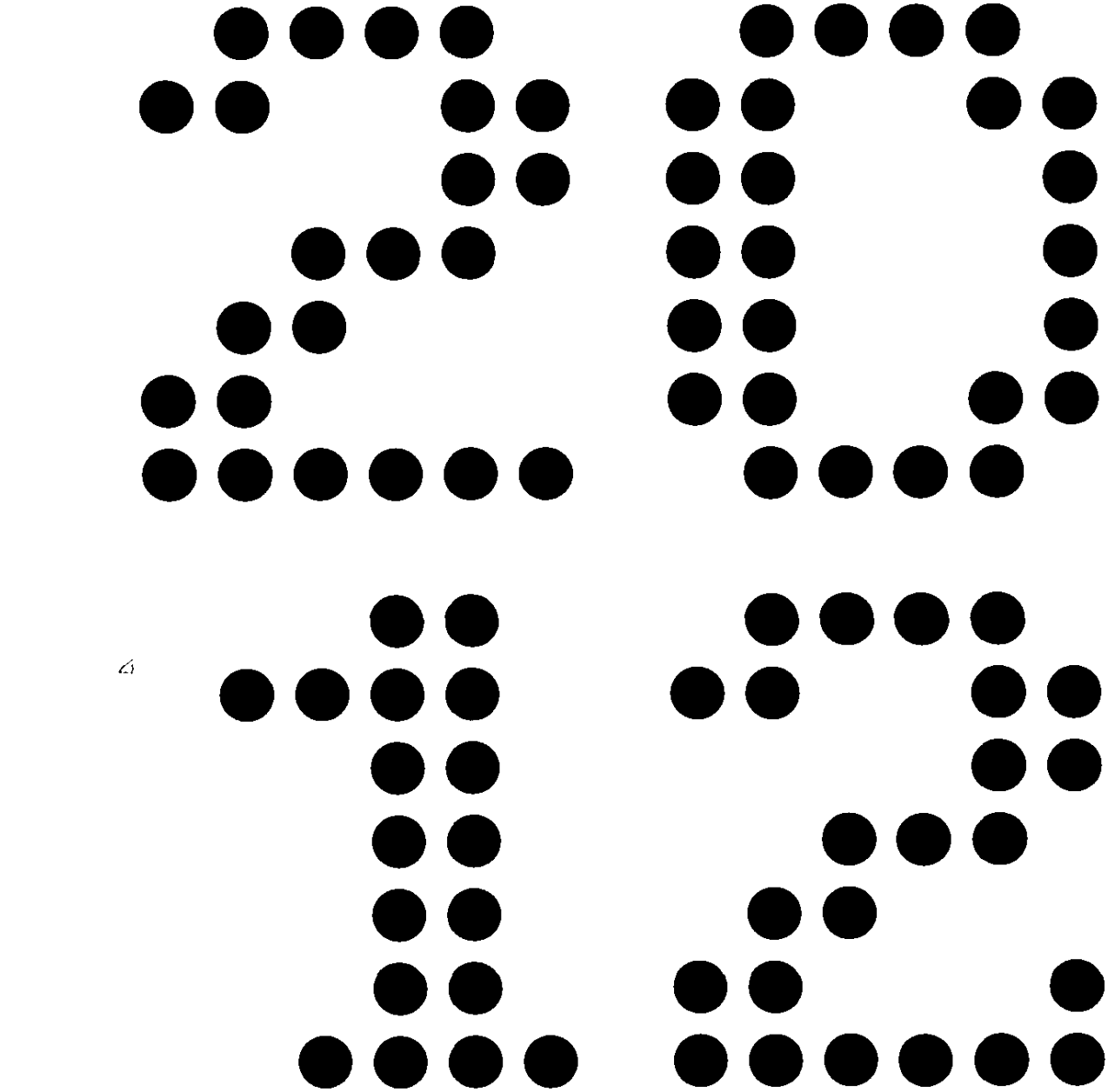
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Investec integrated
annual report
2012

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Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

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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

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

Highlights of the year

We have acted decisively the past few years to realign our business and strengthen our competitive positions and global client franchises. Investec is now better streamlined, further diversified and solidly positioned to unmask the franchise value that we have created as part of our long-term strategy.

Realigned the business model

- Capital light revenue: 49% of total
- Third party assets under management: £96.8 bn
- Recurring income: 68%

Maintained strong capital and liquidity position

- Tier 1 ratio: 11.6%
- Cash and near cash balances: £10.3 bn
- Leverage ratio: 11x

Invested in a sustainable future

- Total training spend: £13.0 mn
- Total corporate social investment spend: £4.5 mn
- EIB loan facility for energy finance: €50 mn

Please go online for the following
Full integrated annual report – http://www.investec.co.za/about-investec/investor-relations.html
Full sustainability report – http://www.investec.co.za/about-investec/sustainability.html



1

Overview of the year



Overview of the year

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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 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 countries Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking

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 an ability to be nimble, flexible and innovative We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively

Values

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

Distinctive performance

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

Dedicated partnership

Client focus

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

Cast-iron integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

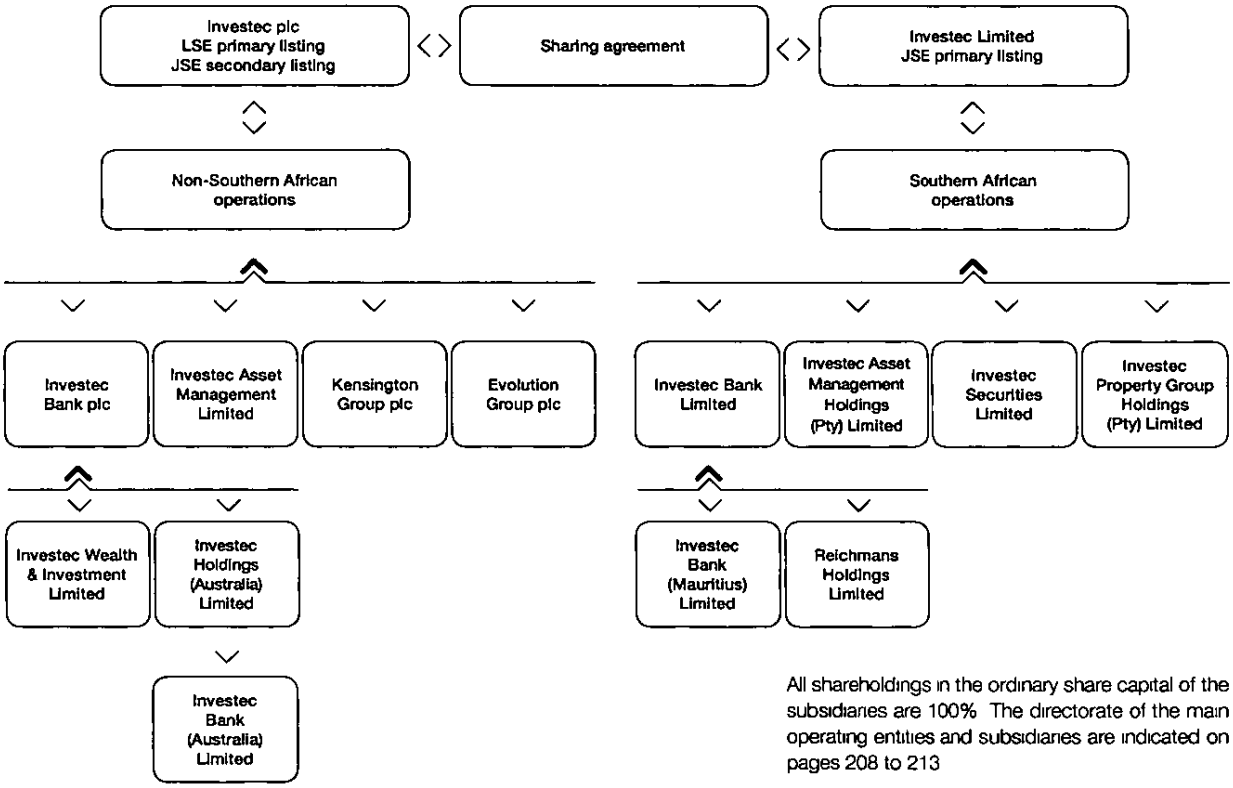
Philosophies

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

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 2012



All shareholdings in the ordinary share capital of the subsidiaries are 100% The directorate of the main operating entities and subsidiaries are indicated on pages 208 to 213

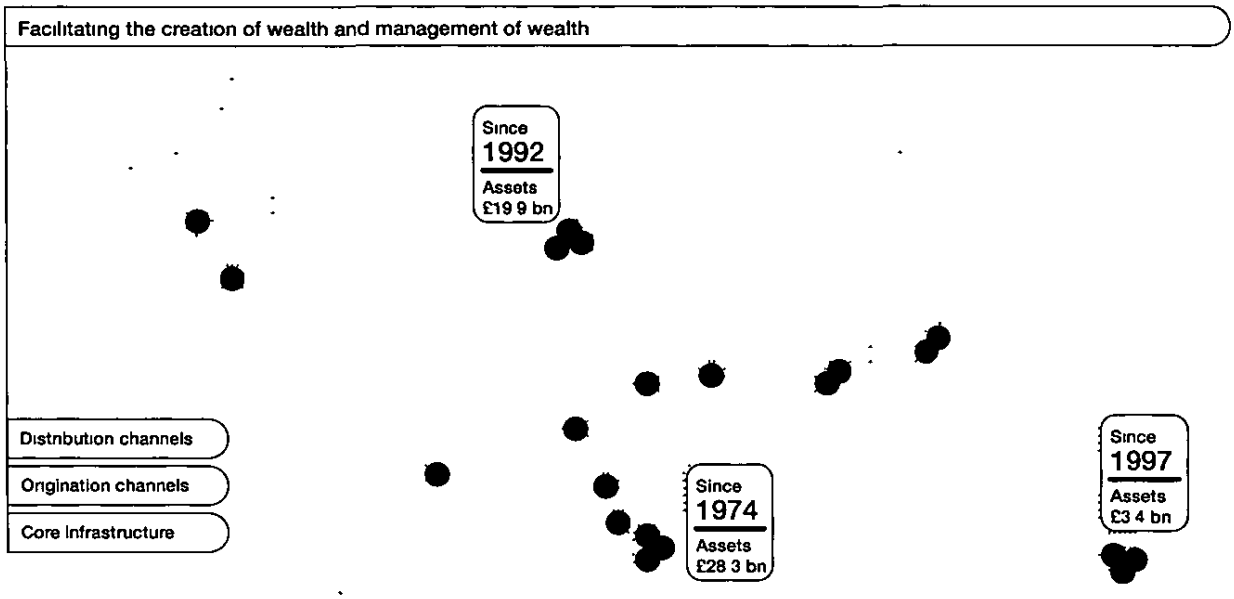
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

Salient features of the DLC structure

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

Operational footprint

We have built a solid international platform...



...with a diversified revenue stream and geographic diversity

...with three distinct business activities focused on well-defined target clients

Corporates/government/institutional clients

Private Client (high net worth/high income)

Asset Management

Provides investment management services

Specialist Banking

Provides a broad range of services

- Advisory
- Transactional banking
- Lending
- Treasury and trading
- Investment activities

Wealth & Investment

Provides investment management services and independent financial planning advice

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 three of our core activities • Listed in London in July 2002, through the implementation of a dual listed companies structure • Offices supporting the UK and European businesses include Canada, Channel Islands, Hong Kong, India, Ireland, London, Manchester, New York, Switzerland, Taiwan	**Total funds under management** £57.1 billion **Total core loans** £5.8 billion **Total deposit book** £9.5 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 three of our core activities • Fifth largest bank in the country • Offices supporting the Southern African businesses include Botswana, Cape Town, Durban, East London, Johannesburg, Knysna, Mauritius, Namibia, Nelspruit, Pietermaritzburg, Port Elizabeth, Pretoria, Stellenbosch	**Total funds under management** £39.3 billion **Total core loans** £10.5 billion **Total deposit book** £14.3 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** £0.4 billion **Total core loans** £1.9 billion **Total deposit book** £1.5 billion

By geography

	% of operating profit*	% of assets	% of NAV**	% of permanent employees	COI/ROE^
	Investec total £358 6mn	Investec total £51 550mn	Investec total £2 694mn	Investec total 7 286	
	37 7%	38 5%	35 4%	44 2%	COI 68 1% ROE 6 0%
	80 7%	54 9%	52 5%	50 3%	COI 56 3% ROE 14 9%
	(18 4%)	6 6%	12 1%	5 5%	COI 98 0% ROE (11 1%)

Highlights

- Operating profit of the UK operations increased 1 1% to £135 1 million

Highlights

- Operating profit of the Southern African operations decreased 3 5% to £289 4 million, but was up 3 1% in home currency

Highlights

- Operating loss of the Australian operations amounted to £65 9 million
- The core business of the Australian operations posted on operating profit of £17 4 million

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

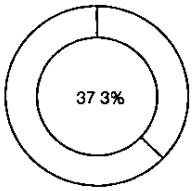
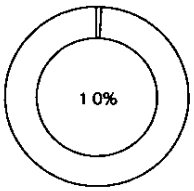
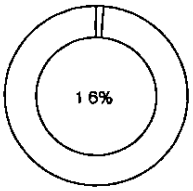
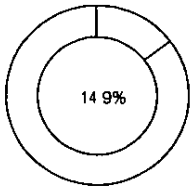
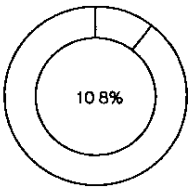
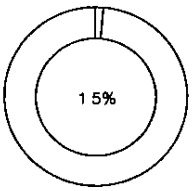
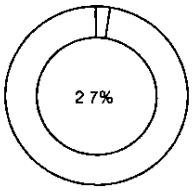
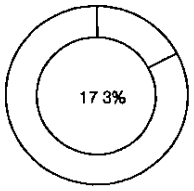
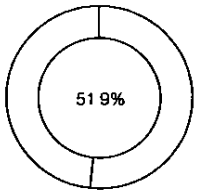
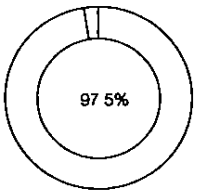
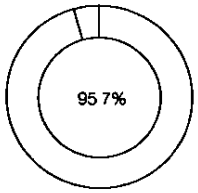
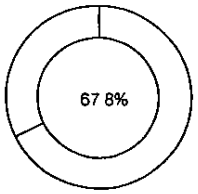
** *NAV is tangible shareholders' equity as calculated on page 50*

^ *COI is cost to income ratio ROE is the post-tax return on adjusted average shareholders' equity as calculated on page 52*

Investec in perspective (continued)

By business	Core client base and what we do	Market positioning
Asset Management	Operates independently from Investec's other businesses and its sole focus is the provision of investment management services to its predominantly global institutional client base	Record funds under management 1991 £0 4 billion ⇨ 2012 £61 5 billion Strong net inflows of £5 2 billion Good long-term performance with growing traction in all distribution channels
Wealth & Investment	Provides investment management services and independent financial planning advice to private clients, charities and trusts	Total funds under management 1997 £0 4 billion ⇨ 2012 £34 8 billion UK One of the top five players SA Largest player
Specialist Banking	We offer a broad range of services from advisory, structuring, lending, transactional banking, treasury and trading, and investment activities These services are aimed at government, institutional, corporate and high net worth and high income clients	Global core loan portfolio £18 2 billion – Corporate and other clients £5 3 billion – Private clients £12 9 billion Global deposit book £25 3 billion Strong positioning in South Africa and the UK, with a growing franchise in Australia

By business

	% of operating profit*	% of assets	% of NAV**	% of permanent employees	COI/ROE/ ROTE^
	Investec total £358 6mn	Investec total £51 550mn	Investec total £2 694mn	Investec total 7 286	
					COI 64 3% ROE 84 0% ROTE 288 6%
					COI 80 3% ROE 13 1% ROTE 46 9%
					COI 62 4% ROE 6 1% ROTE 6 5%

Highlights

- Operating profit of Asset Management increased 5 0% to £133 7 million
- Total funds under management increased 4 7% to £61 5 billion

Highlights

- Operating profit of the Wealth & Investment division decreased 4 2% to £38 7 million
- Total funds under management increased 18 1% to £34 8 billion

Highlights

- Operating profit of the Specialist Banking division decreased 30 2% to £186 2 million

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

** *NAV is tangible shareholders' equity as calculated on page 50*

^ *COI is cost to income ratio ROE is the post-tax return on adjusted average shareholders' equity as calculated on page 51*

Snapshot of the year

Financial features

- Operating profit before taxation* decreased 17 4% to £358 6 million (2011 £434 4 million)
- Adjusted earnings attributable to shareholders* decreased 21 4% to £257 6 million (2011 £327 9 million)
- Adjusted earnings per share (EPS)* decreased 26 4% from 43 2 pence to 31 8 pence
- Proposed full year dividend of 17 0 pence (2011 17 0 pence)

Highlights

- The year under review has echoed the difficulties of the global macro-economic environment with volatile markets and low levels of activity negatively impacting results, particularly in the second half of the financial year
- We have maintained revenues despite difficult markets with the quality of earnings improving substantially as we have continued to grow the proportion of revenues derived from capital light, non-lending activities
- Many of our businesses have continued to deliver and our underperforming businesses are turning the corner
- The UK and South African operations have performed in line with the prior year in home currencies, whilst the Australian business reported a loss as a result of additional impairments required in light of weakened residential property prices in certain sectors of the market
- Third party assets under management (including assets acquired from the Evolution Group plc) increased 8 9% to £96 8 billion (2011 £88 9 billion) – an increase of 14 5% on a currency neutral basis
- The asset management and wealth management businesses now account for 48 1% of the group's operating profit (2011 38 6%)
- Recurring revenues as a proportion of total operating income rose to 67 7% (2011 62 3%)
- Net interest income increased by 2 6% to £699 million and net fees and commissions increased by 12 3% to £884 2 million
- Investment income decreased by 31 6% to £174 3 million
- Impairments on loans and advances increased by 2 2% with the credit loss charge improving from 1 27% at 31 March 2011 to 1 12%
- We maintained a strong capital position with tier 1 ratios of 11 6% for Investec plc and 11 6% for Investec Limited
- Liquidity remains strong with cash and near cash balances increasing to £10 3 billion (2011 £9 3 billion)

