual strategies into a 'bottom-up' capital usage projection for incorporation into the group capital plan. These plans assist senior management with prioritising the use of our available capital

- Group Finance:
  - Regulatory reporting is the responsibility of a dedicated team within group Finance, who are responsible for ensuring regulatory capital requirements are continuously met
  - Financial control, through the capital management function, is responsible for the development and implementation of the internal capital framework and to manage and report on regulatory capital requirements. The development of the internal capital framework includes the result of analysis performed by Risk Management
  - The capital management function also co-ordinates, with assistance from business units, the development of the group's capital plan
  - As part of the responsibility for the internal capital framework, the allocation of capital is managed centrally by group Finance
  - As with Risk Management, the group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes.
- Risk management:
  - The credit approval process for each (relevant) transaction is approved only after review and approval by our central credit risk management team. Capital usage forms an explicit part of the approval process
  - For exposures which generate market risk, the market risk management team quantify and monitor market risk generated by trading activities. Traded market risk is closely monitored by our various risk management fora
  - As part of Operational Risk Management, a process managed by centralised operational risk management and embedded risk managers within each business unit identify, assess and quantify key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used held via the internal capital framework
  - Underpinning all risk management functions is their IT support division, which ensures that all applications used to calculate and report risk are functioning properly and reconcile to underlying source systems.
- Board and group executive:
  - The board has ultimate responsibility for the oversight of day-to-day risk management, capital management and ensuring that both risk and capital are managed commensurate with our strategy and risk appetite. This responsibility is mandated to BRCC
  - The BRCC has delegated management of capital to the DLC capital committee and risk management to ERRF.

Regulatory considerations – capital management

The regulation and supervision of financial institutions continues to undergo significant change in response to the global financial crisis. Changes to rules defining eligibility of qualifying capital and the risk weighting of asset classes proposed under the so-called Basel III and capital requirement directive amendments pose the largest potential changes to the group's balance sheet management priorities. These guidelines have yet to be implemented into law within the group's operating jurisdictions, and therefore remain subject to refinement and change. In addition to Basel III there are a number of sources of potential regulatory change that may affect our capital sufficiency and balance sheet management functions, each of which are closely monitored.

The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood and prepared for. To allow the committee to carry out this function, the group's regulatory and capital management teams closely monitor regulatory developments and regularly present to committee on latest developments. As part of any assessment the committee is provided with analysis showing the group's capital sufficiency taking into account the most up to date interpretation of those changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes and their impact on the group and its subsidiaries.

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to return on risk adjusted internal capital.

Capital disclosures in terms of Basel II

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

Accounting and regulatory treatment of group subsidiaries

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

Investec plc

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment		Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec plc group
			Fully consolidated	Entities that are given a deduction treatment		
Bank controlling company Investec plc	Subject to consolidated supervision		Yes		UK	None
Investec 1 Limited	Subject to consolidated supervision	100%	Yes		UK	None
Regulated subsidiaries						
Banking and securities trading						
Investec Capital Asia Limited	Hong Kong Securities and Futures Commission	100%	Yes		Hong Kong	Subject to regulatory rules
Hero Nominees Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Bank (Australia) Limited	Australian Prudential Regulation Authority ASIC AUSTRAC	100%	Yes		Australia	Subject to regulatory rules
Investec Bank plc	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Bank (Channel Islands) Limited	Guernsey Financial Services Commission/ Jersey Financial Services Commission	100%	Yes		Guernsey and Jersey	Subject to regulatory rules
Investec Bank (Switzerland) AG	Swiss Financial Market Supervisory Authority	100%	Yes		Switzerland	Subject to regulatory rules
Investec Ireland Limited	The Central Bank of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Investec Trust (Guernsey) Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Trust (Jersey) Limited	Jersey Financial Services Commission	100%	Yes		Jersey	Subject to regulatory rules
Investec Trust (Switzerland) S.A.	Association Roman des Intermediaries Financiers	100%	Yes		Switzerland	Subject to regulatory rules

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment: Fully consolidated	Regulatory treatment: Entities that are given a deduction treatment	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec plc group
Regulated subsidiaries (continued)						
Investec Securities (US) LLC	Securities and Exchange Commission and Financial Industry Regulatory Authority	100%	Yes		USA	Subject to regulatory rules
Kensington Mortgage Company Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Kensington Personal Loans Limited	FSA	100%	Yes		UK	Subject to regulatory rules
NUA Homeloans Limited	The Central Bank of Ireland	100%	Yes		Ireland	Subject to regulatory rules
NUA Mortgages Limited	The Central Bank of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Start Mortgages Limited	The Central Bank of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Investec Wealth & Investment Limited (formerly Rensburg Sheppards Investment Management Limited)	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Wealth & Investment Trustees Limited (formerly Rensburg Sheppards Trustees Limited)	FSA	100%	Yes		UK	Subject to regulatory rules
Hargreave Hale Limited	FSA	33.18%	Proportionately Consolidated		UK	Subject to regulatory rules
Asset Management						
Investec Asset Management Limited	FSA, Australian Securities Investment Commission	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management US Limited	FSA,Securities and Exchange Commission	100%	Yes		UK	Subject to regulatory rules
Investec Fund Managers Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Asset Management Asia Ltd	Hong Kong Securities and Futures Commission	100%	Yes		Hong Kong	Subject to regulatory rules
Investec Asset Management Guernsey Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
Investec Asset Management Ireland Limited	The Central Bank of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Investec Asset Management Taiwan Limited	Taiwan Financial Supervisory Commission	100%	Yes		Taiwan	Subject to regulatory rules
Investec Asset Management Australia Pty Ltd	Australian Securities and Investment Commission	100%	Yes		Australia	Subject to regulatory rules

Investec plc (continued)

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment: Fully consolidated	Regulatory treatment: Entities that are given a deduction treatment	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec plc group
Asset Management (continued)						
Unregulated subsidiaries	Not regulated subject to consolidated supervision					
Investec Holding Company Limited		100%	Yes		UK	None
Investec Group (UK) plc		100%	Yes		UK	None
Investec Asset Finance plc		100%	Yes		UK	None
Leasedirect Finance Limited		75%	Yes		UK	None
Investec Finance plc		100%	Yes		UK	None
Investec Group Investments (UK) Limited		100%	Yes		UK	None
Investec Trust Holdings AG		100%	Yes		Switzerland	None
Investec Trust (Switzerland) S.A.		100%	Yes		Switzerland	None
Kensington Group plc		100%	Yes		UK	None
Kensington Mortgages Limited		100%	Yes		UK	None
Newbury Park Mortgage Funding Limited		100%	Yes		UK	None
Rensburg Sheppards plc		100%	Yes		UK	None
St James's Park Mortgage Funding Limited		100%	Yes		UK	None
Investec Experien Pty Limited		100%	Yes		Australia	None
Guinness Mahon & Co Limited		100%	Yes		UK	None

Investec Limited

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment: Fully consolidated	Regulatory treatment: Entities that are given a deduction treatment	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec Limited group
Bank controlling company						
Investec Limited	SARB	100%	Yes		SA	None
Regulated subsidiaries banking and securities trading						
Investec Bank Limited	SARB	100%	Yes		SA	None
Investec Bank (Mauritius) Limited	Bank of Mauritius	100%	Yes		Mauritius	None
Investec Securities Limited	JSE, FSB, BESA, SAFEX	100%	Yes		SA	None
Asset Management						
Investec Asset Management Holdings (Pty) Ltd		100%	Yes		SA	None

Investec Limited (continued)

Identity of investment/ interest held	Regulatory	% interest held	Regulatory treatment: Fully consolidated	Regulatory treatment: Entities that are given a deduction treatment	Country of operation	Restrictions and major impediments on the transfer of funds and regulatory capital within the Investec Limited group
Asset Management (continued)						
Investec Asset Management (Pty) Ltd	FSB/SAFEX	100%	Yes		SA	None
Investec Fund Managers SA Ltd	FSB/SAFEX	100%	Yes		SA	None
Insurance						
Investec Employee Benefits Holdings (Pty) Ltd	FSB	100%	Deconsolidated		SA	None
Investec Employee Benefits Ltd	FSB	100%	Deconsolidated		SA	None
Investec Assurance Limited	FSB and Long-Term Insurance Act	100%	Deconsolidated		SA	None
Unregulated subsidiaries	Not regulated subject to consolidated supervision					
Reichmans Holdings Limited		100%	Yes		SA	None
AEL Investment Holdings (Pty) Ltd		100%	Yes		SA	None
Investpref Ltd		100%	Yes		SA	None
KWJ Investments (Pty) Ltd		100%	Yes		SA	None
Securities Equities (Pty) Ltd		100%	Yes		SA	None
Sechold Finance Services (Pty) Ltd		100%	Yes		SA	None
Investec Personal Financial Services (Pty) Ltd		100%	Yes		SA	None
Fedsure International Ltd		100%	Yes		SA	None
Investec Share Plan Services (Pty) Limited		100%	Yes		SA	None
Investec International Holdings (Gibraltar) Ltd		100%	Yes		SA	None
World Axis Management (Pty) Limited		100%	Yes		SA	None
Investec Group Data (Pty) Ltd		100%	Yes		SA	None
Fuzztique (Pty) Limited		100%	Yes		SA	None
Investec Property Group Holdings Ltd		100%	Yes		SA	None

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

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 374 to 376.

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
As at 31 March 2011					
Regulatory capital					
Tier 1					
Called up share capital	–	1 026	292	–	27
Share premium	1 239	219	–	10 719	11 845
Retained income	491	314	364	10 903	7 067
Treasury shares	(11)	–	–	(807)	–
Other reserves	98	82	(5)	389	250
Minority interests in subsidiaries	170	(7)	–	–	–
Goodwill and intangible assets	(542)	(381)	(90)	(314)	(108)
Total tier 1	1 445	1 253	561	20 890	19 081
Less: deductions	(24)	(22)	(63)	(297)	(297)
	1 421	1 231	498	20 593	18 784
Tier 2 capital					
Aggregate amount	702	577	104	7 039	7 039
Less: deductions	(24)	(22)	(6)	(297)	(297)
	678	555	98	6 742	6 742
Other deductions from tier 1 and tier 2	(31)	(27)	–	–	–
Total capital	2 068	1 759	596	27 335	25 526
As at 31 March 2010					
Regulatory capital					
Tier 1					
Called up share capital	–	748	292	–	25
Share premium	932	71	–	10 416	10 530
Retained income	419	343	360	9 405	6 055
Treasury shares	(3)	–	–	(1 140)	–
Other reserves	111	67	(7)	439	158
Minority interests in subsidiaries	168	(10)	–	–	–
Goodwill and intangible assets	(319)	(96)	(89)	(378)	(95)
Total tier 1	1 308	1 123	556	18 742	16 673
Less: deductions	(33)	(14)	(76)	(266)	(266)
	1 275	1 109	480	18 476	16 407
Tier 2					
Aggregate amount	623	525	88	5 553	5 553
Less: deductions	(33)	(14)	(11)	(265)	(265)
	590	511	77	5 288	5 288
Other deductions from tier 1 and tier 2	(72)	(101)	–	–	–
Total capital	1 793	1 519	557	23 764	21 695

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

Capital requirements

	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
As at 31 March 2011					
Capital requirements	983	872	442	16 377	15 537
Credit risk – prescribed standardised exposure classes	769	707	385	11 869	11 662
Corporates	225	219	295	7 541	7 369
Secured on real estate property	268	259	6	1 166	1 166
Counterparty risk on trading positions	18	17	9	395	364
Short term claims on institutions and corporates	20	19	3	1 553	1 553
Retail	53	53	11	291	291
Institutions	20	20	12	845	841
Other exposure classes	165	120	49	78	78
Securitisation exposures	23	23	–	450	450
Equity risk – standardised approach	21	21	8	2 160	2 109
Listed equities	2	2	3	346	295
Unlisted equities	19	19	5	1 814	1 814
Market risk – portfolios subject to internal models approach	52	50	2	129	90
Interest rate	14	14	1	40	40
Foreign exchange	20	20	–	21	21
Commodities	–	–	1	1	1
Equities	18	16	–	67	28
Operational risk – standardised approach	118	71	47	1 769	1 226
As at 31 March 2010					
Capital requirements	901	720	376	14 465	13 272
Credit risk – prescribed standardised exposure classes	724	591	323	11 516	10 965
Corporates	234	230	232	7 481	6 991
Secured on real estate property	237	190	5	1 000	1 000
Counterparty risk on trading positions	20	20	5	321	321
Short term claims on institutions and corporates	33	28	4	1 282	1 221
Retail	44	44	16	698	698
Institutions	10	10	9	661	661
Other exposure classes	146	69	52	73	73
Securitisation exposures	20	19	–	356	356
Equity risk – standardised approach	16	16	8	717	697
Listed equities	2	2	2	55	35
Unlisted equities	14	14	6	662	662
Market risk – portfolios subject to internal models approach	23	23	2	154	91
Interest rate	12	12	2	31	31
Foreign exchange	1	1	–	31	31
Commodities	–	–	–	1	1
Equities	10	10	–	91	28
Operational risk – standardised approach	118	71	43	1 722	1 163

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Capital adequacy

As at 31 March 2011	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
Primary capital (tier 1)	1 445	1 253	561	20 890	19 081
Less: deductions	(24)	(22)	(63)	(297)	(297)
	1 421	1 231	498	20 593	18 784
Tier 2 capital					
Aggregate amount	702	577	104	7 039	7 039
Less: deductions	(24)	(22)	(6)	(297)	(297)
	678	555	98	6 742	6 742
Other deductions from tier 1 and tier 2	(31)	(27)	–	–	–
Total capital	2 068	1 759	596	27 335	25 526
Risk-weighted assets (banking and trading)	12 292	10 911	3 387	172 370	163 537
Credit risk – prescribed standardised exposure classes	9 623	8 851	2 957	124 918	122 751
Corporates	2 807	2 743	2 266	79 376	77 573
Secured on real estate property	3 354	3 232	44	12 270	12 270
Counterparty risk on trading positions	219	218	66	4 153	3 829
Short term claims on institutions and corporates	256	236	23	16 342	16 342
Retail	668	668	88	3 067	3 067
Institutions	253	253	95	8 892	8 852
Other exposure classes	2 066	1 501	375	818	818
Securitisation exposures	284	284	–	4 737	4 737
Equity risk – standardised approach	266	264	57	22 740	22 204
Listed equities	31	30	20	3 646	3 110
Unlisted equities	235	234	37	19 094	19 094
Market risk – portfolios subject to internal models approach	649	626	14	1 358	943
Interest rate	174	174	8	420	420
Foreign exchange	256	246	1	221	221
Commodities	–	–	5	9	9
Equities	219	206	–	708	293
Operational risk – standardised approach	1 470	886	359	18 617	12 902
Capital adequacy ratio	16.8%	16.1%	17.6%	15.9%	15.6%
Tier 1 ratio	11.6%	11.3%	14.7%	11.9%	11.5%
Capital adequacy ratio – pre operational risk	19.1%	17.5%	19.7%	17.8%	16.9%
Tier 1 ratio – pre operational risk	13.1%	12.3%	16.4%	13.4%	12.5%

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Capital adequacy

As at 31 March 2010	Investec plc £'mn	IBP* £'mn	IBAL* A$'mn	Investec Limited R'mn	IBL* R'mn
Primary capital (tier 1)	1 308	1 123	556	18 742	16 673
Less: deductions	(33)	(14)	(76)	(266)	(266)
	1 275	1 109	480	18 476	16 407
Tier 2 capital					
Aggregate amount	623	525	88	5 553	5 553
Less: deductions	(33)	(14)	(11)	(265)	(265)
	590	511	77	5 288	5 288
Other deductions from tier 1 and tier 2	(72)	(101)	–	–	–
Total capital	1 793	1 519	557	23 764	21 695
Risk-weighted assets (banking and trading)	11 266	8 997	2 899	152 264	139 716
Credit risk – prescribed standardised exposure classes	9 057	7 380	2 485	121 226	115 429
Corporates	2 923	2 874	1 781	78 746	73 588
Secured on real estate property	2 962	2 371	37	10 525	10 525
Counterparty risk on trading positions	248	245	41	3 380	3 380
Short term claims on institutions and corporates	416	346	34	13 495	12 857
Retail	550	550	121	7 352	7 352
Institutions	131	131	69	6 955	6 955
Other exposure classes	1 827	863	402	773	772
Securitisation exposures	247	243	–	3 748	3 748
Equity risk – standardised approach	207	203	62	7 547	7 337
Listed equities	28	25	16	578	368
Unlisted equities	179	178	46	6 969	6 969
Market risk – portfolios subject to internal models approach	285	285	17	1 618	956
Interest rate	149	149	16	325	325
Foreign exchange	11	11	1	326	326
Commodities	–	–	–	13	13
Equities	125	125	–	954	292
Operational risk – standardised approach	1 470	886	335	18 125	12 246
Capital adequacy ratio	15.9%	16.9%	19.2%	15.6%	15.5%
Tier 1 ratio	11.3%	12.3%	16.6%	12.1%	11.7%
Capital adequacy ratio – pre operational risk	18.3%	18.7%	21.7%	17.7%	17.0%
Tier 1 ratio – pre operational risk	13.0%	13.7%	18.7%	13.8%	12.9%

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Analysis of rated counterparties in each standardised credit exposure class

Investec plc

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

Credit quality step	Risk weight	31 March 2011 Exposure £'mn	31 March 2011 Exposure after credit risk mitigation £'mn	31 March 2010 Exposure £'mn	31 March 2010 Exposure after credit risk mitigation £'mn
Central banks and sovereigns					
1	0%	2 539	2 486	3 058	3 058
2	20%	–	–	–	–
3	50%	–	–	–	–
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	804	804	665	665
2	50%	168	168	98	98
3	50%	5	4	8	8
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short-term claims on institutions					
1	20%	546	467	595	595
2	20%	151	151	886	886
3	20%	392	276	49	49
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Counterparty credit risk – effective original maturity of more than three months					
1	20%	392	368	283	246
2	50%	77	51	99	55
3	50%	–	–	52	12
4	100%	1	1	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Counterparty credit risk – effective original maturity of less than three months					
1	20%	1 072	69	215	63
2	20%	189	49	7	7
3	20%	159	12	206	5
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	128	128	42	42
2	50%	7	7	17	17
3	100%	171	171	–	–
4	100%	17	17	5	5
5	150%	14	14	–	–
6	150%			–	–
Securitisation positions					
1	20%	196	196	109	109
2	50%	78	78	18	18
3	100%	41	41	18	18
4	350%	13	15	21	21
5	1 250%	47	47	10	10
Total rated counterparty exposure		7 207	5 620	6 461	5 987

Investec Limited

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

Credit quality step	Risk weight	31 March 2011 Exposure R'mn	31 March 2011 Exposure after credit risk mitigation R'mn	31 March 2010 Exposure R'mn	31 March 2010 Exposure after credit risk mitigation R'mn
Central banks and sovereigns					
1	0%	35 074	35 074	21 363	21 363
2	20%	–	–	–	–
3	50%	46	46	43	43
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	2 993	2 993	–	–
2	50%	9 088	9 088	6 303	6 303
3	50%	6 540	6 384	5 624	5 480
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short term claims on institutions					
1	20%	1 375	1 375	3 986	3 986
2	20%	743	743	6 067	6 067
3	20%	2 038	783	2 023	2 023
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	188	188	40	40
2	50%	57	57	133	133
3	100%	330	262	157	145
4	100%	116	116	–	–
5	150%	–	–	–	–
6	150%	55	55	–	–
Securitisation positions					
1	20%	2 017	2 017	1 042	1 042
2	50%	1 963	1 963	2 147	2 147
3	100%	1 150	1 150	820	820
4	350%	600	600	500	500
5	1 250%	583	583	638	638
Total rated counterparty exposure		64 956	63 477	50 886	50 730

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

Internal audit activity is governed by an internal audit charter, approved by the group audit committees and reviewed annually. The charter defines the purpose, authority and responsibilities of the function.

As a result of the regulatory responsibilities arising from the DLC structure, there are two group internal audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. Investec Bank (Australia) Limited has its own internal audit function reporting into Investec plc Internal Audit. In combination, the functions cover all the geographies in which Investec operates. These functions use a global risk-based methodology and cooperate technically and operationally.

The heads of Internal Audit report at each audit committee meeting and have a direct reporting line to the chairman of the audit committee. They operate independently of executive management but have access to their local chief executive officer. The head of Investec plc Internal Audit is responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged in order to maximise efficiency. For administrative purposes the heads of Internal Audit also report to the global head of Corporate Governance and Compliance. The adopted functions comply with the international standards for the professional practice of internal auditing.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. High risk businesses and processes are audited annually, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec's dependence on IT systems. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the audit and compliance implementation forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committee receives a report on significant issues and actions taken by management to enhance related controls.

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

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.

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.

Under the DLC structure, Investec plc and Investec Limited maintain separate compliance structures. Each structure operates under terms of reference which are approved by its listed company board and audit committee. Each structure is headed by a group compliance officer who operates independently from operational management and is responsible for ensuring adequate management of compliance risk within their area of business. Each group compliance officer reports to the chief executive officer of their listed company, as well as to the global head of compliance, who is ultimately responsible for management of the compliance function of both listed groups. The group compliance officers have unrestricted access to the chairman of their respective audit committees.

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

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

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

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

UK and Europe – year in review

The 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 265 for more detail) and will formally adopt the requirements as set out in the code in its 2012 financial year.

Compliance (continued)

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.

South Africa – year in review

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

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

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.

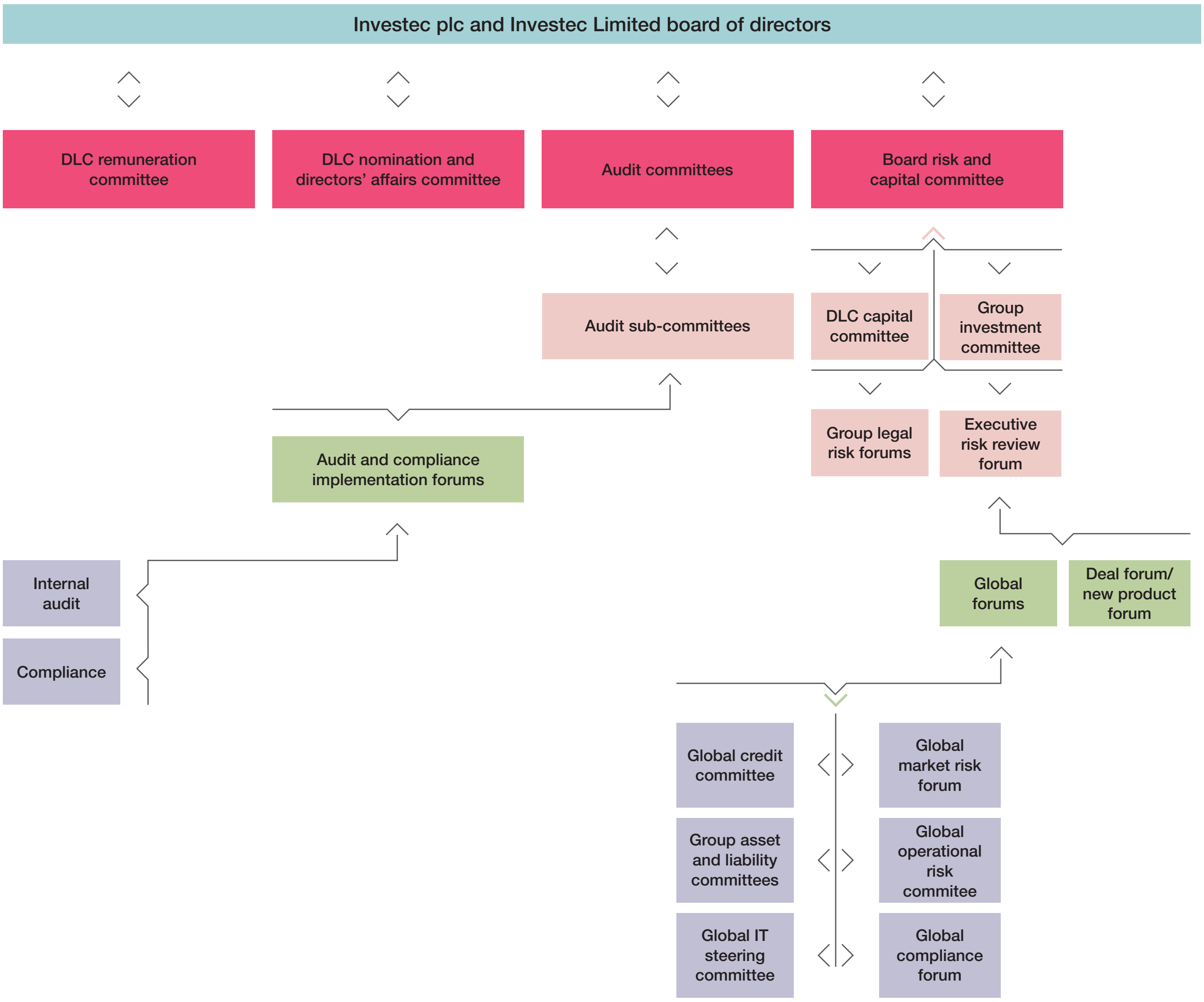
Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures and a written statement of values serves as our code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

Governance framework

Investec's governance framework is depicted as follows:



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 253 to 274. 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.

Financial reporting and going concern

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

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

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

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks Investec faces in preparing the financial and other information contained in this annual report. This process was in place for the year under review and up to the date of approval of the annual report and financial statements. The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board, which are referred to on pages 225 to 231.

The significant risks we face include risks flowing from the instability in the global financial market and the recent global economic environment that could affect Investec's businesses, earnings and financial condition.

Our financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Nature and complexity of our business
- Risks we assume, and their management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital
- Needs of all our stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

The board is of the opinion, based on its knowledge of the group, key processes in operation and specific enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 177 to 188 and pages 195 to 207.

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

Board of directors

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.

Composition, structure and process

Membership

At the end of the year under review, the Investec board, excluding the chairman, comprised four executive directors and 12 non-executive directors. As set out below, the board concluded that the majority (i.e. eight) of the non-executive directors, excluding the chairman, are independent in terms of the London Combined Code and King III. Biographical details of the directors are set out on pages 282 to 284.

The names of the directors at the date of this report, the year of their appointment and their independence status are set out in the table below. In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2011 annual general meeting.

Board changes during the past year:

- Bradley Fried was appointed as a non-executive director on 1 April 2010
- Perry Crosthwaite was appointed as an independent non-executive director on 18 June 2010
- Sir Chips Keswick retired as a non-executive director and senior independent director on 13 August 2010
- Sir David Prosser was appointed as senior independent director on 13 August 2010
- Alan Tapnack retired as an executive director on 15 December 2010
- Hendrik du Toit was appointed as an executive director on 15 December 2010
- Geoffrey Howe resigned as an independent non-executive director on 31 December 2010
- Olivia Dickson was appointed as an independent non-executive director on 31 March 2011
- Following the announcement published on 18 February 2011, Hugh Herman will retire from the board on 17 November 2011 and he will be replaced by Fani Titi and Sir David Prosser as joint chairmen.

	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.*

Independence

For the period 31 December 2010 to 30 March 2011, following the resignation of Geoffrey Howe, Investec's board did not meet the requirement set out in principle A.3.2 of the London Combined Code that at least half of the board (excluding the chairman) are independent. The board, on the recommendation of the nominations and directors' affairs committee, approved the appointment of Olivia Dickson with effect from 31 March 2011. Accordingly, as at 31 March 2011, the board is compliant with the requirement that at least half the board, excluding the chairman, comprises independent non-executive directors. During this period, the board was, however, compliant with chapter 2, principle 2.18 of King III in that the majority of non-executive directors were independent.

A summary of the factors the board uses to determine the independence of directors is detailed below.

Chairman

The chairman of the board is not considered to be independent as described under the governance requirements above. Following the announcement published on 18 February 2011, Hugh Herman will retire from the board on 17 November 2011 and be replaced by Fani Titi and Sir David Prosser as joint chairmen. Fani will not be regarded as independent, in terms of the UK Corporate Governance Code, as explained below.

Relationships and associations

- Peter Malungani is the chairman of Peu Group (Proprietary) Limited (Peu) and Peu has a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter. Accordingly, the board concluded that Peter could not be considered independent under the UK Corporate Governance Code and King III

- Fani Titi resigned as board member and chairman of Tiso Group Limited (Tiso) during March 2008. Tiso has a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter. In line with the independence requirements of King III, the board of Investec Limited concluded that for purposes of his appointment to Investec Limited and subsidiary boards, where applicable, he is now considered to be independent as it has been three years since his relationship with Tiso ended. In line with the independence requirements of the UK Corporate Governance Code, which requires a five year break in the relationship with Tiso, the board of Investec plc concluded that for purposes of Fani's appointment to Investec plc and subsidiary boards, where applicable, he could not be considered independent

- Ian Kantor is the brother of Bernard Kantor, Investec's managing director. Ian was also previously CEO of Investec. Accordingly, the board concluded that Ian could not be considered independent under the UK Corporate Governance Code and King III
- Bradley Fried resigned as CEO of Investec Bank plc and an employee of Investec during March 2010. The board soon thereafter appointed Bradley as a non-executive director due to his specific business skills, knowledge and experience in the group which is valuable to the organisation. As Bradley has been an employee of Investec within the previous five years, the board concluded that he could not be considered independent under the UK Corporate Governance Code and King III.

Despite the board concluding that Peter, Fani, Ian and Bradley cannot be considered independent for the reasons explained above, the board is of the view that their skills, knowledge, experience and attributes are nonetheless valuable to the organisation and believe they do and will use their independent judgement when making decisions that affect the organisation and stakeholders.

Attendance at risk management meetings

Sam Abrahams, Fani Titi and Peter Thomas regularly attend, by invitation, certain credit committees of the Investec group. The board considers their attendance at these committees to be beneficial in terms of developing an understanding of the day-to-day issues facing the business. This further allows Sam to discharge his responsibilities more effectively as chairman of the Investec plc and Investec Limited audit committees and Fani to discharge his responsibilities more effectively as chairman of Investec Bank Limited. The board concluded that Sam, Fani and Peter retain independence of character and judgement.

Tenure

The board does not believe that any current non-executive director has served on the board for a period which could materially interfere with their ability to act in Investec's best interests. Accordingly, the board has concluded that George Alford, Peter Thomas and Sam Abrahams, despite having been directors of Investec for nine years or more, retain both financial independence and independence of character and judgement.

The board does not believe that any director who has served for more than nine years is not independent by virtue of the period of service. 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 recommends that all directors of FTSE 350 companies are subject to annual re-election. Accordingly, going forward, all members of the board will offer themselves for annual re-election, in accordance with the UK Corporate Governance Code.

Notwithstanding the guidelines set out in the UK Corporate Governance Code and King III, the board is of the view that the non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision making. The board believes that it functions effectively and evaluates its performance annually.

Skills, knowledge, experience and attributes of directors

The board considers that the skills, knowledge, experience and attributes of the directors as a whole are appropriate for their responsibilities and our activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which we operate
- Knowledge of the regulatory environments in which we operate
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed by the DLC nominations and directors' affairs committee, to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

Board and directors' performance evaluation

The board, its committees and individual directors' performance is formally evaluated annually based on recognised codes of corporate governance and covers areas of the board's processes and responsibilities, according to leading practice.

The performance evaluation process takes place both informally, through personal observations and discussions, and/or in the form of evaluation questionnaires. The results are incorporated into a matrix which is considered and discussed by the board.

The chairman holds regular one-on-one meetings with each director to discuss the results of the formal and informal evaluations and, in particular, to seek comments on strengths and developmental areas of the members, the chairman and the board as a whole. Individual training and development needs are discussed with each board member and any requests for training are communicated to the company secretaries for implementation.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member. We have an insurance policy that insures directors against liabilities they may incur in carrying out their duties.

Ongoing training and development

On appointment, directors are provided with an induction pack and participate in an induction programme tailored to their needs, including meeting with business unit and central services' heads to ensure they become familiar with business operations, senior management, our business environment and internal controls, policies, processes and systems for managing risk.

Directors' ongoing training and development is a standing board agenda item, including updates on various training and development initiatives. Board members receive regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units.

Company secretaries liaise with directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Following the board's and directors' performance evaluation process, any training needs are communicated to the company secretaries who ensure these needs are addressed.

During the period under review there were a number of director workshops arranged outside board meetings.

Independent advice

Through the senior independent director or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2011 financial year.

