# **Investec plc** and **Investec Limited** (combined results) Unaudited consolidated financial results in Pounds Sterling for the six months to 30 September 2010



Salient Features					
	30 Sept.	30 Sept.	%	31 March	
	2010	2009	Change	2010	
Operating profit before goodwill, acquired intangibles,					
non-operating items, taxation and after minorities (£'000)	228   57	215 979	5.6	432 258	
Earnings attributable to shareholders (£'000)	246 993	178 534	38.3	346 133	
Adjusted earnings before goodwill, acquired intangibles and					
non-operating items (£'000)	163 202	160 422	1.7	309 710	
Adjusted earnings per share (pence)	22.1	24.0	(7.9)	45.I	
Earnings per share (pence)	29.7	22.2	33.8	44.0	
Headline earnings per share (pence)	19.8	20.4	(2.9)	40.I	
Dividends per share (pence)	8.0	8.0	_	16.0	
Total equity (£'million)	3 798	2 993	26.9	3 292	
Third party assets under management (£'million)	77 819	62 872	23.8	74 181	

# Combined consolidated income statement

IL		
	Six months to	Year to
		31 March 2010*
		2 041 153
(797 186)	(676 759)	(1 428 067)
321 174	297 357	613 086
389 961	256 650	612 574
(49 467)		(67 497)
		457 759
		11 595 94 914
17 900	00 37 3	77 717
5 028	2 179	31 938
5 215	10 470	22 737
580 601	544 400	1 164 020
( <i>,</i>	, , , , , , , , , , , , , , , , , , ,	(119 918
(122 850)	(134 296)	(286 581
758 198	638 684	I 370 607
(524   59)	(417 960)	(920 694
		(24.457
(16 719)	(15 588)	(36 457
217 220	205 127	412.454
		413 456 (3 526
	(1 234)	(3 520
(2 204)		
212 303	203 902	409 930
	205 702	-107 750
(7 942)	-	-
277 826	203 902	409 930
(43 151)	(36 211)	(82 599
	167 691	327 331
10 837	10 843	18 802
1 481	_	_
	179 534	346 133
240 773	170 334	5-10155
246 993		346 133
	1 234	3 526
	-	-
	-	-
7 942	_	-
(27 031)	(29 922)	(43 860
5 904	10 576	3 911
1/2 202	140,422	200 710
163 202	160 422	309 710
(17 002)	(24 005)	(34 579
146 200	136 417	275  3
	22.2	
29.7 27.9	22.2	44.0 41.5
22.1	24.0	45.1
20.7	22.9	42.5
19.8	20.4	40.1
18.6	19.5	37.8
730 7	669.2	686.3
137.1	007.2	000.3
	iii months to         30 Sept.         2010         i 118 360         321 174         389 961         (49 467)         208 706         3172         17 986         5 028         601         (20 727)         881 048         (12 703)         217 320         (2 763)         7 3465         7 942         277 826         (43 151)         (73 465)         7 942         (27 031)         5 904         163 202         (17 002)         146 2	iix months to 30 Sept. 2010       Six months to 30 Sept. 2009         I 118 360 (797 186)       974 116 (676 759)         321 174       297 357         389 961 (49 467)       (30 222) (30 222)         208 706 230 821       230 821         3 172 5 929       5 928 17 986       2179         5 028 5 028       2 179         5 028 6 (122 850)       (134 296)         758 198 6 (122 850)       638 684         (122 850)       (134 296)         758 198 6 (122 850)       (134 296)         758 198 6 (12 2850)       205 136 (1 234)         (16 719)       (15 588)         217 320 (2 763)       205 136 (1 234)         217 320 (2 763)       203 902         (7 942)       -         277 826 (7 942)       203 902         (7 942)       -         277 826 (7 942)       203 902         (43 151)       (36 211)         10 837       10 843         1 481       -         246 993       178 534         1 481       -         (14 81)       -         (17 02)       (24 005)         1 63 202       160 422         (17 002)       (24 005)