Financial objectives

Financial objectives have been readjusted for changing landscape

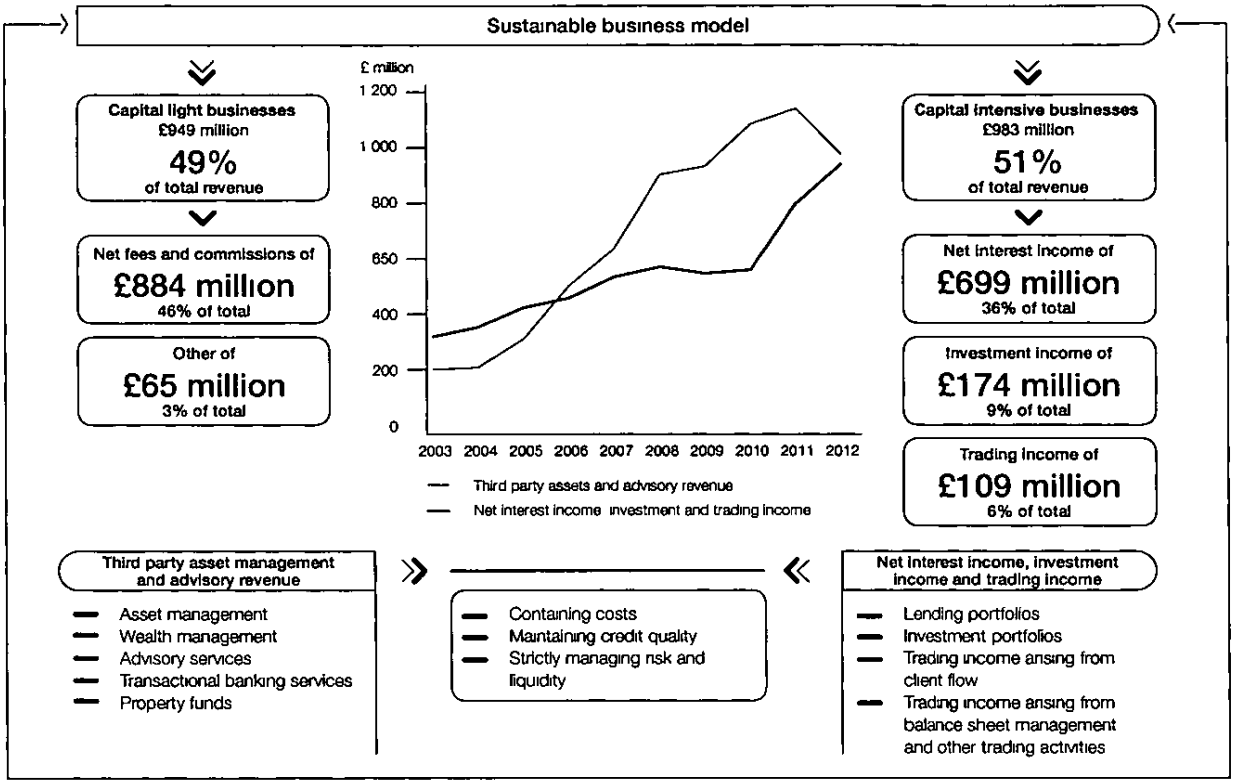
	Target in £	31 March 2012	31 March 2011
ROE**	12% – 16% over a rolling 5-year period	7 8%	11 2%
Cost to income ratio	<65%	64 7%	61 7%
Adjusted EPS* growth	10%> UK RPI	(26 4%)	(4 2%)
Dividend cover range	1 7 – 3 5x	1 9x	2 5x
Capital adequacy ratio range^	15% – 18%	plc 17 5% Ltd 16 1%	plc 16 8% Ltd 15 9%
Tier 1 capital adequacy ratio range	11% – 12%	plc 11 6% Ltd 11 6%	plc 11 6% Ltd 11 9%

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

** *Previous target was greater than 20% over the medium to long term*

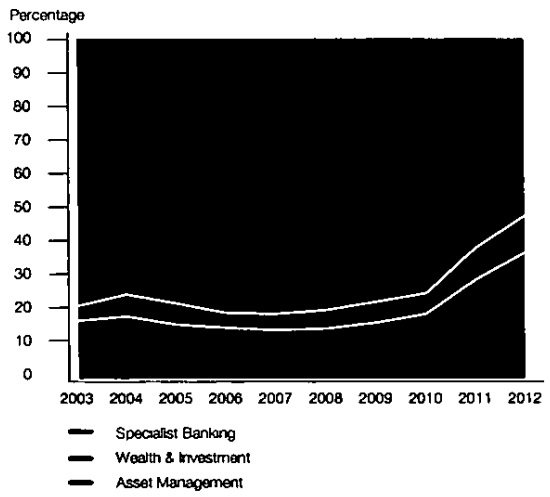
^ *Previous target range was 14% – 17%*

We have realigned our business model by building capital light revenues

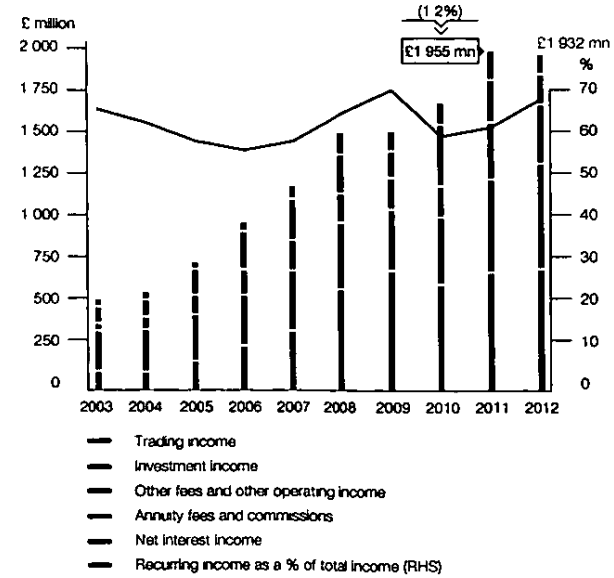


Three distinct business areas supporting a large recurring revenue base

Contribution to operating profit before taxation*



Total operating income

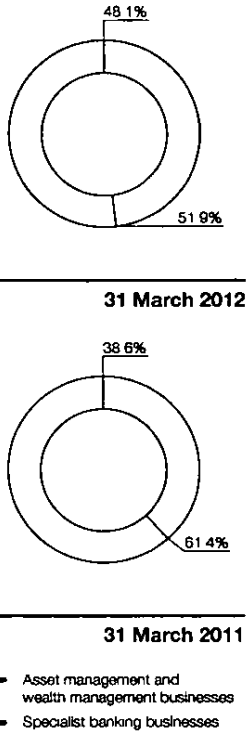


* *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests*

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

Snapshot of the year (continued)

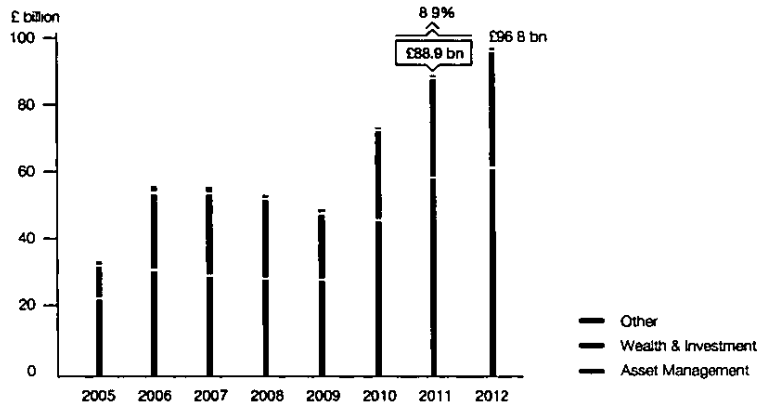
Contribution to group earnings



Momentum in building third party assets under management continues...

- Acquisition of the Evolution Group plc, adding approximately £7.0 billion in funds under management
- Investec Asset Management reported net inflows of £5.2 billion for the year

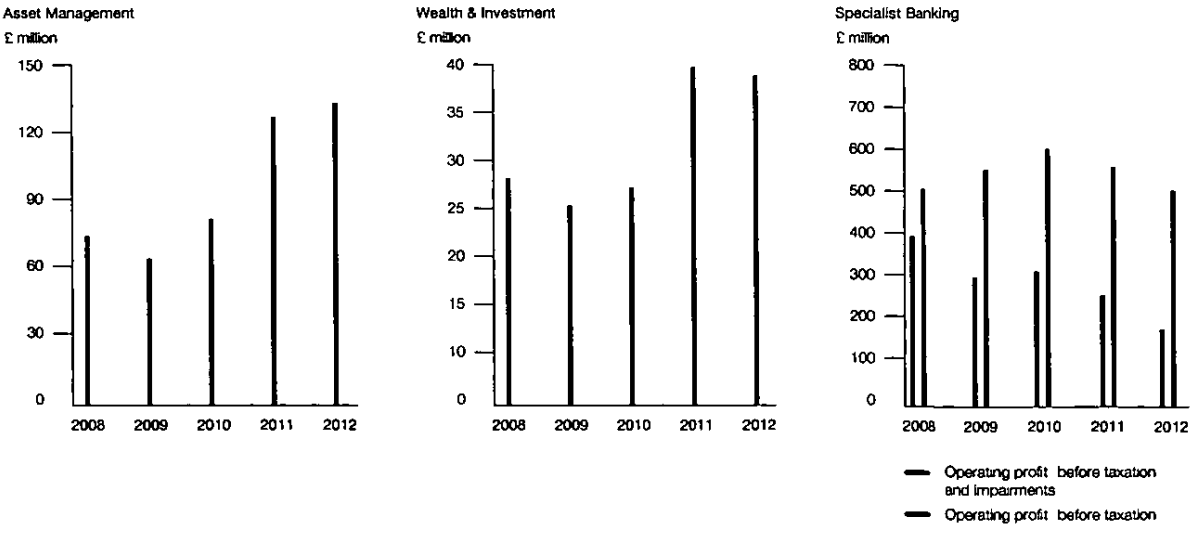
Third party assets under management



...resulting in a strong contribution from the asset management and wealth management businesses

Specialist Banking has been held back by elevated impairments and a weaker performance from investment portfolios

Operating profit* before taxation by business

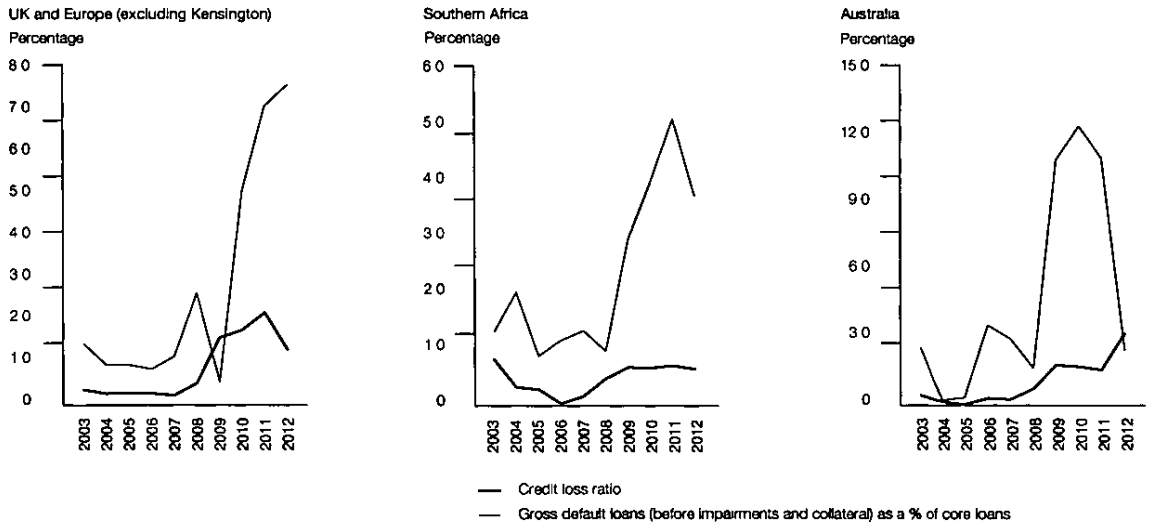


* *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests*

Impairments have decreased in two key geographies

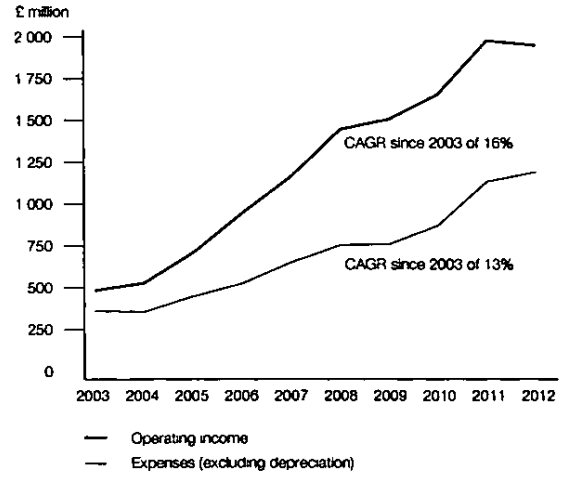
- In our South African and UK and European operations impairments are much improved
- The Australian credit loss ratio has increased substantially as a result of additional impairments required in light of the weak residential property markets
- The credit loss charge as a percentage of average gross loans and advances has improved from 1 27% at 31 March 2011 to 1 12%
- The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 3 31% (2011 4 66%)
- The ratio of collateral to default loans (net of impairments) remains satisfactory at 1 39 times (2011 1 38 times)

Impairments by geography

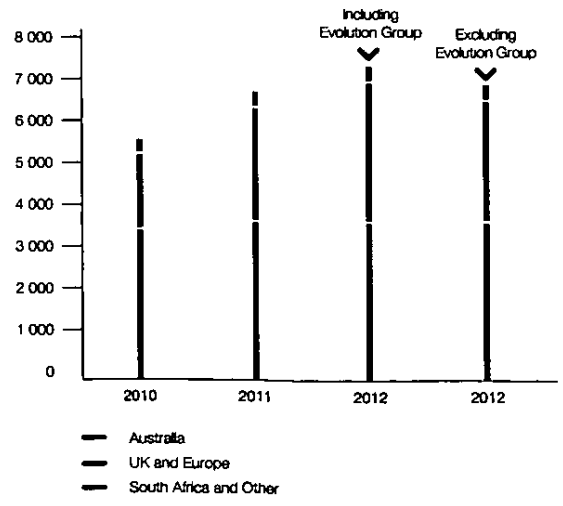


Costs relative to revenue deteriorated slightly... but our cost to income ratio is still within our target range

Cost to income ratio 64 7% (2011 61 7%)



Headcount* relatively stable excluding acquisitions



* *Permanent headcount and includes Rensburg Sheppards plc from June 2010*

Sound capital and liquidity position maintained... achieved capital targets across all geographies

- The intimate involvement of senior management ensures stringent management of risk and liquidity
- Our policy has always been to hold capital in excess of regulatory requirements and we intend to perpetuate this philosophy
- Investec has maintained a strong capital base and has met its targets in this period
- A well established liquidity management philosophy remains in place
- Continue to focus on
  - Maintaining a high level of readily available, high quality liquid assets – representing 25% to 35% of our liability base
  - Diversifying funding sources
  - Limiting concentration risk
  - Reduced reliance on wholesale funding
- An increase in customer deposits in all three core geographies
- Advances as a percentage of customer deposits is at 67 8% (2011 72 4%)

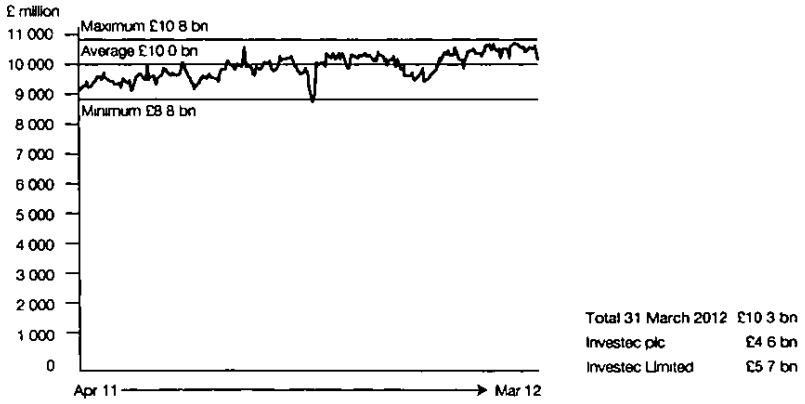
Sound capital and liquidity position maintained...

Capital adequacy and tier 1 ratios

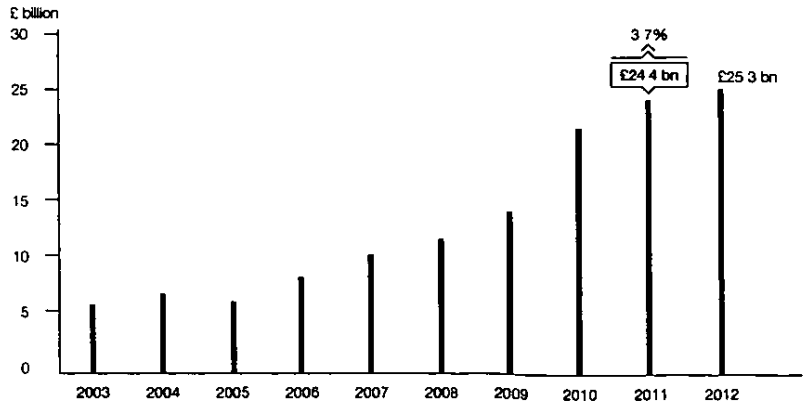
	31 March 2012		31 March 2011	
	Capital adequacy ratio	Tier 1 ratio	Capital adequacy ratio	Tier 1 ratio
Investec plc	17 5%	11 6%	16 8%	11 6%
Investec Bank plc	16 8%	11 5%	16 1%	11 3%
Investec Bank (Australia) Limited	17 6%	14 6%	17 6%	14 7%
Investec Limited	16 1%	11 6%	15 9%	11 9%
Investec Bank Limited	16 1%	11 4%	15 6%	11 5%

...and benefited from increased customer deposits and cash balances

Cash and near cash trend



Customer accounts (deposits)



Sustainability overview

Sustainability considerations

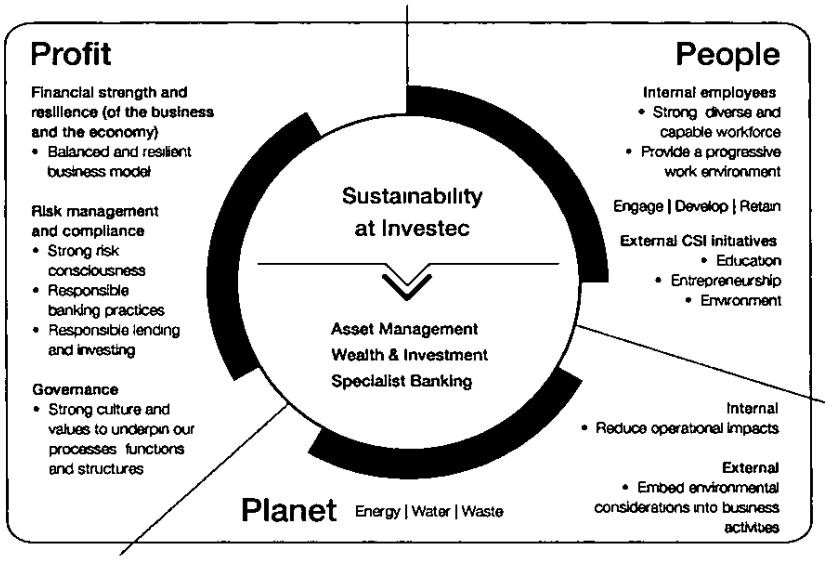
Our sustainability goals reflect our culture of continuous advancement and reaffirm our belief that sustainability in its broadest sense is about managing and positioning the group for the long term

Investec's sustainability philosophy is based on the recognition that we are a specialist bank and asset manager driven by our commitment to our culture and values

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity

We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact or prolongs the life of our planet

Sustainability for Investec is about endurance and the interdependence of the three key areas of profit, people and planet



Our sustainability journey

◁ 2002	2003 – 2006	2007 – 2011	2012 ▷
• Passive philanthropic • Broad based CSI focus • Limited environ mental focus	• More focused CSI effort • Big transformation and entrepreneurial effort in South Africa. – Empowerment deal – The Business Place • Environmental considerations – Compliance approach – Internal operational impacts	• Revised CSI strategy – Strong emphasis on education and entrepre-neurship • Deeper environ-mental focus – Carbon footprint exercises in Australia, South Africa and UK – Staff campaigns in energy waste and water	• Maintain internal momentum • Increased external focus on capturing opportunities

Sustainability at Investec is a key strategic issue and is about:

- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients and stakeholders' wealth based on strong relationships of trust

During the year...