Remuneration

Details of the directors' remuneration and remuneration process are set out in the remuneration report on pages 253 to 274.

Chairman and chief executive officer

The roles of chairman and chief executive officer are distinct and separate with a clear, documented division of responsibilities that has been approved by the board. The chairman leads the board and is responsible for ensuring that the board receives accurate, timely and clear information to ensure that directors can perform their duties effectively.

Details of the chairman's external directorships are set out on page 282. The board does not consider that the chairman's external commitments interfere with his performance and responsibilities to Investec. The board is satisfied that the chairman makes sufficient time available to serve Investec effectively.

The board has not appointed a deputy chairman.

Senior independent director

Sir David Prosser was appointed senior independent director on 13 August 2010 following the retirement of Sir Chips Keswick. He is available to address any concerns or questions from shareholders and non-executive directors.

Company secretaries

David Miller is the company secretary of Investec plc and Benita Coetsee is the company secretary of Investec Limited. They are responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretaries, whose appointment and removal are a board matter. Les Penfold is the global head of company secretarial and coordinates and drives the secretarial functions and is responsible for all board governance matters.

> Directors' ongoing training and development is a standing board agenda item, including updates on various training and development initiatives.

Board meetings

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.

The chairman is responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretaries. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

The non-executive directors met during the period under review in the absence of the executive directors and the senior independent director met with the non-executive directors in the absence of the chairman during the year.

Details of directors' attendance at board meetings:

Investec plc and Investec Limited board	Number of meetings held during the year	Number of meetings attended during the year	Independent
Executive directors			
S Koseff (chief executive officer)	6	6	–
B Kantor (managing director)	6	5	–
GR Burger (group risk and finance director)	6	6	–
A Tapnack	6	3^	–
HJ du Toit	6	2^^	–
Non-executive directors			
HS Herman (chairman)	6	6	No
SE Abrahams	6	6	Yes
GFO Alford	6	5	Yes
CA Carolus	6	6	Yes
PKO Crosthwaite	6	5^^	Yes
OC Dickson	6	–^^	Yes
B Fried	6	6^^	No
H Fukuda OBE	6	6	Yes
GMT Howe	6	2^	Yes
IR Kantor	6	6	No
Sir Chips Keswick	6	1^	Yes
MP Malungani	6	6	No
Sir David Prosser (senior independent director)	6	6	Yes
PRS Thomas	6	6	Yes
F Titi	6	6	No*

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

^ *Board resignations/retirements during the reporting period:*
- *Sir Chips Keswick retired on 13 August 2010*
- *Alan Tapnack retired on 15 December 2010*
- *Geoffrey Howe resigned on 31 December 2010.*

^^ *Board appointments during the reporting period:*
- *Bradley Fried was appointed on 1 April 2010*
- *Perry Crosthwaite was appointed on 18 June 2010*
- *Hendrik du Toit was appointed on 15 December 2010*
- *Olivia Dickson was appointed on 31 March 2011.*

The number of meetings held during the year excludes the special board meetings held on 21 April 2010, 17 June 2010 and 21 June 2010.

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	Executive risk review forum
Capital planning, allocation and structuring, performance measurement, investment decisions and capital based incentivisation.	Measuring, monitoring and mitigation of enterprise wide risk.
Three executives one independent NED	Three executives and senior management
At least quarterly	Weekly

The following table indicates board representation on the committees:

Members	Independent	DLC Audit	Investec plc Audit	Investec Limited Audit	Remuneration	Nomination and directors' affairs	Board risk and capital
HS Herman	No					Chair	
SE Abrahams	Yes	Chair	Chair	Chair		√	√
GFO Alford	Yes	√	√	√	Chair		√
CA Carolus	Yes						
PKO Crosthwaite	Yes				√		
OC Dickson	Yes	√	√	√	√		
B Fried	No						√
H Fukuda OBE	Yes						Attendee
IR Kantor	No						
MP Malungani	No						√
Sir David Prosser (senior independent director)	Yes	√	√	√	√	√	√
PRS Thomas	Yes	√	√	√		√	√
F Titi	No*					√	√

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

Audit committees

In terms of Investec's DLC structure, the board has mandated authority to the Investec plc audit committee and the Investec Limited audit committee to be the audit committees for those respective companies and their subsidiaries.

A DLC audit committee, which is a combined audit committee of Investec plc and Investec Limited, has responsibility to the board for matters common to both Investec plc and Investec Limited. The audit committees comply with all legal and regulatory requirements, as required under both UK and SA legislation and apply the corporate governance principles for audit committees as required by both the London Combined Code and King III.

Role and responsibilities

The responsibilities of the audit committees include:

- Reviewing and making recommendations for the board's approval of Investec's combined and individual company reports and financial statements and other published or released financial reporting documents or statements
- Reviewing the appropriateness of the combined group's and individual companies' accounting policies and their application
- Overseeing the external audit process in the review of reports and accounts
- Considering the external audit scope; both attest and non-attest fees; and audit findings
- Reviewing internal audit plans, reports, capacity and capability, and the reliance by the external auditors on the work and findings of Internal Audit
- Focusing on our compliance with legal requirements, accounting standards and the relevant listing requirements
- Overseeing integrated reporting
- Ensuring that the finance functions of both Investec Limited and its subsidiaries and Investec plc and its subsidiaries are adequately skilled, resourced and experienced as well as ensuring that the group finance director has appropriate expertise and experience
- Ensuring the effectiveness of the group's internal financial controls and that no material weaknesses in financial control have been identified
- Ensuring that the external auditors of both Investec Limited and Investec plc are independent.

The audit committees are required to report to the board and shareholders on how they have discharged their duties. Refer to the annexure on pages 248 to 250 for a report on the following:

- Audit committees' formal terms of reference that have been approved by the board, and whether the committees have satisfied their responsibilities for the year in compliance with their terms of reference
- How the audit committees have fulfilled their duties
- Whether or not the audit committees considered and recommended the internal audit charter for approval by the board
- Description of the working relationship with the head of Internal Audit (chief audit executive)
- Information about any other responsibilities assigned to the audit committee by the board
- Whether the audit committees complied with their legal, regulatory or other responsibilities
- Whether or not the audit committees recommended the integrated report to the board for approval.

Membership and attendance

All audit committee members are required to meet predetermined skills, competency and experience requirements. We believe the audit committees have the necessary expertise to discharge their responsibilities effectively.

Attendance by members at audit committee meetings:

	DLC audit committee		Investec plc audit committee		Investec Limited audit committee	
Members	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended
SE Abrahams (chairman)	4	4	4	4	4	4
GFO Alford	4	4	4	4	4	4
OC Dickson	4	^^	4	^^	4	^^
GMT Howe	4	4	4	1^	4	1^
Sir Chips Keswick	4	2^	4	1^	4	1^
Sir David Prosser	4	4	4	4	4	4
PRS Thomas	4	4	4	4	4	4
CB Tshili	n/a	n/a	n/a	n/a	4	4

^ *Board resignations/retirements during the reporting period:*
- *Sir Chips Keswick retired on 13 August 2010*
- *GMT Howe resigned on 31 December 2010.*

^^ *Board appointments during the reporting period:*
- *OC Dickson was appointed on 31 March 2011.*

CB Tshili is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee. Busi is the group finance director of Peu Group Limited.

Audit sub-committees

Audit sub-committees for Investec plc and Investec Limited, and other regulated subsidiaries, have been established. These allow senior managers of the business units, who do not attend the main Investec plc and Investec Limited audit committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of the business units. Members of the Investec plc and Investec Limited audit committees are entitled to attend these meetings and, as a general rule, at least one non-executive member does so.

Audit and compliance implementation forums

Audit and compliance implementation forums have been established for Investec plc and Investec Limited and their principal operating subsidiaries. Each audit and compliance implementation forum is attended by key executives and heads of risk and control functions. Non-executive directors have an open invitation to attend. These forums monitor and report on the implementation of recommendations and other matters that the relevant audit committee or audit sub-committee consider important. They facilitate the timely understanding and escalation of, and reaction to, risk and control matters that require a response from management. The forums are key to enhancing risk and control consciousness and the associated control environment of the group. The forums support and provide important insight to the audit committees. Essentially, the forums act as a filter, enabling the audit committees to concentrate their efforts on matters of appropriate materiality.

DLC remuneration committee

Role and responsibilities

Details of the role and responsibilities of the remuneration committee are set out in the remuneration report on pages 265 and 266.

Membership and attendance

Attendance by members at remuneration committee meetings:

Members	Number of meetings held during the year	Number of meetings attended during the year
GFO Alford (chairman)	7	7
PKO Crosthwaite	7	1^^
OC Dickson	7	^^
GMT Howe	7	4^
Sir Chips Keswick	7	2^
Sir David Prosser	7	7

^ *Board resignations/retirements during the reporting period:*

- *Sir Chips Keswick retired on 13 August 2010*
- *GMT Howe resigned on 31 December 2010.*

^^ *Board appointments during the reporting period:*

- *PKO Crosthwaite was appointed to the remuneration committee on 2 February 2011 and has attended the only meeting held since his appointment*
- *OC Dickson was appointed on 31 March 2011.*

Additional meetings are held throughout the year when necessary.

DLC nominations and directors' affairs committee

The nominations and directors' affairs committee (NOMDAC) has combined the duties of a nominations committee as well as that of a directors' affairs committee as required under section 64B of the South African Banks Act.

Role and responsibilities

The NOMDAC is responsible for, among other things:

- Identifying and nominating the approval of board candidates to fill board vacancies as and when they arise
- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group
- Establishing and maintaining a board directorship continuity programme
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the boards and board committees compared with their current positions and making recommendations to the boards regarding any changes
- Nominating successors to the key positions in Investec Limited and Investec plc and all their major subsidiaries, in order to ensure that a management succession plan is in place.

During the period under review the committee dealt with the following issues:

- Identification and nomination of suitable candidates for the board's approval to fill the vacancies arising from the retirement of Sir Chips Keswick, Alan Tapnack and Geoffrey Howe
- Succession planning
- In consultation with Heidrick & Struggles, an external search consultancy, the identification and nomination of candidates to fill the role of chairman of the board

- Board committee membership
- Executive management structure
- King III
- Impact of the new South African Companies Act of 2008, as amended, on matters relating to corporate governance
- The UK Corporate Governance Code and related governance developments
- Board and director evaluation process
- Conducted a review, in light of best practice developments, of the non-executive directors' letters of appointment.

The committee's terms of reference are available on our website.

Membership and attendance

Attendance by members at NOMDAC meetings:

Members	Number of meetings held during the year	Number of meetings attended during the year
HS Herman (chairman)	4	4
SE Abrahams	4	4
Sir Chips Keswick	4	1^
Sir David Prosser	4	2^^
KXT Socikwa	4	3
F Titi	4	4
PRS Thomas	4	4

^ *Sir Chips Keswick retired on 13 August 2010.*
^^ *Sir David Prosser was appointed to the committee on 7 September 2010.*

KXT Socikwa is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee.

Board risk and capital committee

The board risk and capital committee (BRCC) is the appointed board committee to meet the requirements of the UK and SA regulators for the board of directors of a bank to appoint a risk and capital management committee.

The purpose of the BRCC is to determine, under delegated authority from (and as a sub-committee of) the board, the categories of risk, specific risks and the extent of such risks which the group on a consolidated basis, and its banks on a solo basis, should undertake.

Role and responsibilities

The committee will ensure that:

- All decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec
- The risk management structure is adequate, with sufficient resources and budget, and exceptions are reported to the board
- Exposure limits for market, counterparty and credit risk are ratified; liquidity and operational risk are also monitored
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives and the bases of measuring risk
- There is sufficient capital in relation to existing and potential risks to the organisation.

The BRCC defines the processes by which internal financial control, risk and capital management are assumed and monitored. The group Risk Management division provides the expertise, processes and techniques from which the processes can be built and monitored daily.

A number of committees are dedicated to aspects of risk management and report directly to the board and the BRCC. These include the DLC capital committee, executive risk review forum, asset and liability committees, group credit committees, group market risk forum, group deal forum, operational risk committees/forums and group legal risk forum.

The committee's terms of reference are available on our website.

Membership and attendance

Attendance by members at BRCC meetings:

Members	Number of meetings held during the year	Number of meetings attended during the year
Executives		
S Koseff (chairman)	7	7
GR Burger (group risk and finance director)	7	7
B Kantor (managing director)	7	5
A Tapnack	7	^
Non-executives		
SE Abrahams	7	7
GFO Alford	7	6
B Fried	7	^^
GMT Howe	7	3^
Sir Chips Keswick	7	^
MP Malungani	7	3
Sir David Prosser (senior independent director)	7	1^^
KXT Socikwa	7	6
PRS Thomas	7	6
F Titi	7	7

^ *Board resignations/retirements during the reporting period:*

- *Sir Chips Keswick retired on 13 August 2010*
- *A Tapnack retired on 15 December 2010*
- *GMT Howe resigned on 31 December 2010.*

^^ *Board appointments during the reporting period:*

- *B Fried was appointed to the BRCC on 2 February 2011*
- *Sir David Prosser was appointed to the BRCC on 2 February 2011.*

KXT Socikwa is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interests on this committee.

Additional meetings are held throughout the year when necessary.

Executive risk review forum

The executive risk review forum (ERRF) is mandated by the BRCC to be the ERRF of Investec plc and Investec Limited and their subsidiaries, as regards enterprise wide risk and its measurement, monitoring and mitigation.

The purpose of the ERRF is to supplement the BRCC. It assists in determining the categories of risk, the specific risks and the extent of such risks which the group should undertake.

Role and responsibilities

The ERRF:

- Evaluates the most significant risks Investec faces in the ordinary course of business
- Reviews the risk models (including, but not limited to, credit models) which need to be incorporated appropriately into the allocation of capital

- Ensures that limits are adhered to and that agreed recommendations to mitigate risk are implemented
- Acts as agent of the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout the group
- Ensures the group-wide risk management structure is adequately resourced and has an appropriate budget
- Provides regular reports to the board focusing on effectiveness of the control framework
- Provides regular reports on group-wide adherence to regulatory requirements and advises on how changes to regulatory requirements will affect us
- Ensures that there is an ongoing process of risk and control identification, particularly in line with any changes to business objectives, such as the commencement of a new trading area or product stream.

Meetings take place every Friday except on BRCC dates.

DLC capital committee

The DLC capital committee is mandated by the BRCC to be the capital committee of Investec plc and Investec Limited and their subsidiaries, as regards capital allocation and structuring, performance measurement, investment decisions and capital based incentivisation.

Role and responsibilities

The DLC capital committee is responsible for:

- Determining the DLC group's capital requirements
- Reviewing capital adequacy submissions to be made to regulators
- Considering the ongoing requirements and consequences of Basel III and other regulatory requirements and their impacts on regulatory capital requirements
- Reviewing the risk models which need to be incorporated appropriately into the allocation of capital
- Considering, determining and approving capital issues relating to any corporate structuring for acquisitions
- Monitoring the capital positions and returns on internal capital of each business unit
- Submission of capital recommendations to the board risk and capital committee.

Meetings take place at least quarterly.

Management and succession planning

Global business unit heads, geographic management and the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network, as depicted on page 55.

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

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

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The BRCC and audit committees assist the board in this regard. Sound risk management practices are promoted by the group risk management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

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

Internal Audit reports any control recommendations to senior management, group Risk Management and the relevant audit committee. Appropriate processes, including review by the audit and compliance implementation forums, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are reviewed regularly by the ERRF and by the BRCC. Material incidents and losses and significant breaches of systems and controls are reported to the board risk and capital committee and the audit committees. Reports from the audit committees, BRCC and risk and control functions are reviewed at each board meeting.

Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 and the South African Companies Act, as amended. In accordance with these Acts and the Articles of Association, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the Articles, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

Internal financial controls

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

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

Risk management

The board is responsible for the total process of risk management and the systems of internal control. A number of committees and forums assist in this regard. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls within their businesses. The independent group risk management functions, accountable to the board, are responsible for establishing, reviewing and monitoring the process of risk management. Group Risk Management reports regularly to the BRCC and the ERRF.

Risk management is discussed in more detail on pages 111 to 210.

Internal audit

Each significant jurisdiction has an Internal Audit presence that is appropriate for the size, nature and extent of business conducted. Smaller geographies are supported by the Internal Audit teams of the Investec plc and Investec Limited groups.

A risk-based audit approach is followed and the audit committee approves annual audit plans.

Heads of Internal Audit report to the chairmen of the relevant audit committees and to the head of Corporate Governance and Compliance.

For further details on the internal audit function, see page 211.

External audit

Investec's external auditors are Ernst & Young LLP and Ernst & Young Inc, at a DLC level. Ernst & Young Inc. and KPMG Inc. are joint auditors of the Investec Limited silo. The independence of the external auditors is reviewed by the audit committees each year.

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

The external auditors are invited to attend audit committee meetings and have access to the chairman of each audit committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3 as well as Directive 6/2008 of the South African Banks Act, were adhered to during the year under review.

Non-audit services are dealt with in terms of an agreed policy which states that:

- External audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the audit committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors.

Total audit fees paid to all auditors for the year ended were £11.7 million (2010: £8.6 million), of which £3.0 million (2010: £1.8 million) related to the provision of non-audit services.

Compliance

Compliance ensures that Investec continuously complies with existing and emerging regulation impacting on its operations. We recognise our responsibility to conduct business in accordance with the laws and regulations in the countries and areas in which we operate. The compliance function is supported by group Compliance and compliance officers in the business units.

For further details on the compliance function, see pages 212 to 215.

Regulation and supervision

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

The SARB is the lead supervisor of the combined Investec group, comprising Investec plc and Investec Limited. SARB is the supervisor of Investec Limited, while the FSA is the supervisor of Investec plc. We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report regularly to regulators and supervisory bodies. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

Communication, public disclosure obligations and stakeholder relations

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

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

Our primary stakeholders include employees, shareholders, government, regulatory bodies, clients, depositors, suppliers, rating agencies, the media, communities and industry equity and debt analysts. The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all our stakeholders and building lasting relationships with them. As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UKLA and JSE and other exchanges on which our shares are listed and with any public disclosure obligations as required by the FSA and SARB. We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations, for example Australia.

The Investor Relations division has day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial division, ensures that we meet our public disclosure obligations.

We have a board approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

The processes we have adopted to ensure that we comply with all public disclosure obligations are set out below:

- Significant announcements are released directly to the market primarily via the services offered by the London and Johannesburg stock exchanges, and also via the services offered by the other exchanges where our shares are listed. In terms of our DLC structure, announcements are released almost simultaneously on all exchanges, thereby ensuring fair treatment of all stakeholders. Copies of these announcements are placed on our website as soon as possible following confirmation of release on the relevant exchanges, but within 24 hours at the latest, and are kept on the website for several years
- We maintain a comprehensive investor relations website, which ensures that all stakeholders readily have access to historical and current information
- We host at least four investor presentations a year: two before we enter a closed period and on the day we release interim and year-end results. Investor presentations are broadcast live via video conference from our offices in the UK and South Africa. In addition, we publish two interim management statements (i.e. quarterly updates) as required in terms of the UKLA listing rules. Stakeholders are notified of these events via the stock exchange news or regulatory information services and are welcome to attend and engage with executive and non-executive directors. Stakeholders also have the option of using a live telephone conference facility or accessing the audio webcasts of the presentation via our website. Occasionally, we are invited to attend external third party investor conferences at which we present our financial and operational performance
- Regular contact is maintained with major stakeholders through a comprehensive investor relations programme, which includes meetings with executive management, investor road shows and presentations to the investment community, communication by email, regular telephone conferences and liaison with private shareholders in response to their enquiries. Investor Relations reports back regularly to the operating divisions, the group executive and the board on matters and concerns raised by stakeholders. Copies of analyst, rating agency and other relevant reports are also circulated to the board
- Our communication policy focuses on ensuring that all employees worldwide are informed of business developments and activities. In this regard a number of channels are used, including our quarterly magazine (Impact), comprehensive intranet sites and staff updates hosted by the executive
- All shareholders are encouraged to attend the annual general meeting and to raise issues and participate in discussions on items included in the notice of the meeting. The meeting enables the board to communicate with shareholders and for shareholders to ask questions in person. The chairmen of the audit, remuneration and nomination and directors' affairs committees, as well as the senior independent director, attend the meeting to respond to relevant questions. All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all shareholders. We propose a separate resolution on each substantially separate issue and do not bundle resolutions together inappropriately. All resolutions are determined on a poll. Shareholders are requested to approve our report and accounts and our remuneration report. The outcome of the voting on the items of business are released on the stock exchange news services or regulatory information and posted on our website after the meeting.

During the year, the chief executive officer, the group managing director and other members of executive management continued to meet with shareholders in the UK, Europe and South Africa, to understand their issues and concerns and discuss matters relating to our activities and performance. No new material or price sensitive information is provided at such meetings. Non-executive directors and the senior independent director are available and will attend meetings if requested and, as mentioned above, feedback on any issues or concerns raised by investors is provided to the board.

The chairman and the non-executive directors are committed to communicating with shareholder representative bodies, to help develop a balanced understanding of their issues and concerns. We will continue to engage these bodies so as to remain informed of emerging governance issues.

During the year we commissioned a stakeholder engagement exercise involving a number of our stakeholders in the UK, South Africa and Australia. The focus of this exercise was to solicit the views of a cross-section of stakeholders regarding the business implications of environmental, social and governance issues, and to assess their perceptions regarding Investec's performance and communication on these issues.

Dealings in securities

Dealings in securities are subject to the Personal Account Dealing policy that has been in operation for a number of years. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry good practice.

The policy is designed to discourage speculative trading and highlights the potential conflicts of interest between the interests of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UK's disclosure and transparency rules requires us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their 'connected persons'. These include directors and senior executives of the group.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Directors' dealings

The remuneration report, as set out on pages 253 to 274, contains details of Investec shares held by directors. Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on regulatory requirements and governance best practice.

All directors' dealings require the prior approval of the Compliance division and the chairman or, in the chairman's absence, Sir David Prosser as the senior independent director or Sam Abrahams as the chairman of the audit committees. All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and the chairman.

Values and code of conduct

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

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

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

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

Sustainable business practices

We have an acute awareness of the need for 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 on page 274. 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 236.

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

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 236 to 247 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.

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.

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

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.*

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 253 to 274.

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 260 to 263.

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 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

- 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.

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.

Global Reporting Initiative (GRI) Index

Investec's 2011 integrated report is based on the G3.1 guidelines

GRI element		Comment	Reference in Investec 2011 annual reports
Strategy and analysis			
1.1	Statement from the executive		Overview of the year
1.2	Key risks and opportunities		Overview of the year Risk and governance
Profile			
2.1 – 2.10	General organisational details		Corporate information Overview of the year
Report parameters			
3.1 – 3.11	Report scope and boundaries		
3.12 – 3.13	Profile of the report, including implementation of GRI principles and external assurance	No external assurance has been provided on the integrated report. Certain elements of the sustainability information have been reviewed by our Internal Audit division.	Throughout the integrated annual report
Governance, commitment and engagement			
4.1 – 4.3	Investec structure and governance		Risk and governance
4.4 – 4.10	Overarching policies and management systems		Risk and governance
4.11 – 4.12	Commitment to external initiatives		Risk and governance Divisional review
4.13	Memberships in associations	Due to the fact that we operate in a number of geographies, our memberships are extensive and the list exhaustive. We have however listed the main memberships per geography on our website.	
4.14 – 4.17	Stakeholder engagement		Overview of the year Risk and governance
Economic performance indicators			
EC 1 – 4	Economic value generated and distributed, climate change	The direct impacts on a financial services company are limited.	Overview of the year Divisional review Financial statements
EC 5 – 7	Market presence	In place but not publicly available.	
EC 8 – 9	Indirect impacts		Risk and governance
Environmental performance indicators			
EN 1 – 2	Material use	Due to the nature of our activities, the direct environmental impacts associated with the management of our business are comparatively minor.	Risk and governance
EN 3 – 7	Energy use		Risk and governance
EN 8 – 10	Total water use		Risk and governance
EN 11 – 15	Biodiversity	Due to the nature of our activities, the direct environmental impacts associated with the management of our business are comparatively minor.	
EN 16 and 25	Emissions, effluent and waste		Risk and governance
EN 26 – 27	Environmental impact of products/services	Not applicable to our industry.	
EN 28	Compliance		Risk and governance
EN 29	Transport		Risk and governance
EN 30	Overall	Not disclosed.	
Social performance indicators			
Labour practices and decent work			
LA 1 – 3; LA15	Employment		Risk and governance Website
LA 4 – 5	Labour/management relations		
LA 6 – 9	Occupational health and safety		
LA 10 – 12	Training and education		
LA 13 – 14	Diversity and equal opportunity		
Human rights			
HR 1 – 11	Policies with respect to the promotion of human rights		Risk and governance Website
Society			
SO 1 – 8	Policies to manage impacts on communities, to address bribery and corruption, political contributions and anti-competitive behaviour		Risk and governance Website Directors' report
Product responsibility			
PR 1 – 9	Not applicable to a financial services company		

The board recognises the important role of the audit committees as part of the risk management and corporate governance processes and procedures of the Investec group.

Annexure to corporate governance section

Audit committees' report to shareholders

Introduction

This report to the board and shareholders, on how the audit committees have discharged their duties, has been prepared in accordance with good governance principles.

Background

In terms of Investec's DLC structure, the board has mandated authority to the Investec plc audit committee and the Investec Limited audit committee to be the audit committees for those respective companies and their subsidiaries with each having their own regulatory requirements to meet. A DLC audit committee – which is a combined audit committee of Investec plc and Investec Limited – has responsibility to the board for matters common to both Investec plc and Investec Limited, and, in particular, the combined group financial statements and results.

The audit committees comply with all legal and regulatory requirements as necessary under both UK and South African legislation and listings' rules, and apply the corporate governance principles for audit committees as required by both the UK Corporate Governance Code and King III. External auditors from both the UK and South Africa are represented and ensure that all accounting principles and standards, as required, are complied with when preparing the combined group financial statements.

The board has approved terms of reference for the audit committees which can be found on the Investec website. All responsibilities are covered in the audit committees' terms of reference.

The composition and membership, attendance at meetings and a summary of the role and responsibilities of the audit committees is summarised on pages 226 to 228 of this report.

The board recognises the important role of the audit committees as part of the risk management and corporate governance processes and procedures of the Investec group. In this regard the audit committees have oversight of:

- Financial reporting risks
- Internal financial risks
- Fraud and IT risks as they relate to financial reporting.

Summary of conclusions reached by the audit committees for the year ended 31 March 2011

Following a review and meeting the requirements of each of the terms of reference, the individual and combined audit committees are satisfied that:

- The finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries are adequately skilled, resourced and experienced
- The group finance director, GR Burger, has the appropriate expertise and experience to meet the responsibilities of the position
- The group's internal financial controls are effective and no material weaknesses in financial control have been identified
- The external auditors of both Investec plc and Investec Limited are, and remain, independent.

In fulfilling their duties, the audit committees have:

- Reviewed and discussed the audited annual financial statements with the external auditors, the chief executive officer and the finance director
- Reviewed the adjustments resulting from external audit queries and accepted the unadjusted audit differences as they were not material
- Reviewed the quality of the financial reporting and disclosures

- Received and considered reports from the internal auditors
- Reviewed and overseen the integrated reporting process
- Considered and approved the annual internal audit plan.

The audit committees recommended the adoption of the integrated report to the board.

In this regard the audit committees:

- Considered all facts and risks that may impact on the integrity of the integrated report
- Reviewed and commented on the financial statements included in the integrated report
- Reviewed the disclosure of sustainability issues in the integrated report to ensure they are reliable and do not conflict with the financial information
- Reviewed the need to engage an external assurance provider on material sustainability issues, but recommended to the board that it was not necessary to engage an external assurance provider as Internal Audit was specifically tasked to provide a rigorous overview of the sustainability issues
- Engaged the external auditors to provide assurance on the integrated report.

The board subsequently approved the integrated report, including the financial statements, which will be open for approval at the forthcoming annual general meeting.

The following flow chart depicts the Investec group audit committees' structure and ambit of activities:

Audit committee's structure

Audit commitees of Investec plc and Investec Limited

DLC audit committee

External auditors
- Planning/budget
- Conflict/independence
- Attest and non-attest fees
- Reports to regulators
- Management letter
- Quality of earnings (overs and unders schedule)
- Appointment/re-appointment

Compliance
- Planning/budget
- Resources
- High level reporting of non-compliance
- Monitoring of special projects
- Regulatory matters

Tax
- High level only

Internal auditors
- Planning/budget
- Resources
- Annual audit plan
- Charter
- Execution
- Reporting
- Special ad hoc work
- Review of high level reports
- Internal controls
- Sustainability report

Operational risk
- Fundamental internal controls
- Fraud and loss statistics
- Insurance coverage
- Corporate governance – (SA Banks Act requirements)
- Disaster recovery and business continuity
- Key staff issues

Finance
- Accounting policies
- Annual financial statements
  - Half-year results
  - Year-end results
- Production of audited financial statements of companies and subsidiaries
- Accounting for one-off transactions
- Accounting updates and conventions – IFRS
- Basel
- Reconciliations
- Regulatory reports
- Representation letters

Audit sub-committees
- Distil only major issues to audit committees

Audit compliance implementation forum
- High level reports

Information technology
- Status
- Major risks
- Change control
- Capacity management
- Security
- Staffing
- Projects
- Governance

Current risk review
- Chief executive officer
- Managing director
- Financial director

For each audit committee and audit sub-committee meeting a comprehensive meeting pack is prepared with written reports received from the finance, internal audit, operational risk, compliance and IT functions. Representatives from these functions attend the meetings by invitation and present on the significant matters included in their reports.

Reports on the risk and control environment of all business units and principal operating subsidiaries are made to one of the audit sub-committees, with matters of major issues being escalated to the audit committees. At audit sub-committees, senior managers of the business units meet with the risk and control functions and provide input on the risk and control environment of the business units.

The audit and compliance implementation forums monitor and report on the implementation of recommendations and other matters that the relevant audit committee or audit sub-committee consider important and facilitate the timely understanding and escalation of, and response to, risk and control matters that require a response from management. At each audit committee meeting, the group chief executive officer, group managing director and group finance director provide an in-depth assessment of their current risk related concerns and the procedures introduced by management to control or mitigate these risks.

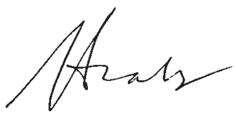
The audit committees have approved the Internal Audit charter and annual audit plan. The heads of Internal Audit for both Investec plc and Investec Limited have free access to the chairman of the audit committees or any member of the audit committees and they attend all audit committee meetings by invitation.

Key risks addressed during the year under review

During the year under review, the following key risks were debated at all audit committee meetings:

- The process and procedures undertaken by senior management to review the impairment provisions and valuation techniques adopted in arriving at the carrying values of financial instruments, investments, etc
- The adequacy and appropriateness of liquidity throughout the group's operations
- The implementation of measures taken to further enhance group IT governance
- Adherence to key regulatory issues facing the group via strict compliance and the result of ongoing compliance monitoring procedures. Specific emphasis was placed on processes to implement the new Companies Act in South Africa
- Assessing the internal control weaknesses identified by the assurance providers and ensuring appropriate steps taken within prescribed and specified time limits to mitigate and remedy such weaknesses.

The chairman of the audit committees also met with representatives of various shareholder representative bodies during the year.