# Combined consolidated balance sheet

	30 Sept.	31 March	30 Sept.*
£'000	2010	2010	2009
Assets		2 220 224	1 474 204
Cash and balances at central banks	1 550 807	2 338 234	1 474 204
Loans and advances to banks	2 257 741	2 781 630	1 779 104
Cash equivalent advances to customers	527 758	581 117	496 792
Reverse repurchase agreements and cash	1 207 255	911 432	560 424
collateral on securities borrowed	I 207 255		
Trading securities	5 338 673	4 221 645	3 569 743 1 677 224
Derivative financial instruments Investment securities	1 970 670 2 915 969	59  84    996 073	1 236 293
Loans and advances to customers	18 1 10 2 10	17 414 691	16 438 919
Loans and advances to customers	10 110 210	17 717 071	10 10 /1
– Kensington warehouse assets	1 683 586	1 776 525	1 873 778
Securitised assets	5 150 421	5 334 453	5 369 003
Interest in associated undertakings	22 303	104 059	98 46
Deferred taxation assets	132 252	134 355	139 61
Other assets	1 188 678	1 240 624	1 022 06
Property and equipment	57 774	161 255	159 062
	324 672	273 038	200 69
Investment properties Goodwill	466 125	273 038	260 987
Intangible assets	167 506	36 620	35 914
Non-current assets classified as held for sale	122 133	50 020	
	43 194 533	41 172 009	36 392 28
Other financial instruments at fair value			50 572 20
through income in respect of			
- liabilities to customers	5 781 206	5 397 014	4 162 088
<ul> <li>assets related to reinsurance contracts</li> </ul>	2 699	2 842	3 196
	48 978 438	46 571 865	40 557 565
Liabilities			
Deposits by banks	2 181 563	2 439 670	3 050 282
Deposits by banks – Kensington warehouse funding	1 082 431	1 213 042	I 354 73
Derivative financial instruments	1618990	1 193 421	I 377 95
Other trading liabilities	540 254	504 618	305 770
Repurchase agreements and cash collateral			
on securities lent	942 699	1 110 508	655 556
Customer accounts (deposits)	23 493 808	21 934 044	18 013 512
Debt securities in issue	1815113	79  869	1 166 386
Liabilities arising on securitisation	4 488 245	4 714 556	4 749 629
Current taxation liabilities	191 560	196 965	168 088
Deferred taxation liabilities	202 938	136 974	139 283
Other liabilities	1 561 941	1 572 760	1 342 718
Pension fund liabilities	487	I 285	934
Liabilities directly associated with non-current assets			
held for sale	103 465	-	-
	38 223 494	36 809 712	32 324 850
Liabilities to customers under investment contracts	5 776 517	5 392 662	4 155 535
Insurance liabilities, including unit-linked liabilities	4 689	4 352	6 553
Reinsured liabilities	2 699	2 842	3   9
Subordinated liabilities	44 007 399   173 244	42 209 568   070 436	36 490 134 1 074 04
	45 180 643	43 280 004	37 564 17
Equity		••	
Called up share capital	201	195	19
Perpetual preference share capital	181	152	15
Share premium	2 256 628	1 928 296	1 861 32
Treasury shares	(55 182)	(66 439)	(74 20
Other reserves	270 030	246 718	150 51
Retained income	999 077	846 060	734 84
Shareholders' equity excluding minority interests	3 470 935	2 954 982	2 672 82
Minority interests	326 860	336 879	320 56
	311 312	314 944	307 33
<ul> <li>Perpetual preferred securities issued by subsidiaries</li> </ul>		21 935	13 23
<ul> <li>Perpetual preferred securities issued by subsidiaries</li> <li>Minority interests in partially held subsidiaries</li> </ul>	15 548		
	3 797 795	3 291 861	2 993 39

\* As restated for reclassifications detailed in the commentary section of this report.

# Combined summarised consolidated statement of comprehensive income

Six £'000	months to 30 Sept. 2010	Six months to 30 Sept. 2009	Year to 31 March 2010
Profit after taxation Fair value movements on cash flow hedges* Gains on realisation of available for sale assets	234 675 2 113	167 691 9 905	327 331 14 202
recycled through income statement <sup>*</sup> Fair value movements on available for sale assets <sup>*</sup> Foreign currency adjustments on translating foreign operations Pension fund actuarial losses	(1 624) 10 527 8 224 -	(6 758) 24 950 111 476 -	(8 887) 20 370 239 789 (8 180)
Total comprehensive income	253 915	307 264	584 625
Total comprehensive (loss)/income attributable to minority shareholders Total comprehensive income attributable to ordinary	(11 351)	(3 018)	9 918
shareholders	235 472	257 815	493 073
Total comprehensive income attributable to perpetual preferred securities	29 794	52 467	81 634
Total comprehensive income	253 915	307 264	584 625

\* Net of taxation of £3.0 million (Six months to 30 September 2009: £7.6 million, Year to 31 March 2010: £10.0 million).