- A total of £4 5 million was spent across the group on a variety of social and charitable investments
- We won the Social Impact category at the Business Charity Awards in the UK, for our work with the Bromley by Bow Centre, a dynamic social business in east London

Dow Jones Sustainability Indexes
Member 2011/12

JSE JOHANNESBURG STOCK EXCHANGE
SRI Index

FTSE4Good

Highlights from the year

- We implemented a sustainability reporting system that will collect and measure our non-financial data to ensure consolidation and alignment across the group
- Investec in the UK was a finalist in the economic regeneration and community partnership categories at the 2011 Lord Mayor's Dragon Awards
- Investec in the UK was placed in the top 5% overall and ranked third amongst the financial institutions in the first league tables of the Carbon Reduction Commitment Energy Efficiency Scheme
- Our Gresham Street office in the UK was awarded the Special Commendation Platinum Award in the City of London's Clean City Awards Scheme for 2011
- Energy efficient installations and upgrades were done at the two Investec office buildings, in Sandton and Pretoria, which resulted in electricity savings equivalent to power the lights of about 5 280 average homes in South Africa
- Investec received first prize in BANKSETA's skills@work 'large employers' category for our efforts in skills development within the financial services sector in South Africa
- We completed our second Department of Trade and Industry BEE verification according to the generic codes and were awarded level 3 rating status by Empowerdex, an improvement of 8 04 points
- Investec Energy Finance concluded a 15-year €50 million Climate Action Framework Loan Facility with the European Investment Bank (EIB) to be used for funding energy-efficient and clean energy projects in South Africa We also agreed to partner with BirdLife South Africa to fund research on the environmental impact of renewable energy on local birdlife
- In Australia, Investec participated in five Australian Business and Community Network (ABCN) programmes, a mentoring and coaching initiative with 14% of our staff volunteering across the country Staff also made personal donations of A$93 937 to charities of their choice which was matched by Investec

Non-financial performance highlights

	South Africa (excluding Mauritius)	United Kingdom	Australia
People			
Training spend on employees (£'000)	8 493	4 326	186
Corporate social investment spend (£'000)	2 878	1 390	186
Planet			
Emissions per full-time employee (Co_2 metric tonnes)	12 73	4 12	6 14
Emissions per m^2 of office space (Co_2 metric tonnes)	0 53	0 39	0 56

Value added statement

£'000	31 March 2012	31 March 2011
Net income generated		
Interest receivable	2 299 925	2 238 783
Other income	1 243 994	1 284 479
Interest payable	(1 600 878)	(1 557 314)
Other operating expenditure and impairments on loans	(635 456)	(658 159)
	1 307 585	1 307 789
Distributed as follows		
Employees	622 386	554 356
Salaries, wages and other benefits		
Government	332 057	337 496
Corporation, deferred payroll and other taxes		
Shareholders	172 575	165 064
Dividends paid to ordinary shareholders	134 436	123 630
Dividends paid to preference shareholders	38 139	41 434
Retention for future expansion and growth	180 567	250 873
Depreciation	57 424	46 606
Retained income for the year	123 143	204 267
	1 307 585	1 307 789

Strategic focus

We pursue this strategy through an emphasis on...

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

The Investec distinction

Client focused approach

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

Specialised and focused strategy

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

Sustainable business model

- Build a sustainable business model by balancing operational risk activities with financial risk activities
- 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 10% 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

Strategic focus (continued)

Our current strategic focus is to...

- Build low capital intensive revenue
- Tightly manage costs while still investing for the future
- Maintain appropriate levels of capital and liquidity
- Continue the path of implementing our single bank strategy to create additional operational efficiencies and better service our clients
- Maintain momentum in Asset Management
- Complete integration in Wealth & Investment and continue internationalising the offering
- Capture trade and investment opportunities between developed and emerging economies

Our long-term strategy

- Since inception we have expanded through a combination of organic growth and strategic acquisitions
- The internationalisation of Investec is based on the following strategy
  - following our customer base
  - gaining domestic competence and critical mass in our chosen geographies
  - facilitating cross-border transactions and flow
- Our strategy for the past 20 years has been to build a diversified portfolio of businesses and geographies to support clients (institutional, corporate and private individuals) through varying markets and economic cycles
- In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time

Our diversified business model

- Broadly defined, we operate in three distinct spaces specialist banking, wealth and investment 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, transactional banking, treasury and trading, and investment activities These services are aimed at government, institutional, corporate and high net worth and high income clients in our selected geographies
- We have a global Wealth & 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
- We seek to maintain an appropriate balance between revenue earned from our operational risk activities and revenue earned from financial risk activities
- This ensures that we are not over reliant on any one part of our businesses 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

Outlook

- In the face of challenging global market conditions, we continued to pursue our strategy of realigning the business model towards less capital intensive activities and concentrating on reducing legacy issues
- Our competitive position is strong with all platforms in place and our client franchise is robust
- We have the right people and skills to take advantage of opportunities in our identified niches, focusing on winning new clients and servicing existing clients in the best possible way
- The operating environment remains unpredictable and we continue to build on the solid foundation, driving organic growth in our chosen businesses whilst maintaining strong cost and capital discipline



Operating financial review

Operating financial review

23 Operating financial review
27 Financial review

Operating financial review

The past few years have been difficult and volatile as developed world economies continue to struggle with economic growth post the financial crisis The European sovereign crisis continues, exacerbated by the perception of weakness of the European banking system To reduce our own complexity and achieve a greater balance in our portfolio of businesses, we took a decision to realign the group into three core business divisions Specialist Banking, Asset Management and Wealth & Investment Despite the various challenges in our operating environment, we continue to build sound and well recognised franchises across all key geographies We believe that we have developed the appropriate mix of businesses to support long-term performance

Despite the various challenges in our operating environment, we have continued to build sound and recognised franchises across all core geographies.

Disappointing financial result

Adjusted earnings per share (EPS) before goodwill, acquired intangibles and non-operating items dropped 26 4% to 31 8 pence largely as a result of heightened volatility and dampened levels of client activity and the resultant decline in trading and investment incomes We continued to focus on building our non-banking revenue streams with recurring income as a percentage of total operating income increasing to 67 7% from 62 3% in the previous year Our final dividend of 9 0 pence per ordinary share equates to a full year dividend of 17 0 pence The total dividend is flat on the prior year Our dividend cover, based on adjusted EPS before goodwill and non-operating items, is 1 9 times and is consistent with our dividend policy

The realignment of the business model towards less capital intensive businesses has shown positive results Third party funds under management increased 8 9% to £96 8 billion with the asset and wealth management divisions reporting a combined increase of 2 8% in operating profit These divisions now account for 48 1% (2011 38 6%) of group operating profit partially as a result of their improved performance against a weak performance from the Specialist Bank

The confluence of the operating environment with that of enhanced regulation made for a particularly difficult year for the Specialist Bank In light of this uncertainty we continue to hold our liquidity and capital positions at levels that are appropriate for the prevailing environment We have been dealing proactively with our underperforming businesses resulting in a decline in the level of gross defaults and a streamlining of our business operations

Volatile operating environment

The volatile movements in equity markets over the year echoed those of the broader macro-environment Interest rates remained pegged at historical lows in the UK and South Africa, with the Australian Reserve Bank further easing its monetary policy over the latter part of the year Exchange rates were volatile across all currencies with the depreciation of the Rand having an adverse impact on our reported results

South Africa

South Africa achieved economic growth of close to 3%, similar to the year before as the country's long-term growth trend was re-established However, in a manner similar to that of the prior year, corporates have continued to hoard large stockpiles of cash and remained cautious in their making of investment decisions Consumers and households on the other hand have sought to take advantage of historically low interest rates and whilst conservative in relation to longer-term debt, have ventured towards shorter-term unsecured borrowing

Once again, South Africa's financial system was highly rated by the World Economic Forum's Global Competiveness Report, ranking second in terms of the soundness of its banks, up from its position at sixth last year The country's fiscal deficit has declined further and with its low level of sovereign debt South Africa is relatively well positioned to absorb the increased borrowings needed to part fund the government's proposed infrastructure rollout We continue to retain the view that our local positioning will allow us to partner with clients in their growth aspirations in both South Africa and the broader African continent

The Financial Sector Charter which was put on hold in December 2008 is currently undergoing an alignment process with the Department of Trade and Industry (DTI) codes A Draft Financial Sector Code was published in March 2012 and was, at the time of our financial year end, still out for public comment The consultative period has now expired and we look forward to the gazetting of the Charter by the Minister of Trade and Industry Until then we will continue to measure our transformation progress against the DTI codes and obtained a level 3 DTI BEE rating for the 2012 financial year, an improvement over the prior year's level 4 rating

United Kingdom

The UK economy remained weak, achieving only one quarter of positive growth through the course of the financial year In spite of the UK's Monetary Policy Committee having kept the official Bank rate unchanged for a third consecutive year of record low rates, the outlook for the economy, which has now slipped into technical recession, remains negative The planned further fiscal consolidation will not help in this regard In Ireland, the signs of improvement in the Irish export economy have not filtered through to the broader economy with domestic unemployment and house price retraction continuing unabated

The Independent Commission on Banking (ICB) issued its final report in September 2011 detailing its recommendations on the stability of, and competition within, the UK banking industry Regarding stability, the report recommends that high street banking operations be ring-fenced from investment banking arms and exist as separate legal and operational entities It also suggests substantially higher capital cushions for the high street operations After consulting with industry, the government is to issue a White Paper detailing its final recommendations by the end of June 2012 and will provide direction on whether any further realignment of our banking business needs to take place We remain committed to ensuring our compliance with any consequent legislation and believe that we will not be impacted by the competition recommendations which may lead to an industry-wide investigation in 2015

Our UK operation has shown particular resilience through the course of the financial crisis where many other regional banks required government support We are appropriately capitalised and currently meet both Basel III capital and liquidity requirements Stakeholder recognition of this resilience and our having emerged through the crisis unscathed, has contributed to the creation of a recognised, credible business franchise With the integration of Rensburg Sheppards plc and Evolution Group plc, Investec has been established as a meaningful manager of wealth and savings, with all our businesses having taken advantage of dislocated markets to gain further traction in the UK

Australia

The relative insulation of the Australian economy from the global meltdown continued into the current year with the economy recovering quickly from the floods that impacted negatively on the country's growth in the first quarter of 2011 The pace of economic growth slowed from that of the first quarter, however consumption and investment expenditure remained robust through the year, gaining support from buoyant Asian resource demand The economic outlook remains uncertain as fears over the Euro crisis, signs of slowing growth in China, a cooling of the global demand for resources and the continued strength of the Australian Dollar may impede the country's economic recovery

During the financial year, our Australian business was severely impacted by write-offs in our legacy property portfolio in light of weakened residential property prices in certain sectors of the market We have acted decisively and have reshaped the nature of the business by refocusing our Private Banking operations on the development of our professional finance franchise

The resilience of our diversified business model

In an environment of extreme volatility, uncertainty and the persistence of lower than normal levels of activity, our results, while disappointing, highlight the material benefits of having the diversified income streams of our three distinct business divisions The group's non-capital intensive, largely annuity-based, asset management and wealth management businesses continued to report strong contributions to group earnings Specialist banking results, however, reflect the severe challenges of the broader macro-economic environment and the impact of continued market volatility and lower levels of activity throughout the course of the financial year Whilst Specialist Banking has seen a significant decline in the level of non-performing loans, impairments this year remained elevated mainly as a result of the write-down and sale of a substantial portion of the Australian run-off property portfolio

Asset Management

Asset Management increased operating profit 5 0% to £133 7 million, benefiting from higher funds under management and a competitive investment performance Net inflows of £5 2 billion were recorded Total funds under management amount to £61 5 billion (2011 £58 8 billion)

Asset Management has established an international, scalable investment platform with its performance displaying the experience and depth of its team, emphasising the quality of its offering across the globalised business

Wealth & Investment

The operating profit of Wealth & Investment decreased by 4 2% to £38 7 million (2011 £40 4 million) The division has benefited from higher average funds under management and a full contribution from the acquisition of Rensburg Sheppards plc which became effective in June 2010 However, results were adversely impacted by restructuring of certain operations in the UK and Europe and the sale of Rensburg Fund Managers

in the prior year Total funds under management have grown to £34 8 billion (2011 £29 4 billion) The acquisition of the Evolution Group plc in December 2011 added approximately £7 billion of assets under management, with the integration of the businesses progressing well

Global economic and European political uncertainty will continue to have a marked impact on the level of equity markets and thereby on divisional performance This business continues to develop its international platform to ensure that its offering to our global client base is competitive and will support the organic growth of funds under management

Specialist Banking

The specialist banking business decreased operating profit 30 2% to £186 2 million (2011 £266 7 million)

In South Africa the division has benefited from improved margins in the lending and fixed income businesses and a strong increase in fees and commissions Fee and commission growth was supported by increased activity in the corporate banking and advisory businesses Whilst the unlisted private equity portfolio continues to perform well, investment income has been adversely affected by a poor performance in the listed principal investment portfolio Furthermore, income earned on the sale of investment properties in the prior year was not repeated in the current year

In the UK the division has also benefited from improved margins, although levels of transactional activity were mixed with net fees and commissions in line with the prior year Income earned on last year's debt buy-backs was not repeated

The Australian division was impacted by a significant increase in impairments on the property loan portfolio, with the majority of these loans sold by the year end The operation has continued to build its core banking businesses, strengthening the group's platform in this region

We continue to gain traction in our core geographies and are seeing the benefits of internationalising the business through the facilitation of cross-border activities for our global client bases Legacy issues, particularly in Australia and Ireland, mask the significant realignment that has taken place We have maintained revenues despite difficult markets with the quality of earnings improving substantially

Building for the long term

Sustainability at Investec is about managing and positioning the group for the long term Guided by our commitment to create sustained long-term wealth, we seek to be a positive influence in all our businesses and in each of the societies in which we operate We believe that building a sustainable business model allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment Core to this strategy is investing in our people and developing a strong, diverse and capable workforce We also contribute to our local communities and in the UK we were awarded first prize in the Social Impact category at the Business Charity Awards

There is a significant shortage of skills in the hard sciences in South Africa and transforming South Africa's financial sector to increase black participation needs to begin with educating children in maths and science For this reason our flagship sponsorship programme, Promaths, focuses on offering extra maths and science lessons to grade 10, 11 and 12 learners, supporting their endeavours to obtain tertiary education We also entered into a partnership during the past year with the Independent Schools Association of Southern Africa and the Department of Education focusing on developing quality teachers of maths, science and English

The environmental dimension of our sustainability approach is based on a growing understanding of the risks to our business represented by climate change, and the opportunities that exist for our clients and our businesses to address these concerns Our internal environmental strategy is focused on creating awareness and encouraging behavioural change in recognition of our environmental responsibilities In the UK, Investec was placed in the top 5% overall and ranked third amongst financial institutions in the first league tables of the Carbon Reduction Commitment Energy Efficiency Scheme Similarly, we participated in the Carbon Disclosure Project for South Africa in 2011 and were ranked third in the financial services sector

Bedding down our realignment

The past three years have been marked by the restructuring and realignment of our specialist banking business and the continued growth of our capital light asset management and wealth management businesses We have made substantial progress in the implementation of our single bank structure and will begin to realise additional operational efficiencies from our ability to better service our clients from this single platform Through the lessons we have learned over the past few years, we have refocused our banking offering and the make-up of our lending portfolios Asset Management is well positioned to maintain its growth momentum and will benefit from its ability to use its global franchise to further penetrate international markets outside of our core geographies Wealth & Investment has further internationalised its offering and market prominence and will benefit from the completion of the Williams de Broë integration We will continue to identify and exploit the opportunities presented by the currently dislocated markets

Our strategic focus however remains the same we are committed to the creation of wealth and the management of wealth for our clients We will achieve this through our increasingly internationalised franchise and the ability this platform creates to capture the trade and investment opportunities between developed and emerging economies

Credit to our people

Our people are the cornerstone to developing a sustainable business We now have more than 7 700 employees across the globe who continue to ensure that our group remains distinctive We believe that our commitment to the values and culture that define us will create an enduring organisation, making Investec out of the ordinary

We are mindful that our delivery of financial performance is dependent on the continued support of our employees, clients and stakeholders This past year has been a difficult one for all our stakeholders who have been impacted by global events in varying capacities We thank you all for your patience, commitment and dedication through the turbulence of the past few years

Outlook

Over many years our unique culture has encouraged our people to be transparent through open and honest dialogue This results in the organisation receiving significant feedback which is often very robust The last few years have taught us many new lessons and have reminded us of lessons we may have learnt in the past, but forgotten These lessons have led to decisive action to realign our business and strengthen our competitive positions and global client franchises Whilst our short-term performance will always remain important, growing a sustainable, long-term business in international markets requires appropriate foundations and necessitates longer-term focus and perspective

The economic and political landscape for the year ahead remains uncertain Nevertheless, we have hardcoded and actioned the lessons we have learned and believe that our business is now better streamlined, further diversified and solidly positioned to unmask the franchise value that we have created in pursuit of our long-term strategy

Sir David Prosser	Fani Titi	Stephen Koseff	Bernard Kantor
Joint chairman	Joint chairman	Chief executive officer	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 27 to 262, which elaborate on the aspects highlighted in this review

Financial review

This commentary and analysis of our financial results for the year ended 31 March 2012 provides an overview of our financial performance relative to the group's results for the year ended 31 March 2011 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 2012		31 March 2011	
Currency per £1 00	Period end	Average	Period end	Average
South African Rand	12 27	11 85	10 88	11 16
Australian Dollar	1 54	1 52	1 55	1 65
Euro	1 20	1 16	1 13	1 17
US Dollar	1 60	1 60	1 60	1 55

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 depreciated by 6 2% and the closing rate has depreciated by 12 8% since 31 March 2011

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

	Results reported at 31 March 2012	Currency neutral results reported at 31 March 2012**
Southern African operating profit (£'000)*	289 436	304 478
Southern African profit after tax and non-controlling interests (£'000)*	240 900	253 400
Total group operating profit before tax (£'000)*	347 590	362 632
Total group adjusted earnings attributable to ordinary shareholders (£'000)*	257 579	268 668
Adjusted EPS (pence)*	31 8	33 2
Total assets (£'million)	51 550	54 769
Total shareholders' equity (£'million)	4 013	4 229

* *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 2011 For income statement items we have used the average Rand Pounds Sterling exchange rate that was applied in the prior year, i e 11 16*

Ten year review

Salient features*

For the year ended 31 March**	2012	2011	% change 2012 vs 2011
Income statement and selected returns			
Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000)Ø	358 625	434 406	(17 4%)
Operating profit Southern Africa (% of total)Ø	80 7%	69 1%	–
Operating profit UK, Europe, Australia and Other (% of total)Ø	19 3%	30 9%	–
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	257 579	327 897	(21 4%)
Headline earnings (£'000)	217 253	286 659	(24 2%)
Cost to income ratio	64 7%	61 7%	–
Staff compensation to operating income ratio	43 0%	40 7%	–
Return on average adjusted shareholders' equity (post-tax)	7 8%	11 2%	–
Return on average adjusted tangible shareholders' equity (post-tax)	9 6%	13 2%	–
Operating profit per employee (£'000)	47 8	64 4	(25 8%)
Net interest income as a % of operating income	36 2%	34 9%	–
Non-interest income as a % of operating income	63 8%	65 1%	–
Recurring income as a % of operating income	67 7%	62 3%	–
Effective operational tax rate	18 1%	15 5%	–
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	5 505	5 249	4 9%
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 013	3 961	1 3%
Shareholders' equity (excluding non-controlling interests) (£'million)	3 716	3 648	1 9%
Total assets (£'million)	51 550	50 941	1 2%
Net core loans and advances to customers (including own originated securitised assets) (£'million)	18 226	18 758	(2 8%)
Net core loans and advances to customers as a % of total assets	35 4%	36 8%	–
Cash and near cash balances (£'million)	10 251	9 319	10 0%
Customer accounts (deposits) (£'million)	25 344	24 441	3 7%
Third party assets under management (£'million)	96 776	88 878	8 9%
Capital adequacy ratio Investec plc°	17 5%	16 8%	–
Capital adequacy tier 1 ratio Investec plc	11 6%	11 6%	–
Capital adequacy ratio Investec Limited°	16 1%	15 9%	–
Capital adequacy tier 1 ratio Investec Limited	11 6%	11 9%	–
Credit loss ratio (core income statement impairment change as a % of average gross loans and advances)	1 12%	1 27%	–
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	3 31%	4 66%	–
Gearing/leverage ratio (assets excluding assurance assets to total equity)	11 3x	11 3x	–
Core loans to equity ratio	4 5x	4 7x	–
Core loans (excluding own originated securitised assets) to customer deposits	67 8%	72 4%	–
Salient financial features and key statistics			
Adjusted earnings per share (pence)*	31 8	43 2	(26 4%)
Headline earnings per share (pence)*	26 8	37 7	(28 9%)
Basic earnings per share (pence)*	25 7	49 7	(48 3%)
Diluted earnings per share (pence)*	24 3	46 7	(48 0%)
Dividends per share (pence)*	17 0	17 0	–
Dividend cover (times)	1 9	2 5	–
Net tangible asset value per share (pence)*	317 0	343 8	(7 8%)
Net asset value per share*	392 0	416 0	(5 8%)
Weighted number of ordinary shares in issue (million)*	809 6	759 8	6 6%
Total number of shares in issue (million)*	874 0	810 0	7 9%
Closing share price (pence)*	382	478	(20 1%)
Market capitalisation (£'million)	3 340	3 872	(13 7%)
Number of employees in the group (including temps and contractors)	7 781	7 237	7 5%
Closing ZAR £ exchange rate	12 27	10 88	12 8%
Average ZAR £ exchange rate	11 85	11 16	6 2%