SE Abrahams
Chairman, Audit Committees

15 June 2011

Remuneration report

04

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 264 and 265 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 38 to 52 and pages 111 to 115

- 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 267)

- 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 271)
- 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

15 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 258 to 260); 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 as discussed on pages 195 to 199)
- 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 268 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 on pages 195 to 199.
- 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 – nil cost options – EVA share awards	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	16 Mar 2005	Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • In any financial year: 1 x remuneration package	None	• Nil cost options: 75% end of year four and 25% end of year five • EVA share awards: up to two years from date of award	21 485 706	Number: 41 429 739 % of issued share capital of company: 7.7%
Investec Limited Share Incentive Plan – nil cost options – EVA share awards	• New and existing full-time employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	16 Mar 2005	Investec Limited and Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • In any financial year: 1 x remuneration package	None	• Nil cost options: 75% end of year four and 25% end of year five • EVA share awards: up to two years from date of award	20 865 487	Number: 43 599 328 % 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 % 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 • Excluding employees in SA, Botswana, Namibia and Mauritius • UK employees – grants exceeding £30 000 • Directors and executives	28 Aug 2002	Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • 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 % 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 • 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 % of issued share capital of company: 0%
Investec plc Deferred Bonus Plan 2008	• New and existing full-time employees • 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 • In any financial year: 1 x remuneration package	None	Variable with a minimum non-dealing period of one year	None	Number: 620 500 % 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 • Excluding executive directors	15 May 2003	Investec Limited	• 500 000 individual limit in terms of this scheme • Cumulative limit of 2 500 000 across all option plans excluding EVA awards • 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 % 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 • Directors and executives	28 Aug 2002	Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • 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 % 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 • Directors and executives	20 Jun 2002	Investec Limited and Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • 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 % 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 • 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 • 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 % of issued share capital of company: 0%
Investec Limited Security Purchase and Option Scheme Trust	• Employees in SA, Botswana, Namibia and Mauritius • Directors and executives	25 Nov 1988	Investec Limited and Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • 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 % 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 292. 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

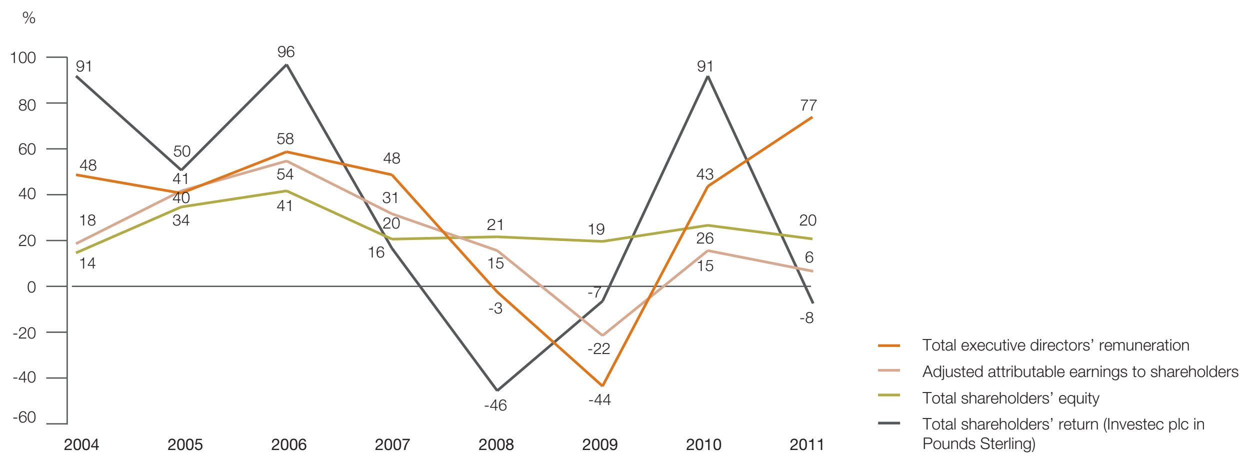
Fees are also payable for any additional time committed to the group including attendance at certain other meetings.

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 2008, 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 (as discussed on page 227 and 230), 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. An attendance schedule is provided on page 228. 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 282 to 284.

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 221.

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.

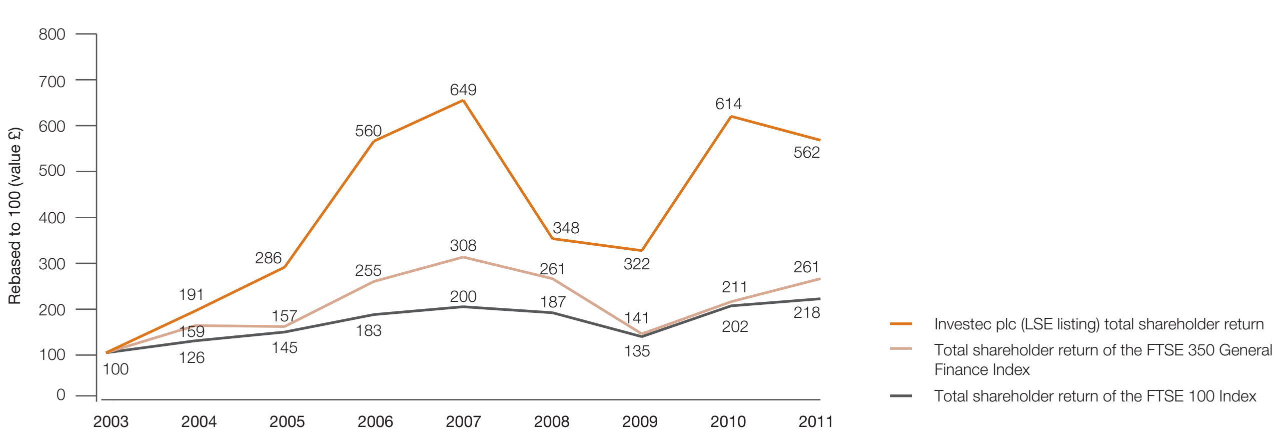
Schedule 420 of the UK Companies Act 2006 requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. We found it difficult to locate an appropriate group of companies to benchmark ourselves against because of 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 £	2010 £
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 £	Accounting IFRS charge in relation to equity awards 2011 £	Total assumed remuneration expense 2011 £	Salary, bonus and other benefits 2010 £	Accounting IFRS charge in relation to equity awards 2010 £	Total assumed remuneration expense 2010 £
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] 1 April 2010	Beneficial and non-beneficial interest Investec plc[1] 31 March 2011	% of shares in issue[1] Investec plc 31 March 2011	Beneficial and non-beneficial interest Investec Limited[1] 1 April 2010	Beneficial and non-beneficial interest Investec Limited[1] 31 March 2011	% of shares in issue[1] 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 274.*

   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 269, 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 *274.*

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	–	–

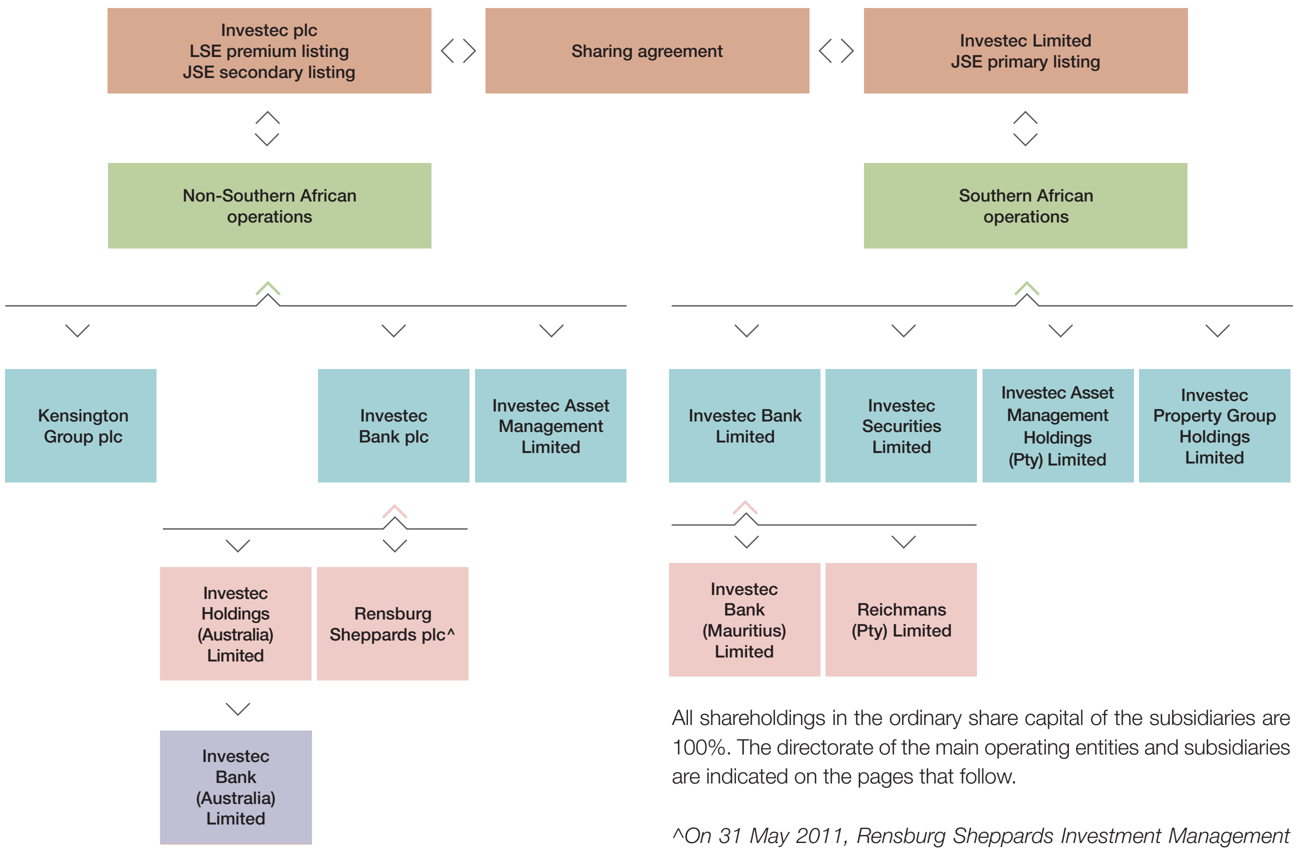
05

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.

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.

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

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.*

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.

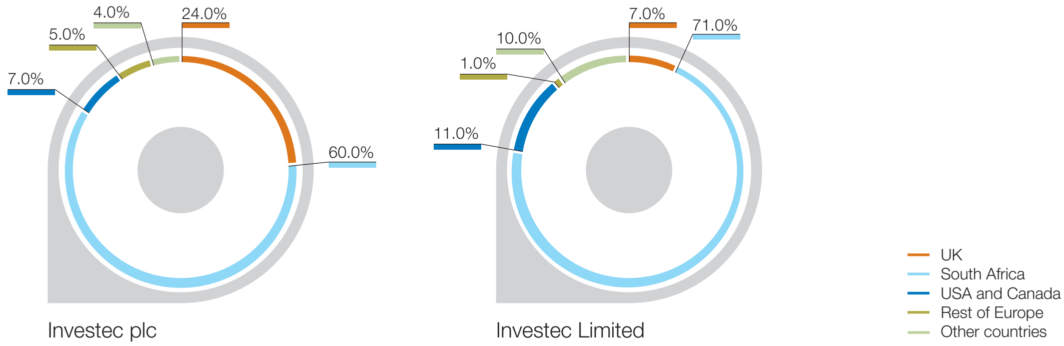
Investec Limited

	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



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, the details of which can be found on pages 291 and 292.

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.

Directorate Investec plc and Investec Limited (continued)

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 221.*
- *Details of the Investec committees can be found on pages 225 to 231.*

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

Directorate Investec plc and Investec Limited subsidiaries (continued)

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)

06 Financial statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' report set out on pages 299 to 301, 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 pages 299 to 301 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 290 to 294 and pages 302 to 397, 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

15 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 financial review on pages 18 to 21 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 22 to 286 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 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 282 to 284 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 271 to 273. 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 page 217.

Share incentive trusts

Details regarding options granted during the year are set out on pages 333 and 334.

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 are set out on pages 226 and 227.

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 266 and 267 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 388 to 390.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 279.

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. These policies are set out on pages 308 to 321.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 111 to 210. Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 315 and 316 and in notes 18 and 46.

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 237 to 239.

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 240 to 242.

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 244 to 246.

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

15 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.

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

15 June 2011

Independent auditor's report to the members of Investec plc

We have audited the financial statements of Investec plc for the year ended 31 March 2011 which comprise the combined consolidated income statement, the combined consolidated statement of comprehensive income, the combined consolidated and parent company balance sheets, the combined consolidated cash flow statement, the related notes 1 to 48 and the information in the risk management report described as audited. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 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 report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibility statement set out on page 289, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the 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 financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies, the group, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the corporate governance statement set out on pages 216 to 250 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we required for our audit; or
- A corporate governance statement has not been prepared by the company.

Under the listing rules we are required to review:

- The directors' statement, set out on pages 218 and 219, in relation to going concern;
- The part of the corporate governance statement on pages 217 and 218, relating to the company's compliance with the nine provisions of the June 2010 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the board on directors' remuneration.

Ernst & Young LLP

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

London
15 June 2011

Notes:

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

Independent auditor's report to the members of Investec Limited

We have audited the accompanying group annual financial statements of Investec Limited, which comprise the directors' report, the combined consolidated balance sheet as at 31 March 2011, the combined consolidated income statement, the combined consolidated statement of comprehensive income, combined consolidated statement of changes in equity and combined consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 290 to 390, the separate annual financial statements of Investec Limited, which comprise the separate balance sheet as at 31 March 2011, the separate income statement and statement of comprehensive income, the separate statement of changes in equity and separate cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 391 to 394 and the information in the risk management section and directors' remuneration report that is marked as audited.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the combined consolidated and separate financial position of Investec Limited as of 31 March 2011 and its combined consolidated and separate financial performance and combined consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc

Ernst & Young Inc.
Director – Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor

Wanderers Office Park
52 Corlett Drive
Illovo
Sandton

15 June 2011

Combined consolidated income statement

For the year to 31 March £'000	Notes	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	2	418 686	457 759
Investment income on assurance activities	30	64 834	94 914
Premiums and reinsurance recoveries on insurance contracts	30	6 110	31 938
Other operating income	3	54 003	34 332
Other income		1 331 291	1 164 020
Claims and reinsurance premiums on insurance business	30	(57 774)	(119 918)
Total operating income net of insurance claims		1 954 986	1 657 188
Impairment losses on loans and advances	20	(318 230)	(286 581)
Operating income	10	1 636 756	1 370 607
Operating costs	4	(1 196 865)	(957 151)
Depreciation on operating leased assets	25/28	(16 447)	–
Operating profit before goodwill and acquired intangibles		423 444	413 456
Impairment of goodwill	27	(6 888)	(3 526)
Amortisation of acquired intangibles		(6 341)	–
Operating profit		410 215	409 930
Profit arising from associate converted to subsidiary	29	73 465	–
Net loss on sale of subsidiaries		(17 302)	–
Profit before taxation		466 378	409 930
Taxation on operating profit before goodwill	6	(65 075)	(82 599)
Taxation on intangibles and sale of subsidiaries	6	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	7	49.7	44.0
– Diluted	7	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 £'000	Notes	2011	2010
Profit after taxation		407 913	327 331
Other comprehensive income:			
Cash flow hedge movements taken directly to other comprehensive income	6	9 929	14 202
Gains on realisation of available-for-sale assets recycled through the income statement	6	(4 845)	(8 887)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	6	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 £'000	Notes	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	16	2 467 775	911 432
Trading securities	17	5 114 322	4 221 645
Derivative financial instruments	18	1 799 204	1 591 841
Investment securities	19	3 328 609	1 996 073
Loans and advances to customers	20	18 758 524	17 414 691
Loans and advances to customers – Kensington warehouse assets	20	1 612 181	1 776 525
Securitised assets	21	4 924 293	5 334 453
Interests in associated undertakings	22	23 481	104 059
Deferred taxation assets	23	114 838	134 355
Other assets	24	1 410 593	1 240 624
Property and equipment	25	279 801	161 255
Investment properties	26	379 527	273 038
Goodwill	27	456 608	274 417
Intangible assets	28	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	30	6 361 296	5 397 014
– Assets related to reinsurance contracts	30	–	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	18	1 486 419	1 193 421
Other trading liabilities	31	716 556	504 618
Repurchase agreements and cash collateral on securities lent	16	1 599 646	1 110 508
Customer accounts (deposits)		24 441 260	21 934 044
Debt securities in issue	32	2 145 213	2 187 040
Liabilities arising on securitisation	21	4 340 864	4 714 556
Current taxation liabilities		206 957	196 965
Deferred taxation liabilities	23	148 750	136 974
Other liabilities	33	1 411 137	1 177 589
Pension fund liabilities	34	–	1 285
		39 331 237	36 809 712
Liabilities to customers under investment contracts	30	6 358 732	5 392 662
Insurance liabilities, including unit-linked liabilities	30	2 564	4 352
Reinsured liabilities	30	–	2 842
		45 692 533	42 209 568
Subordinated liabilities	35	1 287 635	1 070 436
		46 980 168	43 280 004
Equity			
Ordinary share capital	36	208	195
Perpetual preference share capital	37	153	152
Share premium	38	2 242 067	1 928 296
Treasury shares	39	(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	40	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 £'000	Notes	2011	2010
Operating profit adjusted for non-cash items	42	854 779	787 257
Taxation paid		(61 496)	(56 257)
Increase in operating assets	42	(4 137 456)	(3 336 695)
Increase in operating liabilities	42	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	29	57 044	(1 662)
Cash flow on disposal of group operations	29	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.

Presentation of information

Disclosure under IFRS 7, Financial Instruments: Disclosures and IAS 1, Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 200 to 209.

Certain disclosures required under IAS 24, Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 253 to 274.

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.

Segmental reporting

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

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

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

For further detail on the group's segmental reporting basis refer to pages 55 to 108 of the divisional review section of the annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

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

Share-based payments to employees

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

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity–settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

The liability, in respect of cash-settled share-based payments, is recognised at the current fair value at each balance sheet date based on an estimate of the number of instruments that will eventually vest, with the change in fair value being recognised in the income statement. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the income statement until such time as the liability is settled.

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

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

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

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

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

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

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

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

Revenue recognition

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

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue is recognised at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised.

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

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

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

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

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

Funding costs allocated against trading profits are disclosed in note 2.

Included in other operating income is rental income, gains on realisation of properties, operating lease income, income from associates and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in fair value. All other transaction costs are recorded in the income statement immediately.

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

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

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

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

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

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

Transaction costs incurred on financial instruments held at fair value through profit or loss are recognised immediately in the income statement.

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

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

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

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Available-for-sale financial assets

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

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

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

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

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

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

Valuation of financial instruments

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

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

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

Subsequent to initial recognition, the fair value of financial instruments quoted in an active market is based on published price quotations.

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

"Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement. In cases where fair value is determined using the data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level (within the Group Services and Other business segment) that takes into account macro economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

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

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

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

Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the group's rights to cash flows has expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risk and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the asset.

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

When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

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

Derivative instruments

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

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

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

Hedge accounting

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

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

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

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

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

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

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

Embedded derivatives

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

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

Offsetting of financial assets and liabilities

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

Issued debt and equity financial instruments

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

Equity instruments issued by subsidiaries of Investec plc or Investec Limited are recorded as non-controlling interests on the balance sheet.

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

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

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

Sale and repurchase agreements (including securities borrowing and lending)

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

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

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

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

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

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

Property and equipment

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

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

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

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

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

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

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

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

Investment property

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

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

Dealing properties

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

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

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

Taxation and deferred taxation

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

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

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

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

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

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

Insurance contracts

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

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

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

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

Employee benefits

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

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

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

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income.

The group has no liabilities for other post retirement benefits.

Intangible assets

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

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

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

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations issued but not yet effective

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

New standards

IFRS 9 – Financial Instruments

IFRS 9 as issued reflects the first and second phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39, and impairment methodology. The standard is effective for annual periods beginning on or after 1 January 2013. In the subsequent and final phase, the board will address hedge accounting. The completion of this project is expected in mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the group's financial assets. The group is currently assessing the impact of adopting IFRS 9. However, the impact of adoption depends on the assets held by the group at the date of adoption, and it is not practical to quantify the effect.

The standard is effective for the group for the year commencing 1 April 2013.

Revised IFRS 7 – Financial Instruments: Disclosures

The main changes to the standard that affects the group's current policies is the disclosure requirements in respect of derecognition of financial assets. The revised standard requires detailed disclosure per class of financial asset including the nature, risk and rewards exposure and the carrying amount of relevant assets.

The standard will be effective for the group for the year commencing 1 April 2011 and is not expected to have a significant impact on the group.

IAS 24 – Related Parties

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The group does not expect any impact on its financial position or performance.

The standard will be effective for the group for the year commencing 1 April 2011.

IFRIC 14 – Prepayments of a Minimum Funding Requirement (amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is not expected to have a material impact on the financial statements of the group.

The interpretation will be effective for the group for the year commencing 1 April 2011.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished.

Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the group.

The interpretation will be effective for the group for the year commencing 1 April 2011.

Improvements to IFRS (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after 1 January 2011. The amendments are listed below.

- IFRS 7 financial instruments: disclosures
- IAS 1 presentation of financial statements
- IAS 27 consolidated and separate financial statements
- IFRIC 13 customer loyalty programmes.

The group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Key management assumptions

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

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 17 (trading securities) and note 19 (investment securities) with further analysis contained in the risk management section on pages 155 to 157
- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time. Refer to note 26 for the carrying value of investment property with further analysis contained in the risk management section on pages 155 to 157
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature. Refer to pages 117 to 154 in the risk management section for further analysis on impairments
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

For the year to 31 March £'000	Asset Management	Wealth and Investment
1. 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

* *Refer to calculation on page 49.*

	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 £'000	Asset Management	Wealth and Investment
1. 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

* *Refer to calculation on page 49.*

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
1. 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

* *Refer to calculation on page 48.*

For the year to 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
1. 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

* *Refer to calculation on page 48.*

At 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
Geographical analysis of assets and liabilities				
2011				
Assets				
Cash and balances at central banks	987 264	626 513	155 301	1 769 078
Loans and advances to banks	808 407	563 826	96 472	1 468 705
Cash equivalent advances to customers	–	535 983	–	535 983
Reverse repurchase agreements and cash collateral on securities borrowed	1 399 733	1 068 042	–	2 467 775
Trading securities	666 099	4 447 294	929	5 114 322
Derivative financial instruments	662 620	1 056 008	80 576	1 799 204
Investment securities	1 537 795	941 953	848 861	3 328 609
Loans and advances to customers	6 194 719	10 917 703	1 646 102	18 758 524
Loans and advances to customers – Kensington warehouse assets	1 612 181	–	–	1 612 181
Securitised assets	3 679 051	761 926	483 316	4 924 293
Interests in associated undertakings	17 404	4 480	1 597	23 481
Deferred taxation assets	55 933	37 923	20 982	114 838
Other assets	850 096	509 424	51 073	1 410 593
Property and equipment	232 298	42 963	4 540	279 801
Investment properties	–	379 527	–	379 527
Goodwill	393 417	18 655	44 536	456 608
Intangible assets	120 856	10 211	5 385	136 452
	19 217 873	21 922 431	3 439 670	44 579 974
Other financial instruments at fair value through profit or loss in respect of				
– Liabilities to customers	–	6 361 296	–	6 361 296
– Assets related to reinsurance contracts	–	–	–	–
	19 217 873	28 283 727	3 439 670	50 941 270
Liabilities				
Deposits by banks	847 575	1 007 476	3 842	1 858 893
Deposits by banks – Kensington warehouse funding	975 542	–	–	975 542
Derivative financial instruments	473 011	965 078	48 330	1 486 419
Other trading liabilities	402 326	314 230	–	716 556
Repurchase agreements and cash collateral on securities lent	612 663	986 983	–	1 599 646
Customer accounts (deposits)	8 812 240	14 207 218	1 421 802	24 441 260
Debt securities in issue	676 241	472 692	996 280	2 145 213
Liabilities arising on securitisation	3 174 268	694 487	472 109	4 340 864
Current taxation liabilities	55 902	151 055	–	206 957
Deferred taxation liabilities	73 095	75 655	–	148 750
Other liabilities	888 449	499 014	23 674	1 411 137
Pension fund liabilities	–	–	–	–
	16 991 312	19 373 888	2 966 037	39 331 237
Liabilities to customers under investment contracts	–	6 358 732	–	6 358 732
Insurance liabilities, including unit-linked liabilities	–	2 564	–	2 564
	16 991 312	25 735 184	2 966 037	45 692 533
Subordinated liabilities	636 468	619 365	31 802	1 287 635
	17 627 780	26 354 549	2 997 839	46 980 168

At 31 March £'000	UK and Europe	Southern Africa*	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
Geographical analysis of assets and liabilities				
2010				
Assets				
Cash and balances at central banks	1 502 981	329 472	505 781	2 338 234
Loans and advances to banks	1 394 994	1 316 703	69 933	2 781 630
Cash equivalent advances to customers	–	581 117	–	581 117
Reverse repurchase agreements and cash collateral on securities borrowed	490 494	420 938	–	911 432
Trading securities	349 217	3 872 428	–	4 221 645
Derivative financial instruments	845 330	706 255	40 256	1 591 841
Investment securities	1 183 798	121 233	691 042	1 996 073
Loans and advances to customers	5 877 362	10 238 729	1 298 600	17 414 691
Loans and advances to customers – Kensington warehouse assets	1 776 525	–	–	1 776 525
Securitised assets	3 916 526	899 988	517 939	5 334 453
Interests in associated undertakings	96 459	4 817	2 783	104 059
Deferred taxation assets	76 718	36 304	21 333	134 355
Other assets	598 759	628 867	12 998	1 240 624
Property and equipment	140 032	16 885	4 338	161 255
Investment properties	–	273 038	–	273 038
Goodwill	207 892	25 147	41 378	274 417
Intangible assets	23 141	8 679	4 800	36 620
	18 480 228	19 480 600	3 211 181	41 172 009
Other financial instruments at fair value through profit or loss in respect of				
– Liabilities to customers	–	5 397 014	–	5 397 014
– Assets related to reinsurance contracts	–	2 842	–	2 842
	18 480 228	24 880 456	3 211 181	46 571 865
Liabilities				
Deposits by banks	1 579 529	860 141	–	2 439 670
Deposits by banks – Kensington warehouse funding	1 213 042	–	–	1 213 042
Derivative financial instruments	502 956	643 191	47 274	1 193 421
Other trading liabilities	190 295	314 323	–	504 618
Repurchase agreements and cash collateral on securities lent	529 690	565 490	15 328	1 110 508
Customer accounts (deposits)	8 024 835	12 885 199	1 024 010	21 934 044
Debt securities in issue	497 886	535 534	1 153 620	2 187 040
Liabilities arising on securitisation	3 465 299	733 897	515 360	4 714 556
Current taxation liabilities	71 320	127 715	(2 070)	196 965
Deferred taxation liabilities	52 929	84 045	–	136 974
Other liabilities	497 250	648 617	31 722	1 177 589
Pension fund liabilities	1 285	–	–	1 285
	16 626 316	17 398 152	2 785 244	36 809 712
Liabilities to customers under investment contracts	–	5 392 662	–	5 392 662
Insurance liabilities including unit-linked liabilities	–	4 352	–	4 352
Reinsured liabilities	–	2 842	–	2 842
	16 626 316	22 798 008	2 785 244	42 209 568
Subordinated liabilities	587 074	468 860	14 502	1 070 436
	17 213 390	23 266 868	2 799 746	43 280 004

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

For the year to 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests				
2011				
Asset Management	53 002	74 306	–	127 308
Wealth and Investment	25 008	15 418	–	40 426
Property Activities	375	40 178	7 155	47 708
Private Banking	(84 041)	2 990	(10 390)	(91 441)
Investment Banking	8 887	65 191	(6 716)	67 362
Capital Markets	139 978	92 211	9 860	242 049
Group Services and Other Activities	(9 583)	9 780	797	994
Total group	133 626	300 074	706	434 406
Non-controlling interest – equity				(10 962)
Operating profit				423 444
2010				
Asset Management	25 335	58 077	–	83 412
Wealth and Investment	11 637	14 250	–	25 887
Property Activities	825	31 582	1 072	33 479
Private Banking	6 545	29 330	1 177	37 052
Investment Banking	(4 399)	45 694	273	41 568
Capital Markets	93 163	70 572	15 404	179 139
Group Services and Other Activities	(9 407)	40 862	266	31 721
Total group	123 699	290 367	18 192	432 258
Non-controlling interest – equity				(18 802)
Operating profit				413 456

For the year to 31 March £'000	2011	2010
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

For the year to 31 March £'000	2011	2010
2. Principal transactions		
Dividend income	23 853	22 600
Fair value movements on investment properties	54 984	39 108
Income from trading assets and liabilities	213 351	191 646
Funding costs	(107 329)	(45 100)
Income from assets designated at fair value	104 442	76 089
Realised income on available-for-sale assets	5 560	10 199
Impairments on available-for-sale assets	(103)	(293)
Gains on loans and receivables	80 951	32 600
Other income	4 159	21 173
Gains on extinguishing financial liabilities	38 818	109 737
	418 686	457 759

For the year to 31 March £'000	2011	2010
3. Other operating income		
Rental income from properties	1 814	1 571
Gains on realisation of properties	1 258	91
Operating income of non-core businesses*	10 568	21 075
Income from operating leases	36 421	–
Operating income from associates	3 942	11 595
	54 003	34 332

* *Includes operating income of certain private equity investments that were consolidated. The net operating income includes gross income of £96.0 million (2010: £181.6 million) net of all direct cost of sales. Their other direct costs are included in operating costs.*

For the year to 31 March £'000	2011	2010
4. Operating costs		
Staff costs	795 592	600 378
– Salaries and wages (including directors' remuneration)*	648 395	490 315
– Share-based payments expense	69 518	56 670
– Social security costs	48 583	31 141
– Pension and provident fund contributions	29 096	22 252
Premises (excluding depreciation)	70 394	59 124
Equipment (excluding depreciation)	54 324	48 827
Business expenses**	197 453	173 340
Marketing expenses	48 943	39 025
Depreciation, amortisation and impairment of property, equipment and intangibles	30 159	36 457
	1 196 865	957 151
Depreciation on operating leased assets	16 447	–
	1 213 312	957 151
The following amounts were paid to the auditors:		
Ernst & Young fees		
Fees payable to the company's auditors for the audit of the company's accounts	921	810
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	5 276	4 647
Other services pursuant to legislation	1 627	397
Tax services	622	475
All other services	262	436
	8 708	6 765
KPMG fees		
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	1 858	1 402
Other services pursuant to legislation	342	137
Tax services	444	4
Services relating to corporate transactions	155	111
All other services	203	153
	3 002	1 807
Total	11 710	8 572

* *The comparatives have been restated for current year presentation.*

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

Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 253 to 274.

5. 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 260 to 263 of the remuneration report and on our website.

Expense charged to the income statement (included in operating costs) £'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

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 £'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*

Details of options outstanding during the year	UK schemes				South African schemes			
	2011		2010		2011		2010	
	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).*

	UK schemes		South African schemes	
	2011	2010	2011	2010
5. Share-based payments (continued)				
The exercise price range and weighted average remaining contractual life for the options are as follows:				
Options with strike prices				
Exercise price range	£1.55 – £6.52	£1.55 – £6.52	R20.28 – R57.60	R32.00 – R57.60
Weighted average remaining contractual life	1.59 years	2.01 years	0.53 years	1.16 years
Weighted average fair value of options granted at measurement date	£2.93	£2.20	R39.21	R34.29
Long-term incentive grants with no strike price				
Exercise price range	£0	£0	Rnil	Rnil
Weighted average remaining contractual life	3.37 years	2.98 years	3.32 years	3.03 years
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year the inputs into the model were as follows:				
– Share price at date of grants	£4.29 – £4.98	£3.20 – £4.36	R52.55 – R55.40	R44.25 – R56.00
– Exercise price	£0, £4.29 – £4.98	£0, £3.20 – £4.36	Rnil	Rnil
– Expected volatility	30% – 38%	33% – 45%	30% – 36%	33% – 45%
– Option life	5 – 5.25 years	5 – 5.25 years	5 years	5 years
– Expected dividend yields	5.07% – 5.23%	3.97%	2.85% – 4.61%	3.24%
– Average risk-free rate	2.05% – 2.15%	2.14% – 2.58%	6.75 % – 7.31%	8.55 % – 8.75%

Expected volatility was determined based on the implied volatility levels determined from observable market data. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

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

For the year to 31 March £'000	2011	2010
6. Taxation		
Income statement taxation charge		
Current taxation		
UK		
Current taxation on income for the year	(2 342)	(375)
Adjustments in respect of prior years	13 238	2 983
Corporation taxation before double taxation relief	10 896	2 608
Double taxation relief	(597)	(18 273)
	10 299	(15 665)
Southern Africa		
In respect of current year	60 364	64 333
In respect of prior year adjustments	(14 573)	–
	45 791	64 333
Europe	1 926	1 424
Australia	–	5 682
Other	179	17 808
	47 896	89 247
Secondary taxation on companies*	932	616
Total current taxation	59 127	74 198
Deferred taxation		
UK	10 518	6 962
Southern Africa	(11 365)	4 349
Europe	7	14
Australia	489	(1 807)
Other	(311)	(1 117)
Total deferred taxation	(662)	8 401
Total taxation charge for the year	58 465	82 599
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	65 075	82 599
Taxation on intangibles and sale of subsidiaries	(6 610)	–
	58 465	82 599
Deferred taxation comprises:		
Origination and reversal of temporary differences	4 791	14 976
Change in deferred taxation rates	1 210	–
Adjustment in respect of prior years	(6 663)	(6 575)
	(662)	8 401

* *Secondary taxation on companies is an additional corporate taxation on South African entities on declaration of dividends.*

For the year to 31 March £'000	2011	2010
6. Taxation (continued)		
Items which affect the taxation rate going forward are:		
Estimated tax losses arising from trading activities available for relief against future taxable income		
UK	Nil	Nil
South Africa	Nil	Nil
Europe	Nil	Nil
The rates of corporation taxation for the relevant years are:	%	%
UK	28	28
South Africa	28	28
Europe (average)	10	10
Australia	30	30
USA	35	35
Profit on ordinary activities before taxation	466 378	409 930
Tax on profit on ordinary activities	58 465	82 599
Effective tax rate	12.54%	20.15%
The taxation charge on activities for the year is different to the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 28% (2010: 28%)	130 586	114 780
Taxation adjustments relating to foreign earnings	(65 336)	(8 472)
Taxation relating to prior years	6 575	(3 592)
Share options accounting expense	14 749	9 392
Share options exercised during the year	(7 697)	(11 524)
Unexpired share options future taxation deduction	(9 294)	(7 102)
Non-taxable income	(17 967)	(22 622)
Net other permanent differences	12 217	9 333
Unrealised capital gains/(losses)	(5 109)	2 406
Utilisation of brought forward capital losses	(1 469)	–
Change in deferred taxation rate*	1 210	–
Total taxation charge as per income statement	58 465	82 599
Other comprehensive income taxation effects:		
Cash flow hedge movements taken directly to other comprehensive income	9 929	14 202
– Pre-taxation	13 755	20 216
– Taxation effect	(3 826)	(6 014)
Gains on realisation or impairment of available-for-sale assets recycled through the income statement	(4 845)	(8 887)
– Pre-taxation	(5 445)	(9 906)
– Taxation effect	600	1 019
Fair value movements on available-for-sale assets	27 631	20 370
– Pre-taxation	36 075	25 418
– Taxation effect	(8 444)	(5 048)

* *Corporate taxation rates in the UK will be 26% for the 2012 financial year.*

For the year to 31 March	2011	2010
7. 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
7. 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
8. 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			2010		
	Pence per share	Cents per share	Total £'million	Pence per share	Cents per share	Total £'million
8. 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.