\*As restated for reclassifications detailed in the commentary section of this report.

Investec plc (Registration number 3633621)

JSE Code: INP

ISIN: GB00B17BBQ50

Registered office 2 Gresham Street London, EC2V 7QP United Kingdom

**Transfer secretaries** Computershare Investor

Services (Pty) Ltd 70 Marshall Street Johannesburg, 2001

#### Company secretary: D Miller<sup>+</sup>

**Directors:** H S Herman (Chairman), S Koseff<sup>\*</sup> (Chief Executive), B Kantor<sup>\*</sup> (Managing Director), S E Abrahams, G F O Alford<sup>+</sup>, G R Burger<sup>\*</sup>, C A Carolus, P K O Crosthwaite<sup>+ †</sup>, B Fried<sup>+ †</sup>, H Fukuda OBE<sup>+</sup>, G M T Howe<sup>+</sup>, I R Kantor, M P Malungani, Sir David Prosser<sup>+</sup>, A Tapnack<sup>++</sup>, P R S Thomas, F Titi.

\*Executive \*British

 $^{\dagger}B$  Fried and P K O Crosthwaite were appointed to the Board of Directors with effect from 01 April 2010 and 18 June 2010 respectively.

Investec Limited

JSE Code: INL

ISIN: ZAE000081949

**Registered office** 

100 Grayston Drive

**Transfer secretaries** 

Computershare Investor

Company secretary: B Coetsee

Services (Pty) Ltd

70 Marshall Street

Johannesburg, 2001

Sandown

Sandton 2196

(Registration number 1925/002833/06)

Sir Chips Keswick resigned from the Board of Directors on 13 August 2010.



# Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items and taxation for the six months to 30 September 2010

£'000	Southern Africa	United Kingdom and Europe	Australia	Total group
Asset Management	30 046	18 867	-	48 913
Wealth and Investment	7 346	8 996	-	16 342
Property Activities	14 540	(443)	2311	16 408
Private Banking	14 150	(12 486)	(5 543)	(3 879)
Investment Banking	36 845	8 8 1 6	(3 151)	42 510
Capital Markets	40 364	88 385	4 757	133 506
Group Services and Other Activities	3     9	(32 097)	3 335	(25 643)
Operating profit after minorities	146 410	80 038	I 709	228   57
- Minority interest – equity				
Operating profit before goodwill and acquired intangibles				217 320

# Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items and taxation for the six months to 30 September 2009

		United Kingdom		
	Southern	and		Total
£'000	Africa	Europe	Australia	group
Asset Management	21 419	7 513	_	28 932
Wealth and Investment	6 6 1 9	5 389	-	12 008
Property Activities	9 464	619	I 650	11 733
Private Banking	8 283	8 754	(328)	16 709
Investment Banking	27 192	(1 527)	9	26 784
Capital Markets	30 695	41 161	78	73 637
Group Services and Other Activities	21 485	24 816	(125)	46 176
Operating profit after minorities	125 157	86 725	4 097	215 979
Minority interest – equity				(10 843)
Operating profit before goodwill and acquired intangibles				205 136

# Combined summarised consolidated cash flow statement

	Six months to	Six months to 30 Sept.*	Year to 31 March
£'000	30 Sept. 2010	2009	2010
Cash inflows from operations	343 799	300 664	731 000
Increase in operating assets	(2 460 557)	(319 058)	(3 336 695)
Increase in operating liabilities	I 295 406	369 172	4 1 1 5 6 4 0
Net cash (outflow)/inflow from			
operating activities	(821 352)	350 778	1 509 945
Net cash (outflow)/inflow from			
investing activities	(10 946)	2 195	(19 368)
Net cash inflow/(outflow) from			
financing activities	157 453	(20 229)	(127 794)
Effects of exchange rate changes on			
cash and cash equivalents	15 889	172 102	274 915
Net (decrease)/increase in ca	ısh		
and cash equivalents	(658 956)	504 846	I 637 698
Cash and cash equivalents at the			
beginning of the period	3 922 047	2 284 349	2 284 349
Cash and cash equivalents			
at the end of the period	3 263 091	2 789 195	3 922 047

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).

\* As restated for reclassifications detailed in the commentary section of this report.