* *Refer to definitions on page 379*

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

^ *Calculation not comparable*

° *Information prior to 2008 is in terms of Basel I*

2010	2009	2008	2007	2006	2005	2004	2003
432 258	396 766	508 717	466 585	388 767	224 124	132 260	85 762
67 2%	74 0%	66 7%	57 6%	68 3%	66 9%	58 6%	81 0%
32 8%	26 0%	33 3%	42 4%	31 7%	33 1%	41 4%	19 0%
309 710	269 215	344 695	300 704	230 017	149 510	106 203	89 668
275 131	261 627	301 499	294 881	222 805	147 037	105 752	83 595
57 8%	55 9%	56 1%	59 0%	58 7%	67 4%	72 7%	80 0%
36 1%	34 9%	37 2%	40 9%	40 1%	43 4%	47 3%	51 1%
13 5%	14 8%	23 6%	26 1%	25 5%	20 0%	15 4%	13 1%
15 4%	17 4%	28 6%	31 7%	32 7%	28 8%	25 6%	26 0%
69 7	62 6	84 4	92 3	91 5	48 6	25 9	14 3
37 0%	46 6%	39 3%	29 2%	26 8%	23 2%	18 8%	21 3%
63 0%	53 4%	60 7%	70 8%	73 2%	76 8%	81 2%	78 7%
60 4%	70 0%	65 1%	58 7%	56 9%	59 2%	62 6%	66 1%
20 6%	21 1%	22 6%	26 3%	27 3%	28 8%	21 0%	6 3%
4 362	3 762	3 275	2 665	2 042	1 579	1 303	1 012
3 292	2 621	2 210	1 820	1 512	1 076	805	736
2 955	2 297	1 911	1 542	1 226	931	682	697
46 572	37 365	34 224	26 300	23 901	19 917	15 319	14 914
17 891	16 227	12 854	10 095	9 605	6 408	4 846	3 909
38 4%	43 4%	37 7%	38 4%	40 2%	32 2%	31 6%	26 2%
9 117	4 866	5 028	Δ	Δ	Δ	Δ	Δ
21 934	14 573	12 133	10 650	8 699	6 805	7 211	6 355
74 081	48 828	52 749	56 121	56 331	33 855	30 138	24 088
15 9%	16 2%	15 3%	24 7%	17 7%	16 1%	17 3%	14 2%
11 3%	10 1%	9 2%	14 8%	11 6%	9 5%	11 2%	Δ
15 6%	14 2%	13 9%	14 7%	16 3%	17 9%	15 1%	12 2%
12 0%	10 8%	10 0%	10 4%	11 5%	10 9%	8 3%	Δ
1 16%	1 08%	0 51%	0 17%	0 11%	0 28%	0 48%	0 51%
3 98%	3 28%	1 29%	0 92%	0 52%	0 31%	1 26%	0 78%
12 5x	13 0x	13 8x	12 2x	12 5x	14 8x	15 6x	16 8x
5 4x	6 2x	5 8x	5 5x	6 4x	6 0x	6 0x	5 3x
76 2%	103 6%	98 4%	89 1%	105 6%	91 2%	67 2%	61 5%
45 1	42 4	56 9	53 3	41 9	26 9	20 8	19 2
40 1	41 2	49 7	52 3	40 6	26 5	20 7	17 9
44 0	38 5	57 7	54 7	53 8	17 8	12 0	(13 4)
41 5	36 1	54 0	50 4	50 0	17 1	11 9	(13 4)
16 0	13 0	25 0	23 0	18 2	13 4	11 6	10 8
2 8	3 3	2 3	2 3	2 3	2 0	1 8	1 8
324 1	266 3	215 0	178 6	148 9	99 2	83 0	75 0
364 0	308 8	260 6	216 0	182 1	135 4	128 4	128 2
686 3	634 6	606 2	563 8	548 8	555 5	511 5	466 5
741 0	713 2	657 6	609 3	593 0	593 0	593 0	565 0
539	292	339	658	588	311	218	123
3 993	2 083	2 229	4 009	3 488	1 844	1 292	695
6 123	5 951	6 333	5 430	4 453	4 163	4 458	4 874
11 11	13 58	16 17	14 20	10 72	11 73	11 67	12 51
12 38	14 83	14 31	13 38	11 43	11 47	12 02	15 04

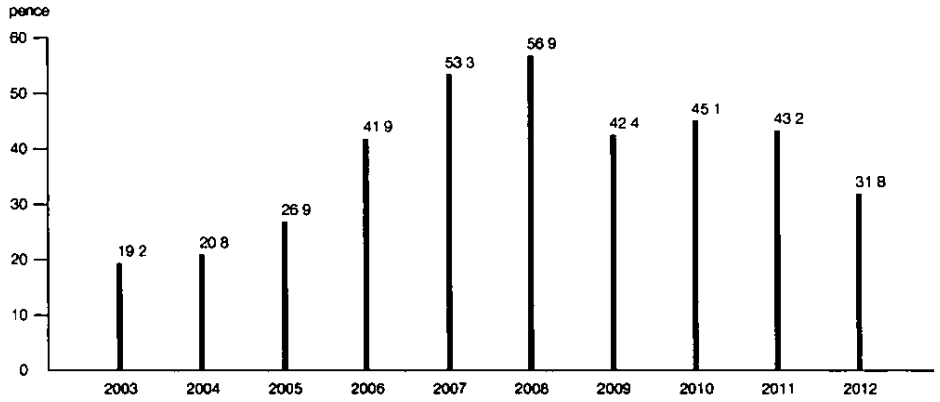
* *For comparative purposes historical information has been adjusted for the 5 1 share split that took place on 4 September 2006*

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*

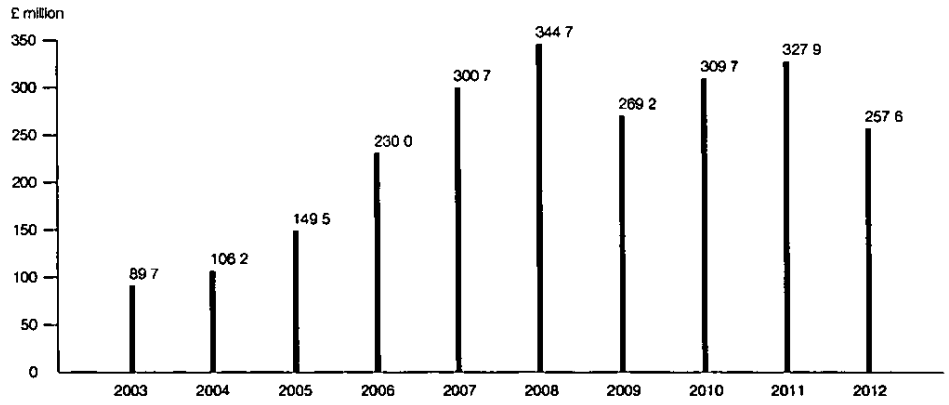
Track record

Adjusted earnings per share*



Down 26 4% to 31 8 p

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



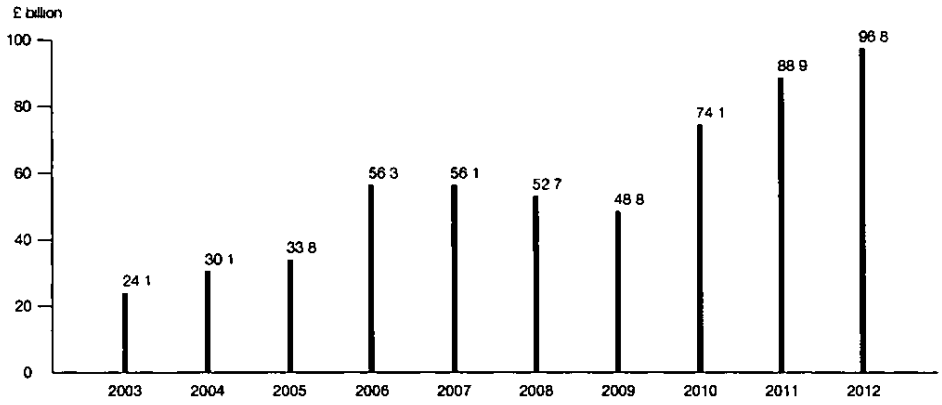
Down 21 4% to £257 6 mn

Note

Results are shown for the year ended 31 March, unless otherwise stated Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS

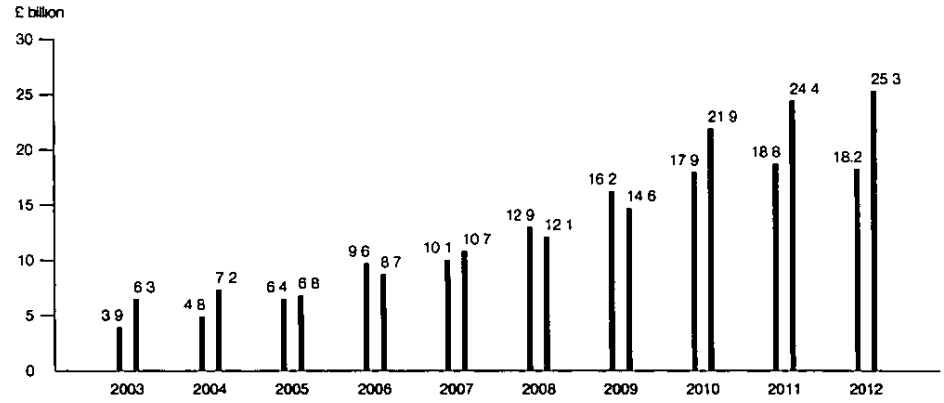
* *Historical EPS numbers have been adjusted for the 5 1 share split that took place on 4 September 2006*

Third party assets under management



Up 8 9% to £96 8bn since 31 March 2011 – an increase of 14 5% on a currency neutral basis
Net inflows of £4 9 bn

Core loans and customer deposits



Core loans down 2 8% to £18 2 bn since 31 March 2011 – an increase of 4 3% on a currency neutral basis*
Deposits up 3 7% to £25 3 bn since 31 March 2011 – an increase of 11 2% on a currency neutral basis*

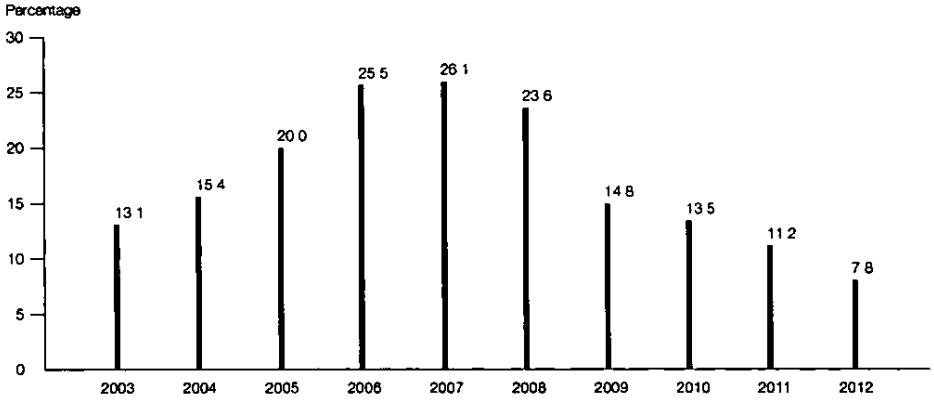
Note

Results are shown for the year ended 31 March, unless otherwise stated Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS

* *Currency neutral basis calculation assumes that the closing exchange rates of the group's relevant exchange rates, as reflected on page 27, remain the same as at 31 March 2012 when compared to 31 March 2011*

Financial objectives

ROE*

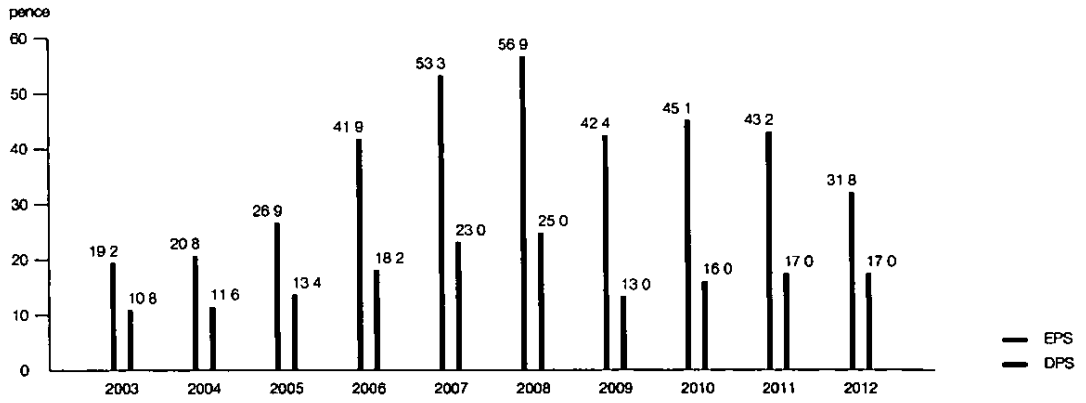


* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 50*

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

- Group ROE target 12% to 16% over a rolling five year period in Pounds Sterling

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

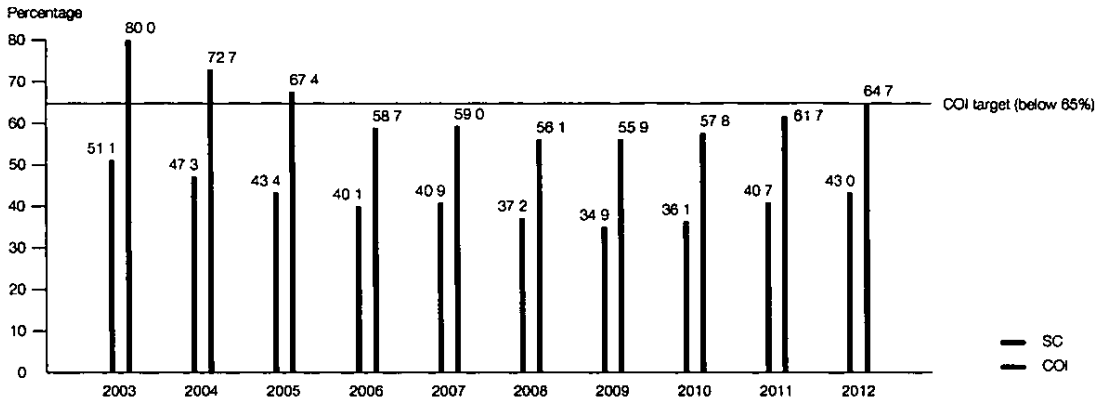


** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 379 The numbers have been adjusted for the 5 1 share split that took place on 4 September 2006*

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 33

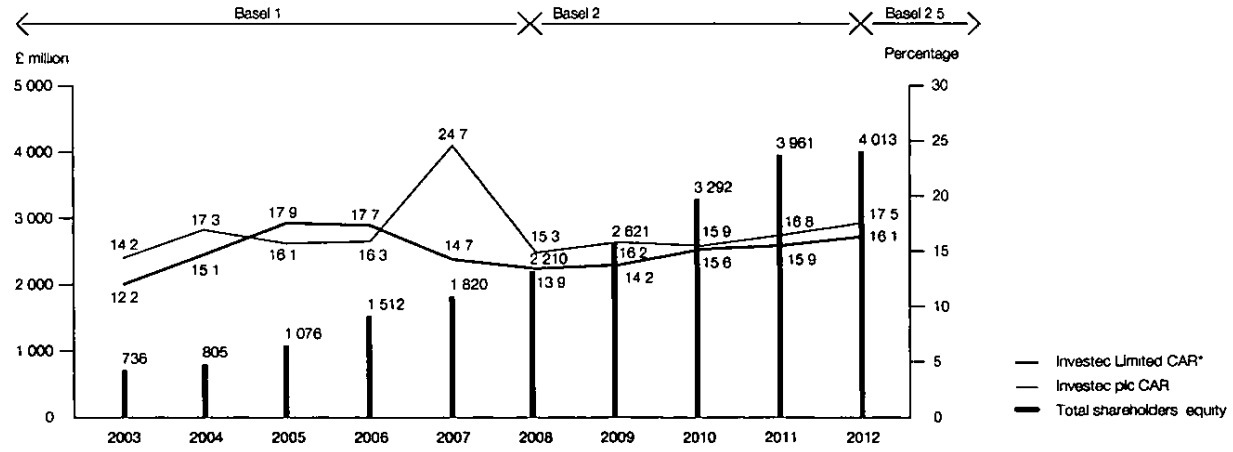
Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



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 and at 31 March 2012 under Basel 2 5*

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 15% and 18% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio range of between 11% and 12%

Note
The numbers shown in the financial objectives graphs on pages 32 and 33 are for the years ended 31 March, unless otherwise stated The numbers prior to 2005 are reported in terms of UK GAAP

SA's private sector was ranked highly in global comparisons on its financial system (second in terms of soundness of banks from sixth previously), reporting, auditing and reporting standards (first again) and efficacy of corporate boards (second again).