For the year to 31 March £'000	2011	2010
9. Miscellaneous income statement items		
Total foreign currency losses recognised in margin except for financial instruments measured at fair value through income	15 568	8 005
Operating lease expenses recognised in operating costs expenses comprises:		
Minimum lease payments	46 043	39 296
Operating lease income recognised in income comprises:		
Minimum lease payments	40 821	25 436

The majority of the operating lease expenses in the group relate to leases on property and the majority of the operating lease income relates to leases on motor vehicles.

For the year to 31 March £'000	At fair value through profit or loss Trading	Designated at inception
10. Analysis of operating income by category of financial instrument		
2011		
Net interest income	66 773	139 039
Fee and commission income	59 622	18 478
Fee and commission expense	–	(2 985)
Principal transactions	144 001	125 477
Investment income on assurance activities	–	–
Premiums and reinsurance recoveries on insurance contracts	–	–
Other operating income	–	2 162
Other income including net interest income	270 396	282 171
Claims and reinsurance premiums on insurance business	–	–
Total operating income net of insurance claims	270 396	282 171
Impairment losses on loans and advances	–	–
Operating income	270 396	282 171
2010		
Net interest income	6 201	61 588
Fee and commission income	45 792	19 002
Fee and commission expense	2	(3 491)
Principal transactions	136 812	94 616
Investment income on assurance activities	–	–
Premiums and reinsurance recoveries on insurance contracts	–	–
Other operating income	–	4 798
Other income including net interest income	188 807	176 513
Claims and reinsurance premiums on insurance business	–	–
Total operating income net of insurance claims	188 807	176 513
Impairment losses on loans and advances	–	–
Operating income	188 807	176 513

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Other fee income	Total
32 636	1 815 782	87 644	(1 466 132)	–	–	5 727	681 469
–	82 598	(38)	(330)	–	28 214	707 756	896 300
–	(5 606)	–	(2 547)	–	(1 299)	(96 205)	(108 642)
(839)	80 951	5 457	38 818	–	19 277	5 544	418 686
–	–	–	–	64 834	–	–	64 834
–	–	–	–	6 110	–	–	6 110
–	87	–	–	–	43 380	8 374	54 003
31 797	1 973 812	93 063	(1 430 191)	70 944	89 572	631 196	2 012 760
–	–	–	–	(57 774)	–	–	(57 774)
31 797	1 973 812	93 063	(1 430 191)	13 170	89 572	631 196	1 954 986
(1 097)	(317 133)	–	–	–	–	–	(318 230)
30 700	1 656 679	93 063	(1 430 191)	13 170	89 572	631 196	1 636 756
50 145	1 924 160	41 636	(1 470 644)	–	–	–	613 086
682	57 511	47	(727)	–	8 863	481 404	612 574
–	(2 383)	–	(1 665)	–	(1 357)	(58 603)	(67 497)
–	32 600	22 685	109 737	–	40 135	21 174	457 759
–	–	–	–	94 914	–	–	94 914
–	–	–	–	31 938	–	–	31 938
–	98	–	–	–	11 834	17 602	34 332
50 827	2 011 986	64 368	(1 363 299)	126 852	59 475	461 577	1 777 106
–	–	–	–	(119 918)	–	–	(119 918)
50 827	2 011 986	64 368	(1 363 299)	6 934	59 475	461 577	1 657 188
(13 296)	(273 285)	–	–	–	–	–	(286 581)
37 531	1 738 701	64 368	(1 363 299)	6 934	59 475	461 577	1 370 607

At 31 March 2011 £'000	At fair value through profit or loss Trading	 Designated at inception	Available-for-sale	Total instruments at fair value
11. Analysis of financial assets and liabilities by measurement basis				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	–	95 093	–	95 093
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 058 125	150 013	–	1 208 138
Trading securities	1 879 069	3 235 253	–	5 114 322
Derivative financial instruments*	1 799 204	–	–	1 799 204
Investment securities	–	1 058	2 255 834	2 256 892
Loans and advances to customers	–	1 390 377	–	1 390 377
Loans and advances to customers – Kensington warehouse assets	–	–	–	–
Securitised assets	–	171 940	–	171 940
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	275 098	369	–	275 467
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	5 011 496	5 044 103	2 255 834	12 311 433
Financial instruments at fair value through profit or loss in respect of				
– Liabilities to customers	–	–	–	–
– Assets related to reinsurance contracts	–	–	–	–
	5 011 496	5 044 103	2 255 834	12 311 433
Liabilities				
Deposits by banks	–	–	–	–
Deposits by banks – Kensington warehouse funding	–	–	–	–
Derivative financial instruments*	1 486 419	–	–	1 486 419
Other trading liabilities	716 556	–	–	716 556
Repurchase agreements and cash collateral on securities lent	983 487	–	–	983 487
Customer accounts (deposits)	1 560	906 145	–	907 705
Debt securities in issue	–	–	–	–
Liabilities arising on securitisation	–	99 914	–	99 914
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	308 321	35 473	–	343 794
Pension fund liabilities	–	–	–	–
	3 496 343	1 041 532	–	4 537 875
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
Reinsured liabilities	–	–	–	–
	3 496 343	1 041 532	–	4 537 875
Subordinated liabilities	–	–	–	–
	3 496 343	1 041 532	–	4 537 875

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information on hedges, please refer to note 46 on page 384.*

	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
	–	1 769 078	–	1 769 078	–	–	1 769 078
	–	1 373 612	–	1 373 612	–	–	1 468 705
	–	535 983	–	535 983	–	–	535 983
	–	1 259 637	–	1 259 637	–	–	2 467 775
	–	–	–	–	–	–	5 114 322
	–	–	–	–	–	–	1 799 204
	916 152	155 565	–	1 071 717	–	–	3 328 609
	408 043	16 960 104	–	17 368 147	–	–	18 758 524
	–	1 612 181	–	1 612 181	–	–	1 612 181
	–	4 752 353	–	4 752 353	–	–	4 924 293
	–	–	–	–	–	23 481	23 481
	–	–	–	–	–	114 838	114 838
	–	649 003	–	649 003	–	486 123	1 410 593
	–	–	–	–	–	279 801	279 801
	–	–	–	–	–	379 527	379 527
	–	–	–	–	–	456 608	456 608
	–	–	–	–	–	136 452	136 452
	1 324 195	29 067 516	–	30 391 711	–	1 876 830	44 579 974
	–	–	–	–	6 361 296	–	6 361 296
	–	–	–	–	–	–	–
	1 324 195	**29 067 516**	**–**	**30 391 711**	**6 361 296**	**1 876 830**	**50 941 270**
	–	–	1 858 893	1 858 893	–	–	1 858 893
	–	–	975 542	975 542	–	–	975 542
	–	–	–	–	–	–	1 486 419
	–	–	–	–	–	–	716 556
	–	–	616 159	616 159	–	–	1 599 646
	–	–	23 533 555	23 533 555	–	–	24 441 260
	–	–	2 145 213	2 145 213	–	–	2 145 213
	–	–	4 240 950	4 240 950	–	–	4 340 864
	–	–	–	–	–	206 957	206 957
	–	–	–	–	–	148 750	148 750
	–	–	483 516	483 516	–	583 827	1 411 137
	–	–	–	–	–	–	–
	–	–	33 853 828	33 853 828	–	939 534	39 331 237
	–	–	–	–	6 358 732	–	6 358 732
	–	–	–	–	2 564	–	2 564
	–	–	–	–	–	–	–
	–	–	33 853 828	33 853 828	6 361 296	939 534	45 692 533
	–	–	1 287 635	1 287 635	–	–	1 287 635
	–	**–**	**35 141 463**	**35 141 463**	**6 361 296**	**939 534**	**46 980 168**

At 31 March 2010 £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
11. Analysis of financial assets and liabilities by measurement basis (continued)				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	55	59 621	–	59 676
Cash equivalent advances to customers	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	489 468	–	–	489 468
Trading securities	1 900 518	2 321 127	–	4 221 645
Derivative financial instruments**	1 591 841	–	–	1 591 841
Investment securities	101	381	1 261 935	1 262 417
Loans and advances to customers	–	1 561 780	–	1 561 780
Loans and advances to customers – Kensington warehouse assets	–	–	–	–
Securitised assets	–	167 000	–	167 000
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	308 795	236	–	309 031
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	4 290 778	4 110 145	1 261 935	9 662 858
Financial instruments at fair value through profit or loss in respect of				
– Liabilities to customers	–	–	–	–
– Assets related to reinsurance contracts	–	–	–	–
	4 290 778	4 110 145	1 261 935	9 662 858
Liabilities				
Deposits by banks	–	–	–	–
Deposits by banks – Kensington warehouse funding	–	–	–	–
Derivative financial instruments**	1 193 421	–	–	1 193 421
Other trading liabilities	504 618	–	–	504 618
Repurchase agreements and cash collateral on securities lent	499 914	–	–	499 914
Customer accounts (deposits)	2 821	1 372 823	–	1 375 644
Debt securities in issue*	–	–	–	–
Liabilities arising on securitisation	–	136 352	–	136 352
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities*	221 197	26 464	–	247 661
Pension fund liabilities	–	–	–	–
	2 421 971	1 535 639	–	3 957 610
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
Reinsured liabilities	–	–	–	–
	2 421 971	1 535 639	–	3 957 610
Subordinated liabilities	–	–	–	–
	2 421 971	1 535 639	–	3 957 610

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

** *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges. For more information on hedges, please refer to note 46 on page 384.*

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
–	2 338 234	–	2 338 234	–	–	2 338 234
–	2 721 954	–	2 721 954	–	–	2 781 630
–	581 117	–	581 117	–	–	581 117
–	421 964	–	421 964	–	–	911 432
–	–	–	–	–	–	4 221 645
–	–	–	–	–	–	1 591 841
733 656	–	–	733 656	–	–	1 996 073
491 424	15 361 487	–	15 852 911	–	–	17 414 691
–	1 776 525	–	1 776 525	–	–	1 776 525
–	5 167 453	–	5 167 453	–	–	5 334 453
–	–	–	–	–	104 059	104 059
–	–	–	–	–	134 355	134 355
–	504 298	–	504 298	–	427 295	1 240 624
–	–	–	–	–	161 255	161 255
–	–	–	–	–	273 038	273 038
–	–	–	–	–	274 417	274 417
–	–	–	–	–	36 620	36 620
1 225 080	28 873 032	–	30 098 112	–	1 411 039	41 172 009
–	–	–	–	5 397 014	–	5 397 014
–	–	–	–	2 842	–	2 842
1 225 080	**28 873 032**	**–**	**30 098 112**	**5 399 856**	**1 411 039**	**46 571 865**
–	–	2 439 670	2 439 670	–	–	2 439 670
–	–	1 213 042	1 213 042	–	–	1 213 042
–	–	–	–	–	–	1 193 421
–	–	–	–	–	–	504 618
–	–	610 594	610 594	–	–	1 110 508
–	–	20 558 400	20 558 400	–	–	21 934 044
–	–	2 187 040	2 187 040	–	–	2 187 040
–	–	4 578 205	4 578 205	–	–	4 714 556
–	–	–	–	–	196 965	196 965
–	–	–	–	–	136 974	136 974
–	–	441 755	441 755	–	488 173	1 177 589
–	–	–	–	–	1 285	1 285
–	–	32 028 706	32 028 706	–	823 397	36 809 712
–	–	–	–	5 392 662	–	5 392 662
–	–	–	–	4 352	–	4 352
–	–	–	–	2 842	–	2 842
–	–	32 028 706	32 028 706	5 399 856	823 397	42 209 568
–	–	1 070 436	1 070 436	–	–	1 070 436
–	**–**	**33 099 142**	**33 099 142**	**5 399 856**	**823 397**	**43 280 004**

12. Reclassifications of financial instruments

During the 2009 year the group reclassified certain financial instruments out of fair value through profit or loss. These assets were originally classified as held-for-trading but the group's intentions in regard to these assets changed and the group reclassified £112.3 million and £7.8 million to the loans and receivables and available-for-sale classifications respectively. The amount reclassified reflected the fair value of the financial assets at the date of reclassification. At the time of the transfers, the group identified the rare circumstances permitting such reclassifications, being severe liquidity in the relevant markets.

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

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

£'000	Carrying value as at 31 March 2011	Fair value as at 31 March 2011	Carrying value as at 31 March 2010	Fair value as at 31 March 2010
Trading assets reclassified to loans and receivables	55 232	32 922	96 383	86 870
	55 232	32 922	96 383	86 870

If the reclassifications had not been made, the group's income before tax in 2011 would have reduced by £12.4 million (2010: a reduction of £5.1 million).

In the current year the reclassified assets have contributed £0.2 million to income through the margin line and a loss of £15.3 million through impairments. In 2010, the reclassified assets contributed £2.6 million to net interest income and a loss of £7.8 million through impairments.

As at the date of reclassification the effective interest rate on reclassified trading assets ranged from 4.61% to 18.29%.

13. Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

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

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

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

At 31 March £'000	Total instruments at fair value	Valuation technique applied		
		Level 1	Level 2	Level 3
13. Fair value hierarchy (continued)				
2011				
Assets				
Loans and advances to banks	95 093	75 194	19 899	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 208 138	694 961	513 177	–
Trading securities	5 114 322	3 347 751	1 690 224	76 347
Derivative financial instruments	1 799 204	63 133	1 703 841	32 230
Investment securities	2 256 892	1 297 189	887 124	72 579
Loans and advances to customers	1 390 377	–	1 202 006	188 371
Securitised assets	171 940	9 377	99 735	62 828
Other assets	275 467	275 190	277	–
	12 311 433	5 762 795	6 116 283	432 355
Liabilities				
Derivative financial instruments	1 486 419	34 619	1 451 800	–
Other trading liabilities	716 556	716 556	–	–
Repurchase agreements and cash collateral on securities lent	983 487	527 074	456 413	–
Customer accounts (deposits)	907 705	–	907 705	–
Liabilities arising on securitisation	99 914	–	99 914	–
Other liabilities	343 794	302 850	35 581	5 363
	4 537 875	1 581 099	2 951 413	5 363
2010				
Assets				
Loans and advances to banks	59 676	32 171	27 505	–
Reverse repurchase agreements and cash collateral on securities borrowed	489 468	291 161	198 307	–
Trading securities	4 221 645	2 569 092	1 612 305	40 248
Derivative financial instruments	1 591 841	64 097	1 492 532	35 212
Investment securities	1 262 417	556 876	680 622	24 919
Loans and advances to customers	1 561 780	–	1 363 905	197 875
Securitised assets	167 000	9 049	100 844	57 107
Other assets	309 031	307 140	1 891	–
	9 662 858	3 829 586	5 477 911	355 361
Liabilities				
Derivative financial instruments	1 193 421	58 582	1 134 839	–
Other trading liabilities	504 618	504 618	–	–
Repurchase agreements and cash collateral on securities lent	499 914	295 353	204 561	–
Customer accounts (deposits)	1 375 644	–	1 375 644	–
Liabilities arising on securitisation	136 352	–	136 352	–
Other liabilities	247 661	234 475	13 186	–
	3 957 610	1 093 028	2 864 582	–

13. Fair value hierarchy (continued)

Transfers between level 1 and level 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value:

At 31 March 2010 £'000	Transfers from level 2 to level 1	Transfers from level 1 to level 2
Assets		
Derivative financial instruments	7 158	25 564
Securitised assets	–	100 423
Liabilities		
Derivative financial instruments	–	2 321
Liabilities arising on securitisation	–	135 781

For the year ended 31 March 2010, instruments were transferred from level 2 to level 1 as a result of instruments being traded in an active market in the current year. Instruments were transferred from level 1 to level 2 due to reduced market observability.

There were no transfers between level 1 and level 2 for the year ended 31 March 2011.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

£'000	Total level 3 financial instruments	Fair value movements through income statement	Fair value movements through comprehensive income
Net balance as at 1 April 2009	427 997	398 920	29 077
Total gains or losses	(2 048)	(4 750)	2 702
In the income statement	(2 126)	(4 750)	2 624
In the statement of comprehensive income	78	–	78
Purchases	32 702	21 006	11 696
Sales	(20 193)	(1 011)	(19 182)
Settlements	(49 644)	(43 834)	(5 810)
Transfers into level 3	9 806	7 817	1 989
Transfers out of level 3	(56 544)	(56 544)	–
Foreign exchange adjustments	13 285	13 416	(131)
Net balance as at 31 March 2010	**355 361**	**335 020**	**20 341**
Total gains or losses	19 800	14 337	5 463
In the income statement	17 083	14 337	2 746
In the statement of comprehensive income	2 717	–	2 717
Purchases	202 924	159 123	43 801
Sales	(133 296)	(125 500)	(7 796)
Issues	128	128	–
Settlements	(21 875)	(21 875)	–
Transfers into level 3	18 689	13 028	5 661
Transfers out of level 3	(14 442)	(13 880)	(562)
Foreign exchange adjustments	(297)	(1 408)	1 111
Net balance as at 31 March 2011	**426 992**	**358 973**	**68 019**

Instruments were transferred out of level 3 to level 2 due to improved levels of observable inputs for valuation of these instruments.

Instruments were transferred into level 3 when certain significant inputs to model valuations were no longer observable.

13. Fair value hierarchy (continued)

The following table quantifies the changes in fair values recognised on level 3 financial instruments:

For the year to 31 March £'000	2011	2010
Total gains or losses included in the income statement for the year		
Net interest income	11 533	333
Fee and commission income	(1 623)	4 973
Principal transactions	7 173	(7 432)
	17 083	(2 126)

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 is measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

	Reflected in income statement		Reflected in other comprehensive income	
£'000	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
2011				
Assets				
Trading securities	13 848	9 802	–	–
Derivative financial instruments	13 386	1 506	–	–
Investment securities	–	–	3 653	4 942
Loans and advances to customers	10 168	5 720	–	–
Securitised assets	20 256	12 689	–	–
Liabilities				
Other liabilities	523	314	–	–
	58 181	30 031	3 653	4 942
2010				
Assets				
Trading securities	17 791	9 920	–	–
Derivative financial instruments	13 497	4 085	–	–
Investment securities	–	–	16 557	10 061
Loans and advances to customers	3 052	2 157	–	–
Securitised assets	6 325	3 900	–	–
	40 665	20 062	16 557	10 061

At 31 March £'000	2011 Carrying amount	2011 Fair value	2010* Carrying amount	2010* Fair value
14. Fair value of financial instruments at amortised cost				
Assets				
Cash and balances at central banks	1 769 078	1 769 078	2 338 234	2 338 234
Loans and advances to banks	1 373 612	1 373 618	2 721 954	2 721 963
Cash equivalent advances to customers	535 983	535 983	581 117	581 117
Reverse repurchase agreements and cash collateral on securities borrowed	1 259 637	1 259 637	421 964	421 964
Investment securities	1 071 717	1 401 026	733 656	719 866
Loans and advances to customers	17 368 147	17 293 326	15 852 911	15 709 416
Loans and advances to customers – Kensington warehouse assets	1 612 181	1 612 181	1 776 525	1 776 525
Securitised assets	4 752 353	4 733 899	5 167 453	5 150 472
Other assets	649 003	647 197	504 298	504 793
	30 391 711	30 625 945	30 098 112	29 924 350
Liabilities				
Deposits by banks	1 858 893	1 860 328	2 439 670	2 436 959
Deposits by banks – Kensington warehouse funding	975 542	975 542	1 213 042	1 213 042
Repurchase agreements and cash collateral on securities lent	616 159	616 159	610 594	610 594
Customer accounts (deposits)	23 533 555	23 532 928	20 558 400	20 599 773
Debt securities in issue*	2 145 213	2 452 611	2 187 040	2 193 526
Liabilities arising on securitisation	4 240 950	4 117 929	4 578 205	4 580 335
Other liabilities*	483 516	483 517	441 755	441 632
Subordinated liabilities	1 287 635	1 286 175	1 070 436	984 346
	35 141 463	35 325 189	33 099 142	33 060 207

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

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

Financial instruments for which fair value approximates carrying value

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

Fixed rate financial instruments

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

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

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

At 31 March £'000	Carrying value	Fair value adjustment: Year to date	Fair value adjustment: Cumulative	Fair value attributable to credit risk: Year to date	Fair value attributable to credit risk: Cumulative	Maximum exposure to credit risk	Carrying value of related credit derivatives or similar instrument
Loans and receivables							
2011							
Loans and advances to banks	95 093	(638)	(133)	–	–	95 093	–
Reverse repurchase agreements and cash collateral on securities borrowed	150 013	1 970	1 970	–	–	–	–
Loans and advances to customers	1 390 377	(1 031)	70 687	(1 582)	11 032	1 390 377	–
Securitised assets	27 258	(1 894)	27 258	(1 894)	27 258	27 258	–
	1 662 741	(1 593)	99 782	(3 476)	38 290	1 512 728	–
2010							
Loans and advances to banks	27 450	(7 142)	(620)	–	–	27 450	–
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–	–
Loans and advances to customers	1 561 780	(5 836)	83 193	–	–	1 561 780	–
Securitised assets	21 537	(5 999)	21 537	(2 612)	(3 351)	21 537	–
	1 610 767	(18 977)	104 110	(2 612)	(3 351)	1 610 767	–

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment: Year to date	Fair value adjustment: Cumulative
Financial liabilities				
2011				
Customer accounts (deposits)	906 145	890 179	(17 141)	15 966
Securitised liabilities	99 914	99 914	–	–
Other liabilities	29 827	35 608	9 350	(5 780)
	1 035 886	1 025 701	(7 791)	10 186
2010				
Customer accounts (deposits)	1 372 823	1 522 563	(3 734)	(149 739)
Securitised liabilities	136 351	100 796	–	–
Other liabilities	26 464	25 092	2 328	1 371
	1 535 638	1 648 451	(1 406)	(148 368)

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

Year to date and cumulative changes in fair value attributable to credit risk were £nil (2010: £nil).

At 31 March £'000	2011	2010
16. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	1 710 355	565 210
Cash collateral on securities borrowed	757 420	346 222
	2 467 775	911 432
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. £407 million (2010: £425 million) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	1 563 433	1 094 327
Cash collateral on securities lent	36 213	16 181
	1 599 646	1 110 508

	2011		2010	
At 31 March £'000	Carrying value	Cumulative unrealised gains/(losses)	Carrying value	Cumulative unrealised gains/(losses)
17. Trading securities				
Listed equities	496 788	(18 928)	546 290	(158 465)
Unlisted equities	593 329	212 837	565 692	203 858
Promissory notes	1 024 470	41 085	1 062 280	27 950
Liquid asset bills	1 929 353	236 471	1 639 726	(26 397)
Debentures	480 905	18 909	–	–
Bonds	589 477	12 530	407 657	2 153
	5 114 322	502 904	4 221 645	49 099

18. Derivative financial instruments

Derivatives

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

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

At 31 March £'000	2011 Notional principal amounts	2011 Positive fair value	2011 Negative fair value	2010 Notional principal amounts	2010 Positive fair value	2010 Negative fair value
18. Derivative financial instruments (continued)						
Foreign exchange derivatives						
Forward foreign exchange contracts	6 762 634	61 874	94 050	2 237 418	79 348	43 889
Currency swaps	9 923 694	355 478	132 129	7 443 507	280 574	77 564
OTC options bought and sold	2 165 620	28 433	14 068	385 530	5 482	5 359
Other foreign exchange contracts	535 945	3 898	983	367 361	7 269	432
OTC derivatives	19 387 893	449 683	241 230	10 433 816	372 673	127 244
Exchange traded futures	53 026	–	–	158 015	–	–
Exchange traded options	–	–	–	80 877	–	–
	19 440 919	449 683	241 230	10 672 708	372 673	127 244
Interest rate derivatives						
Caps and floors	1 271 881	5 749	5 726	1 171 949	–	2 968
Swaps	77 621 240	894 175	844 393	39 896 615	618 989	599 345
Forward rate agreements	109 469 285	34 734	39 307	29 801 845	30 021	31 735
OTC options bought and sold	1 024 368	4 118	3 872	622 198	2 571	2 715
Other interest rate contracts	1 140 447	964	303	2 778 818	15 330	10 403
OTC derivatives	190 527 221	939 740	893 601	74 271 425	666 911	647 166
Exchange traded futures	457 954	–	113	140 376	181	–
Exchange traded options	–	–	–	281 736	253	141
	190 985 175	939 740	893 714	74 693 537	667 345	647 307
Equity and stock index derivatives						
OTC options bought and sold	2 938 832	92 611	86 509	2 472 483	80 632	72 903
Equity swaps and forwards	228 472	4 115	2 627	30 647	634	982
OTC derivatives	3 167 304	96 726	89 136	2 503 130	81 266	73 885
Exchange traded futures	830 416	1 614	1 024	1 420 837	–	1 237
Exchange traded options	2 191 193	35 607	17 889	2 962 916	35 032	42 239
Warrants	13 646	559	–	–	449	–
	6 202 559	134 506	108 049	6 886 883	116 747	117 361
Commodity derivatives						
OTC options bought and sold	71 927	6 891	4 850	190 993	3 800	3 727
Commodity swaps and forwards	438 543	187 848	228 918	1 768 953	297 691	319 384
OTC derivatives	510 470	194 739	233 768	1 959 946	301 491	323 111
Exchange traded futures	–	–	–	848 954	227 809	150 935
Exchange traded options	–	–	–	–	992	3 532
	510 470	194 739	233 768	2 808 900	530 292	477 578
Credit derivatives						
Credit linked notes	7 971	2	6 111	12 739	143	–
Credit swaps	56 875	7 488	3 547	72 819	13 031	3 769
	64 846	7 490	9 658	85 558	13 174	3 769
Embedded derivatives*		73 046	–		71 448	–
Gross fair values		1 799 204	1 486 419		1 771 679	1 373 259
Effect of on balance sheet netting		–	–		(179 838)	(179 838)
Derivatives per balance sheet		1 799 204	1 486 419		1 591 841	1 193 421

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

At 31 March £'000	2011 carrying value	2010 carrying value
19. Investment securities		
At fair value through profit or loss		
Listed equities	348	482
Bonds	710	–
	1 058	482
Available-for-sale		
Listed equities	23 618	14 950
Unlisted equities	64 379	58 363
Bonds	1 989 945	790 913
Commercial paper	177 224	396 940
Other investments	668	668
	2 255 834	1 261 834
Held-to-maturity		
Bonds	678 918	733 757
Commercial paper	229 992	–
Other investments	7 242	–
	916 152	733 757
Loans and receivables		
Bonds	155 565	–
	155 565	–
Total investment securities	3 328 609	1 996 073

At 31 March £'000	2011	2010
20. Loans and advances to customers		
Loans and advances to customers (post impairments)	18 758 524	17 414 691
Loans and advances to customers – Kensington warehouse assets (post impairments)	1 612 181	1 776 525
Specific and portfolio impairments included above	432 352	292 220
Gross loans and advances to customers (pre impairments)	20 803 057	19 483 436
Less: warehouse facilities and structured credit investments arising from securitisation and principal finance activities*	(2 800 858)	(2 559 015)
Own originated securitised assets (refer to note 21)	1 067 409	1 172 717
Gross core loans and advances to customers	19 069 608	18 097 138
For further analysis on gross core loans and advances refer to page 135 in the risk management section.		
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at beginning of year	174 985	163 138
Charge to the income statement	255 842	154 388
Utilised	(107 271)	(157 067)
Recoveries	(208)	–
Reversals recognised in the income statement	(17 233)	–
Exchange adjustment	6 717	14 526
Balance at end of year	312 832	174 985
Portfolio impairment		
Balance at beginning of year	48 057	9 452
Charge to the income statement	(12 680)	35 176
Exchange adjustment	370	3 429
Balance at end of year	35 747	48 057
Kensington warehouse loans		
Specific impairment		
Balance at beginning of year	37 215	26 647
Charge to the income statement	4 619	41 442
Utilised	(21 707)	(30 375)
Exchange adjustment	108	(499)
Balance at end of year	20 235	37 215
Portfolio impairment		
Balance at beginning of year	31 963	34 449
Charge to the income statement	30 793	(2 486)
Exchange adjustment	782	–
Balance at end of year	63 538	31 963
Total specific impairments	333 067	212 200
Total portfolio impairments	99 285	80 020
Total impairments	432 352	292 220
Interest income recognised on loans that have been impaired	12 641	14 632

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

At 31 March £'000	2011	2010
20. Loans and advances to customers (continued)		
Reconciliation of income statement charge:		
Loans and advances	225 929	189 564
Specific impairment charged to income statement	238 609	154 388
Portfolio impairment charged to income statement	(12 680)	35 176
Securitised assets	35 046	47 568
Specific impairment charged to income statement	26 428	50 884
Portfolio impairment charged to income statement	8 618	(3 316)
Kensington warehouse loans	35 412	38 956
Specific impairment charged to income statement	4 619	41 442
Portfolio impairment charged to income statement	30 793	(2 486)
Net bad debts written off directly to the income statement	21 843	10 493
Total income statement charge	318 230	286 581

At 31 March £'000	2011	2010
21. Securitised assets and liabilities arising on securitisation		
Securitised assets are made up of the following categories of assets:		
Loans and advances to banks	–	57 004
Cash and cash equivalents	499 207	456 461
Loans and advances to customers	4 347 727	4 703 354
Trading securities	126 992	167 000
	4 973 926	5 383 819
Total impairment of securitised assets	(49 633)	(49 366)
Total securitised assets	4 924 293	5 334 453
The associated liabilities are recorded on balance sheet in 'liabilities arising on securitisation'		
Carrying value at 31 March	4 340 864	4 714 556
Analysis of securitised assets by risk exposure		
Own originated securitised assets	1 067 409	1 172 717
Securitisation exposures arising from securitisation/principal finance activities	107 435	248 710
Total credit and counterparty exposure	1 174 844	1 421 427
Securitised assets with no legal credit exposure	3 749 449	3 913 026
Gross securitised assets	3 799 082	3 962 392
Impairment of securitised assets	(49 633)	(49 366)
Total securitised assets	4 924 293	5 334 453

At 31 March £'000	2011	2010
21. Securitised assets and liabilities arising on securitisation (continued)		
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments of loans and advances that have been securitised:		
Specific impairment		
Balance at beginning of year	24 604	41 397
Charge to the income statement	26 655	50 884
Utilised	(30 676)	(67 171)
Disposals	(3 793)	–
Reversals recognised in the income statement	(227)	–
Exchange adjustment	(594)	(506)
Balance at end of year	15 969	24 604
Portfolio impairment		
Balance at beginning of year	24 762	27 943
Charge to the income statement	8 618	(3 316)
Exchange adjustment	284	135
Balance at end of year	33 664	24 762
Total impairments	49 633	49 366

At 31 March £'000	2011	2010
22. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	16 764	40 386
Goodwill	6 717	63 673
Interests in associated undertakings	23 481	104 059
Analysis of the movement in our share of net assets:		
At beginning of year	40 386	29 821
Exchange adjustments	(119)	3 257
Disposals	(1 763)	–
Acquisitions	584	483
Acquisition of controlling interest	(23 775)	–
Operating income from associates	3 942	11 595
Repayment of loan to associate	(902)	–
Dividends received	(924)	(5 690)
(Losses)/gains recognised in other comprehensive income	(665)	920
At end of year	16 764	40 386
Analysis of the movement in goodwill:		
At beginning of year	63 673	63 673
Exchange adjustments	21	–
Acquisition of controlling interest	(56 977)	–
At end of year	6 717	63 673
Associated undertakings:		
Listed	–	79 282
Unlisted	23 481	24 777
	23 481	104 059
Market value of listed investments	–	177 753

22. Interests in associated undertakings (continued)

Prior to 25 June 2010, the group had a holding of 47.1% (47.1% at 31 March 2010) in Rensburg Sheppards plc which was equity accounted for as an associated undertaking. On 25 June 2010 Investec completed the acquisition of the balance of the ordinary share capital of Rensburg Sheppards plc not already owned. Details of the acquisition are set out in note 29.