# Combined summarised consolidated statement of changes in equity

Six months to		Six months to	Year to
	30 Sept.		31 March
£'000	2010	2009	2010
Balance at the beginning			
of the period	3 291 861	2 620 537	2 620 537
Total comprehensive income	253 915	307 264	584 625
Share based payments adjustments	17 708	25 000	56 942
Dividends paid to ordinary shareholders	(59 341)	(35 833)	(91 946)
Dividends paid to perpetual			
preference shareholders	(27 031)	(29 922)	(43 860)
Issue of ordinary shares	317 464	73 303	84 178
Issue of perpetual preference shares	11 893	-	40 869
Share issue expenses	(3 753)	(3 554)	(3 559)
Movement of treasury shares	(6 253)	36 595	40 974
Issue of equity instruments by			
subsidiaries	1514	-	3 547
Dividends paid to minority interests	(182)	-	(578)
Acquisition of minority interests	-	-	132
Balance at the end of			
the period	3 797 795	2 993 390	3 291 861

- Third party assets under management increased 4.9% to GBP77.8 billion (31 March 2010: GBP74.2 billion)
- Customer accounts (deposits) increased 7.1% to GBP23.5 billion (31 March 2010: GBP21.9 billion)
- Core loans and advances increased 1.4% to GBP18.1 billion (31 March 2010: GBP17.9 billion)
- Core loans and advances (excluding own originated securitised assets) as a percentage of customer deposits improved from 76.2% at 31 March 2010 to 72.5%.
- Capital adequacy ratios have strengthened in both Investec plc and Investec Limited (refer to "Operational review" below).
- Low gearing ratios represented by core loans and advances to equity at 4.8 times (31 March 2010: 5.4 times) and total assets (excluding assurance assets) to equity at 11.4 times (31 March 2010: 12.5 times).
- The board declared a dividend of 8.0 pence per ordinary share (2009: 8.0 pence) resulting in a dividend cover based on the group's adjusted EPS before goodwill and non-operating items of 2.8 times (2009: 3.0 times), consistent with the group's dividend policy.

#### Strategic review

Over the past eighteen months the group has made a concerted effort to realign its business model by building its asset and wealth management businesses. This strategy is starting to bear fruit with a significant rise in funds under management resulting in operating profit from these businesses increasing by 59.4% to £65.2 million (2009: £40.9 million). The banking regulatory environment remains uncertain notwithstanding the recent announcements made by the Basel Committee on Banking Supervision. At this point it is still unclear as to the types of instruments that will qualify as capital in future and the different responses in this regard from the regulators in the geographies in which the group operates. The board has resolved to maintain excess levels of liquidity and capital until the group has further clarity on the way forward. This does have a negative impact on short-term earnings and return on equity, however, the board believes that this is appropriate under the circumstances.

#### Liquidity and funding

Diversifying Investec's funding sources has been a key element in improving the quality of the group's balance sheet and reducing its reliance on wholesale funding. The group has continued to increase customer deposits in all three core geographies and cash and near cash balances amount to GBP10.0 billion.

#### Capital adequacy

The group targets 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.

The group has conducted an initial review of the Basel III requirements as set out in the Basel Committee on Banking Supervision announcement on 12 September 2010. Based on this review the group believes that its current capital structure and capital ratios exceed the minimum capital requirements for 2013.

Basel II ratios	30 Sep 2010	31 Mar 2010	30 Sep 2009
Investec plc			
Capital adequacy ratio	16.7%	15.9%	15.5%
Tier I ratio	12.1%	11.3%	11.0%
Investec Limited	· · ·		
Capital adequacy ratio	16.2%	15.6%	14.7%
Tier I ratio	12.1%	12.1%	11.3%

#### **Capital Markets**

Capital Markets reported an increase in operating profit of 81.3% to GBP133.5 million (2009: GBP73.6 million). The division has benefitted from good levels of activity across the advisory and structuring businesses, notably within the Principal Finance, Structured Finance and Structured Equity Derivatives teams. Since 31 March 2010 core loans and advances increased 4.1% from GBP4.5 billion to GBP4.7 billion.

#### **Group Services and Other Activities**

Group Services and Other Activities posted a loss of GBP25.6 million (2009: profit of GBP46.2 million). The Central Funding division's results were impacted by lower levels of interest rates and a weaker performance from equity investments held within the South African portfolio. Furthermore, the UK Central Funding division recorded a profit of approximately GBP46 million on the repurchase of debt in the prior period which was not repeated in the current period.

Further information on key developments within each of the business units is provided in a detailed report published on the group's website: http://www.investec.com

#### Financial statement analysis

#### Total operating income

Total operating income net of insurance claims has increased by 14.0% to GBP881.0 million (2009: GBP773.0 million). Material movements in total operating income are analysed below.