An overview of the operating environment impacting our business

South Africa

South Africa achieved economic growth of close to 3 0% in 2011/12, similar to the year before, as the country's long-term wealth creation trend was re-established Growth has tended to average 3 3% year-on-year over the ANC's tenure, from 1994 to date, and real incomes per capita have risen to a large extent, from R27 521 per person in 1993 to R38 734 in 2011 It has been a situation where growth begets growth The compounding effect of 18 years of virtually uninterrupted economic expansion has considerably raised incomes and the size of the economy Inflation has been consistently combated and South Africans have, in the main, experienced a higher standard of living each year There are now substantially fewer individuals in the lowest income and living standard measures when compared to 1994 The poor have benefited from a massive rollout of services (although further rollout and substantially improved quality is outstanding) Welfare payments, have been responsible from lifting many out of the lowest living standard and income measures Stubbornly high levels of unemployment (due chiefly to a skills mismatch) and attendant poverty (with a Gini coefficient above 60 representing a high degree of income inequality) in part belies this positive income story However, without the significant rise in wealth levels and concomitant expansion in government tax revenues the sustained deepening of the welfare net could not have occurred

Once again, according to the Global Competitiveness Report, South Africa's private sector was ranked highly on its financial system Soundness of banks was ranked second from sixth previously, auditing and reporting standards were ranked first again and efficacy of corporate boards was ranked second again South Africa's fiscal deficit shrank, from 6 5% of GDP in 2009/10 to 4 8% in 2011/12, as the economy experienced its second year of significant expansion, and clearly no monies were needed for financial sector bailouts The deficit is expected to drop to 3 0% year-on-year in 2014/15 as fiscal health improves further on strengthening growth (we expect growth will approach 5 0% year-on-year by 2014/15) The resultant real rise in incomes and tax revenues will fund both welfare and vitally needed services such as education and health This is key, as the achievement of a low, single digit unemployment rate will depend on adequate education and poverty reduction South Africa's low level of sovereign debt (33 3% of GDP) means it can comfortably increase borrowings (expected to peak at 38 5% of GDP in 2014/15) to fund capital investment (both fixed and human) and government's proposed R3 trillion infrastructure rollout Effective, and consistent, implementation of this infrastructure rollout, with the necessary private sector involvement, has the potential to eradicate structural unemployment and so considerably reduce poverty and inequality within thirty years

United Kingdom

Over the 2011/12 financial year, the UK economy remained weak The latest statistics from the Office for National Statistics show the UK economy having reported only one quarter of growth, contracting in the remaining three quarters As the year closed, UK GDP still stood 4 3% below its pre-recession peak Seeking to support the UK economy onto some form of recovery footing, and having fended off calls for tighter policy as inflation trended upwards, the UK Monetary Policy Committee kept policy highly expansionary during the period under review The official bank rate remained at 0 5% throughout the year, marking three years of record low rates in March 2012 Signs of a slowdown in the economy and a tightening in credit conditions resulted in the committee sanctioning further Quantitative Easing (QE) in October 2011 Originally the MPC voted to add a further £75 billion of asset purchases to take the target to £275 billion, but the Committee raised the QE target by another £50 billion in February 2012 to £325 billion The UK's long-term sovereign credit rating remained at AAA according to all the main ratings agencies, but both Moody's and Fitch placed Britain on a negative outlook in the 2011/12 period However, there was not a perceptible market reaction to this news with confidence aided by the Chancellor's continued tough emphasis on 'Plan A' for fiscal consolidation

Eurozone

As the 2011/12 financial year got underway, the Euro area economy was showing signs of recovery, assisted by some settling in Euro crisis tensions With inflation having been subject to upward pressures following increases in oil and commodity prices, the ECB Governing Council voted to raise its main refinancing rate by 25bps in both April and July 2011, to 1 5% When the ECB voted to lift the refi rate in July the economic outlook had already begun to deteriorate rapidly, not helped by agreement on a second Greek bailout unravelling fairly soon after it was announced Further, talk of private sector bondholder losses, subsequently enforced, also raised the level of unease From June 2011, concerns over the vulnerability of various peripheral Euro area sovereign markets, especially Italy and Spain, also began to weigh more heavily on markets, triggering a sharp tightening in credit conditions through summer 2011 onwards To help get the flow of credit moving again, and to assist banks in refinancing an estimated €240 billion of maturing liabilities in the first three months of 2012, the ECB held two three-year Longer-Term Refinancing Operations (LTROs), whose combined take-up exceeded €1 trillion Indeed at the end of March 2012 the Eurosystem had over €750 billion of excess liquidity The second Greek bailout was eventually renegotiated and rubber stamped in March 2012, easing fears of an uncontrolled default by the Hellenic Republic Sentiment was also stabilised towards the end of the financial year by Euro area authorities giving the go ahead to run the two rescue facilities, the European Financial Stability Facility and its replacement, the European Stability Mechanism, in tandem, thereby raising Europe's bailout capacity by €200 billion to €700 billion As the financial year closed, the Euro area economy appeared to be showing some signs of stabilisation, albeit at very low levels with the Euro area economy likely to have contracted again in the first half of 2012 With Euro crisis risks continuing to loom large and with Spain and Italy still in the frame for further bouts of contagion, the Eurozone entered the new 2012/13 financial year on a weak and vulnerable footing

Australia

As the 2011/12 financial year got underway, the Australian economy was recovering quickly from the floods that weighed heavily on the Q1 2011 growth outturn In the third and fourth quarters the economy continued to expand, but at a more moderate pace than in Q2 Consumption and investment remained robust through the year, with the latter continuing to gain support from buoyant Asian resource demand As fears over the Euro area debt crisis, and some signs of slowing growth in China risked weighing on growth in the period ahead, the Reserve Bank opted to add the safety net of a cut in the cash rate, reducing it by 25bps in November and December 2011 to 4 25% A few nerves over possible upside risks to inflation, as oil prices began to track upwards again at the turn of 2012, put on ice any further moves to ease policy at the start of 2012 As the financial year closed the cash rate remained at 4 25% The Australian Dollar exhibited periods of extreme strength at points during the period, exceeding the USD1 10 level in July 2011 It was then subject to selling pressure in October and November as risk-appetite took a hit, this took it below parity, but it subsequently closed the 2011/12 financial year at USD1 0350

United States

The US economy continued to grow moderately through the 2011/12 financial year, with disruption from political fights over the US debt ceiling, and the impact of spring 2011's sharp increase in oil prices, weighing on growth, but not putting the brakes on recovery altogether In the period under review US GDP surpassed its pre-recession peak, with the continued growth helping to bring the unemployment rate down from 9 0% in April 2011 to 8 2% in March 2012 Over the financial year as a whole, the US economy grew by 1 7% However, housing market activity remained heavily depressed, with only a few signs of a modest increase in activity appearing at the turn of 2012 US monetary policy remained highly accommodating throughout the financial year, with the Federal Reserve having stayed nervous about the downside risks posed, particularly by the continuation of the Euro area sovereign debt crisis Not content with the pace of improvement in the labour market and fearful of the Euro crisis, the Fed sought to ease policy by introducing written guidance into its policy statements in August 2011 The statements sought to convince markets that Fed policy would remain loose for a sustained period, with the wording of the statement in August implying the Federal funds target rate would remain close to current lows, of 0 0% – 0 25% until mid-2013 In January 2012, the Federal Reserve extended that language to imply that rates would remain low for even longer, until at least through late-2014

Fears over the sluggishness of the US housing sector, and the extent to which this could weigh on the jobs recovery, may have been the decisive factor in encouraging the Fed to embark on 'Operation Twist' in September 2011 Under the programme, the Fed is selling USD400 billion of shorter-term Treasury securities and using the proceeds to buy longer-term Treasury securities, extending the average maturity of the Fed's security portfolio and aiming to put downward pressure on longer-term rates As the final quarter of the 2011/12 financial year progressed, the US appeared to shift onto a firmer recovery footing, with survey data continuing to have firmed and with the jobs recovery somewhat brighter too As the financial year drew to a close, the US outlook remained bright, but with the threat of an oil price increase weighing on consumer spending and growth, a continuing threat

Financial review (continued)

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

	Period ended 31 March 2012	Period ended 31 March 2011	% change	Average over the period 1 April 2011 to 31 March 2012
Market indicators				
FTSE All share	3 003	3 068	(2 1%)	2 930
JSE All share	33 554	32 204	4 2%	32 019
Australia All ords	4 420	4 929	(10 3%)	4 417
S&P 500	1 408	1 326	6 2%	1 279
Nikkei	10 084	9 755	3 4%	9 183
Dow Jones	13 212	12 320	7 2%	12 160
Exchange rates				
Rand Pounds Sterling	12 27	10 88	12 8%	11 85
Rand US Dollar	7 67	6 77	13 3%	7 45
US Dollar Euro	1 33	1 42	(6 3%)	1 38
Euro Pounds Sterling	1 20	1 13	6 2%	1 16
Australian Dollar Pounds Sterling	1 54	1 55	(0 6%)	1 52
US Dollar Pounds Sterling	1 60	1 60	–	1 60
Rates				
UK overnight	0 48%	0 45%		0 52%
UK 10 year	2 20%	3 69%		2 63%
UK clearing banks base rate	0 50%	0 50%		0 50%
LIBOR – three month	1 03%	0 82%		0 94%
SA R157 (2015)	6 69%	7 82%		7 00%
Rand overnight	5 26%	5 23%		5 24%
SA prime overdraft rate	9 00%	9 00%		9 00%
JIBAR – three month	5 60%	5 58%		5 58%
Reserve Bank of Australia cash target rate	4 25%	4 75%		4 55%
US 10 year	2 21%	3 47%		2 41%
Commodities				
Gold	USD1 667/oz	USD1 432/oz	16 4%	USD1 647/oz
Gas Oil	USD1 014/mt	USD993/mt	2 11%	USD960/mt
Platinum	USD1 639/oz	USD1 768/oz	(7 30%)	USD1 676/oz
Macro-economic				
UK GDP (% change over the period)	0 3%	1 8%		
UK per capita GDP (£)	24 031	23 362	2 9%	
South Africa GDP (% real growth over the calendar year)	2 2%	3 8%		
South Africa per capita GDP (real value) (Rand)	38 232	36 591	4 5%	
Australia GDP (% change over the period)	2 6%	2 4%		
Australia per capita GDP (A$)	63 744	60 178	5 9%	

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 three principal business divisions Asset Management, Wealth & Investment and Specialist Banking

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 – primarily 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 & 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
Specialist Banking			
	• Lending activities	• Rate environment • Size of portfolios • Clients' capital and infrastructural investments • Client activity	• Net interest income • Fees and commissions • Investment income
	• Cash and near cash balances	• Rate environment • Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements	• Net interest income • Trading income arising from balance sheet management activities
	• 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 • Fees and commissions

An overview of our key income drivers (continued)

Business activity	Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
Specialist Banking (continued)			
	• Investments made (including listed and unlisted equities, debt securities, investment properties) • Gains or losses on investments • Dividends received	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities • Credit spreads	• Net interest income • Investment income
	• Advisory services	• The demand for our specialised advisory services, which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals	• Fees and commissions
	• Derivative sales, trading and hedging	• Client activity • Market conditions • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity	• Fees and commissions • Trading income arising from customer flow
	• Transactional banking services	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure	• Net interest income • Fees and commissions

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 97 to 130
Liquidity risk may impair our ability to fund our operations	See pages 153 to 165
Our net interest earnings and net asset value may be adversely affected by interest rate risk	See pages 149 to 153
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 131 to 147
We may be unable to recruit, retain and motivate key personnel	See pages 218 to 220
Employee misconduct could cause harm that is difficult to detect	See pages 165 to 168
Operational risk may disrupt our business or result in regulatory action	See pages 165 to 168
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 27
We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 165 to 168
We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 170 to 174
The financial services industry in which we operate is intensely competitive	See pages 23 to 26 and pages 34 to 36
Legal and regulatory risks are substantial in our businesses	See page 169 and 170
Reputational, strategic and business risk	See page 169
We may be exposed to pension risk in our UK operations	See page 169

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations

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 57 to 88

Total operating income

Total operating income before impairment losses on loans and advances decreased by 1 2% to £1 932 million (2011 £1 955 million) The various components of total operating income are analysed below

£'000	31 March 2012	% of total income	31 March 2011	% of total income	% change
Net interest income	699 047	36 2%	681 469	34 9%	2 6%
Net fee and commission income	884 234	45 8%	787 658	40 3%	12 3%
Investment income	174 327	9 0%	254 943	13 0%	(31 6%)
Trading income					
- Arising from customer flow	77 066	4 0%	76 447	3 9%	0 8%
- Arising from balance sheet management and other trading activities	32 204	1 7%	87 296	4 5%	(63 1%)
Other operating income	65 128	3 3%	67 173	3 4%	(3 0%)
Total operating income before impairment losses on loans and advances	1 932 006	100 0%	1 954 986	100 0%	(1 2%)

Financial review (continued)

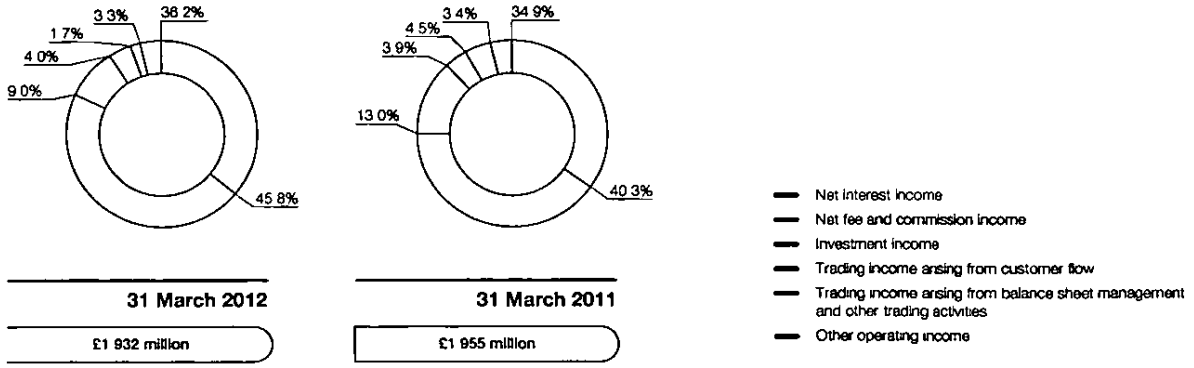
The following table sets out information on total operating income before impairment losses on loans and advances by geography for the year under review

£'000	31 March 2012	% of total income	31 March 2011	% of total income	% change
UK and Europe	1 015 292	52 6%	989 661	50 6%	2 6%
Southern Africa	814 958	42 2%	849 115	43 5%	(4 0%)
Australia	101 756	5 2%	116 210	5 9%	(12 4%)
Total operating income before impairment losses on loans and advances	1 932 006	100 0%	1 954 986	100 0%	(1 2%)

The following table sets out information on total operating income before impairment losses on loans and advances by division for the year under review

£'000	31 March 2012	% of total income	31 March 2011	% of total income	% change
Asset Management	375 602	19 4%	344 590	17 6%	9 0%
Wealth & Investment	196 473	10 2%	156 239	8 0%	25 8%
Specialist Banking	1 359 931	70 4%	1 454 157	74 4%	(6 5%)
Total operating income before impairment losses on loans and advances	1 932 006	100 0%	1 954 986	100 0%	(1 2%)

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



Net interest income

Net interest income increased by 2 6% to £699 0 million (2011 £681 5 million) largely as a result of improved margins across all three geographies and a sound performance from the group's fixed income portfolios, partially offset by higher costs on subordinated liabilities

£'000	31 March 2012	31 March 2011	Variance	% change
Asset Management	5 163	2 989	2 174	72 7%
Wealth & Investment	10 083	7 281	2 802	38 5%
Specialist Banking	683 801	671 199	12 602	1 9%
Net interest income	699 047	681 469	17 578	2 6%

A further analysis of interest received and interest paid is provided in the tables below

For the year ended 31 March 2012 £'000	Notes	UK and Europe		Southern Africa		Australia		Total group	
		Balance sheet value	Interest received	Balance sheet value	Interest received	Balance sheet value	Interest received	Balance sheet value	Interest received
Cash, near cash and bank debt and sovereign debt securities	1	4 873 561	50 414	8 201 778	381 875	1 010 485	59 939	14 085 824	492 228
Core loans and advances	2	5 788 127	359 715	10 489 947	919 639	1 948 308	186 654	18 226 382	1 466 008
Private Client		3 431 420	200 531	7 836 733	669 917	1 593 600	158 697	12 861 753	1 029 145
Corporate, institutional and other clients		2 356 707	159 184	2 653 214	249 722	354 708	27 957	5 364 629	436 863
Other debt securities and other loans and advances		1 165 015	80 347	528 434	27 469	81 860	4 311	1 775 309	112 127
Other interest earning assets	3	4 393 682	206 197	139 452	23 365	–	–	4 533 134	229 562
Total interest earning assets		16 220 385	696 673	19 359 611	1 352 348	3 040 653	250 904	38 620 649	2 299 925

For the year ended 31 March 2012 £'000	Notes	UK and Europe		Southern Africa		Australia		Total group	
		Balance sheet value	Interest paid	Balance sheet value	Interest paid	Balance sheet value	Interest paid	Balance sheet value	Interest paid
Deposits by banks and other debt-related securities	4	3 962 118	90 387	2 336 209	59 332	777 186	62 939	7 075 513	212 658
Customer accounts		9 459 554	204 365	14 347 614	812 466	1 536 603	83 708	25 343 771	1 100 539
Other interest bearing liabilities	5	2 361 985	53 614	549 786	63 666	526 946	33 569	3 438 717	150 849
Subordinated liabilities		661 920	60 890	784 501	71 596	46 355	4 346	1 492 776	136 832
Total interest bearing liabilities		16 445 577	409 256	18 018 110	1 007 060	2 887 090	184 562	37 350 777	1 600 878
Net interest income			287 417		345 288		66 342		699 047

For the year ended 31 March 2011 £'000	Notes	UK and Europe		Southern Africa		Australia		Total group	
		Balance sheet value	Interest received	Balance sheet value	Interest received	Balance sheet value	Interest received	Balance sheet value	Interest received
Cash, near cash and bank debt and sovereign debt securities	1	4 626 562	19 642	7 147 523	306 128	1 005 685	52 918	12 779 770	378 688
Core loans and advances	2	5 576 252	318 102	11 106 445	979 123	2 075 441	187 343	18 758 138	1 484 568
Private Client		3 378 213	178 218	8 126 148	664 934	1 820 450	158 958	13 324 811	1 002 110
Corporate, institutional and other clients		2 198 039	139 884	2 980 297	314 189	254 991	28 385	5 433 327	482 458
Other debt securities and other loans and advances		725 236	60 109	477 551	39 345	133 466	6 746	1 336 253	106 200
Other interest earning assets	3	5 291 232	235 936	178 955	33 391	–	–	5 470 187	269 327
Total interest earning assets		16 219 282	633 789	18 910 474	1 357 987	3 214 592	247 007	38 344 348	2 238 783

Notes

1 *Comprises (as per the balance sheet) cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, reverse repurchase agreements, sovereign debt securities, bank debt securities.*
2 *Comprises (as per the balance sheet) loans and advances to customers, own originated loans and advances to customers securitised*
3 *Comprises (as per the balance sheet) warehoused assets – Kensington, other securitised assets*
4 *Comprises (as per the balance sheet) deposits by banks, deposits by banks – Kensington warehouse funding, debt securities in issue, reverse repurchase agreements*
5 *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets, liabilities arising on securitisation*

Net interest income (continued)

For the year ended 31 March 2011 £'000	Notes	UK and Europe		Southern Africa		Australia		Total group	
		Balance sheet value	Interest paid	Balance sheet value	Interest paid	Balance sheet value	Interest paid	Balance sheet value	Interest paid
Deposits by banks and other debt related securities	4	3 112 021	70 911	2 467 151	68 120	1 000 122	56 577	6 579 294	195 608
Customer accounts		8 812 240	192 456	14 207 218	830 450	1 421 802	80 388	24 441 260	1 103 294
Other interest bearing liabilities	5	3 174 267	53 699	694 488	63 075	472 109	35 558	4 340 864	152 332
Subordinated liabilities		636 468	45 912	619 385	58 095	31 802	2 073	1 287 655	106 080
Total interest bearing liabilities		15 734 996	362 978	17 988 242	1 019 740	2 925 835	174 596	36 649 073	1 557 314
Net interest income			270 811		338 247		72 411		681 469

Notes

4 *Comprises (as per the balance sheet) deposits by banks, deposits by banks – Kensington warehouse funding, debt securities in issue, reverse repurchase agreements*

5 *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets, liabilities arising on securitisation*

Net fee and commission income

Net fee and commission income increased by 12 3% to £884 2 million (2011 £787 7 million) The group benefited from higher average funds under management, solid net inflows and the acquisitions of Rensburg Sheppards plc and the Evolution Group plc The Specialist Banking business recorded an increase in net fees and commissions largely due to a good performance by the Capital Markets division in South Africa, however, transactional activity levels remain mixed

£'000	31 March 2012	31 March 2011	Variance	% change
Asset Management	367 856	339 104	28 752	8 5%
Wealth & Investment	186 181	147 641	38 540	26 1%
Specialist Banking	330 197	300 913	29 284	9 7%
Net fee and commission income	884 234	787 658	96 576	12 3%

Further information on net fees by type of fee and geography is provided in the tables below

For the year ended 31 March 2012 £'000	UK and Europe	Southern Africa	Australia	Total group
Fund management fees/fees for assets under management	404 327	188 953	5 674	598 954
Private Client transactional fees	62 486	65 295	9 251	137 032
Corporate and institutional transactional and advisory services	138 312	115 550	23 531	277 393
Fee and commission income	605 125	369 798	38 456	1 013 379
Fee and commission expense	(114 808)	(10 962)	(3 375)	(129 145)
Net fees and commissions	490 317	358 836	35 081	884 234
Annuity fees (net of fees payable)	339 849	255 826	14 115	609 790
Deal	150 468	103 010	20 966	274 444