At 31 March £'000	2011	2010
23. Deferred taxation		
Deferred taxation assets	114 838	134 355
Deferred taxation liabilities	(148 750)	(136 974)
Net deferred taxation liabilities	(33 912)	(2 619)
The net deferred taxation liabilities arise from:		
Deferred capital allowances	22 307	52 014
Income and expenditure accruals	86 129	83 698
Impairment of loans and advances	794	–
Asset in respect of unexpired options	17 153	17 081
Asset in respect of pensions liability	–	360
Unrealised fair value adjustments on financial instruments	(94 853)	(114 910)
Losses carried forward	5 627	5 011
Liability in respect of pensions surplus	(5 245)	(719)
Deferred taxation on acquired intangibles	(28 921)	–
Other temporary differences	(29 575)	(45 154)
Revaluation of property	(7 328)	–
Net deferred taxation liabilities	(33 912)	(2 619)
Reconciliation of net deferred taxation (liabilities)/assets:		
At beginning of year	(2 619)	16 622
Charge to income statement – current year taxation	662	(8 400)
Charge directly in other comprehensive income	(11 670)	(10 043)
Transfer from corporate taxation	–	1 708
Acquisitions	(33 856)	–
Disposals	6 605	–
Other	7 115	800
Exchange adjustments	(149)	(3 306)
At year end	(33 912)	(2 619)
Deferred taxation on available-for-sale and cash flow hedge reserves	4 141	1 052

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses as crystalisation of capital gains and the eligibility of potential losses is uncertain.

At 31 March £'000	2011	2010
24. Other assets		
Settlement debtors	827 296	634 378
Dealing properties	209 717	171 865
Accruals and prepayments	90 246	80 100
Pension assets (refer to note 34)	20 215	2 569
Trading initial margin	39 644	90 057
Other debtors	223 475	261 655
	1 410 593	1 240 624

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Motor vehicles (operating leases)*	Total
25. Property and equipment						
2011						
Cost						
At beginning of year	11 495	42 144	27 374	195 165	–	276 178
Exchange adjustments	(785)	219	879	(2 931)	–	(2 618)
Disposal of subsidiary undertakings	(30 633)	–	–	(122 490)	–	(153 123)
Acquisition of subsidiary undertakings	2 724	–	–	1 655	–	4 379
Additions	38 902	3 342	1 532	2 786	226 097	272 659
Disposals	–	(194)	(1 116)	(343)	(15 755)	(17 408)
At end of year	21 703	45 511	28 669	73 842	210 342	380 067
Accumulated depreciation						
At beginning of year	(1 564)	(19 332)	(15 293)	(78 734)	–	(114 923)
Exchange adjustments	262	(271)	(359)	640	–	272
Disposal of subsidiary undertakings	7 393	–	–	39 370	–	46 763
Reclassifications	–	–	28	(28)	–	–
Disposals	–	171	941	1 704	632	3 448
Depreciation charge for year	(6 731)	(3 418)	(2 915)	(6 315)	(16 447)	(35 826)
At end of year	(640)	(22 850)	(17 598)	(43 363)	(15 815)	(100 266)
Net carrying value	21 063	22 661	11 071	30 479	194 527	279 801
2010						
Cost						
At beginning of year	11 223	39 332	21 218	195 026	–	266 799
Exchange adjustments	(613)	1 000	2 776	(1 679)	–	1 484
Acquisition of subsidiary undertakings	884	–	543	46	–	1 473
Reclassifications	–	–	–	(433)	–	(433)
Additions	1	2 210	4 644	5 507	–	12 362
Disposals	–	(398)	(1 807)	(3 302)	–	(5 507)
At end of year	11 495	42 144	27 374	195 165	–	276 178
Accumulated depreciation						
At beginning of year	–	(16 001)	(12 991)	(63 275)	–	(92 267)
Exchange adjustments	(96)	(852)	(1 560)	(2 660)	–	(5 168)
Reclassifications	–	–	–	233	–	233
Disposals	–	279	1 547	1 163	–	2 989
Depreciation charge for year	(1 468)	(2 758)	(2 289)	(14 195)	–	(20 710)
At end of year	(1 564)	(19 332)	(15 293)	(78 734)	–	(114 923)
Net carrying value	9 931	22 812	12 081	116 431	–	161 255

* *On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 3) and the depreciation of these operating leased assets has been shown separately on the face of the income statement.*

At 31 March £'000	2011	2010
26. Investment properties		
At beginning of year	273 038	189 156
Additions	60 184	8 464
Disposals	(14 228)	(7 160)
Fair value movement	54 984	39 108
Exchange adjustment	5 549	43 470
At end of year	379 527	273 038

Investment properties are carried at fair value.

The directors value the group's investment properties twice annually by capitalising the annual net income of a property at the market related yield applicable at the time.

No investment properties are occupied by group companies.

At 31 March £'000	2011	2010
27. Goodwill		
Cost		
At beginning of year	438 993	401 138
Acquisition of subsidiaries	198 847	9 485
Disposals	(11 065)	–
Exchange adjustments	3 697	28 370
At end of year	630 472	438 993
Accumulated impairments		
At beginning of year	(164 576)	(145 166)
Income statement amount	(6 888)	(3 526)
Exchange adjustments	(2 400)	(15 884)
At end of year	(173 864)	(164 576)
Net carrying value	456 608	274 417
Analysis of goodwill by line of business and geography		
UK and Europe		
Asset Management	88 045	88 045
Wealth and Investment	197 119	–
Private Banking	19 005	18 695
Investment Banking	6 086	17 951
Capital Markets	83 162	83 201
	393 417	207 892
South Africa		
Asset Management	14 930	21 498
Wealth and Investment	3 320	3 253
Property Activities	405	396
	18 655	25 147
Australia		
Private Banking	22 541	22 213
Investment Banking	21 995	19 165
	44 536	41 378
Total group	456 608	274 417

27. Goodwill (continued)

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

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

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

UK, Europe and Australia

The three most significant cash-generating units giving rise to goodwill are Investec Asset Management, Kensington and Rensburg Sheppards plc. For Investec Asset Management, the recoverability of goodwill of £88.0 million has been tested with reference to both the underlying profitability (taking into account 2011 profits before taxation of £53 million (2010: £25.3 million) and budgets and plans for the next three years) and the value of the business as represented by funds under management of £30.8 billion (2010: £21.7 billion). These factors support the carrying value of goodwill.

Goodwill of £121.1 million arising on the acquisition of Kensington on 7 August 2008 was written down by £59.9 million at 31 March 2008 to £61.2 million following the managed reduction in business volumes and limited activity in securitisation markets. At 31 March 2011, the remaining goodwill has been tested for impairment on the basis of the existing book, assuming no new mortgage origination and no recovery in securitisation markets. Cash flows have been projected for a five year period using the latest available information on debts and expected repayments discounted at 11%. On this basis goodwill is above book value. Future impairment of this goodwill will largely be dependent on the timing of future repayments and the level of future business generated.

The goodwill of £197.1 million within Wealth and Investment relates to the acquisition of Rensburg Sheppards plc arising from the current year acquisition (refer to note 29).

South Africa

The majority of goodwill attributed to the South African operations relate to Investec Asset Management, particularly to the businesses from the Fedsure acquisition, which have been identified as a separate cash-generating unit. The goodwill relating to Fedsure has been tested for impairment, taking into account profitability, being the current year profits and the budgeted profits and funds under management. The discount rate applied of 12.8% is determined using the South African risk-free rate adjusted for the risk related to the cash-generating unit. An impairment of £6.9 million (2010: £3.5 million) was recognised in the current year on this goodwill.

Movement in goodwill

2011

Goodwill arising from acquisitions includes £198.5 million on the acquisition of Rensburg Sheppards plc which is set out in note 29. The reduction in goodwill relates to the sale and deconsolidation of investments previously consolidated as subsidiaries together with the sale of Rensburg Fund Management Limited.

2010

Goodwill arising from acquisitions includes £8.5 million on the acquisition of 75% of Leasedirect Finance Limited and £1.0 million on the acquisition of the remaining minority holding (24.51%) in Investec Asset Management Namibia (Pty) Ltd (refer to note 29).

Income statement movement

As detailed above, the 2011 income statement of £6.9 million (2010: £3.5 million) of goodwill impairments were recognised in relation to goodwill arising from the Fedsure acquisition.

28. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Core technology	Intellectual property	Client relationships*	Total
2011						
Cost						
At beginning of year	67 145	3 041	6 927	15 009	–	92 122
Exchange adjustments	717	94	53	(498)	–	366
Reclassifications	1 462	–	–	(1 951)	–	(489)
Acquisition of a subsidiary undertaking	5 856	–	–	–	127 500	133 356
Disposal of a subsidiary undertaking	–	–	(6 980)	(15 122)	(14 400)	(36 502)
Additions	7 690	1 133	–	3 900	–	12 723
Disposals	(1 107)	(204)	–	–	–	(1 311)
At end of year	81 763	4 064	–	1 338	113 100	200 265
Accumulated amortisation and impairments						
At beginning of year	(44 698)	(2 494)	(1 081)	(7 229)	–	(55 502)
Exchange adjustments	(432)	(59)	(7)	370	–	(128)
Reclassifications	–	–	–	–	409	409
Disposal of a subsidiary undertaking	–	–	1 088	7 080	–	8 168
Disposals	219	142	–	–	–	361
Amortisation	(9 773)	(395)	–	(612)	(6 341)	(17 121)
At end of year	(54 684)	(2 806)	–	(391)	(5 932)	(63 813)
Net carrying value	27 079	1 258	–	947	107 168	136 452
2010						
Cost						
At beginning of year	44 648	2 297	6 879	16 004	–	69 828
Exchange adjustments	4 786	576	48	(105)	–	5 305
Reclassifications	2 298	–	–	(1 867)	–	431
Additions	15 930	168	–	2 141	–	18 239
Disposals	(517)	–	–	(1 164)	–	(1 681)
At end of year	67 145	3 041	6 927	15 009	–	92 122
Accumulated amortisation and impairments						
At beginning of year	(31 440)	(1 700)	(754)	(1 532)	–	(35 426)
Exchange adjustments	(3 844)	(438)	(18)	(172)	–	(4 472)
Reclassifications	1 277	–	–	(1 509)	–	(232)
Disposals	324	51	–	–	–	375
Amortisation	(11 015)	(407)	(309)	(4 016)	–	(15 747)
At end of year	(44 698)	(2 494)	(1 081)	(7 229)	–	(55 502)
Net carrying value	22 447	547	5 846	7 780	–	36 620

* *Client relationships all relate to the acquisition of Rensburg Sheppards plc.*

29. Acquisitions and disposals

Acquisitions

2011

Rensburg Sheppards plc (RS) became a wholly-owned subsidiary of the Investec group on 25 June 2010. Prior to this date, Investec owned 47.1% of RS and it was equity accounted for as an associate. At acquisition the RS was made up of two principal trading subsidiaries, Rensburg Sheppards Investment Management Limited (RSIM) and Rensburg Fund Management Limited (RFM). RFM was subsequently sold on 18 January 2011 (see below) and RSIM was renamed Investec Wealth and Investment on 31 May 2011.

As a result of requirements of the new accounting rules of IFRS 3, the group is required to fair value its 47.1% holding in RS at the date it acquired the remaining 52.9%. This has resulted in an exceptional gain of £73.5 million (net of acquisition costs) as set out below.

Investec plc issued 37 907 652 ordinary shares at a value of 476 pence each as consideration for the acquisition of RS. The acquisition was carried out by way of a scheme of arrangement under section 425 of the Companies Act under which each RS shareholder received 1.63 new Investec ordinary shares for each Rensburg scheme share.

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

£'000	Book value at date of acquisition	Fair values at date of acquisition
Loans and advances to banks	65 449	65 449
Investment securities	2 193	1 320
Deferred taxation assets	2 095	2 095
Other assets	97 865	97 865
Property plant and equipment	4 921	4 378
Intangible assets	34 764	133 356
Total assets	207 287	304 463
Deposits by banks	534	534
Current taxation liabilities	8 823	6 915
Deferred taxation liabilities	9 996	35 951
Other liabilities	93 931	100 746
Subordinated liabilities	18 125	18 125
Total liabilities	131 409	162 271
Net assets/fair value of net assets	75 878	142 192
Goodwill*		198 520
Fair value of consideration		340 712
– Acquisition of 52.9% holding (i.e. 23.3 million shares) on 25 June 2010**		180 440
– Fair value of 47.1% holding (i.e. 20.7 million shares)**		160 272
Carrying value of 47.1% holding at 25 June 2010		80 752
Fair value gain arising on acquisition		79 520
Investec costs of acquisition of 52.9% holding		(6 055)
Net gain in income statement		73 465

* *The goodwill arising from the acquisition consists largely of the benefits expected to arise from the enhancement of the group's Wealth and Investment offering through the combination of RS with the group's existing Wealth and Investment business. None of the goodwill is expected to be deductable for corporation taxation purposes.*

** *As calculated in relation to the 37.9 million Investec plc shares issued for the remaining 52.9% shares in RS at £4.76 which valued RS at approximately £7.76 per share. RS had 43.9 million shares in issue.*

29. Acquisitions and disposals (continued)

For the post-acquisition period 26 June to 31 March 2011, the operating income of Rensburg Sheppards plc totaled £88.846 million and profits before taxation and amortisation of client relationships totaled £25.551 million. The operating income of Investec would have been £1 662.1 million and the operating profit would have totaled £416.1 million if the acquisition of RS had been on 1 April 2010 as opposed to 25 June 2010.

On 15 October 2010 the group completed the purchase of the 33.6% non-controlling interest in Start Mortgages Holding Limited (Start) bringing the group's interest in Start to 100%.

The net cash inflow on these acquisitions, inclusive of related acquisition costs and net of cash within subsidiaries acquired amounted to £57.044 million.

Investec completed the acquisition of Access Capital Limited on 18 April 2011 (being the effective date of acquisition) and changed its name to Investec Capital Asia Limited. Investec Capital Asia Limited is a licensed entity regulated by the Hong Securities and Futures Commission that has been providing investment banking services to clients based in greater China since 2000.

2010

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

On 26 February 2010, Investec Asset Management Holdings (Pty) Ltd bought out the 24.51% minority shareholder in Investec Asset Management Namibia (Pty) Ltd. Goodwill arising from the transaction amounted to £983 000.

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

£'000	Book value at date of acquisition	Fair values at date of acquisition
Cash	2	2
Loans and advances to banks	72	72
Loans and advances to customers	6 295	6 295
Other assets	220	220
Property and equipment	1 473	1 473
	8 062	8 062
Deposits by banks	5 984	5 984
Current tax liability	71	71
Other liabilities	598	598
Non-controlling interests	132	132
Liabilities	6 785	6 785
Net assets/fair value of net assets	1 277	1 277
Goodwill		9 485
Fair value of consideration		10 762
Fair value of cash consideration		1 662

Disposals

2011

The net loss on sale of subsidiaries of £17.302 million comprises a loss of £35.581 million on the sale and deconsolidation of investments previously consolidated as subsidiaries, partially offset by a gain of £18.220 million on the sale of Rensburg Fund Management Limited.

The net cash inflow on these items amounted to £80.161 million.

2010

There were no disposals in 2010.

At 31 March £'000	2011	2010
30. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts	6 361 296	5 397 014
Investec Employee Benefits Limited (IEB)	56 706	385 353
Investec Assurance Limited	6 302 026	5 007 309
Insurance liabilities including unit-linked liabilities – IEB	2 564	4 352
Reinsurance liabilities – IEB	–	2 842
	6 361 296	5 399 856
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	57 287	372 545
Reinsurance assets	–	2 842
Other assets	1 983	17 160
	59 270	392 547
Investments above comprise:		
Interest bearing securities	36 965	89 941
Stocks, shares and unit trusts	17 471	246 232
Deposits	2 851	36 372
	57 287	372 545
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	6 151 080	4 664 191
Debtors and prepayments	149 428	65 312
Other assets	1 518	277 806
	6 302 026	5 007 309
Investments shown above comprise:		
Interest bearing securities	1 648 944	871 433
Stocks, shares and unit trusts	3 291 125	2 498 586
Deposits	1 211 011	1 294 172
	6 151 080	4 664 191
The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.		
Long-term assurance activities linked to policyholders		
Income statement items related to assurance activities:		
Investment income on assurance activities	64 834	94 914
Premiums and reinsurance recoveries on insurance contracts	6 110	31 938
Claims and reinsurance premiums on insurance business	(57 774)	(119 918)
Operating expenses	(1 076)	(2 692)
Net income before taxation	12 094	4 242
Taxation	(3 386)	(1 188)
Net income after taxation	8 708	3 054

At 31 March £'000	2011	2010
31. Other trading liabilities		
Short positions		
– Equities	334 194	258 811
– Gilts	382 362	245 807
	716 556	504 618

At 31 March £'000	2011	2010*
32. Debt securities in issue		
Bonds and medium-term notes repayable:		
Up to one year	15 590	10 171
Greater than one year but less than five years	–	16 485
	15 590	26 656
Other unlisted debt securities in issue repayable:		
Not more than three months	239 478	346 596
Over three months but not more than one year	492 341	412 396
Over one year but not more than five years	1 268 294	1 379 865
Greater than five years	129 510	21 527
	2 129 623	2 160 384
	2 145 213	2 187 040

At 31 March £'000	2011	2010*
33. Other liabilities		
Settlement liabilities	723 492	586 673
Dividends payable	3 464	4 891
Other creditors and accruals	432 561	380 605
Other non interest bearing liabilities	251 620	205 420
	1 411 137	1 177 589

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

At 31 March £'000	2011	2010
34. Pension commitments		
Income statement charge		
Defined benefit obligations (net income)/net expense included in net interest income	(505)	577
Cost of defined contribution schemes included in operating costs	29 096	22 252
Net income statement charge in respect of pensions	28 591	22 829
The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of two schemes in the UK being the Guinness Mahon Pension Fund scheme (GM scheme) and the Investec Asset Management Pension scheme (IAM scheme). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2011 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions in relation to the defined contribution schemes outstanding at the year end.		
The major assumptions used were:		
Discount rate	5.50%	5.50%
Rate of increase in salaries	3.50%	3.70%
Rate of increase in pensions in payment	1.8 – 3.4%	3.60%
Inflation	3.50%	3.70%
Demographic assumptions:		
One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables with allowance for future improvements in line with the medium cohort projection subject to a 1% underpin. The life expectancies underlying the valuation are as follows:		
Male aged 65	87.4	87.7
Female aged 65	89.5	91.0
Male aged 45	89.3	89.7
Female aged 45	90.9	93.1

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

At 31 March	Value at 2011 £'000	Long-term rate of return expected	Value at 2010 £'000	Long-term rate of return expected
GM scheme				
Equities	27 937	7.70%	37 721	7.80%
Gilts	79 003	4.20%	63 336	4.40%
Cash	3 619	4.20%	3 530	4.40%
Total market value of assets	110 559		104 587	
IAM scheme				
Equities	9 648	7.70%	8 830	7.80%
Gilts	3 336	4.20%	2 449	4.40%
Cash	503	4.20%	317	4.40%
Total market value of assets	13 487		11 596	

At 31 March £'000	2011 GM	2011 IAM	2011 Total	2010 GM	2010 IAM	2010 Total
34. Pension commitments (continued)						
Recognised in the balance sheet						
Fair value of fund assets	110 559	13 487	124 046	104 587	11 596	116 183
Present value of obligations	(91 552)	(12 279)	(103 831)	(102 018)	(12 881)	(114 899)
Net asset/(liability)	19 007	1 208	20 215	2 569	(1 285)	1 284
Amounts in balance sheet						
Assets	19 007	1 208	20 215	2 569	–	2 569
Liability	–	–	–	–	(1 285)	(1 285)
Net asset/(liability)	19 007	1 208	20 215	2 569	(1 285)	1 284
Recognised in the income statement						
Expected return on pension scheme assets	5 858	835	6 693	4 843	540	5 383
Interest on pension obligations	(5 484)	(704)	(6 188)	(5 361)	(599)	(5 960)
Net return	374	131	505	(518)	(59)	(577)
Recognised in the statement of comprehensive income						
Actuarial gains on plan assets	1 178	341	1 519	7 794	3 004	10 798
Actuarial (losses)/gains	11 334	1 145	12 479	(18 585)	(3 574)	(22 159)
Actuarial loss/(gain)	12 512	1 486	13 998	(10 791)	(570)	(11 361)
Deferred taxation	(3 420)	(421)	(3 841)	3 021	160	3 181
Actuarial loss in statement of comprehensive income	9 092	1 065	10 157	(7 770)	(410)	(8 180)
Actual return on plan assets	7 036	1 176	8 212	12 637	3 544	16 181

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income is £13.4 million (£9.3 million net of deferred tax) (2010: £27.4 million (£19.5 million net of deferred tax)).

At 31 March £'000	GM	IAM	Total
34. Pension commitments (continued)			
Changes in the fair value of defined benefit obligations			
Defined benefit obligation at 31 March 2009	79 586	8 907	88 493
Interest cost	5 361	599	5 960
Actuarial gains	18 585	3 574	22 159
Benefits paid	(1 514)	(199)	(1 713)
Opening defined benefit obligation at 31 March 2010	102 018	12 881	114 899
Interest cost	5 484	704	6 188
Actuarial losses	(11 334)	(1 145)	(12 479)
Benefits paid	(4 616)	(161)	(4 777)
Closing defined benefit obligation at 31 March 2011	91 552	12 279	103 831
Changes in the fair value of plan assets			
Assets at 31 March 2009	89 912	7 695	97 607
Expected return	4 843	540	5 383
Actuarial gains	7 794	3 004	10 798
Contributions by the employer	3 552	556	4 108
Benefits paid	(1 514)	(199)	(1 713)
Opening fair value of plan assets at 31 March 2010	104 587	11 596	116 183
Expected return	5 858	835	6 693
Actuarial gains	1 178	341	1 519
Contributions by the employer	3 552	876	4 428
Benefits paid	(4 616)	(161)	(4 777)
Closing fair value of plan assets at 31 March 2011	110 559	13 487	124 046

The group expects to make £4.4 million of contributions to the defined benefit schemes in the 2012 financial year.

At 31 March £'000	2011	2010	2009	2008	2007
History of experience gains and (losses)					
GM scheme					
Defined benefit obligation	(91 552)	(102 018)	(79 586)	(80 319)	(91 178)
Plan assets	110 559	104 587	89 912	97 950	95 356
Surplus	19 007	2 569	10 326	17 631	4 178
Experience adjustments on plan liabilities	11 334	(18 585)	1 770	11 543	(165)
Experience adjustments on plan assets	1 178	7 794	(12 838)	(2 410)	(3 315)
IAM scheme					
Defined benefit obligation	13 487	(12 881)	(8 907)	(9 144)	(11 155)
Plan assets	(12 279)	11 596	7 695	9 769	9 688
Surplus/(deficit)	1 208	(1 285)	(1 212)	625	(1 467)
Experience adjustments on plan liabilities	1 145	(3 574)	518	2 399	206
Experience adjustments on plan assets	341	3 004	(2 953)	(950)	(254)

At 31 March £'000	2011	2010
35. Subordinated liabilities		
Issued by Investec Finance plc		
– A wholly owned subsidiary of Investec Bank plc which is a wholly owned subsidiary of Investec plc		
Guaranteed subordinated step-up notes	33 979	208 575
Guaranteed undated subordinated callable step-up notes	19 471	269 983
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes	502 126	–
Issued by Investec Australia Limited		
Guaranteed subordinated medium-term notes	–	15 206
Subordinated floating rate medium-term notes	7 016	4 280
Issued by Global Ethanol Holdings Limited		
Subordinated loan notes	22 477	20 300
Issued by Kensington Group plc		
Callable subordinated notes	71 173	71 204
Issued by Investec Bank Limited		
– A wholly owned subsidiary of Investec Limited		
IV01 16% subordinated bonds 2012	16 550	16 204
IV03 16% subordinated bonds 2017	138 667	135 765
IV04 10.75% subordinated unsecured callable bonds	189 609	185 642
IV07 variable rate subordinated unsecured callable bonds	86 529	84 718
IV08 13.735% subordinated unsecured callable bonds	18 391	18 006
IV09 variable rate subordinated unsecured callable bonds	18 391	18 006
IV012 variable rate subordinated unsecured callable bonds	23 026	22 547
IV013 variable rate subordinated unsecured callable bonds	4 598	–
IV014 10.545% subordinated unsecured callable bonds	11 494	–
IV015 variable rate subordinated unsecured callable bonds	124 138	–
	1 287 635	1 070 436
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand		
Remaining maturity:		
In one year or less, or on demand	39 027	–
In more than one year, but not more than two years	276 138	36 504
In more than two years, but not more than five years	181 052	328 919
In more than five years	791 418	705 013
	1 287 635	1 070 436

35. Subordinated liabilities (continued)

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Guaranteed subordinated step-up notes

On 1 March 2004 Investec Finance plc issued £200 000 000 of 7.75% guaranteed subordinated step-up notes due in 2016 at a discount (2016 notes). Interest is paid annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange.

The step-up notes may be redeemed by the issuer, at par, at any time after 1 March 2011, subject to the prior consent of the Financial Services Authority. On 1 March 2011 the interest rate was reset to become the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt. This rate will reset annually.

On 17 February 2011, £166 207 000 of the 2016 notes were repurchased and new subordinated notes issued by Investec Bank plc at an exchange ratio of 100 per cent. On 16 March 2011, £166 207 000 of the notes representing approximately 83.1 per cent of the total issued principal amount, were cancelled. As at the year end 31 March 2011 the principal amount in issue was £33 793 000.

Guaranteed undated subordinated callable step-up notes

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

On 17 February 2011 £226 930 000 of the perpetual notes were repurchased and new subordinated notes issued by Investec Bank plc at an exchange ratio of 85.2 per cent. On 16 March 2011, £226 930 000 of the notes representing approximately 64.8 per cent of the original total issued principal amount, were cancelled. As at the year end 31 March 2011 the principal amount in issue was £17 861 000.

Medium-term notes

Subordinated fixed rate medium-term notes (denominated in Sterling)

On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 17 February 2022.

Investec Bank plc invited the holders of the 2016 notes and perpetual notes to exchange the existing notes for the new 2022 notes. Under the exchange offer, the bank exchanged £193 258 000 of the 2022 notes for the perpetual notes and £166 504 000 of the 2022 notes for the 2016 notes.

Subordinated floating rate medium-term notes (denominated in Australian Dollars)

A$10 750 000 of floating rate medium-term notes (MTN) issued on 12 February 2010 at three month bank bills swap rate (BBSW) plus 5%. The maturity date is 12 February 2020. Interest is payable quarterly up to and excluding the early redemption date 12 February 2015. After this date, if the issuers call is not exercised, the interest will be the aggregate of three month BBSW plus 7.5% payable quarterly in arrears.

A$1 500 000 was sold into the market on 12 August 2010 and a further A$2 250 000 was sold into the market on 4 November 2010 having been held internally since 12 February 2010.

35. Subordinated liabilities (continued)

Subordinated loan notes

Global Ethanol Holdings Limited has issued loan notes which are redeemable on a date determined by the board of the company, at its absolute discretion. The loan notes will be redeemed on 31 December 2011. The shareholders may agree with the company the interest (if any) which will accrue on the loan notes. They are currently non interest bearing.

Callable subordinated notes

Kensington Group plc has in issue £69 767 000 callable subordinated notes due 2015. As from the reset date of 21 December 2010, interest is payable at the rate of 7.285%, annually in arrears. Prior to the reset date the rate payable was 9%.

The issuer may, at its option, redeem all, but not only some of the notes at any time at par plus accrued interest, in the event of certain tax changes. The notes mature on 21 December 2015.

IV01 16% unsecured subordinated bonds

R180 million (2010: R180 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

IV03 16% unsecured subordinated bonds

R1 508 million (2010: R1 508 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, where after the interest rate will change to a floating rate of 3-month JIBAR plus 200 basis points until maturity. The settlement date of the bonds is 31 March 2017.

IV04 10.75% subordinated unsecured callable bonds

R2 062 million (2010: R2 062 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

IV07 variable rate subordinated unsecured callable bonds

R941 million (2010: R941 million) Investec Bank Limited local registered unsecured subordinated callable bonds due in 2018. Interest is paid at 3-month JIBAR plus 140 basis points until 31 March 2013. Interest is payable quarterly in arrears. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a 3-month JIBAR plus 200 basis points.

IV08 13.735% subordinated unsecured callable bonds

R200 million (2010: R200 million) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will switch to a floating rate of 3-month JIBAR plus 562.5 basis points payable quarterly in arrears until called.

35. Subordinated liabilities (continued)

IV09 variable rate subordinated unsecured callable bonds

R200 million (2010: R200 million) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 375 basis points until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 562.5 basis points above JIBAR payable quarterly in arrears until called.

IV012 variable rate subordinated unsecured callable bonds

R250 million (2010: R250 million) Investec Bank Limited IV012 local registered unsecured subordinated callable bonds are due in November 2019. Interest is paid at 3-month JIBAR plus 325 basis points until 26 November 2014. Interest is payable quarterly in arrears. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014. If not called, the bonds will switch to a 3-month JIBAR plus 450 basis points.

IV013 variable rate subordinated unsecured callable bonds

R50 million (2010: Rnil) Investec Bank Limited IV013 local registered unsecured subordinated callable bonds are due in June 2020. Interest is payable quarterly in arrears on 22 March, 22 June, 22 September and 22 December at a rate equal to 3-month JIBAR plus 275 basis points until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid at a rate equal to 3-month JIBAR plus 550 basis points. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV014 10.545% subordinated unsecured callable bonds

R125 million (2010: Rnil) Investec Bank Limited IV014 local registered unsecured subordinated callable bonds are due in June 2020. Interest is payable six monthly in arrears on 22 June and 22 December at a fixed rate of 10.545% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid quarterly in arrears on 22 June, 22 September, 22 December and 22 March at a rate equal to 3-month JIBAR plus 550 basis points. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV015 variable rate subordinated unsecured callable bonds

R1 350 million (2010: Rnil) Investec Bank Limited IV015 local registered unsecured subordinated callable bonds are due in September 2022. Interest is payable quarterly in arrears on 20 December, 20 March, 20 June and 20 September at a rate equal to 3-month JIBAR plus 265 basis points until 20 September 2017. From and including 20 September 2017 up to and excluding 20 September 2022 interest is paid at a rate equal to 3-month JIBAR plus 400 basis points. The maturity date is 22 September 2022, but the company has the option to call the bonds from 20 September 2017.