Net interest income increased by 8.0% to GBP321.2 million (2009: GBP297.4 million) largely as a result of improved margins within the South African Private Banking division.

Net fee and commission income increased by 50.4% to GBP340.5 million (2009: GBP226.4 million). Average 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.

Income from principal transactions decreased by 9.6% to GBP208.7 million (2009: GBP230.8 million). The group has benefited from a solid performance from its unlisted equity, structured credit and property investment portfolios. The prior period included profits generated on the repurchase of debt which were not repeated in the current period.

Operating income from associates decreased by 46.5% to GBP3.2 million (2009: GBP5.9 million). The current period's figure includes Investec's 47.1% share of the post-tax profit of Rensburg Sheppards plc for the period I April 2010 to 25 June 2010.

The consolidation of the operating results of certain investments held is partly reflected in other operating income, which declined from GBP10.5 million to GBP5.2 million.

As a result of the foregoing factors, recurring income as a percentage of total operating income increased to 63.0% (2009: 61.1%).

#### 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 GBP94.3 million to GBP98.2 million (excluding

# Commentary

#### Investec plc and Investec Limited (combined results)

Unaudited combined consolidated financial results in Pounds Sterling for the six months ended 30 September 2010.

## Overall group performance

The group has delivered a strong operational performance, with five of its six core businesses areas recording a substantial increase in earnings. This was partially offset by profits earned on the repurchase of debt in the prior period not being repeated. The group's strategy to build revenues in its less capital intensive businesses gained further momentum through the acquisition of Rensburg Sheppards plc and strong inflows recorded in the asset management business. The balance sheet remains strong, supported by an increase in capital and liquidity over the period. The pace of economic recovery however, is slow and uncertain. Activity levels within the group's banking and advisory businesses are below historic trends and the impairment charge, whilst improving remains high.

Against this backdrop the main features of the period under review are:

- Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after minorities ("operating profit") increased 5.6% to GBP228.2 million (2009: GBP216.0 million).
- The group's operating profit excluding the GBP46 million profits earned on the repurchase of the group's debt in the prior period increased by 34.2% to GBP228.2 million (2009: GBP170.0 million).
- Adjusted earnings attributable to shareholders before goodwill, acquired intangibles and non-operating items increased 1.7% to GBP163.2 million (2009: GBP160.4 million).
- Adjusted earnings per share (EPS) before goodwill, acquired intangibles and nonoperating items decreased 7.9% from 24.0 pence to 22.1 pence, largely as a result of an increase in the number of shares in issue.

#### Asset quality

The bulk of Investec's credit and counterparty risk arises through its Private Banking and Capital Markets activities. The Private Bank lends mainly to high net worth and high income individuals, whilst the Capital Markets division primarily transacts with mid to large sized corporates, public sector bodies and institutions. Investec continues to focus on improving asset quality and credit risk in all geographies. Defaults on core loans and advances have increased but remain fully covered, as detailed in the "Financial statement analysis" below.

### Business unit review

#### Asset Management

Asset Management reported an increase in operating profit of 69.1% to GBP48.9 million (2009: GBP28.9 million) benefiting from substantially higher average funds under management and a solid investment performance. Since 31 March 2010 the division recorded strong net inflows of GBP1.9 billion with assets under management increasing by 6.7% from GBP46.4 billion to GBP49.5 billion.

#### Wealth and Investment

Wealth and Investment reported an increase in operating profit of 36.1% to GBP16.3 million (2009: GBP12.0 million). The business has benefitted from higher average funds under management and the acquisition of Rensburg Sheppards plc, as detailed in the "Notes to the commentary" section below. Since 31 March 2010 total funds under management increased by 2.0% from GBP27.1 billion to GBP27.7 billion.

#### **Property Activities**

Property Activities generated an increase in operating profit of 39.8% to GBP16.4 million (2009: GBP11.7 million). The results of the division were largely supported by a satisfactory performance from the investment property portfolio in South Africa.

#### **Private Banking**

The Private Banking division posted a loss of GBP3.9 million (2009: profit of GBP16.7 million) as a result of low activity levels and increased impairments. Notwithstanding, the South African division reported an improved performance. Since 31 March 2010 the private client core lending book has remained at GBP12.9 billion and the deposit book increased by 3.3% from GBP11.8 billion to GBP12.2 billion.