For the year ended 31 March 2011 £'000	UK and Europe	Southern Africa	Australia	Total group
Fund management fees/fees for assets under management	332 621	183 994	7 580	524 195
Private Client transactional fees	53 763	80 543	12 761	147 067
Corporate and institutional transactional and advisory services	136 841	68 500	19 697	225 038
Fee and commission income	523 225	333 037	40 038	896 300
Fee and commission expense	(99 473)	(5 280)	(3 889)	(108 642)
Net fees and commissions	423 752	327 757	36 149	787 658
Annuity fees (net of fees payable)	263 961	247 865	24 030	535 856
Deal	159 791	79 892	12 119	251 802

Investment income

Investment income decreased by 31 6% to £174 3 million (2011 £254 9 million) due to a weaker performance from the group's listed principal investments portfolio and income earned on the sale of investment properties in the prior year which were not repeated in the current year

£'000	31 March 2012	31 March 2011	Variance	% change
Asset Management	25	(40)	65	(>100 0%)
Wealth & Investment	(392)	1 126	(1 518)	(>100 0%)
Specialist Banking	174 694	253 857	(79 163)	(31 2%)
Investment income	174 327	254 943	(80 616)	(31 6%)

Further information on investment income is provided in the tables below

For the year ended 31 March 2012 £'000	UK and Europe	Southern Africa	Australia	Total group
Realised	102 280	47 548	(8 929)	140 899
Unrealised	11 652	1 837	(66)	13 423
Dividend income	1 890	34 353	521	36 764
Funding costs	–	(16 759)	–	(16 759)
Investment income	115 822	66 979	(8 474)	174 327

For the year ended 31 March 2012 £'000	Investment portfolio (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Europe	43 049	59 734	–	13 039	115 822
Realised	26 230	62 960	–	13 090	102 280
Unrealised	14 929	(3 226)	–	(51)	11 652
Dividend income	1 890	–	–	–	1 890
Funding costs	–	–	–	–	–
Southern Africa	47 919	5 391	19 454	(5 785)	66 979
Realised	49 878	902	(3 232)	–	47 548
Unrealised	(19 565)	4 576	22 611	(5 785)	1 837
Dividend income	34 357	(79)	75	–	34 353
Funding costs	(16 751)	(8)	–	–	(16 759)
Australia	1 544	(334)	–	(9 684)	(8 474)
Realised	1 539	(784)	–	(9 684)	(8 929)
Unrealised	(66)	–	–	–	(66)
Dividend income	71	450	–	–	521
Funding costs	–	–	–	–	–

For the year ended 31 March 2011 £'000	UK and Europe	Southern Africa	Australia	Total group
Realised	124 196	31 271	4 061	159 528
Unrealised	13 054	64 915	767	78 736
Dividend income	943	37 482	18	38 443
Funding costs	–	(21 764)	–	(21 764)
Investment income	138 193	111 904	4 846	254 943

Financial review (continued)

Investment income (continued)

For the year ended 31 March 2011 £'000	Investment portfolio (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Europe	43 770	89 222	–	5 201	138 193
Realised	29 610	89 385	–	5 201	124 196
Unrealised	13 217	(163)	–	–	13 054
Dividend income	943	–	–	–	943
Funding costs	–	–	–	–	–
Southern Africa	60 002	1 230	50 672	–	111 904
Realised	26 922	3 441	908	–	31 271
Unrealised	12 072	(2 141)	54 984	–	64 915
Dividend income	36 826	37	619	–	37 482
Funding costs	(15 818)	(107)	(5 839)	–	(21 764)
Australia	915	1 578	–	2 353	4 846
Realised	130	1 578	–	2 353	4 061
Unrealised	767	–	–	–	767
Dividend income	18	–	–	–	18
Funding costs	–	–	–	–	–

Trading income

Trading income arising from customer flow remained in line with the prior year at £77 1 million (2011 £76 4 million) whilst trading income arising from other trading activities decreased by 63 1% to £32 2 million (2011 £87 3 million) due to profits realised on debt buy-backs in the prior year not repeated in the current year

Arising from customer flow

£'000	31 March 2012	31 March 2011	Variance	% change
Asset Management	–	–	–	n/a
Wealth & Investment	108	(1 932)	2 040	>100 0%
Specialist Banking	76 958	78 379	(1 421)	(1 8%)
Trading income arising from customer flow	77 066	76 447	619	0 8%

Arising from balance sheet management and other trading activities

£'000	31 March 2012	31 March 2011	Variance	% change
Asset Management	380	–	380	n/a
Wealth & Investment	97	(528)	625	>100 0%
Specialist Banking	31 727	87 824	(56 097)	(63 9%)
Trading income arising from balance sheet management and other trading activities	32 204	87 296	(55 092)	(63 1%)

Other operating income

Other operating income includes associate income, assurance income and income earned on an operating lease portfolio acquired during December 2010

Impairment losses on loans and advances

Impairments in South Africa and the UK decreased from £218 1 million to £157 8 million, whilst impairments in Australia increased from £30 2 million to £67 9 million, resulting in a total decrease in impairments on loans and advances from £248 3 million to £225 7 million (excluding Kensington)

Since 31 March 2011, the default loan portfolio in Australia declined substantially due to a large portion of the portfolio being sold at the year end The level of defaults in South Africa has improved, whilst the UK reported defaults marginally higher than the prior year The credit loss charge as a percentage of average gross loans and advances has improved from 1 27% at 31 March 2011 to 1 12% The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 3 31% (31 March 2011 4 66%) The ratio of collateral to default loans (net of impairments) remains satisfactory at 1 39 times (31 March 2011 1 38 times) Further information is provided on page 115

Impairment losses on loans and advances relating to the Kensington business increased from £69 9 million to £99 4 million as a result of adopting new guidelines (published by UK Financial Services Authority during the past year) relating to provisioning methodology in respect of borrowers that have benefited from forbearance

£'000	31 March 2012	31 March 2011	Variance	% change
UK and Europe	(187 920)	(210 485)	22 565	(10 7%)
Southern Africa	(69 326)	(77 538)	8 212	(10 6%)
Australia	(67 872)	(30 207)	(37 665)	>100 0%
Impairment losses on loans and advances	(325 118)	(318 230)	(6 888)	2 2%
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(832)	(860)	28	(3 3%)
Australia (A$'million)	(106 1)	(49 5)	(56 6)	>100 0%

Operating costs and depreciation

The ratio of total operating costs to total operating income amounts to 64 7% (2011 61 7%)

Total operating expenses grew (excluding depreciation on operating leased assets) by 2 8% to £1 230 6 million (2011 £1 196 9 million) as a result of the acquisitions of Rensburg Sheppards plc and the Evolution Group plc and an increase in headcount in certain divisions

£'000	31 March 2012	% of total expenses	31 March 2011	% of total expenses	% change
Staff costs	831 076	66 0%	795 592	65 6%	4 5%
- fixed	575 962	45 7%	532 138	43 9%	8 2%
- variable	255 114	20 3%	263 454	21 7%	(3 2%)
Business expenses	190 512	15 1%	197 453	16 3%	(3 5%)
Premises (excluding depreciation)	73 243	5 8%	70 394	5 8%	4 0%
Equipment (excluding depreciation)	52 833	4 2%	54 324	4 5%	(2 7%)
Marketing expenses	54 210	4 3%	48 943	4 0%	10 8%
Depreciation and impairment of property, plant, equipment and software	28 754	2 3%	30 159	2 5%	(4 7%)
Depreciation on operating leased assets	28 670	2 3%	16 447	1 3%	74 3%
Total expenses	1 259 298	100 0%	1 213 312	100 0%	3 8%

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

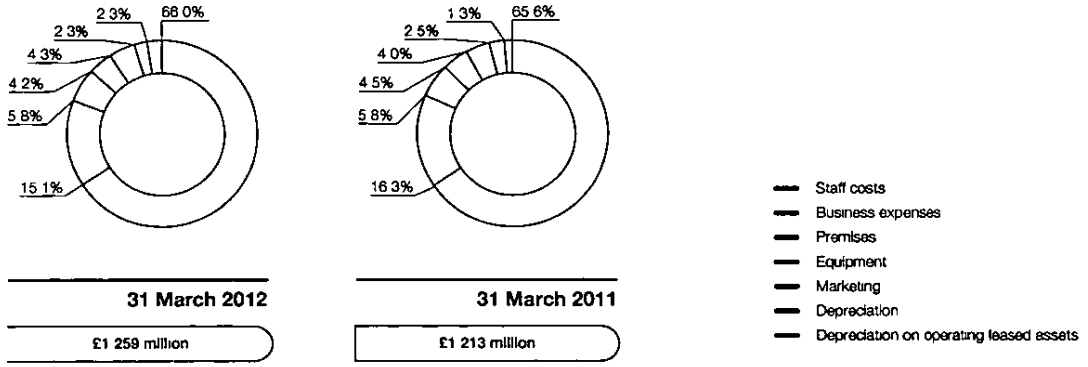
£'000	31 March 2012	% of total expenses	31 March 2011	% of total expenses	% change
UK and Europe	700 320	55 6%	656 729	54 1%	6 6%
Southern Africa	459 213	36 5%	471 013	38 8%	(2 5%)
Australia	99 765	7 9%	85 570	7 1%	16 6%
Total expenses	1 259 298	100 0%	1 213 312	100 0%	3 8%

Financial review (continued)

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

£'000	31 March 2012	% of total expenses	31 March 2011	% of total expenses	% change
Asset Management	241 529	19 2%	216 947	17 9%	11 3%
Wealth & Investment	157 799	12 5%	115 813	9 5%	36 3%
Specialist Banking	859 970	68 3%	880 552	72 6%	(2 3%)
Total expenses	1 259 298	100 0%	1 213 312	100 0%	3 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 decreased by 17 4% from £434 4 million to £358 6 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

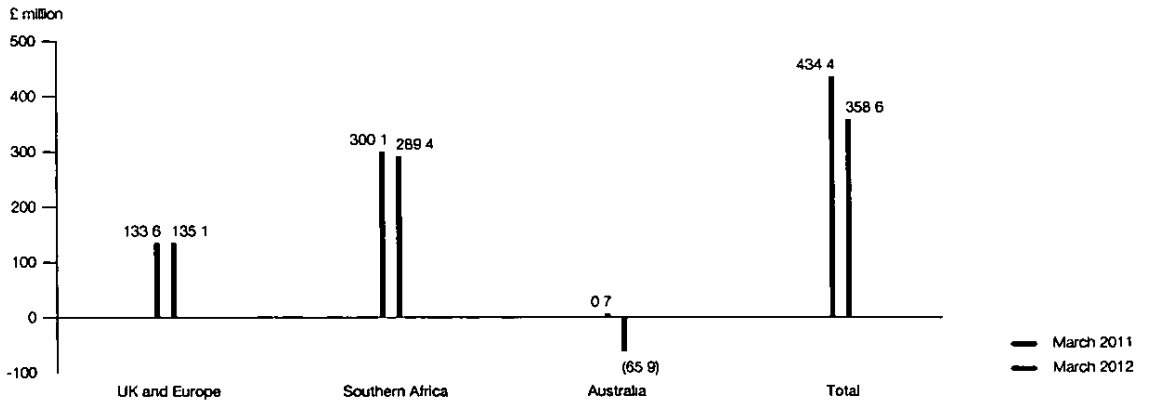
For the year ended 31 March 2012 £'000	UK and Europe	Southern Africa	Australia	Total group	% change	% of total
Asset Management	58 922	74 771	–	133 693	5 0%	37 3%
Wealth & Investment	23 268	15 453	–	38 721	(4 2%)	10 8%
Specialist Banking	52 880	199 212	(65 881)	186 211	(30 2%)	51 9%
Private Banking activities	1 841	30 423	(73 679)	(41 415)	(54 7%)	(22 2%)
Core Private Bank	6 691	30 423	9 602	46 716	(>100 0%)	25 1%
Property loan portfolio being run-off*	(4 850)	–	(83 281)	(88 131)	17 5%	(47 3%)
Property activities	572	17 740	3 351	21 663	(54 6%)	11 6%
Corporate Advisory and Investment activities	7 893	37 249	(3 157)	41 985	(37 7%)	22 5%
Corporate and Institutional Banking activities	118 496	102 548	12 956	234 000	(3 3%)	>100 0%
Group Services and Other activities	(75 922)	11 252	(5 352)	(70 022)	(>100 0%)	(37 6%)
Total group	135 070	289 436	(65 881)	358 625	(17 4%)	100 0%
Core business	139 920	289 436	17 400	446 756		
Property loan portfolio being run-off*	(4 850)	–	(83 281)	(88 131)		
Non-controlling interest – equity				(11 035)		
Operating profit				347 590		
% change	1 1%	(3 5%)	(>100 0%)	(17 4%)		
% of total	37 7%	80 7%	(18 4%)	100 0%		

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

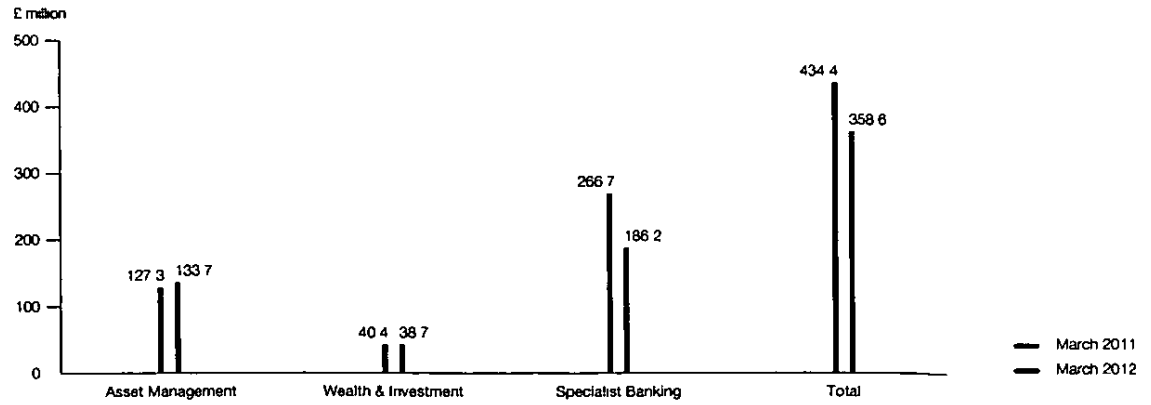
For the year ended 31 March 2011 £'000	UK and Europe	Southern Africa	Australia	Total group	% of total
Asset Management	53 002	74 306	–	127 308	29 3%
Wealth & Investment	25 008	15 418	–	40 426	9 3%
Specialist Banking	55 616	210 350	706	266 672	61 4%
Private Banking activities	(84 041)	2 990	(10 390)	(91 441)	(34 3%)
Core Private Bank	(38 730)	2 990	19 276	(16 464)	(6 2%)
Property loan portfolio being run-off*	(45 311)	–	(29 666)	(74 977)	(28 1%)
Property activities	375	40 178	7 155	47 708	17 9%
Corporate Advisory and Investment activities	8 887	65 191	(6 716)	67 362	25 3%
Corporate and Institutional Banking activities	139 978	92 211	9 860	242 049	90 8%
Group Services and Other activities	(9 583)	9 780	797	994	0 4%
Total group	133 626	300 074	706	434 406	100 0%
Core business	178 937	300 074	30 372	509 383	
Property loan portfolio being run-off*	(45 311)	–	(29 666)	(74 977)	
Non-controlling interest – equity				(10 962)	
Operating profit				423 444	
% of total	30 8%	69 1%	0 2%	100 0%	

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

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



Financial review (continued)

Impairment of goodwill

The current year's goodwill impairment relates to asset management businesses acquired in prior years (£2 9 million) and the Kensington business (£21 5 million)

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2012	31 March 2011
UK and Europe	409 837	393 417
Asset Management	88 045	88 045
Wealth & Investment	233 120	197 119
Specialist Banking	88 672	108 253
Southern Africa	13 696	18 655
Asset Management	10 487	14 930
Wealth & Investment	2 850	3 320
Specialist Banking	359	405
Australia	44 787	44 536
Specialist Banking	44 787	44 536
Total goodwill	468 320	456 608
Intangible assets	192 099	136 452
Total goodwill and intangible assets	660 419	593 060

Amortisation of acquired intangibles

Amortisation of acquired intangibles relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships

Costs arising from acquisitions

As anticipated for the 2012 financial year, a cost of £22 5 million (before tax) arose on the acquisition and restructuring of the Evolution Group plc, with £17 1 million reflected as integration costs

Profit arising from associate converted to a subsidiary

In the prior year a net gain of £73 5 million arose on the acquisition of the balance of shares in Rensburg Sheppards plc not already owned by the group

Net loss on sale of subsidiaries

The net loss on sale of subsidiaries of £17 3 million in the prior year arose from a loss on sale and deconsolidation of previously consolidated group investments, partially offset by a gain on the sale of Rensburg Fund Management Limited

Taxation

The operational effective tax rate amounts to 18 1% (2011 15 5%)

	Effective operational tax rates		2012 £'000	2011 £'000	% change
	2012	2011			
UK and Europe	26 7%	24 6%	(33 911)	(29 228)	16%
Southern Africa	16 9%	11 8%	(48 536)	(35 357)	37 3%
Australia	(29 7%)*	284 9%	19 540	(490)	>100 0%
Tax	18 1%	15 5%	(62 907)	(65 075)	(3 3%)

* *The business is loss making*

Losses attributable to non-controlling interests

Losses attributable to non-controlling interests largely comprise £10 1 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 decreased from £420 5 million to £247 5 million

Dividends and earnings per share

Information with respect to dividends and earnings per share is provided on pages 267 and 268 and pages 310 to 312

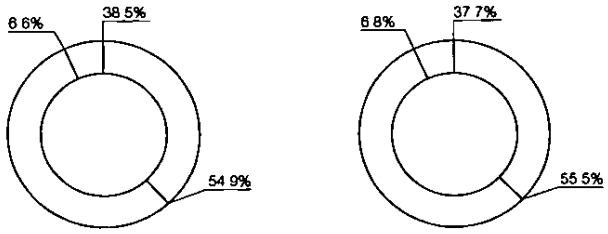
Balance sheet analysis

Since 31 March 2011

- Total shareholders' equity (including non-controlling interests) increased by 1 3% to £4 0 billion – an increase of 6 2% on a currency neutral basis The weakening of the Rand closing exchange rate relative to Pounds Sterling has resulted in a reduction in total equity of £196 million
- Net asset value per share decreased 5 8% to 392 0 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased by 7 8% to 317 0 pence largely as a result of the depreciation of the Rand as described above
- Total assets increased from £50 9 billion to £51 6 billion largely as a result of an increase in cash and near-cash balances
- Loans and advances to customers as a percentage of customer deposits is at 67 8% (2011 72 4%)
- The return on adjusted average shareholders' equity declined from 11 2% to 7 8%

The group's gearing ratios remain low with core loans and advances to equity at 4 5 times (2011 4 7 times) and total assets (excluding assurance assets) to equity at 11 3 times (2011 11 3 times)

Assets by geography



31 March 2012

£51 550 million

31 March 2011

£50 941 million

- UK and Europe
- Southern Africa
- Australia

Net tangible asset value per share

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

£'000	31 March 2012	31 March 2011
Shareholders' equity	3 716 415	3 647 573
Less perpetual preference shares issued by holding companies	(384 229)	(394 360)
Less goodwill and intangible assets (excluding software)	(637 773)	(564 726)
Net tangible asset value	2 694 413	2 688 487
Number of shares in issue (million)	874 0	810 0
Treasury shares (million)	(24 0)	(28 0)
Number of shares in issue in this calculation (million)	850 0	782 0
Net tangible asset value per share (pence)	317 0	343 8