At 31 March	2011	2010
36. Ordinary share capital		
Investec plc		
Issued allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	471 113 064	444 937 238
Issued during the year	66 063 025	26 175 826
At end of year	537 176 089	471 113 064
Nominal value of ordinary shares	£'000	£'000
At beginning of year	94	89
Issued during the year	14	5
At end of year	108	94
Number of special converting shares	Number	Number
At beginning of year	269 766 932	268 335 257
Issued during the year	3 069 736	1 431 675
At end of year	272 836 668	269 766 932
Nominal value of special converting shares	£'000	£'000
At beginning of year	54	53
Issued during the year	*	1
At end of year	54	54
Number of UK DAN shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAN share	£'000	£'000
At beginning and end of year	*	*
Number of UK DAS shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAS share	£'000	£'000
At beginning and end of year	*	*
Number of special voting shares	Number	Number
At beginning and end of year	1	1
Nominal value of special voting share	£'000	£'000
At beginning and end of year	*	*

* *Less than £1 000.*

At 31 March	2011	2010
36. Ordinary share capital (continued)		
Investec Limited		
Authorised		
The authorised share capital of Investec Limited is R1 268 002 (2010: R1 268 002), comprising 450 000 000 (2010: 450 000 000) ordinary shares of R0.0002 each, 40 000 000 (2010: 40 000 000) class "A" variable rate compulsorily convertible non-cumulative preference shares of R0.0002 each, 50 000 (2010: 50 000) variable rate cumulative redeemable preference shares of R0.60 cents each, 100 000 000 (2010: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2010: 1) dividend access (South African resident) redeemable preference share of R1, 1 (2010: 1) dividend access (non-South African resident) redeemable preference share of R1, 700 000 000 (2010: R1, 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares)		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	269 766 932	268 335 257
Issued during the year	3 069 736	1 431 675
At end of year	272 836 668	269 766 932
Nominal value of ordinary shares	£'000	£'000
At beginning of year	46	46
Issued during the year	*	*
At end of year	46	46
Number of special converting shares	Number	Number
At beginning of year	471 113 064	444 937 238
Issued during the year	66 063 025	26 175 826
At end of year	537 176 089	471 113 064
Nominal value of special converting shares	£'000	£'000
At beginning of year	5	5
Issued during the year	*	*
At end of year	5	5
Number of SA DAN shares	Number	Number
At beginning and end of year	1	1
Nominal value of SA DAN share	£'000	£'000
At beginning and end of year	*	*
Number of SA DAS shares	Number	Number
At beginning and end of year	1	1
Nominal value of SA DAS share	£'000	£'000
At beginning and end of year	*	*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited		
Total called up share capital	214	199
Less: held by Investec Limited	(2)	-
Less: held by Investec plc	(4)	(4)
Total called up share capital	208	195

* *Less than £1 000.*

36. Ordinary share capital (continued)

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling/Rand exchange rates.

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

The UK DAS share, UK DAN share, SA DAS share the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 5.

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

	2011 Number	2010 Number
Outstanding at 1 April	67 032 559	62 289 193
Issued during the year	38 141 226	26 051 330
Exercised	(13 700 863)	(17 745 558)
Lapsed	(3 454 983)	(3 562 406)
Outstanding at 31 March	88 017 939	67 032 559

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

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

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

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members. The extent of the director's and staff interest in the incentive schemes is detailed on page 271.

At 31 March £'000	2011	2010
37. Perpetual preference shares of holding company		
Perpetual preference share capital	153	152
Perpetual preference share premium (refer to note 38)	394 207	378 099
	394 360	378 251
Issued by Investec Limited		
28 719 858 (2010: 27 411 396) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums		
– Preference share capital	2	1
– Preference share premium	264 800	248 692
Preference shareholders will be entitled to receive dividends if declared at a rate of 70% of the prime interest rate on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.		
An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the dates on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc		
9 381 149 (2010: 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each issued at a premium of £8.58 per share		
– Preference share capital	94	94
– Preference share premium	79 490	79 490
5 700 000 (2010: 5 700 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each issued at a premium of £8.86 per share		
– Preference share capital	57	57
– Preference share premium	49 917	49 917
Preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared.		
If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	394 360	378 251

At 31 March £'000	2011	2010
38. Share premium		
Share premium account Investec plc	1 079 010	796 192
Share premium account Investec Limited	768 850	754 005
Perpetual preference share premium	394 207	378 099
	2 242 067	1 928 296

At 31 March	2011	2010
39. Treasury shares		
	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	42 713	66 439
	Number	Number
Investec plc ordinary shares held by subsidiaries	4 930 675	4 433 900
Investec Limited ordinary shares held by subsidiaries	23 178 288	28 849 349
Investec plc and Investec Limited shares held by subsidiaries	28 108 963	33 283 249
Reconciliation of treasury shares:		
At beginning of year	33 283 249	66 546 360
Purchase of own shares by subsidiary companies	24 754 970	15 866 025
Shares disposed of by subsidiaries	(29 929 256)	(49 129 136)
At end of year	28 108 963	33 283 249
Market value of treasury shares:	£'000	£'000
Investec plc	23 569	23 899
Investec Limited	110 792	155 498
	134 361	179 397

At 31 March £'000	2011	2010
40. Non-controlling interests		
Minority interest in partially held subsidiaries	(4 468)	21 935
Perpetual preferred securities issued by subsidiaries	317 997	314 944
	313 529	336 879
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries	176 917	178 307
€200 000 000 (2010: €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities (preferred securities) were issued by Investec Tier 1 (UK) LP (a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities which are guaranteed by Investec plc are callable at the option of the issuer subject to the approval of the Financial Services Authority on the tenth anniversary of the issue and if not called are subject to a step up in coupon of one and a half times the initial credit spread above the 3-month euro-zone interbank offered rate. Until the tenth anniversary of the issue the dividend on the preferred securities will be at 7.075%.		
The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company.		
Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.		
Issued by Investec Limited subsidiaries	141 080	136 637
15 447 630 (2010: 15 276 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at a premium within a range of R96.46 – R99.99 per share.		
Preference shareholders will be entitled to receive dividends at a rate of 75% of the South African prime interest rate of the face value of the preference shares held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.		
An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared.		
If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	317 997	314 944

At 31 March £'000	2011 Total future minimum payments	2011 Present value	2010 Total future minimum payments	2010 Present value
41. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than 1 year	268 754	235 169	259 931	220 412
1 – 5 years	715 266	613 512	728 344	623 761
Later than 5 years	38 733	29 472	29 755	22 988
	1 022 753	878 153	1 018 030	867 161
Unearned finance income	144 610		150 806	

At 31 March 2011, unguaranteed residual values accruing to the benefit of Investec were £37.9 million (2010: £38.3 million). Finance leases in the group mainly relate to leases on property.

For the year to 31 March £'000	2011	2010
42. Notes to cash flow statement		
Operating profit adjusted for non-cash items is derived as follows:		
Operating profit	410 215	409 930
Adjustment for non-cash items included in operating profit:		
Impairment of goodwill	6 888	3 526
Amortisation of intangible assets	6 341	–
Depreciation and impairment of property, equipment and intangibles	46 606	36 457
Impairment of loans and advances	318 230	286 581
Operating income from associates	(3 942)	(11 595)
Dividends received from associates	923	5 690
Share-based payment charges	69 518	56 668
Operating profit adjusted for non-cash items	845 779	787 257
Increase in operating assets		
Loans and advances to banks	1 360 184	(366 380)
Reverse repurchase agreements and cash collateral on securities borrowed	(1 554 795)	(320 719)
Trading securities	(797 380)	(1 321 253)
Derivative financial instruments	(168 073)	422 111
Investment securities	(1 226 995)	(757 998)
Loans and advances to customers	(1 195 361)	(131 052)
Securitised assets	456 120	584 427
Other assets	(88 484)	(247 492)
Investment properties	(98 099)	(37 570)
Assurance assets	(824 573)	(1 160 769)
	(4 137 456)	(3 336 695)
Increase in operating liabilities		
Deposits by banks	(775 590)	(1 732 168)
Derivative financial instruments	268 476	(415 297)
Other trading liabilities	205 394	113 055
Repurchase agreements and cash collateral on securities lent	477 494	139 486
Customer accounts (deposits)	2 098 670	4 955 234
Debt securities in issue	(114 953)	555 497
Securitised liabilities	(418 018)	(748 237)
Other liabilities	123 161	87 301
Assurance liabilities	824 573	1 160 769
	2 689 207	4 115 640

At 31 March £'000	2011	2010
43. Commitments		
Undrawn facilities	3 002 404	2 446 967
Other commitments	72 665	153 665
	3 075 069	2 600 632
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.		
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	45 398	43 925
1 – 5 years	165 461	195 712
Later than 5 years	260 067	274 233
	470 926	513 870
At 31 March 2011 Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 7% and 13.5% per annum. The majority of the leases have renewal options.		
Operating lease receivables		
Future minimum lease receivables under non-cancellable operating leases:		
Less than 1 year	134 491	59 487
1 – 5 years	124 544	83 816
Later than 5 years	1 519	90
	260 554	143 393

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

	Carrying amount		Related liability	
At 31 March £'000	2011	2010	2011	2010
Pledged assets				
Loans and advances to customers	54 748	229 323	54 528	229 323
Loans and advances to bank	227 576	214 164	227 576	210 964
Investment securities	117 696	226 745	53 077	187 727
Reverse repurchase agreements and cash collateral on securities borrowed	930 883	295 353	1 380 970	295 353
Trading securities	876 239	444 340	363 648	166 308
	2 207 142	1 409 925	2 079 799	1 089 675

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

At 31 March £'000	2011	2010
44. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	869 008	670 999
	869 008	670 999

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date. Guarantees are issued by Investec plc and Investec Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Financial Services Compensation Scheme

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

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

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

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

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

For the year to 31 March £'000	2011	2010
45. Related party transactions		
Transactions, arrangements and agreements involving directors and others		
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them and with officers of the company were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At beginning of year	16 323	19 908
Increase in loans	15 466	10 106
Repayment of loans	(10 338)	(13 691)
At end of year	21 451	16 323
Guarantees		
At beginning of year	495	1 993
Additional guarantees granted	–	495
Guarantees cancelled	(495)	(1 993)
At end of year	–	495
Deposits		
At beginning of year	(40 000)	(31 186)
Increase in deposits	(30 198)	(27 816)
Decrease in deposits	20 592	19 002
At end of year	(49 606)	(40 000)
The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security as for comparable transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.		
Transactions with other related parties		
Various members of key management personnel are members of the boards of directors of other companies. At 31 March, Investec Limited group had the following loans outstanding from these related parties	2 009	8 456
Amounts due from associates	11 893	46 555
Fees and commission income from associates	292	321

The above outstanding balances arose from the ordinary course of business and on substantially the same terms including interest rates and security, as for comparable transactions with third party counterparties.

46. Hedges

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

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges and cash flow hedges and in particular accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2011						
Assets	Interest rate swap	13 899	9 676	4 753	(10 218)	(4 183)
	Calendar swap	133	(927)	10	927	(10)
	Cross currency swap	264 313	358 113	(61 607)	(358 013)	61 607
Liabilities	Interest rate swap	(7 345)	(29 717)	35 267	35 385	(34 963)
	Fx currency swap	(1 471)	(1 471)	(1 244)	1 471	1 545
		269 529	335 674	(22 821)	(330 448)	23 996
2010						
Assets	Interest rate swap	8 013	3 866	4 697	(5 784)	(5 730)
	Calendar swap	124	(936)	820	937	(821)
	Cross currency swap	325 920	419 720	(133 364)	(419 721)	133 380
Liabilities	Interest rate swap	(49 156)	(71 756)	11 366	78 155	(14 280)
	Fx currency swap	(16 488)	(16 488)	1 483	16 174	(1 502)
		268 413	334 406	(114 998)	(330 239)	111 047

46. Hedges (continued)

Cash flow hedges

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

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur and effect income statement
2011			
Assets	Interest rate swap	(1 230)	1 to 5 years
	Cross currency swap	32 744	3 months to 5 years
Liabilities	Basis rate swap	(110)	3 months
		31 404	
2010			
Assets	Interest rate swap	504	1 to 5 years
	Cross currency swap	14 966	1 to 5 years
Liabilities	Interest rate swap		
	Var. interest on notes	(5 395)	1 to 5 years
	Basis rate swap	(427)	3 months
		9 648	

There was no ineffective portion recognised in the income statement.

Hedges of net investments in foreign operations

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

At 31 March £'000	Hedging instrument negative fair value
2011	14 545
2010	1 581

There was no ineffective portion recognised in the income statement.

At 31 March £'000	Demand	Up to one month
47. Liquidity analysis of financial liabilities based on undiscounted cash flows		
2011		
Liabilities		
Deposits by banks	335 522	296 832
Deposits by banks – Kensington warehouse funding	–	9 386
Derivative financial instruments	1 323 469	449
Derivative financial instruments – held-for-trading	1 206 386	(5)
Derivative financial instruments – held for hedging risk	117 083	454
Repurchase agreements and cash collateral on securities lent	1 102 033	459 909
Customer accounts	5 495 926	4 104 916
Debt securities in issue	1 289	127 290
Liabilities arising on securitisation	1 803	99 896
Other liabilities	1 073 319	619 249
	9 333 361	5 717 927
Subordinated liabilities	–	–
On balance sheet liabilities	9 333 361	5 717 927
Contingent liabilities	344 820	74 239
Total liabilities	9 678 181	5 792 166
2010		
Liabilities		
Deposits by banks	311 610	444 929
Deposits by banks – Kensington warehouse funding	8 555	21 054
Derivative financial instruments	806 113	17 659
Held-for-trading	802 324	–
Held for hedging risk	3 789	17 659
Repurchase agreements and cash collateral on securities lent	517 919	314 982
Customer accounts	5 033 205	4 166 914
Debt securities in issue*	–	123 340
Liabilities arising on securitisation	1 229	91 290
Other liabilities*	766 884	228 597
	7 445 515	5 408 765
Subordinated liabilities	–	–
On balance sheet liabilities	7 445 515	5 408 765
Contingent liabilities	1 166 119	85 953
Total liabilities	8 611 634	5 494 718

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows please refer to pages 183 to 185.

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

One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
151 404	107 029	714 358	261 024	–	1 866 169
51 504	25 499	78 124	749 176	121 077	1 034 766
11 407	11 616	28 219	166 588	5 674	1 547 422
–	–	–	–	–	1 206 381
11 407	11 616	28 219	166 588	5 674	341 041
57 334	–	–	–	–	1 619 276
5 768 478	4 588 128	2 397 390	2 121 378	346 362	24 822 578
165 795	183 620	525 649	1 371 139	745 053	3 119 835
299 131	386 775	246 419	1 849 238	1 842 557	4 725 819
164 746	114 135	95 177	93 413	47 709	2 207 748
6 669 799	5 416 802	4 085 336	6 611 956	3 108 432	40 943 613
637	1 247	122 393	700 644	1 058 544	1 883 465
6 670 436	5 418 049	4 207 729	7 312 600	4 166 976	42 827 078
37 857	53 647	149 700	170 182	38 796	869 241
6 708 293	5 471 696	4 357 429	7 482 782	4 205 772	43 696 319
165 699	137 678	857 305	522 360	9 329	2 448 910
173 861	71 372	104 858	925 784	136 274	1 441 758
39 116	32 475	64 253	183 303	427 855	1 570 774
–	–	–	–	–	802 324
39 116	32 475	64 253	183 303	427 855	768 450
15 351	234 149	45 036	–	–	1 127 437
5 163 768	3 644 825	2 124 059	1 902 014	193 254	22 228 039
238 015	154 214	294 591	1 702 553	200 425	2 713 138
383 692	193 681	574 842	2 198 111	1 810 510	5 253 355
228 308	108 665	67 404	73 262	15 994	1 489 114
6 407 810	4 577 059	4 132 348	7 507 387	2 793 641	38 272 525
458	23 345	224 331	719 897	307 852	1 275 883
6 408 268	4 600 404	4 356 679	8 227 284	3 101 493	39 548 408
96 509	228 300	550 563	316 084	212 998	2 656 526
6 504 777	4 828 704	4 907 242	8 543 368	3 314 491	42 204 934

At 31 March	Principal activity	Country of incorporation	Interest 2011	Interest 2010
48. Principal subsidiaries and associated companies – Investec plc				
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holding Company Limited	Investment holding	England and Wales	100.0%	100.0%
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Limited	Banking institution	Australia	100.0%	100.0%
Investec Holdings (UK) Limited	Holding company	England and Wales	100.0%	100.0%
Investec Bank plc	Banking institution	England and Wales	100.0%	100.0%
Investec Group (UK) PLC	Holding company	England and Wales	100.0%	100.0%
Investec Asset Finance PLC	Leasing company	England and Wales	100.0%	100.0%
Leasedirect Finance Ltd	Finance broker	England and Wales	75.0%	75.0%
Investec Finance plc	Debt issuer	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Trust Holdings AG	Investment holding	Switzerland	100.0%	100.0%
Investec Trust (Switzerland) S.A.	Trust company	Switzerland	100.0%	100.0%
Investec Trust (Jersey) Limited	Trust company	Jersey	100.0%	100.0%
Investec Asset Management Limited	Asset management	England and Wales	100.0%	100.0%
Investec Ireland Limited	Financial services	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%
Kensington Group plc	Financial services	England and Wales	100.0%	100.0%
Kensington Mortgages Limited	Financial services	England and Wales	100.0%	100.0%
Newbury Park Mortgage Funding Limited	Financial services	England and Wales	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	47.1%
Investec Wealth and Investment Limited (formerly Rensburg Sheppards Investment Management Limited)	Stockbroking and portfolio management	England and Wales	100.0%	47.1%
St James's Park Mortgage Funding Limited	Financial services	England and Wales	100.0%	100.0%
Start Mortgages Limited	Financial services	Ireland	100.0%	66.4%
Investec Experien Pty Limited	Financial services	Australia	100.0%	100.0%
Guinness Mahon & Co Limited	Investment holding	England and Wales	100.0%	100.0%
All of the above subsidiary undertakings are included in the consolidated accounts				
The company has taken advantage of the exemption under section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements. A complete list of subsidiary and associated undertakings will be included in the next Investec plc annual return filed with the registrar of companies.				
Principal associated companies				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	33.18%	35.0%

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

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

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

At 31 March	Principal activity	Country of incorporation	Interest % 2011	Interest % 2010
48. Principal subsidiaries and associated companies – Investec Limited (continued)				
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Assurance Ltd	Insurance company	South Africa	100.0%	100.0%
Investec Bank Ltd	Registered bank	South Africa	100.0%	100.0%
Investec Employee Benefits Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec International (Gibraltar) Ltd	Investment holding	Gibraltar	100.0%	100.0%
Investec Securities Ltd	Registered stock broker	South Africa	100.0%	100.0%
Fedsure International Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Property Group Holdings Ltd	Investment holding	South Africa	100.0%	100.0%
Indirect subsidiaries of Investec Limited				
Investec Asset Management (Pty) Ltd	Asset management	South Africa	100.0%	100.0%
Investec Insurance Brokers (Pty) Ltd	Insurance broking	South Africa	100.0%	100.0%
Investec International Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Fund Managers SA Ltd	Unit trust management	South Africa	100.0%	100.0%
Investec Bank (Mauritius) Ltd	Banking institution	Mauritius	100.0%	100.0%
Investec Property Ltd	Property trading	South Africa	100.0%	100.0%
Reichmans (Pty) Ltd	Trade financing	South Africa	100.0%	100.0%
Investec Employee Benefits Ltd	Long-term insurance	South Africa	100.0%	100.0%
Investec Limited has no equity interest in the following special purpose vehicles, which are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities:				
Peu II Ltd		South Africa		
Securitisation entities:				
Private Mortgages 1 (Pty) Ltd		South Africa		
Private Mortgages 2 (Pty) Ltd		South Africa		
Private Mortgages 3 (Pty) Ltd		South Africa		
Private Residential Mortgages (Pty) Ltd		South Africa		
Private Commercial Mortgages (Pty) Ltd		South Africa		
Grayston Conduit 1 (Pty) Ltd		South Africa		
Corporate Finance Solutions Receivables (Pty) Ltd		South Africa		

The following subsidiaries are not consolidated for regulatory purposes:

Investec Assurance Ltd

Investec Employee Benefits Holdings (Pty) Ltd and its subsidiaries

There are no subsidiaries which are consolidated for regulatory but not for accounting purposes.

Investec plc parent company accounts
Balance sheet

At 31 March £'000	Notes	2011	2010
Investments in subsidiaries	b	1 584 528	1 302 646
Current assets			
Cash at bank and in hand			
– balances with subsidiary undertaking		9 093	71 574
– balances with other banks		968	1 047
Amounts owed by group undertakings		535 564	501 381
Tax		26 597	17 437
Other debtors		21	20
Prepayments and accrued income		116	445
Total assets		2 156 887	1 894 550
Liabilities			
Bank loans	c	132 943	178 392
Amounts owed to group undertakings		779 709	780 175
Other liabilities		1 025	1 132
Accruals and deferred income		6 585	2 125
Total liabilities		920 262	961 824
Capital and reserves			
Called up share capital	d	162	148
Perpetual preference share capital	d	151	151
Share premium account	d	1 058 993	931 923
Capital reserve		180 433	–
Capital redemption reserve	d	50	50
Retained earnings	d	(3 164)	454
Total capital and reserves		1 236 625	932 726
Total capital and liabilities		2 156 887	1 894 550

Approved and authorised for issue by the board of directors on 15 June 2011 and signed on its behalf by:

Stephen Koseff
Chief executive officer

Investec plc parent company accounts
Notes to Investec plc parent company accounts

a. Accounting policies

Basis of preparation

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

Foreign currencies

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

Investments

Investments are stated at cost less any impairment in value.

Income

Dividends income is recognised when right to receive payment is established. Interest income is recognised using the effective interest rate method.

Taxation

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

Company's own profit and loss account

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

Cash flow statement

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

Financial instruments: disclosures

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

Related party transactions

Transactions, arrangements and agreements involving directors and others are disclosed in note 45 to the group financial statements.

£'000	2011	2010
b. Investments in subsidiaries		
At beginning of year	1 302 646	1 234 571
Additions	548 122	104 000
Disposals	(266 240)	(35 925)
At end of year	1 584 528	1 302 646

On 25 June 2010, the company issued 37 907 652 shares at £4.76 each in consideration for the purchase of Rensburg Sheppards plc (RS) at a cost of £180.4 million. RS made a profit after taxation and non-controlling interests of £3.6 million in the period 1 April 2010 to 25 June 2010 and a profit after taxation and non-controlling interests of £20.0 million in the year ended 31 March 2010.

On 2 July 2010, RS was sold to Investec 1 Limited for £180.4 million settled with an issue of 18 044 000 Investec 1 Limited's ordinary shares of 0.1 pence each at a cost of £10 per share. No gain or loss was recognised on the sale.

On 24 September 2010, the company subscribed to 10 000 000 ordinary shares at £10 each of Investec 1 Limited at a cost of £100 million.

On 27 October 2010, Investec Finance (Jersey) Limited redeemed the company's holding of 22 million preference shares of £3.90 each.

On 27 October 2010, the company subscribed to 8 724 266 ordinary shares at £10 each of Investec 1 Limited at a cost of £87.2 million.

Bank loans

c. The two Schuldschein loans of €100 million each matured on 8 and 9 of March 2011 respectively. This debt was replaced by medium-term external currency borrowing of €105 million and USD70 million.

£'000	Called up share capital	Perpetual preference share capital	Share premium	Capital reserve	Capital redemption reserve	Retained earnings	Total equity
d. Statement of changes in shareholders' equity							
At 1 April 2010	148	151	931 923	–	50	454	932 726
Issue expenses	–	–	(3 631)	–	–	–	(3 631)
Issue of ordinary shares	14	–	130 701	180 433	–	–	311 148
Share-based payment adjustment	–	–	–	–	–	1 495	1 495
Profit for the year	–	–	–	–	–	42 706	42 706
Dividends paid to preference shareholders	–	–	–	–	–	(2 262)	(2 262)
Dividends paid to ordinary shareholders	–	–	–	–	–	(45 557)	(45 557)
At 31 March 2011	162	151	1 058 993	180 433	50	(3 164)	1 236 625

Parent company profit and loss account

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

The company's profit for the year determined in accordance with the Act was £42.7 million (2010: £31.1 million). There are no other recognised gains and losses other than in the profit and loss account.

e. Treasury shares

	2011	2010
Treasury shares held by Investec plc		
Number of Investec plc ordinary shares held by Investec plc	Number	Number
At 1 April	500 000	500 000
Purchase of own shares by Investec plc	75 000	–
Sale of own shares by Investec plc	(575 000)	–
At 31 March	–	500 000
	£'000	£'000
Market value of treasury shares	–	2 693

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

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

Investec Limited parent company accounts
Income statement

For the year to 31 March R'million	2011	2010
Interest income	100	46
Interest expense	(27)	(31)
Net interest income	**73**	**15**
Fee and commission income	2	–
Principal transactions	1 617	1 390
Other income	**1 619**	**1 390**
Operating costs	(38)	(12)
Profit before taxation	**1 654**	**1 393**
Taxation	(18)	(14)
Profit after taxation	**1 636**	**1 379**

Statement of comprehensive income

For the year to 31 March R'million	2011	2010
Profit after taxation	1 636	1 379
Total comprehensive income	**1 636**	**1 379**

Investec Limited parent company accounts
Balance sheet

At 31 March R'million	Notes	2011	2010
Assets			
Loans and advances to banks		27	27
Trading securities		97	288
Loans and advances to customers		1	1
Deferred taxation assets		–	18
Other assets		1	1
Investment in subsidiaries	b	11 854	10 747
		11 980	11 082
Liabilities			
Debt securities in issue		400	400
Current taxation liabilities		227	186
Other liabilities		59	72
		686	658
Equity			
Ordinary share capital	c	1	1
Share premium		9 208	8 942
Perpetual preference shares	d	*	*
Other reserves		62	62
Retained income		2 023	1 419
Total equity		11 294	10 424
Total liabilities and shareholders' equity		11 980	11 082

* *Less than a million.*

Investec Limited parent company accounts
Cash flow statement

For the year to 31 March R'million	2011	2010
Cash flows from operating activities		
Cash generated by operating activities	1 691	1 404
Taxation received	41	–
(Decrease)/increase in operating liabilities	(13)	5
Increase/(decrease) in income earning assets	241	(25)
Net cash inflow from operating activities	**1 960**	**1 384**
Cash flows from financing activities		
Proceeds on issue of shares, net of related costs	266	462
Dividends paid	(1 119)	(984)
Net increase in subsidiaries and loans to group companies	(1 107)	(864)
Net cash outflow from financing activities	**(1 960)**	**(1 386)**
Net decrease in cash and cash equivalents	–	(2)
Cash and cash equivalents at beginning of year	27	29
Cash and cash equivalents at end of year	**27**	**27**
Cash and cash equivalents is defined as including:		
Cash and balances at central banks	–	–
On demand loans and advances to banks	27	27
Cash equivalent advances to customers	–	–
Cash and cash equivalents at the end of the year	**27**	**27**

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).

Investec Limited parent company accounts
Statement of changes in equity

For the year to 31 March R'million	Share capital	Share premium	Capital reserve account	Retained income	Total shareholders' equity
At 1 April 2009	1	8 480	62	1 000	9 543
Total comprehensive income	–	–	–	1 379	1 379
Issue of ordinary shares	–	8	–	–	8
Issue of perpetual preference shares	–	454	–	–	454
Share-based payments adjustments	–	–	–	24	24
Dividends paid to ordinary shareholders	–	–	–	(780)	(780)
Dividends paid to perpetual preference shareholders	–	–	–	(204)	(204)
At 31 March 2010	1	8 942	62	1 419	10 424
Total comprehensive income	–	–	–	1 636	1 636
Issue of ordinary shares	–	266	–	–	266
Share-based payments adjustments	–	–	–	87	87
Dividends paid to ordinary shareholders	–	–	–	(914)	(914)
Dividends paid to perpetual preference shareholders	–	–	–	(205)	(205)
At 31 March 2011	1	9 208	62	2 023	11 294

Notes to Investec Limited parent company accounts

a. Accounting policies

Basis of presentation

The parent company accounts of Investec Limited are prepared in accordance with International Financial Reporting Standards and in a manner consistent with the policies disclosed on pages 308 to 321 for the group accounts except as noted below:

Foreign currencies

The presentational and functional currency for Investec Limited parent company is South African Rand. All foreign currency transactions are initially recorded and translated to the functional currency at the rate applicable at the time of the transaction.

Investment in subsidiaries

Investment in subsidiaries are stated at cost less any impairment in value.

Income

Dividends income is recognised when right to receive payment is established. Interest income is recognised using the effective interest rate method.

R'million	2011	2010
b. Investment in subsidiaries		
At beginning of year	10 747	9 883
Increase in investment in subsidiary	1 302	1 450
Decrease in loans to subsidiaries	(195)	(586)
At end of year	11 854	10 747

At list of the companies principal subsidiaries is detailed in note 48 of the group accounts.

c. The company's called up share capital is detailed in note 36 of the group accounts.

d. The company's perpetual preference shares is detailed in note 37 of the group accounts.

A separate annual report has been published for the Investec Limited group. Refer to it for extensive disclosures particularly IFRS 7 disclosures.

Definitions

Ordinary shareholders' equity	Refer to calculation on page 47
Cost to income ratio	Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income
Core loans and advances	Refer to calculation on page 135
Dividend cover	Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share
Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	Refer to pages 337 and 338
Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items	Refer to pages 337 and 338
Effective operational tax rate	Tax on profit on ordinary activities (excluding exceptional items) divided by operating profit (excluding profit from associates)
Market capitalisation	Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange
Net tangible asset value per share	Refer to calculation on page 46
Non-operating items	Reflects profits and/or losses on termination or disposal of group operations
Operating profit	Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items
Operating profit per employee	Refer to calculation on page 51
Recurring income	Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income net of insurance claims
Return on average ordinary shareholders' equity	Refer to calculation on page 47
Return on average ordinary tangible shareholders' equity	Refer to calculation on page 47
Staff compensation to operating income ratio	All employee related costs expressed as a percentage of operating income
Third party assets under administration	Includes third party assets under administration managed by the Wealth and Investment, Asset Management and Property businesses
Total capital resources	Includes shareholders' equity, subordinated liabilities and non-controlling interests
Total equity	Total shareholders' equity including non-controlling interests
Weighted number of ordinary shares in issue	The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 337

Notice of annual general meeting of Investec plc

Investec plc

(Incorporated in England and Wales)
(Registration number 3633621)
Share code: INVP ISIN: GB00B17BBQ50

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to obtain your own personal financial advice immediately from your stockbroker, bank manager, accountant or other independent professional adviser authorised under Part VI of the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your ordinary shares in Investec plc, please send this document together with the accompanying Form of Proxy at once to the relevant transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected, for transmission to the relevant transferee.

Notice is hereby given that the annual general meeting of Investec plc will be held at 11:00 (UK time) on Thursday, 04 August 2011, at the registered office of Investec plc at 2 Gresham Street, London, EC2V 7QP, to transact the following business:

Common business: Investec plc and Investec Limited

To consider and if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec plc and Investec Limited:

1. To re-elect Samuel Ellis Abrahams as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
2. To re-elect George Francis Onslow Alford as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
3. To re-elect Glynn Robert Burger as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
4. To re-elect Cheryl Ann Carolus as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
5. To re-elect Peregrine Kenneth Oughton Crosthwaite as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
6. To re-elect Bradley Fried as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
7. To re-elect Haruko Fukuda, OBE as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
8. To re-elect Hugh Sidney Herman as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
9. To re-elect Bernard Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
10. To re-elect Ian Robert Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
11. To re-elect Stephen Koseff as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
12. To re-elect Mangalani Peter Malungani as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
13. To re-elect Sir David Prosser as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.

14. To re-elect Peter Richard Suter Thomas as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.

15. To re-elect Fani Titi as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited..

16. To re-elect Hendrik Jacobus du Toit, whose appointment as a director terminates at the end of the annual general meetings of Investec plc and Investec Limited convened for 04 August 2011, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.

17. To re-elect Olivia Catherine Dickson, whose appointment as a director terminates at the end of the annual general meetings of Investec plc and Investec Limited convened for 04 August 2011, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.

For brief biographical details of the directors to be re-elected, please refer to pages 282 to 284 of the annual report of Investec plc/Investec Limited.

In accordance with corporate governance best practice, the boards of both Investec plc and Investec Limited have resolved to adopt the provisions of the UK Corporate Governance Code relating to the annual re-election of all directors.

18. To approve the Dual Listed Companies (DLC) remuneration report for the year ended 31 March 2011. This resolution is a non-binding advisory vote. Please refer to pages 253 to 274 of the annual report of Investec plc/Investec Limited.