#### **Investment Banking**

The Investment Banking division reported an increase of 58.7% in operating profit to GBP42.5 million (2009: GBP26.8 million). The Principal Investments division recorded a solid result, primarily driven by an improved performance from some of the investments held in the UK and South African portfolio. The Agency divisions benefitted from a good deal pipeline although trading conditions in the Institutional Stockbroking business remain difficult.

Kensington). The credit loss charge as a percentage of average gross loans and advances is 1.02%, marginally lower than the 1.16% reported at 31 March 2010. 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 4.6% since 31 March 2010. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.35 times (31 March 2010: 1.33 times).

Impairment losses on loans and advances relating to the Kensington business amount to GBP24.7 million (2009: GBP40.0 million). The total Kensington book has reduced to GBP4.4 billion from GBP4.7 billion at 31 March 2010.

#### Administrative expenses and depreciation

The ratio of total operating expenses to total operating income amounts to 61.4% (2009: 56.1%).

Total expenses grew by 24.8% to GBP540.9 million (2009: GBP433.5 million) largely as a result of the appreciation of the Rand; the acquisitions of Rensburg Sheppards plc and Lease Direct Finance; an increase in variable remuneration in certain divisions given improved profitability; an increase in headcount in certain divisions; and increased spending on the brand and sponsorships.

#### Impairment of goodwill

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

#### Amortisation of intangibles

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

#### Profit on acquisition of subsidiary

A net gain of GBP73.5 million has arisen on the acquisition of Rensburg Sheppards plc, as detailed in the "Notes to the commentary" section below.

#### Writedown of subsidiaries held for sale

At 30 September 2010, the group had entered into a firm agreement to dispose of one of its investments that was consolidated into the group accounts. Regulatory approval for the transaction was pending at 30 September 2010. As a result the subsidiary has been treated as an asset held for sale, effectively being held at fair value, less cost to realise in the group's accounts. All of the assets and liabilities of the investment have been recognised on single asset and liability lines on the balance sheet, referred to as "non-current assets classified as held for sale" and "liabilities directly associated with non-current assets held for sale". A loss of GBP6.5 million (net of minorities) arising on the pending transaction has been recognised in the income statement in the current period.

#### Taxation

The operational effective tax rate of the group increased from 18.2% to 20.2%, due to a change in the mix of taxable and non-taxable earnings.



#### Losses attributable to minority interests

Losses attributable to minority interests of GBP12.3 million comprise:

- · GBP7.4 million relating to investments consolidated in the Private Equity division;
- · GBP4.9 million relating to Euro denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of minority 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 minorities).

#### Balance sheet analysis

Since 31 March 2010:

- Total shareholders' equity (including minority interests) increased by 15.4% to GBP3.8 billion largely as a result of retained earnings and the issue of shares.
- Total assets increased from GBP46.6 billion to GBP49.0 billion largely as a result of increased cash holdings and advances, as well as an increase in goodwill and intangibles associated with the acquisition of Rensburg Sheppards plc.
- The return on adjusted average shareholders' equity declined from 13.5% to 11.5%.
- Net asset value per share increased by 8.4% to 394.6 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased by 1.9% to 317.8 pence.

#### Outlook

The group's operational performance is reflective of our forward-focused approach over the past year and the ongoing effort to build our brand throughout the financial crisis. While the pace of economic recovery varies across the world, and the regulatory environment remains challenging, the system has stabilised and activity levels are starting to improve.

The strength and resilience of our franchise, together with a solid balance sheet position, provides appropriate flexibility to support our existing businesses and allows us to capture opportunities arising from the realignment of the financial services industry.

On behalf of the boards of Investec plc and Investec Limited

Hugh Herman	Stephen Koseff	<b>Bernard Kantor</b>
Chairman	Chief Executive Officer	Managing Director

#### Notes to the commentary section above

#### • Presentation of financial information

Investec operates under a Dual Listed Companies (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 interim results for Investec plc and Investec Limited present the results and financial position of the combined DLC group under IFRS, denominated in Pounds Sterling. In the commentary above, all references to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

Unless the context indicates otherwise, all comparatives included in the commentary above relate to the six months ended 30 September 2009.

#### • Foreign currency impact

The group's reporting currency is Pounds Sterling. Certain of the group's operations are conducted by entities outside the UK. The results of operations and the financial condition of the individual companies are reported in the local currencies 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 the group's combined consolidated financial statements. 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:

	6 months to 30 Sep 2010		Year to 31 Mar 2010		6 months to 30 Sep 2009	
Currency per GBP1.00	Close	Ave	Close	Ave	Close	Ave
South African Rand	11.00	11.29	11.11	12.38	11.99	12.74
Australian Dollar	1.63	1.70	1.66	1.88	1.81	1.87
Euro	1.15	1.18	1.12	1.13	1.09	1.11
Dollar	١.57	1.52	1.52	1.59	1.60	1.59

and the services rendered, except for costs related to the issue of debt (recognised as part of the effective interest rate) and the cost of issue of equity (recognised directly in shareholders' equity).