Capital adequacy

We hold capital in excess of regulatory requirements targeting a minimum tier 1 capital ratio range of between 11% – 12% and a total capital adequacy ratio range of 15% to 18% 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 181 and 182

ROE – assessment of economic capital utilised

Return on capital by segment

Methodology based on segmental information after reallocation of

- A notional return on capital (net of the cost of subordinated debt) which is managed and borne in the centre to the business segments based on their total capital utilisation
- Increase to the shareholders' funds to reflect permanent capital reflected under subordinated debt

£'000	31 March 2012	31 March 2011	Average	31 March 2010	Average
Calculation of average ordinary shareholders' equity					
Ordinary shareholders' equity	3 332 186	3 253 213	3 292 700	2 576 759	2 914 986
Goodwill and intangible assets (excluding software)	(637 773)	(564 726)	(601 250)	(282 264)	(423 495)
Ordinary tangible shareholders' equity	2 694 413	2 688 487	2 691 450	2 294 495	2 491 491

£'000	31 March 2012	31 March 2011
Operating profit before goodwill impairment and acquired intangibles	347 590	423 444
Non-controlling interests	11 035	10 962
Preference dividends	(39 863)	(41 434)
Revised operating profit	318 762	392 972
Tax on ordinary activities	(62 907)	(65 075)
Revised operating profit after tax	255 855	327 897
Pre-tax return on average ordinary shareholders' equity	9 7%	13 5%
Post-tax return on average ordinary shareholders' equity	7 8%	11 2%
Pre-tax return on average ordinary tangible shareholders' equity	11 8%	15 8%
Post-tax return on average ordinary tangible shareholders' equity	9 5%	13 2%

ROE by business

£'000	Asset Management	Wealth & Investment	Specialist Banking	Total group	Adjusted Wealth & Investment^
Total operating profit after non-controlling interests	133 693	38 721	186 211	358 625	38 721
Notional return on statutory capital	1 399	852	(2 251)	–	852
Notional cost of statutory capital	(5 688)	(2 481)	8 169	–	(2 481)
Cost of subordinated debt	(1 107)	(694)	1 801	–	(694)
Cost of preference shares	(448)	(341)	(39 074)	(39 863)	(341)
Absorption of additional residual costs**	(8 509)	(3 539)	12 048	–	(3 539)
Adjusted earnings – 31 March 2012	**119 340**	**32 518**	**166 904**	**318 762**	**32 518**
Adjusted earnings – 31 March 2011	109 457	32 404	251 111	392 972	32 404
Ordinary shareholders' equity at 31 March 2012	**142 602**	**475 325**	**2 714 259**	**3 332 186**	**316 275**
Goodwill and intangible assets (excluding software)	(98 532)	(402 343)	(136 898)	(637 773)	(243 293)
Tangible ordinary shareholders' equity at 31 March 2012	**44 070**	**72 982**	**2 577 361**	**2 694 413**	**72 982**
Ordinary shareholders' equity at 31 March 2011	141 608	373 166	2 738 439	3 253 213	214 116
Goodwill and intangible assets (excluding software)	(102 975)	(307 607)	(154 144)	(564 726)	(148 557)
Tangible ordinary shareholders' equity at 31 March 2011	**38 633**	**65 559**	**2 584 295**	**2 688 487**	**65 559**
Average ordinary shareholders' equity at 31 March 2012	**142 105**	**424 246**	**2 726 349**	**3 292 700**	**247 863**
Average ordinary shareholders' equity at 31 March 2011	139 458	196 630	2 578 898	2 914 986	196 630
Average tangible ordinary shareholders' equity at 31 March 2012	**41 352**	**69 271**	**2 580 827**	**2 691 450**	**69 271**
Average tangible ordinary shareholders' equity at 31 March 2011	33 199	41 200	2 417 092	2 491 491	41 200
Pre-tax return on average ordinary shareholders' equity – 31 March 2012	**84 0%**	**7 7%**	**6 1%**	**9 7%**	**13 1%**
Pre-tax return on average ordinary shareholders' equity – 31 March 2011	78 5%	16 5%	9 7%	13 5%	16 5%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2012	**288 6%**	**46 9%**	**6 5%**	**11 8%**	**46 9%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2011	329 7%	78 7%	10 4%	15 8%	78 7%

** *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 management's estimates of relative benefit derived*

^ *The adjusted Wealth & Investment is consistent with the group computation, except for*

- *An adjustment of £159 1 million between ordinary shareholders' funds and goodwill which represents historical accounting gains, with a corresponding effective increase in goodwill These gains were excluded from group adjusted earnings (2006 and 2011) and related to the sale of Carr Sheppards Crosthwaite Limited (CSC) to Rensburg plc (subsequently renamed Rensburg Sheppards plc) on 6 May 2005 and the subsequent gain on the acquisition of the remaining share in Rensburg Sheppards plc on 25 June 2010*
- *The average equity calculations take into consideration the timing of the acquisition of the Evolution Group plc*

ROE by geography

£'000	UK and Europe	Southern Africa	Australia	Total group
Total operating profit before goodwill and acquired intangibles	127 052	286 419	(65 881)	347 590
Tax on profit on ordinary activities	(33 911)	(48 536)	19 540	(62 907)
Non-controlling interests	8 018	3 017	–	11 035
Preference dividends	(15 718)	(24 145)	–	(39 863)
Revised operating profit after taxation – 31 March 2012	**85 441**	**216 755**	**(46 341)**	**255 855**
Revised operating profit after taxation – 31 March 2011	90 079	237 602	216	327 897
Ordinary shareholders' equity – 31 March 2012	**1 515 289**	**1 429 170**	**387 727**	**3 332 186**
Goodwill and intangible assets (excluding software)	(562 675)	(13 697)	(61 401)	(637 773)
Ordinary tangible shareholders' equity – 31 March 2012	**952 614**	**1 415 473**	**326 326**	**2 694 413**
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)
Ordinary tangible shareholders' equity – 31 March 2011	**832 875**	**1 454 078**	**401 534**	**2 688 487**
Average ordinary shareholders' equity at 31 March 2012	**1 424 375**	**1 450 951**	**417 374**	**3 292 700**
Average ordinary shareholders' equity at 31 March 2011	1 129 822	1 355 258	429 906	2 914 986
Average tangible shareholders' equity – 31 March 2012	**892 745**	**1 434 775**	**363 930**	**2 691 450**
Average tangible shareholders' equity – 31 March 2011	772 391	1 333 323	385 777	2 491 491
Post-tax return on average ordinary shareholders' equity at 31 March 2012	**6 0%**	**14 9%**	**(11 1%)**	**7 8%**
Post-tax return on average ordinary shareholders' equity at 31 March 2011	8 0%	17 5%	0 1%	11 2%
Post-tax return on average ordinary tangible shareholders' equity at 31 March 2012	**9 6%**	**15 1%**	**(12 7%)**	**9 5%**
Post-tax return on average ordinary tangible shareholders' equity at 31 March 2011	11 7%	17 8%	0 1%	13 2%

Total third party assets under management

	Third party assets under management	
£'million	31 March 2012	31 March 2011
Asset Management	61 555	58 802
UK and international	36 154	30 765
Southern Africa	25 401	28 037
Wealth & Investment	34 771	29 448
UK and Europe	20 969	14 852
Southern Africa	13 802	14 596
Property activities	230	292
UK and Europe	–	80
Southern Africa	81	46
Australia	149	166
Australia other funds	220	336
Total	96 776	88 878

A further analysis of third party assets under management

At 31 March 2012 £'million	UK, Europe and Other	Southern Africa	Australia	Total
Asset Management	36 154	25 401	–	61 555
Mutual Funds	17 490	9 683	–	27 173
Segregated Mandates	18 664	15 718	–	34 382
Wealth & Investment	20 969	13 802	–	34 771
Discretionary	14 187	2 185	–	16 372
Non-discretionary	5 316	11 617	–	16 933
Other	1 466	–	–	1 466
Property activities	–	81	149	230
Australia other funds	–	–	220	220
Total third party assets under management	57 123	39 284	369	96 776

At 31 March 2011 £'million	UK, Europe and Other	Southern Africa	Australia	Total
Asset Management	30 765	28 037	–	58 802
Mutual Funds	15 402	9 466	–	24 868
Segregated Mandates	15 363	18 571	–	33 934
Wealth & Investment	14 852	14 596	–	29 448
Discretionary	9 571	2 076	–	11 647
Non-discretionary	5 281	12 520	–	17 801
Property activities	80	46	166	292
Australia other funds	–	–	336	336
Total third party assets under management	45 697	42 679	502	88 878

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

By division	Asset Management	Wealth & Investment	Specialist Banking	Total group
Number of employees – 31 March 2012	1 173	1 319	5 289	7 781
Number of employees – 31 March 2011	1 071	976	5 190	7 237
Number of employees – 31 March 2010	968	211	4 944	6 123
Average employees – year to 31 March 2012	1 122	1 148	5 240	7 510
Average employees – year to 31 March 2011	1 020	594	5 068	6 682
Operating profit – year to 31 March 2012 (£'000)	133 693	38 721	186 211	358 625
Operating profit – year to 31 March 2011 (£'000)^	127 308	37 775	265 381	430 464
Operating profit per employee – 31 March 2012 (£'000)^^	119 2	33 7	35 5	47 8
Operating profit per employee – 31 March 2011 (£'000)^^	124 8	63 6	52 4	64 4

^ *Excluding operating income from associates*
^^ *Based on number of average employees over the year*

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

By geography	UK and Europe	Southern Africa	Australia	Total group
Number of employees – 31 March 2012	3 289	4 068	424	7 781
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
Average employees – year to 31 March 2012	2 999	4 085	426	7 510
Average employees – year to 31 March 2011	2 286	3 993	403	6 682
Operating profit/(loss) – year to 31 March 2012 (£'000)	135 070	289 436	(65 881)	358 625
Operating profit – year to 31 March 2011 (£'000)^	129 890	300 129	445	430 464
Operating profit/(loss) per employee – 31 March 2012 (£'000)^^	45 0	70 9	(154 7)	47 8
Operating profit per employee – 31 March 2011 (£'000)^^	56 8	75 2	1 1	64 4

^ *Excluding operating income from associates*
^^ *Based on average number of employees over the year*

Number of employees

By division – permanent employees	31 March 2012	31 March 2011
Asset Management		
UK, Europe and Other	359	314
Southern Africa	728	672
Total	1 087	986
Wealth & Investment		
UK and Europe	1 021	663
Southern Africa	239	256
Total	1 260	919
Specialist Banking		
UK, Europe and Hong Kong	1 821	1 646
Southern Africa	2 694	2 752
Australia	407	398
USA	17	15
Total	4 939	4 811
Total number of permanent employees	7 286	6 716

By geography	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008	31 March 2007
UK and Europe	3 181	2 606	1 763	1 706	1 812	1 294
Southern Africa	3 661	3 680	3 542	3 541	3 666	3 476
Australia	411	401	356	354	424	235
USA	33	29	23	22	12	5
Temporary employees and contractors	495	521	439	328	419	420
Total number of employees	7 781	7 237	6 123	5 951	6 333	5 430



03

Divisional review



Divisional review

57 Group divisional structure
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65 Wealth & Investment
72 Specialist Banking

Group divisional 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	Wealth & Investment	Specialist Banking
— 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	— Property activities — Private Banking activities — Corporate Advisory and Investment activities — Corporate and Institutional Banking activities — Group Services and Other activities
— Africa — Americas and Japan — Asia — Australia — Europe — Middle East — UK	— Southern Africa — UK and Europe	— Australia — Canada — Hong Kong — India — Southern Africa — UK and Europe — USA

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: David van der Walt
- Australia: David Clarke

Specialist Banking

- Property activities: Sam Hackner
- Private Banking activities: Ciaran Whelan
- Corporate Advisory and Investment activities: Andy Leith
- Corporate and Institutional Banking activities: David van der Walt
- Asset Management: Hendrik du Toit
- Wealth & Investment: Steve Elliott

Support structures

- Banking and institutions: David Lawrence
- Chief integrating officer: Allen Zimbler
- Corporate governance and compliance: Bradley Tapnack
- Marketing: Raymond van Niekerk
- Finance and risk management: Glynn Burger
- Share schemes and secretarial: Les Penfold

Asset Management

£61.5 billion
assets under management
(2011 £58 8 billion)

£5.2 billion
net new flows
(2011 £7 4 billion)

£133.7 million
net profit
(2011 £127 3 million)

64.3%
cost to income ratio
(2011 63 0%)

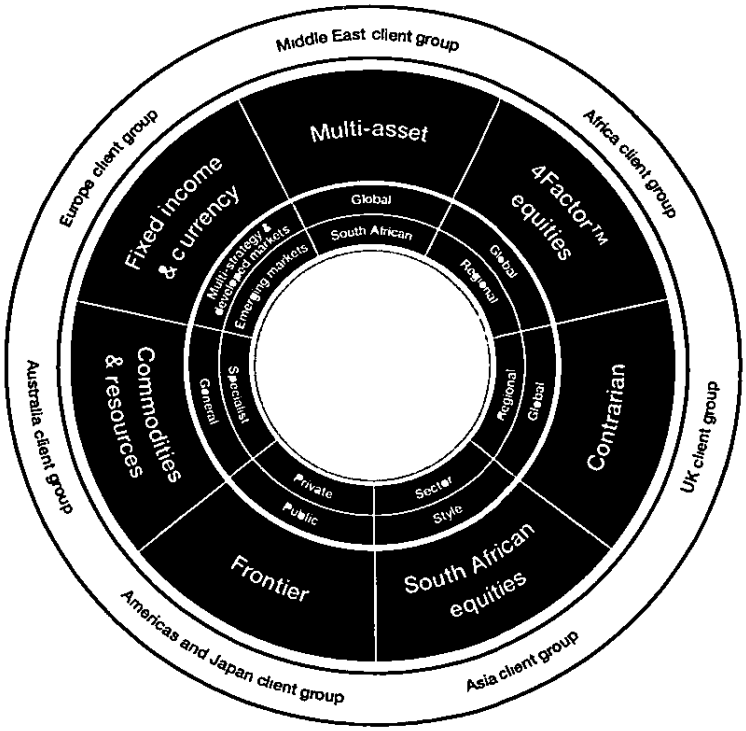
Value proposition

- Organically built an independent global platform from an emerging market base
- Independently managed entity within Investec group
- Competitive investment performance in chosen specialities
- Truly global approach
  - global investing
  - global client base
- Institutional focus
- Unique and clearly understood culture
- Stable and experienced leadership
  - executive committee average tenure of 18 years
  - top 30 leaders average tenure of 14 years

At Investec Asset Management, our business is to manage clients' investments to the highest standard possible by exceeding their investment and client service expectations We manage £61 5 billion of assets on behalf of our clients from around the world who are invested in our seven core investment capabilities Employing over 140 investment professionals, we manage our investments from two investment centres (London and Cape Town) serving our client base from seven distinct client groups

Established in 1991, we have grown largely organically from domestic roots in Southern Africa and are still managed by our founding members, representing continuity and stability throughout our growth

Capabilities and organisational structure



Management structure

Chief executive officer
Hendrik du Toit

Chief operating and financial officer
Kim McFarland

Global head of client group
John Green

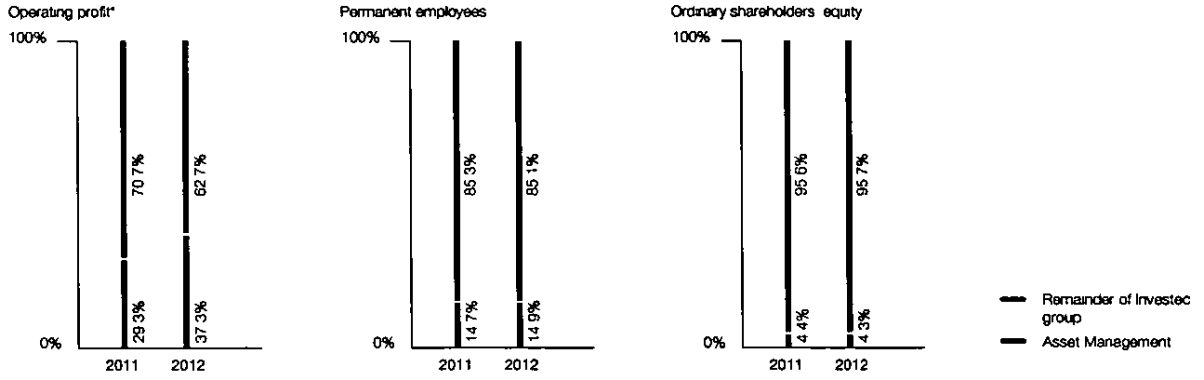
Co-chief investment officer
Domenico (Mimi) Fenu

Co-chief investment officer
John McNab

Financial analysis

- Operating profit increased by 5 0% to £133 7 million, contributing 37 3% to group profit
- Assets under management increased by 4 7% to a record level of £61 5 billion

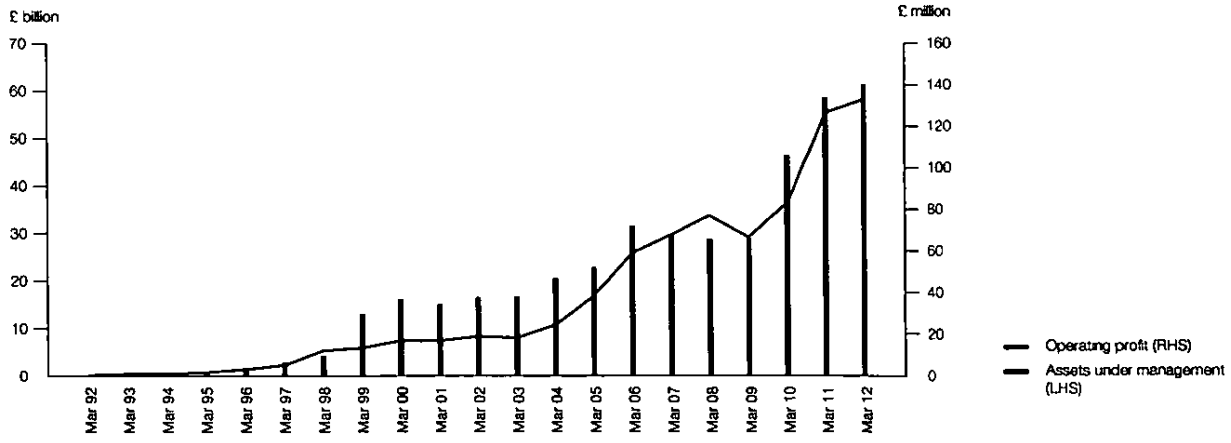
Contribution analysis



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

** *As calculated on page 51, based on regulatory capital requirements*

Historical financial performance



Asset Management (continued)

Income statement analysis

£'000	31 March 2012	31 March 2011	Variance	% change
Net interest income	5 163	2 989	2 174	72 7%
Net fee and commission income	367 856	339 104	28 752	8 5%
Investment income	25	(40)	65	(162 5%)
Income arising from balance sheet management and other trading activities	380	-	380	100 0%
Other operating income	2 178	2 537	(359)	(14 2%)
Total operating income before impairment losses on loans and advances	375 602	344 590	31 012	9 0%
Impairment losses on loans and advances	-	29	(29)	(100 0%)
Operating costs	(241 529)	(216 947)	(24 582)	11 3%
Operating profit before goodwill and acquired intangibles, non-operating items, taxation	134 073	127 672	6 401	5 0%
Earnings attributable to non-controlling interests	(380)	(364)	(16)	4 4%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	133 693	127 308	6 385	5 0%
UK and International	58 922	53 002	5 920	11 2%
Southern Africa	74 771	74 306	465	0 6%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	133 693	127 308	6 385	5 0%
Ordinary shareholders' equity*	142 602	141 608	994	0 7%
ROE (pre-tax)*	84 0%	78 5%		
Return on tangible equity (pre-tax)*	288 6%	329 7%		
Cost to income ratio	64 3%	63 0%		
Operating profit per employee (£'000)*	119 2	124 8	(5 6)	(4 5%)