19. To approve the Dual Listed Companies (DLC) audit committee report for the year ended 31 March 2011.This resolution is a non-binding advisory vote. Please refer to pages 248 to 250 of the annual report of Investec plc/Investec Limited.

20. Directors' authority to take action in respect of the resolutions
Resolved that:
    - any director or the company secretaries of Investec plc and Investec Limited, be and they are hereby authorised to do all things and sign all documents which may be necessary to carry into effect the resolutions contained in this notice to the extent the same have been passed and, where applicable, registered.

Ordinary business: Investec Limited

To consider and if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec Limited:

21. To receive and adopt the audited financial statements of Investec Limited for the year ended 31 March 2011, together with the reports of the directors of Investec Limited and of the auditors of Investec Limited.

22. To sanction the interim dividend paid by Investec Limited on the ordinary shares in Investec Limited for the 6 (six) month period ended 30 September 2010.

23. To sanction the interim dividend paid by Investec Limited on the dividend access (South African Resident) redeemable preference share ("SA DAS share") for the 6 (six) month period ended 30 September 2010.

24. Subject to the passing of resolution no. 37 to declare a final dividend on the ordinary shares and the dividend access (South African Resident) redeemable preference share ("SA DAS share") in Investec Limited for the year ended 31 March 2011 of an amount equal to that recommended by the directors of Investec Limited.

25. To re-appoint Ernst & Young Inc. of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 South Africa (Private Bag X14, Northlands, 2116 South Africa) as joint auditors and Farouk Mohideen, as the registered auditor responsible for the audit, of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2012 and to authorise the directors of Investec Limited to fix their remuneration.

26. To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 South Africa (Private Bag 9, Parkview, 2122 South Africa) as joint auditors and Gavin Leslie de Lange, as the registered auditor responsible for the audit, of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2012 and to authorise the directors of Investec Limited to fix their remuneration.

Special business: Investec Limited

To consider and if deemed fit, to pass, with or without modification, the following ordinary and special resolutions of Investec Limited:

27. Ordinary resolution: Investec Limited: Placing 5% of the unissued ordinary shares under the control of the directors
Resolved that:
    - with reference to the authority granted to directors in terms of Article 12 of the Memorandum of Incorporation of Investec Limited, a total of 8 858 166 (eight million eight hundred and fifty eight thousand one hundred and sixty six) ordinary shares of R0.0002 each being 5% (five per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of the South African Companies Act, No. 71 of 2008, as amended, (the "SA Act"), if any, who are authorised to allot and issue the same at their discretion until the next annual general meeting of Investec Limited to be held in 2012, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the listings requirements of the JSE Limited.

28. Ordinary resolution: Investec Limited: Placing 5% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares under the control of the directors
Resolved that:
    - with reference to the authority granted to directors in terms of Article 12 of the Memorandum of Incorporation of Investec Limited, a total of 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares of R0.0002 each ("class "A" preference shares"), being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of the South African Companies Act, No. 71 of 2008, as amended, (the "SA Act") , if any, who are authorised to allot and issue the same at their discretion until the next annual general meeting of Investec Limited to be held in 2012, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the listings requirements of the JSE Limited.

29. Ordinary resolution: Investec Limited: Placing the remaining unissued shares, being the variable rate cumulative redeemable preference shares, the non-redeemable, non-cumulative, non-participating preference shares and the special convertible redeemable preference shares under the control of the directors
Resolved that:
    - with reference to the authority granted to directors in terms of Article 12 of the Memorandum of Incorporation of Investec Limited, all the unissued shares in the authorised share capital of Investec Limited, excluding the ordinary shares and the class "A" variable rate compulsorily convertible non-cumulative preference shares, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of the South African Companies Act, No. 71 of 2008, as amended, (the "SA Act"), if any, who are authorised to allot and issue the same at their discretion until the next annual general meeting of Investec Limited to be held in 2012, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the listings requirements of the JSE Limited.

    These preference shares, if issued, are non-dilutive to ordinary shareholders.

30. Ordinary resolution with a 75% majority: Investec Limited: Directors' authority to allot and issue ordinary shares for cash in respect of 5% of the unissued ordinary shares
Resolved that:
    - subject to the passing of resolution no. 27, the listings requirements of the JSE Limited (the "JSE listings requirements"), the South African Banks Act, No. 94 of 1990, as amended, and the South African Companies Act, No. 71 of 2008, as amended, if any, the directors of Investec Limited be and they are hereby authorised to allot and issue 8 858 166 (eight million eight hundred and fifty eight thousand one hundred and sixty six) ordinary shares of R0.0002 each for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE listings requirements:

    (i) this authority shall not extend beyond the later of the date of the next annual general meeting of Investec Limited to be held in 2012 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 04 August 2011, whichever period is shorter

    (ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue

    (iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible

    (iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and

(v) the ordinary shares must be issued to public shareholders, as defined in the JSE listings requirements, and not to related parties.

The directors are seeking an authority to allot up to 5% (five per cent) of the number of unissued ordinary shares for cash which represents 3.25% (three point two five per cent) of the number of issued ordinary shares which is significantly lower than the 15% (fifteen per cent) permitted in terms of the JSE listings requirements.

If resolution no. 30 and special resolution no. 4 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total unissued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines.

In terms of the JSE listings requirements, in order for resolution no. 30 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 30.

31. Ordinary resolution with a 75% majority: Investec Limited: Directors' authority to allot and issue class "A" variable rate compulsorily convertible non-cumulative preference shares for cash in respect of 5% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares

Resolved that:

- subject to the passing of resolution no. 28, the listings requirements of the JSE Limited (the "JSE listing requirements"), the South African Banks Act, No. 94 of 1990, as amended, and the South African Companies Act, No. 71 of 2008, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares of R0.0002 each ("class "A" preference shares") being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE listings requirements:

(i) this authority shall not extend beyond the later of the date of the next annual general meeting of Investec Limited to be held in 2012 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 04 August 2011, whichever period is shorter

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per class "A" preference share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of class "A" preference shares in issue prior to such issue

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of class "A" preference shares in issue

(iv) in determining the price at which an allotment and issue of class "A" preference shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the class "A" preference shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and

(v) the class "A" preference shares must be issued to public shareholders, as defined in the JSE listings requirements, and not to related parties.

If resolution no. 31 is passed, the directors will have authority to allot up to 2 000 000 (two million) class "A" preference shares for cash other than by way of rights issue in respect of Investec Limited, being equivalent to 5% (five per cent) of the unissued class "A" preference shares.

In terms of the JSE listings requirements, in order for resolution no. 31 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 31.

32. Special resolution no. 1: Investec Limited: Directors' authority to acquire ordinary shares and perpetual preference shares

Resolved that:

- in terms of Article 9 of the Memorandum of Incorporation of Investec Limited and with effect from 04 August 2011, Investec Limited hereby approves, as a general approval provided for in the South African Companies Act, No. 71 of 2008, as amended, (the "SA Act"), the acquisition by Investec Limited or any of its subsidiaries from time to time of the issued ordinary shares and non-redeemable, non-cumulative, non-participating preference shares ("perpetual preference shares") of Investec Limited, upon such terms and conditions and in such amounts as the directors of Investec Limited or its subsidiaries may from time to time decide, but subject to the provisions of the South African Banks Act, No. 94 of 1990, as amended, the SA Act and the listings requirements of the JSE Limited (the "JSE" and the "JSE listings requirements"), being, *inter alia*, that:

(i) any such acquisition of ordinary shares or perpetual preference shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement

(ii) this general authority shall be valid until Investec Limited's next annual general meeting to be held in 2012, or the date of expiry of 15 (fifteen) months from the date of passing of this special resolution no.1 whichever is the shorter period.

(iii) an announcement containing full details of such acquisitions will be published as soon as Investec Limited or any of its subsidiaries has acquired ordinary shares or perpetual preference shares constituting, on a cumulative basis, 3% (three per cent) of the number of ordinary shares or perpetual preference shares in issue, as the case may be, prior to the acquisition pursuant to which the aforesaid 3% (three per cent) threshold is reached and for each 3% (three per cent) in aggregate acquired thereafter

(iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty per cent) of Investec Limited's issued ordinary share capital or Investec Limited's issued perpetual preference share capital as at the date of passing of this special resolution no. 1

(v) in determining the price at which ordinary shares or perpetual preference shares issued by Investec Limited are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares or perpetual preference shares, as the case may be, may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares or perpetual preference shares, as the case may be, are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of acquisition of such ordinary shares or perpetual preference shares, as the case may be, by Investec Limited or any of its subsidiaries

(vi) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any acquisition on Investec Limited's behalf and

(vii) Investec Limited and/or its subsidiaries not acquiring any shares during a prohibited period as defined by the JSE listings requirements unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

The reason for and effect of special resolution no. 1 is to grant a renewable general authority to Investec Limited, or a subsidiary of Investec Limited, to acquire ordinary shares and perpetual preference shares of Investec Limited which are in issue from time to time in terms of the SA Act and the JSE listings requirements.

The directors of Investec Limited have no present intention of making any acquisition but believe that Investec Limited should retain the flexibility to take action if future acquisitions are considered desirable and in the best interests of shareholders. The directors of Investec Limited are of the opinion that, after considering the effect of such acquisition of ordinary shares and perpetual preference shares, if implemented and on the assumption that the maximum of 20% (twenty per cent) of the current issued ordinary share capital or perpetual preference share capital of Investec Limited will be acquired, using the mechanism of the general authority at the maximum price at which the acquisition may take place (a 10% (ten per cent) premium above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date of the acquisition) and having regard to the price of the ordinary shares or perpetual preference shares of Investec Limited on the JSE at the last practical date prior to the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011 that:

- Investec Limited and its subsidiaries will be able, in the ordinary course of business, to pay its debt for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011
- the consolidated assets of Investec Limited and its subsidiaries, fairly valued in accordance with General Accepted Accounting Practice, will be in excess of the consolidated liabilities of Investec Limited and its subsidiaries for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011
- Investec Limited and its subsidiaries will have adequate capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011 and
- the working capital of Investec Limited and its subsidiaries will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011.

Litigation statement

In terms of section 11.26 of the JSE listings requirements, the directors, whose names appear on pages 282 to 284 of the 2011 annual report, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on Investec Limited and its subsidiaries' financial position, other than disclosed in the notes to the financial statements.

Directors' responsibility statement

The directors, whose names appear on pages 282 to 284 of the 2011 annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution no. 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the 2011 annual report, there have been no material changes in the affairs or financial position of Investec Limited and its subsidiaries since the date of signature of the audit report and up to the date of the notice of annual general meeting of Investec Limited.

The following additional information, some of which may appear elsewhere in the 2011 Annual Report, is provided in terms of the JSE listings requirements for purposes of the general authority:

- Directors and management – annual report pages 282 to 284
- Major beneficial shareholders – annual report page 279
- Directors' interests in ordinary shares – annual report page 271
- Share capital of Investec Limited – annual report pages 375 and 376.

33. Special resolution no. 2: Investec Limited: Financial assistance
Resolved that:

- to the extent required by the South African Companies Act No. 71 of, 2008, as amended (the "SA Act"), the board of directors of Investec Limited may, subject to compliance with the requirements of Investec Limited's Memorandum of Incorporation, if any, the SA Act and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, authorise Investec Limited to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

(i) any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to Investec Limited, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by Investec Limited or a related or inter-related company, or for the purchase of any securities of Investec Limited or a related or inter-related company; and/or

(ii) any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of Investec Limited's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by Investec Limited or a related or inter-related company, or for the purchase of any securities of Investec Limited or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the SA Act, such authority to endure until the forthcoming annual general meeting of Investec Limited to be held in 2012.

The reason for and effect of this special resolution no. 2 is to enable Investec Limited to comply with the provisions of sections 44 and 45 of the SA Act.

Notwithstanding the title of section 45 of the SA Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and entities, including *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the SA Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, to or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the SA Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

(i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

34. Special resolution no. 3: Directors' remuneration
Resolved that:

- in terms of section 66(9) of the South African Companies Act No. 71 of, 2008, as amended (the "SA Act"), payment of the remuneration for the directors of Investec Limited be approved as follows:

(i) for the period 1 April 2011 to 31 March 2012: as set out on page 264 of the 2011 annual report

(ii) thereafter but only until the expiry of a period of 24 (twenty four) months from the date of the passing of this special resolution no. 3 has expired (or until amended by a special resolution of shareholders prior to the expiry of such period), on the same basis as above, escalated as determined by the board of Investec Limited, up to a maximum of 5% (five per cent) per annum per amount set out as aforesaid.

The reason for and effect of this special resolution no. 3 is to enable Investec Limited to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the SA Act, which stipulate that remuneration to directors for their service as directors may be paid only in accordance with a special resolution approved by the shareholders within the previous two years.

For more information on the directors' remuneration, please refer to pages 253 to 274 of the 2011 annual report of Investec plc/Investec Limited.

Ordinary business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec plc:

35. To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2011, together with the reports of the directors of Investec plc and of the auditors of Investec plc.

36. To sanction the interim dividend paid by Investec plc on the ordinary shares in Investec plc for the 6 (six) month period ended 30 September 2010.

37. Subject to the passing of resolution no. 24 to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2011 of an amount equal to that recommended by the directors of Investec plc.

38. To re-appoint Ernst & Young LLP of 1 More London Place, London, SE1 2AF, as auditors of Investec plc to hold office until the conclusion of the annual general meeting of Investec plc to be held in 2012 and to authorise the directors of Investec plc to fix their remuneration.

Special business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions of Investec plc:

39. Ordinary resolution: Investec plc: Directors' authority to allot shares and other securities
Resolved that:

- the authority conferred on the directors of Investec plc by paragraph 12.2 of Article 12 of Investec plc's Articles of Association be renewed for the period ending on the date of the annual general meeting of Investec plc to be held in 2012 or, if earlier, 15 (fifteen) months after the passing of this ordinary resolution and for such period the section 551 Amount shall be the aggregate of:

(i) £35 812 in respect of Investec plc ordinary shares of £0.0002 each ("ordinary shares")

(ii) £35 433 in respect of Investec plc special converting shares of £0.0002 each ("special converting shares") and

(iii) £1 000 000 in respect of Investec plc non-redeemable, non-cumulative, non-participating preference shares of £0.01 each ("preference shares").

The Articles of Association of Investec plc permit the directors of Investec plc to allot shares and other securities in accordance with section 551 of the Companies Act 2006, up to an amount authorised by the shareholders in general meeting. The authority conferred on the directors at Investec plc's annual general meeting held on 12 August 2010 expires on the date of the forthcoming annual general meeting of Investec plc convened for 04 August 2011 and the directors of Investec plc recommend that this authority be renewed.

Resolution no. 39 will, if passed, authorise the directors of Investec plc to allot Investec plc shares up to a maximum nominal amount of £1 071 245 (one million seventy one thousand two hundred and forty five Pounds Sterling) as set out in the table below:

	Number of shares	Relative part of Section 551 Amount	Total
Ordinary shares[1]	179 059 196	£35 812	–
Special converting shares[2]	177 163 332	£35 433	£1 071 245[4]
Preference shares[3]	100 000 000	£1 000 000	–

1. *One third of the issued ordinary share capital in line with the authority normally sought by UK companies.*
2. *The special converting shares are required by the Dual Listed Companies structure and agreements to reflect the number of ordinary shares issued by Investec Limited at any time and from time to time.*
3. *The issue of preference shares is non-dilutive to ordinary shareholders. Preference shares may be issued with such rights or subject to such restrictions as the directors may determine.*
4. *This amount is higher than the one third of issued ordinary share capital limit normally adopted by UK companies at their annual general meetings only due to the inclusion of the special converting shares and preference shares as noted in nos. 2 and 3 above, neither of which are dilutive to ordinary shareholders. While the authority to allot shares to the value shown is given in respect of all of the shares of Investec plc as required by the Companies Act 2006, the directors of Investec plc would ensure that the shares of each class listed in the above table allotted by them would not be in excess of the amount listed in the column entitled "relative part of section 551 amount" for each such class of shares.*

As of 10 June 2011 (the latest practicable date prior to publication of this notice), Investec plc holds 0 (zero) treasury shares.

40. Special resolution no. 4: Investec plc: Directors' authority to allot ordinary shares for cash

Resolved that:

- subject to the passing of resolution no. 39, the power conferred on the directors of Investec plc by paragraph 12.4 of Article 12 of Investec plc's Articles of Association be renewed for the period referred to in resolution no. 39 and for such period the section 571 amount shall be £5 372 (five thousand three hundred and seventy two Pounds Sterling).

The purpose of special resolution no. 4 is to renew the authority of the directors of Investec plc to allot equity securities for cash otherwise than to shareholders in proportion to existing holdings. In the case of allotments other than rights issues, the authority is limited to equity securities up to an aggregate nominal value of £5 372 (five thousand three hundred and seventy two Pounds Sterling) which represents approximately 5% (five per cent) of the total issued ordinary share capital of Investec plc as at 10 June 2011 (being the last practicable date prior to publication of this notice). The authority will expire at the end of the next annual general meeting of Investec plc to be held in 2012 or, if earlier, 15 (fifteen) months after the passing of this special resolution no. 4.

If resolution no. 30 and special resolution no. 4 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total unissued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines.

The directors also confirm that pursuant to the Dual Listed Companies structure, the exercise of any such authority would be subject to the following specific limitations as required by the listings requirements of the JSE Limited (the "JSE listings requirements"):

(i) this authority shall not extend beyond the later of the date of the next annual general meeting of Investec plc or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec plc convened for 04 August 2011, whichever period is shorter

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible

(iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc and

(v) the equity securities/shares must be issued to public shareholders and not to related parties.

In order for special resolution no. 4 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of special resolution no. 4.

41. Special resolution no. 5: Investec plc: Directors' authority to purchase ordinary shares

Resolved that:

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of the Companies Act 2006) of ordinary shares in the capital of Investec plc provided that:

(i) the maximum aggregate number of ordinary shares which may be purchased is 53 717 759 (fifty three million seven hundred and seventeen thousand seven hundred and fifty nine) ordinary shares of £0.0002 each

(ii) the minimum price which may be paid for each ordinary share is its nominal value of such share at the time of purchase

(iii) the maximum price which may be paid for any ordinary share is an amount equal to 105% (one hundred and five per cent) of the average of the middle market quotations of the ordinary shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased and

(iv) this authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2012, or if earlier, 15 (fifteen) months from the date on which this resolution is passed (except in relation to the purchase of ordinary shares, the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to that time.

The directors of Investec plc consider it may, in certain circumstances, be in the best interests of shareholders generally for Investec plc to purchase its own ordinary shares. Accordingly, the purpose and effect of special resolution no. 5 is to grant a general authority, subject to the specified limits, to Investec plc to acquire ordinary shares of Investec plc.

As of 10 June 2011 (the latest practicable date prior to publication of this notice), there were options outstanding over 53 385 519 (fifty three million three hundred and eighty five thousand five hundred and nineteen) ordinary shares, representing 9.9% (nine point nine per cent) of Investec plc's issued ordinary share capital at that date. If the authority to buy back shares under this special resolution no. 5 was exercised in full, the total number of options to subscribe for ordinary shares would represent 11% (eleven per cent) of Investec plc's issued ordinary share capital.

The Companies Act 2006 permits Investec plc to purchase its own ordinary shares to be held in treasury, with a view to possible resale at a future date.

The directors of Investec plc have no present intention of making any purchases, but believe that Investec plc should retain the flexibility to take further action if future purchases were considered desirable and in the best interest of shareholders. If Investec plc were to purchase shares under the Companies Act 2006 they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury. The authority will be exercised only if the directors of Investec plc believe that to do so would result in an increase of earnings per ordinary share and would be in the interests of shareholders generally or, in the case of the creation of treasury shares, that to do so would be in the best interests of shareholders generally.

In order for special resolution no. 5 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of special resolution no. 5.

42. Special resolution no. 6: Investec plc: Directors' authority to purchase preference shares

Resolved that:

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of the Companies Act 2006) of preference shares in the capital of Investec plc provided that:

(i) the maximum aggregate number of preference shares which may be purchased is 1 508 115 (one million five hundred and eight thousand one hundred and fifteen)

(ii) the minimum price which may be paid for each preference share is its nominal value of such share at the time of purchase

(iii) the maximum price which may be paid for any preference share is an amount equal to 105% (one hundred and five per cent) of the average of the middle market quotations of the preference shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased and

(iv) this authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2012, or if earlier, 15 (fifteen) months from the date on which this special resolution no. 6 is passed (except in relation to the purchase of preference shares, the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to that time.

The directors of Investec plc consider it may, in certain circumstances, be in the best interests of shareholders generally for Investec plc to purchase its own preference shares. Accordingly, the purpose and effect of special resolution no. 6 is to grant a general authority, subject to the specified limits, to Investec plc to acquire preference shares of Investec plc.

The Companies Act 2006 permits Investec plc to purchase its own preference shares to be held in treasury, with a view to possible resale at a future date.

The directors of Investec plc have no present intention of making any purchases, but believe that Investec plc should retain the flexibility to take further action if future purchases were considered desirable and in the best interest of shareholders. If Investec plc were to purchase preference shares under the Companies Act 2006 they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury. The authority will be exercised only if the directors of Investec plc believe that to do so would be in the interests of shareholders generally or, in the case of the creation of treasury shares, that to do so would be in the best interests of shareholders generally.

In order for special resolution no. 6 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of special resolution no. 6.

43. Ordinary resolution: Investec plc: Political donations
Resolved that:

- in accordance with section 366 of the Companies Act 2006, Investec plc and any company which, at any time during the period for which this resolution has effect, is a subsidiary of Investec plc, be and are hereby authorised to:

(i) make donations to political organisations not exceeding £25 000 (twenty five thousand Pounds Sterling) in total and

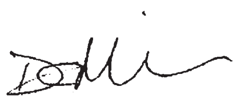
(ii) incur political expenditure not exceeding £75 000 (seventy five thousand Pounds Sterling) in total.

In each case during the period commencing on the date of this resolution and ending on the date of the annual general meeting of Investec plc to be held in 2012, provided that the maximum amounts referred to in (i) and (ii) may consist of sums in any currency converted into Pounds Sterling at such rate as Investec plc may in its absolute discretion determine. For the purposes of this resolution, the terms “political donations”, “political organisations” and “political expenditure” shall have the meanings given to them in sections 363 to 365 of the Companies Act 2006.

The reason for ordinary resolution no. 43 is that the Companies Act 2006 requires companies to obtain shareholder approval before they can make donations to EU political organisations or incur EU political expenditure. Investec plc does not give any money for political purposes in the UK nor does it make any donations to EU political organisations or incur EU political expenditure. However, the definitions of political donations and political expenditure used in the Companies Act 2006 are very wide. The authority is a precautionary measure to ensure that Investec plc does not inadvertently breach the relevant provisions of the Companies Act 2006.

The directors of Investec plc consider that the proposed resolutions in the notice of the annual general meeting are in the best interests of Investec plc and its shareholders and recommends that you vote in favour as the directors of Investec plc intend to do in respect of their own beneficial holdings.

By order of the board



David Miller
Company secretary

15 June 2011

Registered no: 3633621

Registered office:
2 Gresham Street
London
EC2V 7QP

Notes:

1. All of the above resolutions are joint electorate actions under the Articles of Association of Investec plc and, accordingly, both the holders of ordinary shares in Investec plc and the holder of the special voting share in Investec plc are entitled to vote. Voting will be on a poll which will remain open for sufficient time to allow the Investec Limited annual general meeting to be held and for the votes of the holder of the Investec plc special voting share to be ascertained and cast on a poll.

2. On the poll:

   (a) each fully paid ordinary share in Investec plc (other than those subject to voting restrictions) will have 1 (one) vote

   (b) the holder of the Investec plc special voting share will cast the same number of votes as were validly cast for and against the equivalent resolution by Investec Limited shareholders on the poll at the Investec Limited annual general meeting

   (c) the holder of the Investec plc special voting share will be obliged to cast these votes for and against the relevant resolutions in accordance with the votes cast for and against the equivalent resolution by Investec Limited shareholders on the poll at the Investec Limited annual general meeting

   (d) through this mechanism, the votes of the Investec Limited ordinary shareholders at the Investec Limited annual general meeting will be reflected at Investec plc's annual general meeting in respect of each joint electorate action and

   (e) the results of the joint electorate action will be announced after both polls have closed.

3. Subject to the provisions under section 319A of the Companies Act 2006, any member attending the meeting has the right to ask questions. A member who is entitled to attend and vote at the annual general meeting is entitled to appoint one or more persons as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting, provided that, if more than one proxy is appointed by a member, each proxy is appointed to exercise the rights attached to different shares held by that shareholder. A proxy need not be a member of Investec plc or Investec Limited.

4. A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from Investec plc in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

5. To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it was executed (or a duly certified copy of any such power or authority) must be returned so as to reach Investec plc's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 (forty eight) hours before the time for holding the meeting or adjourned meeting.

6. Any corporation which is a shareholder can appoint one or more representatives who exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of Investec plc at close of business on the day which is two days before the day of the meeting or if the meeting is adjourned, two days before the date fixed for the adjourned meeting, as the case may be. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. Copies of the non-executive directors' terms and conditions of appointment are available for inspection at Investec plc and Investec Limited's registered offices during business hours on any weekday (Saturdays, Sundays and any public holidays excluded) from the date of this notice until the close of Investec plc and Investec Limited's annual general meeting to be convened on 04 August 2011 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting.

9. As of 10 June 2011 (the latest practicable date prior to publication of this notice) Investec plc's issued capital consists of 537 177 588 (five hundred and thirty seven million one hundred and seventy seven thousand five hundred and eighty eight) ordinary shares of £0.0002 each. Investec plc holds 0 (zero) ordinary shares in treasury and therefore the total number of voting rights in Investec plc 537 177 588 (five hundred and thirty seven million one hundred and seventy seven thousand five hundred and eighty eight).

10. As of 10 June 2011 (the latest practicable date prior to publication of this notice) Investec Limited's issued capital consists of 272 836 668 (two hundred and seventy two million eight hundred and thirty six thousand six hundred and sixty eight) ordinary shares of R0.0002 each. Investec Limited holds 13 117 296 (thirteen million one hundred and seventeen thousand two hundred and ninety six) ordinary shares in treasury and therefore the total number of voting rights in Investec Limited is 259 719 372 (two hundred and fifty nine million seven hundred and nineteen thousand three hundred and seventy two).

11. Investec plc has issued 1 (one) special voting share and Investec Limited has issued special convertible redeemable preference shares to facilitate joint voting by shareholders of Investec plc and Investec Limited on joint electorate actions. As of 10 June 2011 (the latest practicable date prior to publication of this notice) the combined total number of voting rights of Investec plc and Investec Limited is 796 896 962 (seven hundred and ninety six million eight hundred and ninety six thousand nine hundred and sixty two).

12. CREST members who wish to appoint a proxy or proxies to attend and vote at the Investec plc meeting through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

13. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Investor Services plc (ID 3RA50) by 11am (UK time) on 02 August 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare Investor Services plc is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

14. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this respect, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

15. Investec plc may treat as invalid a CREST proxy instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

16. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require Investec plc to publish on a website a statement setting out any matter relating to:

    (i) the audit of Investec plc's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or

    (ii) any circumstance connected with an auditor of Investec plc ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. Investec plc may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where Investec plc is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to its auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that Investec plc has been required under section 527 of the Companies Act 2006 to publish on a website.

17. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.investec.com.

Notice of annual general meeting of Investec Limited

Investec
Limited

(Registration number 1925/002833/06)
Share code: INL ISIN: ZAE000081949

Notice is hereby given that the annual general meeting of Investec Limited will be held at 12:00 (South African time) on Thursday, 04 August 2011, at the registered office of Investec Limited at 100 Grayston Drive, Sandown, Sandton, 2196, to transact the following business:

Common business: Investec plc and Investec Limited

To consider and if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec plc and Investec Limited:

1. To re-elect Samuel Ellis Abrahams as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
2. To re-elect George Francis Onslow Alford as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
3. To re-elect Glynn Robert Burger as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
4. To re-elect Cheryl Ann Carolus as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
5. To re-elect Peregrine Kenneth Oughton Crosthwaite as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
6. To re-elect Bradley Fried as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
7. To re-elect Haruko Fukuda, OBE as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
8. To re-elect Hugh Sidney Herman as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
9. To re-elect Bernard Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
10. To re-elect Ian Robert Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
11. To re-elect Stephen Koseff as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
12. To re-elect Mangalani Peter Malungani as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
13. To re-elect Sir David Prosser as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
14. To re-elect Peter Richard Suter Thomas as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.
15. To re-elect Fani Titi as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.

16. To re-elect Hendrik Jacobus du Toit, whose appointment as a director terminates at the end of the annual general meetings of Investec plc and Investec Limited convened for 04 August 2011, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.

17. To re-elect Olivia Catherine Dickson, whose appointment as a director terminates at the end of the annual general meetings of Investec plc and Investec Limited convened for 04 August 2011, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.

For brief biographical details of the directors to be re-elected, please refer to pages 282 to 284 of the annual report of Investec plc/Investec Limited.

In accordance with corporate governance best practice, the boards of both Investec plc and Investec Limited have resolved to adopt the provisions of the UK Corporate Governance Code relating to the annual re-election of all directors.

18. To approve the Dual Listed Companies (DLC) remuneration report for the year ended 31 March 2011. This resolution is a non-binding advisory vote. Please refer to pages 258 to 274 of the annual report of Investec plc/Investec Limited.

19. To approve the Dual Listed Companies (DLC) audit committee report for the year ended 31 March 2011. This resolution is a non-binding advisory vote. Please refer to pages 248 to 250 of the annual report of Investec plc/Investec Limited.

20. Directors' authority to take action in respect of the resolutions
    Resolved that:
    - any director or the company secretaries of Investec plc and Investec Limited, be and they are hereby authorised to do all things and sign all documents which may be necessary to carry into effect the resolutions contained in this notice to the extent the same have been passed and, where applicable, registered.

Ordinary business: Investec Limited

To consider and if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec Limited:

21. To receive and adopt the audited financial statements of Investec Limited for the year ended 31 March 2011, together with the reports of the directors of Investec Limited and of the auditors of Investec Limited.

22. To sanction the interim dividend paid by Investec Limited on the ordinary shares in Investec Limited for the 6 (six) month period ended 30 September 2010.

23. To sanction the interim dividend paid by Investec Limited on the dividend access (South African Resident) redeemable preference share ("SA DAS share") for the 6 (six) month period ended 30 September 2010.

24. Subject to the passing of resolution no. 37 to declare a final dividend on the ordinary shares and the dividend access (South African Resident) redeemable preference share ("SA DAS share") in Investec Limited for the year ended 31 March 2011 of an amount equal to that recommended by the directors of Investec Limited.

25. To re-appoint Ernst & Young Inc. of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 South Africa (Private Bag X14, Northlands, 2116 South Africa) as joint auditors and Farouk Mohideen, as the registered auditor responsible for the audit, of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2012 and to authorise the directors of Investec Limited to fix their remuneration.

26. To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 South Africa (Private Bag 9, Parkview, 2122 South Africa) as joint auditors and Gavin Leslie de Lange, as the registered auditor responsible for the audit, of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2012 and to authorise the directors of Investec Limited to fix their remuneration.

Special business: Investec Limited

To consider and if deemed fit, to pass, with or without modification, the following ordinary and special resolutions of Investec Limited:

27. Ordinary resolution: Investec Limited: Placing 5% of the unissued ordinary shares under the control of the directors
    Resolved that:
    - with reference to the authority granted to directors in terms of Article 12 of the Memorandum of Incorporation of Investec Limited, a total of 8 858 166 (eight million eight hundred and fifty eight thousand one hundred and sixty six) ordinary shares of R0.0002 each being 5% (five per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of the South African Companies Act, No. 71

of 2008, as amended, (the "SA Act"), if any, who are authorised to allot and issue the same at their discretion until the next annual general meeting of Investec Limited to be held in 2012, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the listings requirements of the JSE Limited.

28. Ordinary resolution: Investec Limited: Placing 5% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares under the control of the directors

Resolved that:

- with reference to the authority granted to directors in terms of Article 12 of the Memorandum of Incorporation of Investec Limited, a total of 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares of R0.0002 each ("class "A" preference shares"), being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of the South African Companies Act, No. 71 of 2008, as amended, (the "SA Act"), if any, who are authorised to allot and issue the same at their discretion until the next annual general meeting of Investec Limited to be held in 2012, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the listings requirements of the JSE Limited.