#### Restatements

The group applies a policy of offsetting financial assets and financial liabilities when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists. With regard to derivative instruments, the group identified that in certain isolated instances offsetting was applied in prior financial periods to derivative assets and liabilities where it is not market practice to settle net, while the legal right to settle net exists. This restatement had been identified and disclosed in the 2010 annual report. The corresponding restatement for the 30 September 2009 balance sheet is noted below:

GBP'000	30 Sep 2009
Restated	
Derivative financial instrument assets	1,677,224
Derivative financial instrument liabilities	1,377,955
As previously reported	
Derivative financial instrument assets	1,453,804
Derivative financial instrument liabilities	1,154,535
Changes to previously reported	
Derivative financial instrument assets	223,420
Derivative financial instrument liabilities	223,420

The above restatements had no impact on equity, nor the net cash position and are consistent with the restatements as disclosed in the 2010 annual report.

Offsetting of intergroup interest received and interest paid

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 received and paid is noted below:

GBP'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	-

Proviso

Please note that matters discussed in this announcement may contain forward looking statements which are subject to various risks and uncertainties and other factors, including, but not limited to:

- · the further development of standards and interpretations under International Financial Reporting Standards (IFRS) applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS.
- · domestic and global economic and business conditions.
- · market related risks.
- · A number of these factors are beyond the group's control.
- · These factors may cause the group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed or implied.
- · Any forward looking statements made are based on the knowledge of the group at 18 November 2010.
- The information in the announcement for the six months ended 30 September 2010, which was approved by the board of directors on 17 November 2010, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006.

# **Ordinary dividend announcements**

#### Investec Limited Reg. No.: 1925/002833/06 Share Code: INL ISIN: ZAE000081949

Notice is hereby given that an interim dividend number 110 of 90 cents (2009: 100 cents) per ordinary share has been declared by the board in respect of the six months ended 30 September 2010 payable to shareholders recorded in the members' register of the company at the close of business on Friday, 10 December 2010.

#### The relevant dates for the payment of the dividend number 110 are as follows:

Last day to trade cum-dividend	Friday, 03 December 2010
Shares commence trading ex-dividend	Monday, 06 December 2010
Record date (on the JSE)	Friday, 10 December 2010
Payment date (on the JSE)	Tuesday, 21 December 2010

The interim dividend of 90 cents per ordinary share has been determined by converting the Investec plc distribution of 8 pence per ordinary share into Rands using the Rand/ Pounds Sterling average buy/sell forward rate at 11h00 (SA time) on Wednesday, 17 November 2010.

Share certificates may not be dematerialised or rematerialised between Monday, 06 December 2010 and Friday, 10 December 2010, both dates inclusive.

By order of the board

#### **B** Coetsee

**Company Secretary** 

18 November 2010

Investec plc Reg. No.: 3633621 Share Code: INPP ISIN: GB00B19RX541

Non-redeemable non-cumulative non-participating preference shares

#### **Declaration of dividend number 9**

Notice is hereby given that preference dividend number 9 has been declared for the period 01 April 2010 to 30 September 2010 amounting to 7.52 pence per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 03 December 2010.

For shares trading on the Johannesburg Stock Exchange (JSE), the dividend of 7.52 pence per share is equivalent to 85 cents per share, which has been determined using the Rand/Pound Sterling average buy/sell forward rate as at 11h00 (SA Time) on Wednesday, 17 November 2010.

The relevant dates relating to the payment of dividend number 9 are as follows:

#### Last day to trade cum-dividend

On the Johannesburg Stock Exchange (JSE)	Friday, 26 November 2010
On the Channel Islands Stock Exchange (CISX)	Tuesday, 30 November 2010

#### Shares commence trading ex-dividend

Record date (on the JSE and CISX)

Payment date (on the JSE and CISX)

On the Johannesburg Stock Exchange (JSE) On the Channel Islands Stock Exchange (CISX)

Wednesday, 01 December 2010 Friday, 03 December 2010

Tuesday, 14 December 2010

Monday, 29 November 2010

Share certificates may not be dematerialised or rematerialised between Monday, 29 November 2010 and Friday, 03 December 2010, both dates inclusive, nor may transfers between the UK and SA registers may take place between Monday, 29 November 2010 and Friday, 03 December 2010, both dates inclusive.

By order of the board

Investec Limited

**D** Miller Company Secretary

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the appreciation of the Rand. The average exchange rate over the period has appreciated by 11.4% and the closing rate has appreciated by 1.0% since 31 March 2010.

#### • Acquisition of Rensburg Sheppards plc

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 Sheppard's plc at the point it acquired the remaining 52.9%. This has resulted in an exceptional gain of GBP73.5 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 GBP180.4 million. This consideration combined with the existing fair valued holding resulted in the recognition of goodwill and intangibles of GBP193.6 million and GBP133.4 million, respectively.

#### • Accounting policies and disclosures

The accounting policies applied in the preparation of the results for the period ended 30 September 2010 are consistent with those adopted in the financial statements for the year ended 31 March 2010, except for the adoption of the revised IFRS 3 - Business Combinations. This standard is applicable to all business combinations effective from I April 2010 in the group accounts. The main change arising from the adoption is that acquisition related costs are expensed in the period in which the costs are incurred



**Investec plc** Reg. No.: 3633621 Share Code: INP ISIN: GB00B17BBQ50

In terms of the DLC structure, Investec plc shareholders who are not South African resident shareholders may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAN share issued by Investec Limited.

Investec plc shareholders who are South African residents, may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAS share issued by Investec Limited.

Notice is hereby given that an interim dividend number 17 of 8 pence (2009: 8 pence) per ordinary share has been declared by the board in respect of the six months ended 30 September 2010 payable to shareholders recorded in the members' register of the company at the close of business on Friday, 10 December 2010, which will be paid as follows:

- for non-South African resident Investec plc shareholders, through a dividend payment by Investec plc of 8 pence per ordinary share
- · for South African resident shareholders of Investec plc, through a dividend payment by Investec plc of 2.25 pence per ordinary share and through a dividend paid, on the SA DAS share equivalent to 5.75 pence per ordinary share

The relevant dates for the payment of dividend number 17 are as follows:

#### Last day to trade cum-dividend

On the Johannesburg Stock Exchange (JSE) On the London Stock Exchange (LSE)	Friday, 03 December 2010 Tuesday, 07 December 2010
<b>Shares commence trading ex-dividend</b> On the Johannesburg Stock Exchange (JSE) On the London Stock Exchange (LSE)	Monday, 06 December 2010 Wednesday, 08 December 2010
Record date (on the JSE and LSE)	Friday, 10 December 2010
Payment date (on the JSE and LSE)	Tuesday, 21 December 2010
Share certificates on the South African branch register may not be dematerialised or	

Sha rematerialised between Monday, 06 December 2010 and Friday, 10 December 2010, both dates inclusive, nor may transfers between the UK and SA registers take place between Monday, 06 December 2010 and Friday, 10 December 2010, both dates inclusive.

Shareholders registered on the South African register are advised that the distribution of 8 pence, equivalent to 90 cents per share, has been arrived at using the Rand/Pound Sterling average buy/sell forward rate, as determined at 11h00 (SA time) on Wednesday, 17 November 2010.

By order of the board

**D** Miller

**Company Secretary** 

Reg. No.: 1925/002833/06 Share Code: INPR ISIN: ZAE 000063814

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

#### **Declaration of dividend number 12**

Notice is hereby given that preference dividend number 12 has been declared for the period 01 April 2010 to 30 September 2010 amounting to 348.95 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 03 December 2010.

#### The relevant dates for the payment of dividend number 12 are as follows:

Last day to trade cum-dividend	Friday, 26 November 2010
Shares commence trading ex-dividend	Monday, 29 November 2010
Record date	Friday, 03 December 2010
Payment date	Tuesday, 14 December 2010

Share certificates may not be dematerialised or rematerialised between Monday, 29 November 2010 and Friday, 03 December 2010, both dates inclusive.

By order of the board

#### **B** Coetsee

Company Secretary

18 November 2010

## **Further information**

Information provided on the Company's website at www.investec.com includes:

- · Copies of this statement.
- The results presentation.
- Additional report produced for the investment community including more detail on the results.
- Excel worksheets containing the salient financial information under IFRS in Pounds Sterling.

Alternatively for further information please contact the Investor Relations division on e-mail investorrelations@investec.com or telephone +44 207 597 5546 / +27 11 286 7070.

18 November 2010