29. Ordinary resolution: Investec Limited: Placing the remaining unissued shares, being the variable rate cumulative redeemable preference shares, the non-redeemable, non-cumulative, non-participating preference shares and the special convertible redeemable preference shares under the control of the directors

Resolved that:

- with reference to the authority granted to directors in terms of Article 12 of the Memorandum of Incorporation of Investec Limited, all the unissued shares in the authorised share capital of Investec Limited, excluding the ordinary shares and the class "A" variable rate compulsorily convertible non-cumulative preference shares, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of the South African Companies Act, No. 71 of 2008, as amended, (the "SA Act"), if any, who are authorised to allot and issue the same at their discretion until the next annual general meeting of Investec Limited to be held in 2012, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the listings requirements of the JSE Limited.

These preference shares, if issued, are non-dilutive to ordinary shareholders.

30. Ordinary resolution with a 75% majority: Investec Limited: Directors' authority to allot and issue ordinary shares for cash in respect of 5% of the unissued ordinary shares

Resolved that:

- subject to the passing of resolution no. 27, the listings requirements of the JSE Limited (the "JSE listings requirements"), the South African Banks Act, No. 94 of 1990, as amended, and the South African Companies Act, No. 71 of 2008, as amended, if any, the directors of Investec Limited be and they are hereby authorised to allot and issue 8 858 166 (eight million eight hundred and fifty eight thousand one hundred and sixty six) ordinary shares of R0.0002 each for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE listings requirements:

(i) this authority shall not extend beyond the later of the date of the next annual general meeting of Investec Limited to be held in 2012 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 04 August 2011, whichever period is shorter

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible

(iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and

(v) the ordinary shares must be issued to public shareholders, as defined in the JSE listings requirements, and not to related parties.

The directors are seeking an authority to allot up to 5% (five per cent) of the number of unissued ordinary shares for cash which represents 3.25% (three point two five per cent) of the number of issued ordinary shares which is significantly lower than the 15% (fifteen per cent) permitted in terms of the JSE listings requirements.

If resolution no.30 and resolution no. 40 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total unissued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines.

In terms of the JSE listings requirements, in order for resolution no. 30 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 30.

31. Ordinary resolution with a 75% majority: Investec Limited: Directors' authority to allot and issue class "A" variable rate compulsorily convertible non-cumulative preference shares for cash in respect of 5% of the unissued class "A" variable rate compulsorily non-cumulative preference shares

Resolved that:

- subject to the passing of resolution no. 28, the listings requirements of the JSE Limited (the "JSE listings requirements"), the South African Banks Act, No. 94 of 1990, as amended, and the South African Companies Act, No. 71 of 2008, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares of R0.0002 each ("class "A" preference shares") being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE listings requirements:

(i) this authority shall not extend beyond the later of the date of the next annual general meeting of Investec Limited to be held in 2012 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 04 August 2011, whichever period is shorter

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per class "A" preference share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of class "A" preference shares in issue prior to such issue

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of class "A" preference shares in issue

(iv) in determining the price at which an allotment and issue of class "A" preference shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the class "A" preference shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and

(v) the class "A" preference shares must be issued to public shareholders, as defined in the JSE listings requirements, and not to related parties.

If resolution no. 31 is passed, the directors will have authority to allot up to 2 000 000 (two million) class "A" preference shares for cash other than by way of rights issue in respect of Investec Limited, being equivalent to 5% (five per cent) of the unissued class "A" preference shares.

In terms of the JSE listings requirements, in order for resolution no. 31 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 31.

32. Special resolution no. 1: Investec Limited: Directors' authority to acquire ordinary shares and perpetual preference shares

Resolved that:

- in terms of Article 9 of the Memorandum of Incorporation of Investec Limited and with effect from 04 August 2011, Investec Limited hereby approves, as a general approval provided for in the South African Companies Act, No. 71 of 2008, as amended, (the "SA Act"), the acquisition by Investec Limited or any of its subsidiaries from time to time of the issued ordinary shares and non-redeemable, non-cumulative, non-participating preference shares ("perpetual preference shares") of Investec Limited, upon such terms and conditions and in such amounts as the directors of Investec Limited or its subsidiaries may from time to time decide, but subject to the provisions of the South African Banks Act, No. 94 of 1990, as amended, the SA Act and the listings requirements of the JSE Limited (the "JSE" and the "JSE listings requirements"), being, *inter alia*, that:

(i) any such acquisition of ordinary shares or perpetual preference shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement

(ii) this general authority shall be valid until Investec Limited's next annual general meeting to be held in 2012, or the date of expiry of 15 (fifteen) months from the date of the passing of this special resolution no. 1, whichever is the shorter period

(iii) an announcement containing full details of such acquisitions will be published as soon as Investec Limited or any of its subsidiaries has acquired ordinary shares or perpetual preference shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares or perpetual preference shares in issue, as the case may be, prior to the acquisition pursuant to which the aforesaid 3% (three per cent) threshold is reached and for each 3% (three per cent) in aggregate acquired thereafter

(iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty per cent) of Investec Limited's issued ordinary share capital or Investec Limited's issued perpetual preference share capital as at the date of passing of this special resolution no. 1

(v) in determining the price at which ordinary shares or perpetual preference shares issued by Investec Limited are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares or perpetual preference shares, as the case may be, may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares or perpetual preference shares, as the case may be, are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of acquisition of such ordinary shares or perpetual preference shares, as the case may be, by Investec Limited or any of its subsidiaries

(vi) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any acquisition on Investec Limited's behalf and

(vii) Investec Limited and/or its subsidiaries not acquiring any shares during a prohibited period as defined by the JSE listings requirements unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

The reason for and effect of special resolution no. 1 is to grant a renewable general authority to Investec Limited, or a subsidiary of Investec Limited, to acquire ordinary shares and perpetual preference shares of Investec Limited which are in issue from time to time in terms of the SA Act and the JSE listings requirements.

The directors of Investec Limited have no present intention of making any acquisition but believe that Investec Limited should retain the flexibility to take action if future acquisitions are considered desirable and in the best interests of shareholders. The directors of Investec Limited are of the opinion that, after considering the effect of such acquisition of ordinary shares and perpetual preference shares, if implemented and on the assumption that the maximum of 20% (twenty per cent) of the current issued ordinary share capital or perpetual preference share capital of Investec Limited will be acquired, using the mechanism of the general authority at the maximum price at which the acquisition may take place (a 10% (ten per cent) premium above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date of the acquisition) and having regard to the price of the ordinary shares or perpetual preference shares of Investec Limited on the JSE at the last practical date prior to the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011 that:

- Investec Limited and its subsidiaries will be able, in the ordinary course of business, to pay its debt for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011
- the consolidated assets of Investec Limited and its subsidiaries, fairly valued in accordance with General Accepted Accounting Practice, will be in excess of the consolidated liabilities of Investec Limited and its subsidiaries for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011
- Investec Limited and its subsidiaries will have adequate capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011 and
- the working capital of Investec Limited and its subsidiaries will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of annual general meeting of Investec Limited convened for 04 August 2011.

Litigation statement

In terms of section 11.26 of the JSE listings requirements, the directors, whose names appear on pages 282 to 284 of the 2011 annual report, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on Investec Limited and its subsidiaries' financial position, other than disclosed in the notes to the financial statements.

Directors' responsibility statement

The directors, whose names appear on pages 282 to 284 of the 2011annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution no. 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the 2011 annual report, there have been no material changes in the affairs or financial position of Investec Limited and its subsidiaries since the date of signature of the audit report and up to the date of this notice of annual general meeting of Investec Limited.

The following additional information, some of which may appear elsewhere in the 2011 Annual Report, is provided in terms of the JSE listings requirements for purposes of the general authority:

- Directors and management – annual report pages 282 to 284
- Major beneficial shareholders – annual report page 279

- Directors' interests in ordinary shares – annual report page 271
- Share capital of Investec Limited – annual report pages 375 and 376.

33. Special resolution no. 2: Investec Limited: Financial assistance
    Resolved that:
    - to the extent required by the South African Companies Act No. 71 of, 2008, as amended, (the "SA Act"), the board of directors of Investec Limited may, subject to compliance with the requirements of Investec Limited's Memorandum of Incorporation, if any, the SA Act and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, authorise Investec Limited to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

    (i) any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to Investec Limited, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by Investec Limited or a related or inter-related company, or for the purchase of any securities of Investec Limited or a related or inter-related company; and/or

    (ii) any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of Investec Limited's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by Investec Limited or a related or inter related company, or for the purchase of any securities of Investec Limited or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the SA Act, such authority to endure until the forthcoming annual general meeting of Investec Limited to be held in 2012.

    The reason for and effect of this special resolution no. 2 is to enable Investec Limited to comply with the provisions of sections 44 and 45 of the SA Act.

    Notwithstanding the title of section 45 of the SA Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related to or inter-related companies and entities, including *inter alia*, its subsidiaries, for any purpose.

    Furthermore, section 44 of the SA Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

    Both sections 44 and 45 of the SA Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

    (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and

    (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

34. Special resolution no. 3: Directors' remuneration
    Resolved that:
    - in terms of section 66(9) of the South African Companies Act No. 71 of, 2008, as amended (the "SA Act"), payment of the remuneration for the directors of Investec Limited be approved as follows:

    (i) for the period 1 April 2011 to 31 March 2012: as set out on page 264 of the 2011 annual report

    (ii) thereafter but only until the expiry of a period of 24 (twenty four) months from the date of the passing of this special resolution no. 3 has expired (or until amended by a special resolution of shareholders prior to the expiry of such period), on the same basis as above, escalated as determined by the board of Investec Limited, up to a maximum of 5% (five per cent) per annum per amount set out as aforesaid.

    The reason for and effect of this special resolution no. 3 is to enable Investec Limited to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the SA Act, which stipulate that remuneration to directors for their service as directors may be paid only in accordance with a special resolution approved by the shareholders within the previous two years.

    For more information on the directors' remuneration, please refer to pages 253 to 274 of the 2011 annual report of Investec plc/Investec Limited.

Ordinary business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec plc:

35. To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2011, together with the reports of the directors of Investec plc and of the auditors of Investec plc.

36. To sanction the interim dividend paid by Investec plc on the ordinary shares in Investec plc for the 6 (six) month period ended 30 September 2010.

37. Subject to the passing of resolution no. 24 to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2011 of an amount equal to that recommended by the directors of Investec plc.

38. To re-appoint Ernst & Young LLP of 1 More London Place, London, SE1 2AF, as auditors of Investec plc to hold office until the conclusion of the annual general meeting of Investec plc to be held in 2012 and to authorise the directors of Investec plc to fix their remuneration.

Special business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions of Investec plc:

39. Ordinary resolution: Investec plc: Directors' authority to allot shares and other securities
Resolved that:
- the authority conferred on the directors of Investec plc by paragraph 12.2 of Article 12 of Investec plc's Articles of Association be renewed for the period ending on the date of the annual general meeting of Investec plc to be held in 2012 or, if earlier, 15 (fifteen) months after the passing of this ordinary resolution and for such period the section 551 Amount shall be the aggregate of:

(i) £35 812 in respect Investec plc ordinary shares of £0.0002 each ("ordinary shares")

(ii) £35 433 in respect of Investec plc special converting shares of £0.0002 each ("special converting shares") and

(iii) £1 000 000 in respect of Investec plc non-redeemable, non-cumulative, non-participating preference shares of £0.01 each ("preference shares").

The Articles of Association of Investec plc permit the directors of Investec plc to allot shares and other securities in accordance with section 551 of the Companies Act 2006, up to an amount authorised by the shareholders in general meeting. The authority conferred on the directors at Investec plc's annual general meeting held on 12 August 2010 expires on the date of the forthcoming annual general meeting of Investec plc convened for 04 August 2011 and the directors of Investec plc recommend that this authority be renewed.

Resolution no. 39 will, if passed, authorise the directors of Investec plc to allot Investec plc shares up to a maximum nominal amount of £1 071 245 (one million seventy one thousand two hundred and forty five Pounds Sterling) as set out in the table below:

	Number of shares	Relative part of Section 551 Amount	Total
Ordinary shares[1]	179 059 196	£35 812	–
Special converting shares[2]	177 163 332	£35 433	£1 071 245[4]
Preference shares[3]	100 000 000	£1 000 000	–

1. *One third of the issued ordinary share capital in line with the authority normally sought by UK companies.*
2. *The special converting shares are required by the Dual Listed Companies structure and agreements to reflect the number of ordinary shares issued by Investec Limited at any time and from time to time.*
3. *The issue of preference shares is non-dilutive to ordinary shareholders. Preference shares may be issued with such rights or subject to such restrictions as the directors may determine.*
4. *This amount is higher than the one third of issued ordinary share capital limit normally adopted by UK companies at their annual general meetings only due to the inclusion of the special converting shares and preference shares as noted in nos. 2 and 3 above, neither of which are dilutive to ordinary shareholders. While the authority to allot shares to the value shown is given in respect of all of the shares of Investec plc as required by the Companies Act 2006, the directors of Investec plc would ensure that the shares of each class listed in the above table allotted by them would not be in excess of the amount listed in the column entitled "relative part of section 551 amount" for each such class of shares.*

As of 10 June 2011 (the latest practicable date prior to publication of this notice), Investec plc holds 0 (zero) treasury shares.

40. **Ordinary resolution with a 75% majority: Investec plc: Directors' authority to allot ordinary shares for cash**
Resolved that:

- subject to the passing of resolution no. 39, the power conferred on the directors of Investec plc by paragraph 12.4 of Article 12 of Investec plc's Articles of Association be renewed for the period referred to in resolution no.39 and for such period the section 571 Amount shall be £5 372 (five thousand three hundred and seventy two Pounds Sterling).

The purpose of resolution no. 40 is to renew the authority of the directors of Investec plc to allot equity securities for cash otherwise than to shareholders in proportion to existing holdings. In the case of allotments other than rights issues, the authority is limited to equity securities up to an aggregate nominal value of £5 372 (five thousand three hundred and seventy two Pounds Sterling) which represents approximately 5% (five per cent) of the total issued ordinary share capital of Investec plc as at 10 June 2011 (being the last practicable date prior to publication of this notice). The authority will expire at the end of the next annual general meeting of Investec plc to be held in 2012 or, if earlier, 15 (fifteen) months after the passing of this resolution no. 40.

If resolution no. 30 and resolution no. 40 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total unissued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines.

The directors also confirm that pursuant to the Dual Listed Companies structure, the exercise of any such authority would be subject to the following specific limitations as required by the listings requirements of the JSE Limited (the "JSE listings requirements"):

(i) this authority shall not extend beyond the later of the date of the next annual general meeting of Investec plc or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec plc convened for 04 August 2011, whichever period is shorter

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible

(iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc and

(v) the equity securities/shares must be issued to public shareholders and not to related parties.

In order for resolution no. 40 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 40.

41. **Ordinary resolution with a 75% majority: Investec plc: Directors' authority to purchase ordinary shares**
Resolved that:

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of the Companies Act 2006) of ordinary shares in the capital of Investec plc provided that:

(i) the maximum aggregate number of ordinary shares which may be purchased is 53 717 759 (fifty three million seven hundred and seventeen thousand seven hundred and fifty nine) ordinary shares of £0.0002 each

(ii) the minimum price which may be paid for each ordinary share is its nominal value of such share at the time of purchase

(iii) the maximum price which may be paid for any ordinary share is an amount equal to 105% (one hundred and five per cent) of the average of the middle market quotations of the ordinary shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased and

(iv) this authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2012, or if earlier, 15 (fifteen) months from the date on which this resolution is passed (except in relation to the purchase of ordinary shares, the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to that time.

The directors of Investec plc consider it may, in certain circumstances, be in the best interests of shareholders generally for Investec plc to purchase its own ordinary shares. Accordingly, the purpose and effect of resolution no. 41 is to grant a general authority, subject to the specified limits, to Investec plc to acquire ordinary shares of Investec plc.

As of 10 June 2011 (the latest practicable date prior to publication of this notice), there were options outstanding over 53 385 519 (ififty three million three hundred and eighty five thousand five hundred and nineteen) ordinary shares, representing 9.9% (nine point nine per cent) of Investec plc's issued ordinary share capital at that date. If the authority to buy back shares under this ordinary resolution no. 41 was exercised in full, the total number of options to subscribe for ordinary shares would represent 11%(eleven per cent) of Investec plc's issued ordinary share capital.

The Companies Act 2006 permits Investec plc to purchase its own ordinary shares to be held in treasury, with a view to possible resale at a future date.

The directors of Investec plc have no present intention of making any purchases, but believe that Investec plc should retain the flexibility to take further action if future purchases were considered desirable and in the best interest of shareholders. If Investec plc were to purchase shares under the Companies Act 2006 they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury. The authority will be exercised only if the directors of Investec plc believe that to do so would result in an increase of earnings per ordinary share and would be in the interests of shareholders generally or, in the case of the creation of treasury shares, that to do so would be in the best interests of shareholders generally.

In order for resolution no. 41 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of resolution no.41.

42. Ordinary resolution with a 75% majority: Investec plc: Directors' authority to purchase preference shares
Resolved that:

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of the Companies Act 2006) of preference shares in the capital of Investec plc provided that:

(i) the maximum aggregate number of preference shares which may be purchased is 1 508 155 (one million five hundred and eight thousand one hundred and fifty five)

(ii) the minimum price which may be paid for each preference share is its nominal value of such share at the time of purchase

(iii) the maximum price which may be paid for any preference share is an amount equal to 105% (one hundred and five per cent) of the average of the middle market quotations of the preference shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased and

(iv) this authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2012, or if earlier, 15 (fifteen) months from the date on which this resolution no. 42 is passed (except in relation to the purchase of preference shares, the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to that time.

The directors of Investec plc consider it may, in certain circumstances, be in the best interests of shareholders generally for Investec plc to purchase its own preference shares. Accordingly, the purpose and effect of ordinary resolution no. 42 is to grant a general authority, subject to the specified limits, to Investec plc to acquire preference shares of Investec plc.

The Companies Act 2006 permits Investec plc to purchase its own preference shares to be held in treasury, with a view to possible resale at a future date.

The directors of Investec plc have no present intention of making any purchases, but believe that Investec plc should retain the flexibility to take further action if future purchases were considered desirable and in the best interest of shareholders. If Investec plc were to purchase preference shares under the Companies Act 2006 they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury. The authority will be exercised only if the directors of Investec plc believe that to do so would be in the interests of shareholders generally or, in the case of the creation of treasury shares, that to do so would be in the best interests of shareholders generally.

In order for ordinary resolution no. 42 to be given effect, a 75% (seventy five per cent) majority of the votes of all shareholders present or represented by proxy at the annual general meeting of Investec plc and Investec Limited must be cast in favour of ordinary resolution no. 42.

43. Ordinary resolution: Investec plc: Political donations
Resolved that:

- in accordance with Section 366 of the Companies Act 2006, Investec plc and any company which, at any time during the period for which this resolution has effect, is a subsidiary of Investec plc, be and are hereby authorised to:

(i) make donations to political organisations not exceeding £25 000 (twenty five thousand Pounds Sterling) in total and

(ii) incur political expenditure not exceeding £75 000 (seventy five thousand Pounds Sterling) in total.

In each case during the period commencing on the date of this resolution and ending on the date of the annual general meeting of Investec plc to be held in 2012, provided that the maximum amounts referred to in (i) and (ii) may consist of sums in any currency converted into Pounds Sterling at such rate as Investec plc may in its absolute discretion determine. For the purposes of this resolution, the terms "political donations", "political organisations" and "political expenditure" shall have the meanings given to them in Sections 363 to 365 of the Companies Act 2006.

The reason for ordinary resolution no. 43 is that the Companies Act 2006 requires companies to obtain shareholder approval before they can make donations to EU political organisations or incur EU political expenditure. Investec plc does not give any money for political purposes in the UK nor does it make any donations to EU political organisations or incur EU political expenditure. However, the definitions of political donations and political expenditure used in the Companies Act 2006 are very wide. The authority is a precautionary measure to ensure that Investec plc does not inadvertently breach the relevant provisions of the Companies Act 2006.

The directors of Investec Limited consider that the proposed resolutions in the notice of the annual general meeting are in the best interests of Investec Limited and its shareholders and recommend that you vote in favour as the directors of Investec Limited intend to do in respect of their own beneficial holdings.

By order of the board

Benita Coetsee
Company secretary

15 June 2011

Registration no: 1925/002833/06

Registered office:
c/o Company Secretarial
Investec Limited
100 Grayston Drive
Sandown
Sandton 2196
(PO Box 785700, Sandton 2146)

Notes:

1. All of the above resolutions are joint electorate actions under the Memorandum of Incorporation of Investec Limited and accordingly, both the holders of ordinary shares in Investec Limited and the holders of the special convertible redeemable preference shares in Investec Limited are entitled to vote. Voting will be on a poll which will remain open for sufficient time to allow the Investec plc annual general meeting to be held and for the vote of the holder of the Investec Limited special convertible redeemable preference shares to be ascertained and cast on a poll.
2. On the poll:

   (a) each ordinary share in Investec Limited (other than those subject to voting restrictions) will have 1 (one) vote

   (b) the holder of the Investec Limited special convertible redeemable preference shares will cast the same number of votes as were validly cast for and against the equivalent resolution at the Investec plc annual general meeting

   (c) the holder of the Investec Limited special convertible redeemable preference shares will be obliged to cast these votes for and against the relevant resolution in accordance with the votes cast for and against the equivalent resolution by Investec plc shareholders on the poll at the Investec plc annual general meeting

   (d) through this mechanism, the votes of the Investec plc ordinary shareholders at the Investec plc annual general meeting will be reflected at Investec Limited's annual general meeting in respect of each joint electorate action and

   (e) the results of the joint electorate actions will be announced after both polls have closed.
3. A shareholder who is entitled to attend and vote at the annual general meeting is entitled to appoint one or more persons as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting, provided that, if more than one proxy is appointed by a shareholder, each proxy is appointed to exercise the rights attached to different shares held by that shareholder. A proxy need not be a shareholder of Investec plc or Investec Limited.
4. A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
5. To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the transfer secretary's office at 70 Marshall Street, Johannesburg, 2001, not less than 48 (forty eight) hours before the time for holding the meeting or adjourned meeting
6. Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to Investec Limited's register of shareholders at 12:00 (South African time) on 02 August 2011 or, if the meeting is adjourned, 48 (forty eight) hours before the time fixed for the adjourned meeting, as the case may be.
7. Any corporation which is a shareholder can appoint one or more representatives who exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
8. Copies of the non-executive directors' terms and conditions of appointment are available for inspection at Investec plc and Investec Limited's registered office during business hours on any weekday (Saturdays, Sundays and any public holidays excluded) from the date of this notice until the close of Investec plc and Investec Limited's annual general meeting to be convened on 12 August 2010 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting.
9. As of 10 June 2011 (the latest practicable date prior to publication of this notice) Investec plc's issued capital consists of 537 177 588 (five hundred and thirty seven million one hundred and seventy seven thousand five hundred and eighty eight) ordinary shares of £0.0002 each. Investec plc holds 0 (zero) ordinary shares in treasury and therefore the total number of voting rights in Investec plc is 537 177 588 (five hundred and thirty seven million one hundred and seventy seven thousand five hundred and eighty eight).
10. As of 10 June 2011 (the latest practicable date prior to publication of this notice) Investec Limited's issued capital consists of 272 836 668 (two hundred and seventy two million eight hundred and thirty six thousand six hundred and sixty eight) ordinary shares of R0.0002 each. Investec Limited holds 13 117 296 (thirteen million one hundred and seventeen thousand two hundred and ninety six) ordinary shares in treasury and therefore the total number of voting rights in Investec Limited is 259 719 372 (two hundred and fifty nine million seven hundred and nineteen thousand three hundred and seventy two).
11. Investec plc has issued 1 (one) special converting share and Investec Limited has issued special convertible redeemable preference shares to facilitate joint voting by shareholders of Investec plc and Investec Limited on joint electorate actions. As of 10 June 2011 (the latest practicable date prior to publication of this notice) the combined total number of voting rights of Investec plc and Investec Limited is 796 896 962 (seven hundred and ninety six million eight hundred and ninety six thousand nine hundred and sixty two).
12. A copy of this notice can be found at www.investec.com

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Notes

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Form of proxy

Investec Limited

(Registration number 1925/002833/06)
("the Company")
Share code: INL ISIN: ZAE000081949

Investec
Specialist Bank and Asset Manager

Only for use by shareholders who have not dematerialised their Investec Limited shares or who have dematerialised their shares and selected own name registration with Computershare's CSDP

For use by Investec Limited shareholders who have not dematerialised their shares or who have dematerialised their Investec Limited shares but with own name registration at the Investec Limited annual general meeting to be held at 12:00 (South African time) on Thursday, 4 August 2011 at the registered office of Investec Limited, 100 Grayston Drive, Sandown, Sandton 2196, South Africa.

Shareholders who have dematerialised their Investec Limited shares must inform their Central Securities Depository Participants ("CSDP") or broker of their intention to attend the Investec Limited annual general meeting and request their CSDP or broker to issue them with the necessary letters of representation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the Investec Limited annual general meeting in person.

I/We
(print name(s) in full)

of
(full address)

being holder(s) of ordinary shares of R0.0002 each

do hereby appoint

of

or failing him

of

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of Investec Limited to be held on 4 August 2011 at 12:00 (South African time) and at any adjournment thereof.

		In favour of	Against	Abstain
	Investec Limited Common Business: Investec plc and Investec Limited To consider and if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec plc and Investec Limited			
1.	To re-elect Samuel Ellis Abrahams as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
2.	To re-elect George Francis Onslow Alford as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
3.	To re-elect Glynn Robert Burger as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
4.	To re-elect Cheryl Ann Carolus as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
5.	To re-elect Peregrine Kenneth Oughton Crosthwaite as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
6.	To re-elect Bradley Fried as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
7.	To re-elect Haruko Fukuda, OBE as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			

		In favour of	Against	Abstain
8.	To re-elect Hugh Sidney Herman as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
9.	To re-elect Bernard Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
10.	To re-elect Ian Robert Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
11.	To re-elect Stephen Koseff as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
12.	To re-elect Mangalani Peter Malungani as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
13.	To re-elect Sir David Prosser as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
14.	To re-elect Peter Richard Suter Thomas as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
15.	To re-elect Fani Titi as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
16.	To re-elect Hendrik Jacobus du Toit, whose appointment as a director terminates at the end of the annual general meetings of Investec plc and Investec Limited convened for 04 August 2011, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
17.	To re-elect Olivia Catherine Dickson, whose appointment as a director terminates at the end of the annual general meetings of Investec plc and Investec Limited convened for 04 August 2011, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited.			
18.	To approve the Dual Listed Companies (DLC) remuneration report for the year ended 31 March 2011.			
19.	To approve the Dual Listed Companies (DLC) Audit Committee Report for the year ended 31 March 2011.			
20.	Directors' authority to take action in respect of the resolutions.			
	Ordinary business: Investec Limited			
21.	To receive and adopt the audited financial statements of Investec Limited for the year ended 31 March 2011, together with the reports of the directors of Investec Limited and of the auditors of Investec Limited.			
22.	To sanction the interim dividend paid by Investec Limited on the ordinary shares in Investec Limited for the 6 (six) month period ended 30 September 2010.			
23.	To sanction the interim dividend paid by Investec Limited on the dividend access (South African resident) redeemable preference share ("SA DAS share") for the 6 (six) month period ended 30 September 2010.			
24.	Subject to the passing of resolution no. 37 to declare a final dividend on the ordinary shares and the dividend access (South African resident) redeemable preference share ("SA DAS share") in Investec Limited for the year ended 31 March 2011 of an amount equal to that recommended by the directors of Investec Limited.			
25.	To re-appoint Ernst & Young Inc. of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 South Africa (Private Bag X14, Northlands, 2116 South Africa) as joint auditors and Farouk Mohideen, as the registered auditor responsible for the audit, of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2012 and to authorise the directors of Investec Limited to fix their remuneration.			

		In favour of	Against	Abstain
26.	To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 South Africa (Private Bag 9, Parkview, 2122 South Africa) as joint auditors and Gavin Leslie de Lange, as the registered auditor responsible for the audit, of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2012 and to authorise the directors of Investec Limited to fix their remuneration.			
	Special business: Investec Limited			
	Ordinary resolutions			
27.	Placing 5% of the unissued ordinary shares under the control of the directors.			
28.	Placing 5% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares under the control of the directors.			
29.	Placing the remaining unissued shares, being the variable rate cumulative redeemable preference shares, the non-redeemable, non-cumulative, non-participating preference shares and the special convertible redeemable preference shares under the control of the directors.			
	Ordinary resolutions with a 75% majority			
30.	Directors' authority to allot and issue ordinary shares for cash in respect of 5% of the unissued ordinary shares.			
31.	Directors' authority to allot and issue class "A" variable rate compulsorily convertible non-cumulative preference shares for cash in respect of 5% of the unissued class "A" variable rate compulsorily non-cumulative preference shares.			
	Special resolutions			
32.	Directors' authority to acquire ordinary shares and perpetual preference shares.			
33.	Financial Assistance.			
34.	Non-executive directors' remuneration.			
	Investec plc Ordinary business: Investec plc			
35.	To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2011, together with the reports of the directors of Investec plc and of the auditors of Investec plc.			
36.	To sanction the interim dividend paid by Investec plc on the ordinary shares in Investec plc for the 6 (six) month period ended 30 September 2010.			
37.	Subject to the passing of resolution no. 24 to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2011 of an amount equal to that recommended by the directors of Investec plc.			
38.	To re-appoint Ernst & Young LLP of 1 More London Place, London, SE1 2AF, as auditors of Investec plc to hold office until the conclusion of the annual general meeting of Investec plc to be held in 2012 and to authorise the directors of Investec plc to fix their remuneration.			
	Special business: Investec plc			
	Ordinary resolution			
39.	Directors' authority to allot shares and other securities.			
	Ordinary resolutions with a 75% majority			
40.	Directors' authority to allot ordinary shares for cash.			
41.	Directors' authority to purchase ordinary shares.			
42.	Directors' authority to purchase preference shares.			
	Ordinary resolution			
43.	Political donations.			

Signature: Date:

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, and, on a poll, to vote in his place. Each resolution is to be decided on a poll and a member or his proxy shall have one vote for every share held.

Notes to the form of proxy

1. You are not obliged either to cast all your votes or to cast all your votes in the same way. Please instruct your proxy how to vote by either:

   (i) marking the appropriate box with an "X" next to each resolution, in which event the proxy will cast all your votes in the manner so specified; or

   (ii) setting out the number of votes to be cast in each box (i.e. in favour of and/or against and/or by way of abstention) in respect of each resolution provided that, if for any resolution the aggregate number of votes to be cast would exceed the total number of shares held, you will be deemed to have given no specific instruction as to how you wish your proxy to vote in respect of that resolution.

   Your proxy will have discretion to vote in respect of your total holding on any resolution on which you have not (or are deemed not to have) given specific instruction as to how to vote and, unless instructed otherwise, on any business which may properly come before the meeting.

2. The date must be filled in on this form of proxy when it is signed.

3. If you are signing in a representative capacity, whether for another person or for an organisation, then, in order for this form to be valid, you must include a power of attorney or other written authority that authorises you to sign (or a certified copy of such power or authority).

4. In the case of a company, the proxy form should either be sealed by the company or signed by a director or an authorised signatory (and the provisions of paragraph 3 shall apply to such authorised signatory).

5. In the case of joint holders only one need sign. If more than one joint holder votes, whether in person or by proxy, only the most senior shareholder who renders a vote, whether in person or by proxy, will be counted. For this purpose, seniority is determined by the order in which shareholders' names appear in the register for that share.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory or signatories.

7. The return of this form of proxy will not prevent you from attending the meeting and voting in person.

8. This form of proxy must be received by the company's transfer secretaries:
   Computershare Investor Services (Proprietary) Limited
   70 Marshall Street, Johannesburg, 2001
   PO Box 61051, Marshalltown, 2107

   not later than 12:00 (South African time) on Tuesday, 2 August 2011. Proxy forms received after this time will not be valid.

9. Dematerialised shareholders who have not selected own name registration and who wish to attend the annual general meeting or be represented by proxy must inform their CSDP or broker of their voting instructions. However, should such shareholder wish to attend the annual general meeting in person, they will need to request their CSDP or broker timeously who will furnish them with the necessary letter of representation in terms of the custody agreement entered into between the dematerialised members and the CSDP or broker.