* *As calculated on pages 51 to 53, based on regulatory capital requirements*

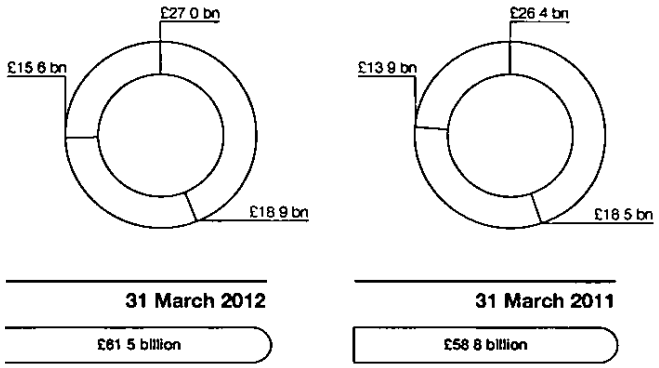
Equity market conditions have been volatile over the financial year which has had an effect on the bottom line Revenues were subdued in the second half of the financial year as a consequence of fears over the Eurozone crisis Weak markets will continue to affect our revenues but our broad range of investment capabilities is well positioned to serve current and future investor demand Performance fees were lower (£30 0 million) as compared to the prior year (£51 4 million), this was within particular capabilities where fees were affected by absolute market levels

Assets under management and flows

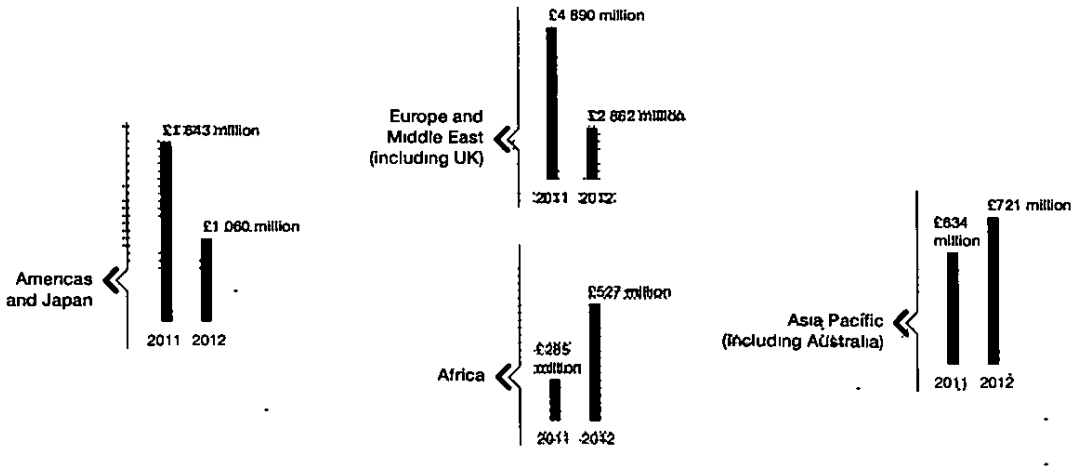
£'million	31 March 2012	Net flows	31 March 2011
Fixed income	18 866	1 559	18 518
Equities and commodities	27 041	2 326	26 413
Multi-asset	15 648	1 285	13 871
Global assets under management	61 555	5 170	58 802

Our broadened geographic spread facilitated net inflows of £5 2 billion with positive contributions from all of our client groups

Assets under management by asset group*



Net flows by geography*



* *As at 31 March 2012 or financial year to March 2012*

Asset Management (continued)

Independent recognition

Calendar year 2011

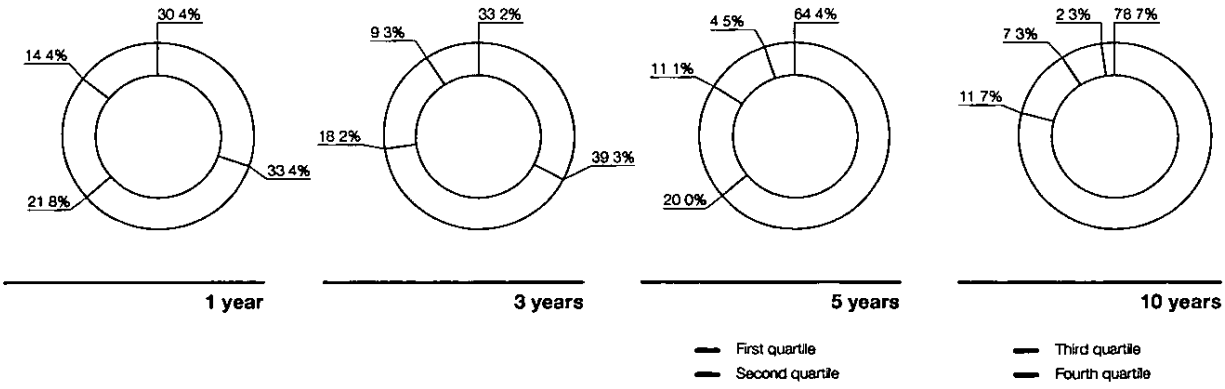
- Winner of Fund Europe's European Asset Management Company of the Year
- Winner of EMEA Finance's Best Asset Manager in Africa award
- Winner of Raging Bull's (South Africa) – Offshore Management Company of the Year (second year running)
- Winner of Imbasa Yegolide's Global Manager of the Year award (second year running)
- Runner up in *Financial News* award for European Asset Management Firm of the Year

Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients' expectations around specific strict risk parameters

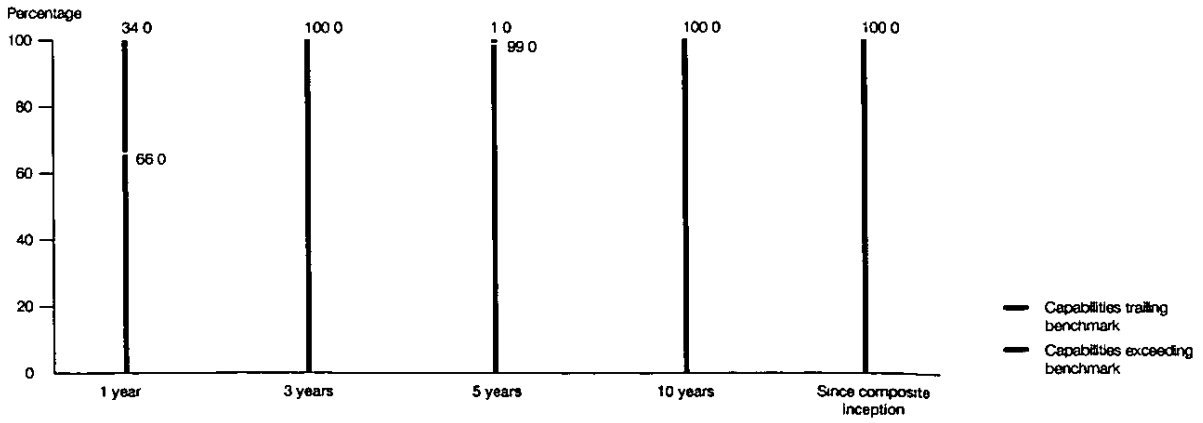
We measure our investment performance relative to peer group and against benchmark over one, three, five and 10 year periods and since inception Short-term headwinds have affected our investment performance, but our long-term track record remains competitive

Mutual funds investment performance



Source Calculated from Lipper and Morningstar data by value, excludes cash, cash plus and liquidity funds Performance to 31 March 2012

Segregated mandates performance



Source Calculated by Investec Asset Management from StatPro Composites, capability weighted Performance to 31 March 2012

Developments

- Over the year, we continued to focus on institutional clients from across the world, a strategy which has paid off with flows for the financial year at over £5 billion and a positive pipeline of new business opportunities
- We have continued to invest in our investment capabilities resulting in competitive investment performance

Strategic objectives

Our strategy is a long-term one and our platform is durable and scalable We are unique in that we have developed our business from scratch out of a domestic position in an emerging market We have a strong culture and believe in giving our people the 'freedom to create' We aim to build deep relationships where we operate as a respected investment partner with the world's most influential asset owners Our business is about investment performance, clients, occasional innovation and insight The firm seeks to create a profitable partnership between clients, shareholders and employees and our aim is to exceed our clients' investment and client service expectations and to manage their money to the highest possible standard

Sustainability considerations

In our role as a global asset manager, we recognise the responsibility that comes with being long-term stewards of our clients' assets Key to this responsibility is continually ensuring that corporate governance and business integrity are a fundamental part of how we operate

Our primary goal in doing this is both to benefit our clients and also to improve the broader environmental and social realms in which we invest and operate Alongside the financial objectives that we set for ourselves as business, we also categorise our environmental, social and governance activity into three areas

Commitment to stewardship and our investment approach

We are signatories of the United Nations Principles for Responsible Investment and we endorse the Organisation for Economic Co-operation and Development principles on corporate governance Our detailed Stewardship Principles, which are integrated into our research, are publicly available and provide guidance on our approach to corporate governance We are committed to seeing environmental, social and governance factors as elements that need to be considered as part of our investment analysis and mandate implementation, and where appropriate these are integrated into our processes The investment teams have experienced some significant developments during the 2012 financial year in the areas of environmental, social and governance integration, including the establishment of an environmental, social and governance team in London and additional environmental, social and governance research tools and training Integration is a journey and we expect this area to develop further over time

This approach, in our view, is central to the way in which we carry out our fiduciary responsibilities Key aspects include taking an active and transparent approach to voting and engagement with the companies in our portfolios We also aim to encourage and reward better corporate governance and business integrity by seeking to play a meaningful role in helping to develop the framework for investment and ownership within the various jurisdictions in which we invest (Full details can be found on the Investec Asset Management website)

People

We are deeply aware of our broader responsibility to society at large and, more specifically, to the communities in which we have an investment footprint With this in mind, we seek to make a positive impact on society by focusing on education initiatives that support local communities and the environments in which they operate

We are proud to be associated with a number of non-profit organisations that are working toward creating a sustainable future and preserving the future security of the world's rich cultural and natural heritage Amongst other initiatives, our work has seen us support a

We are proud to be associated with a number of non-profit organisations that are working toward creating a sustainable future and preserving the future security of the world's rich cultural and natural heritage.

number of projects run by the Tusk Trust, which has supported wildlife conservation, community development, and environmental education in Africa since 1990 In South Africa, our partnership with the JL Zwane Community Centre dates back to 2003, and has seen the staff-run charity providing ongoing support The firm provided the means to build what is today a modern facility serving the needs of the entire community Our support of the Starfish Great Hearts Foundation's US awareness campaign funds education-related projects in South Africa for young people whose families have been affected by Aids

In addition, our staff members are involved in Investec's acclaimed work with Arrival Education in the UK and we are a supporter of the Prince's Trust, both organisations which aim to support the development of young people into successful adulthood by working in partnership with the UK business community Further sponsorships include our support of the Make a Difference Foundation, and the establishment of a dedicated community fund, aimed at supporting small ad-hoc community initiatives

Planet

We recognise that our duty to act in the best long-term interests of all our stakeholders, including staff members and clients, encompasses the objective of reducing the long-term business risks to our environment In line with this we are signatories of the Carbon Disclosure Project and their Carbon Action initiative, which calls for business to monitor the cost-effective management and reduction of carbon emissions and currently represents total assets under management of USD10 trillion

Furthermore, recognising that climate change is an increasingly relevant investment issue, with potentially profound economic and societal implications, Investec Asset Management has undertaken research to assess the impact of climate change on shareholder value in South Africa (Full report can be found on the Investec Asset Management website)

The environment matters to us, and as such ongoing staff involvement in environmental activities takes place primarily through our locally based 'Green Teams' They represent groups of employees who seek to raise awareness of how to become more environmentally aware both as a firm and as individuals In addition, we have implemented the government-backed Cycle2Work initiative for employees

Conclusion

In summary, we apply the aggregate financial influence of our clients and the full abilities of our investment team to be effective stewards of the companies in which we invest We care about the environment and are committed to do our best to nurture the planet on which we live Finally, we acknowledge that the firm and the staff (in their personal capacity as well) need to plough back into the communities which we serve through social investment

Looking forward

The momentum of our business is positive and we have benefited from sustained performance over many years Weak markets will continue to affect our flows, revenues and profits, but our broad range of investment capabilities is well positioned to serve current and future investor demand With this as a foundation and with our global client reach and institutional market focus, we have managed to steer a stable course in this uncertain climate However, given the world is subject to dramatic changes in regulatory agendas, demographic shifts and relative risk perceptions, we continue to be vigilant and the key risks to our business remain market levels, key staff retention, reputational risk and investment performance

We believe that our long-term strategy will continue to create substantial value for clients and shareholders alike

Wealth & Investment

What we do

UK and Europe

The Investec Wealth & Investment operation in the UK is made up of Investec Wealth & Investment Limited (formerly Rensburg Sheppards plc) and Williams de Broe Limited The European operations are conducted through Wealth Management Europe Further information on the acquisition of Williams de Broe Limited is provided on page 341

Collectively the businesses provide investment management services for private clients, charities, intermediaries, pension schemes and trusts Over 1 000 staff operate from offices across the UK and in Switzerland, and with combined funds under management of £21 billion, the Investec Wealth & Investment operation is one of the UK's leading providers of private client investment management services The services provided by Investec Wealth & Investment include

- Investments and savings
  - Discretionary and advisory portfolio management services for private clients
  - Specialist investment management services for intermediaries, charities, pension schemes and trusts
- Financial planning
  - 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
  - Inheritance tax planning

South Africa

Investec Wealth & Investment South Africa provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts, operating from eight offices across South Africa with R26 8 billion of funds under full discretionary management and a further R142 5 billion of funds under various other forms of administration

Value proposition

- Business has been built via consolidation of businesses and organic growth over a long period of time
- Largest private client manager in South Africa and one of the top five players in the UK
- Well established platforms in the UK, South Africa and Switzerland
- Acquisition of Williams de Broe added c £7 billion funds under management
- Focus is on consolidating and internationalising the business

Management structure

Global head Steve Elliott

UK and Europe	
UK	
Chief executive	Jonathan Wragg
Finance	Iain Hooley
Chief operating officer	Judy Price
Regional heads	David Bulteel
	Simon Kaye
	Jon Seal
	Tom Street
Compliance and risk	Mike Rigby
Head of projects	Jane Warren
Human resources and treasury	Mark Redmayne
Research	John Haynes
Marketing	Aidan Lisser
Switzerland	
Chief executive	Oliver Betz
Chief operating officer	Peter Gyger
Legal and compliance	Petra Otten

Williams de Broé	
Chief executive	Jonathan Wragg
Chief operating officer	David Howard
Finance	Paul Horwood
Regional heads	Dougal Fraser
	Martin Vanstone
	Scott Jones
	Michele Rogers
	Adrian Quin
	Murray Mackay
Compliance and risk	Mike Rigby
Research	Jim Wood-Smith
Human resources	Melanie Beard
Marketing	Mark Stevens

South Africa	
Chief executive	Henry Blumenthal
Chief operating officer	Joubert Hay
Regional heads	
Cape Town	Jonathan Bloch
	Stephen Glanz
Durban	Craig Hudson
Johannesburg	Paul Deuchar
Pietermaritzburg	Andrew Smythe
Port Elizabeth	Andy Vogel
Pretoria	Sean Caveney
Wealth management	Raymond Goss
	Sean Caveney
Finance	Bella Ferreira
IT	Lyndon Subroyen
Risk management	Alex Harding
Settlements	Hennie de Waal
Compliance	Bernadette Ghenne
Marketing	Johan Greeff

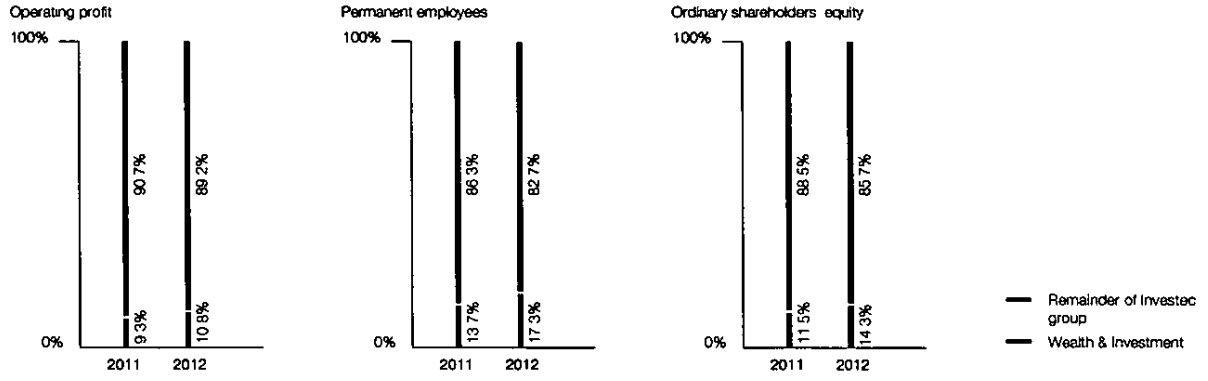
Review of operating environment

The first quarter of the financial year was a period of relative stability for financial markets This stability was short lived, as the continuing sovereign debt crisis and instability in the Eurozone led to sharp falls in equity indices in August 2011 A period of marked volatility followed as investors remained cautious and risk in the financial markets remained high These challenging conditions made the implementation of investment strategies difficult and transaction volumes were depressed as a result Whilst equity indices regained ground during the final quarter, the risk of further volatility remains high and the outlook is dependent upon the future developments in the wider economy and achieving a credible solution to the Eurozone crisis

Financial analysis

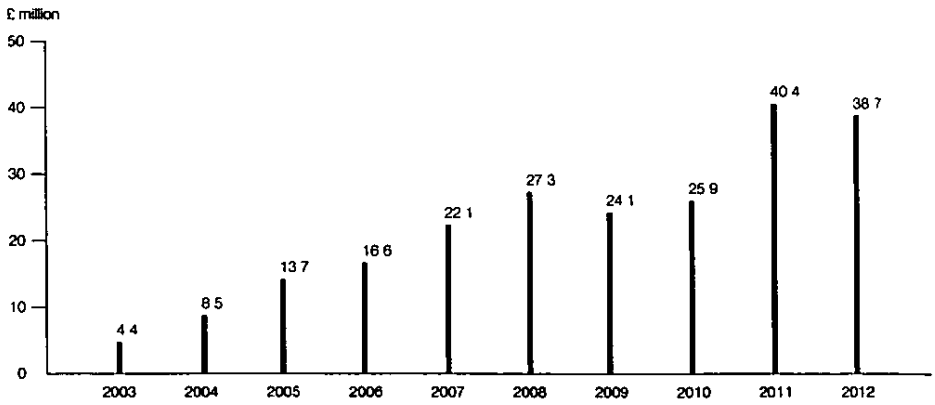
- Operating profit decreased by 4 2% to £38 7 million, contributing 10 8% to group profit
- Since 31 March 2011, private client funds under management increased 18 1% from £29 4 billion to £34 8 billion largely as a result of the acquisition of Williams de Broe

Contribution analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests*
** *As calculated on page 51*

Operating profit^ – track record



^ *Trend reflects numbers as at the year ended 31 March, unless otherwise stated The numbers prior to 31 March 2005 were reported in terms of UK GAAP Amounts from 2008 are shown before goodwill acquired intangibles, 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 2012	31 March 2011	Variance	% change
Net interest income	10 083	7 281	2 802	38 5%
Net fee and commission income	186 181	147 641	38 540	26 1%
Investment income	(392)	1 126	(1 518)	(>100 0%)
Trading income				
– Arising from customer flow	108	(1 932)	2 040	>100 0%
– Arising from balance sheet management and other trading activities	97	(528)	625	>100 0%
Other operating income	396	2 651	(2 255)	(85 1%)
Total operating income	196 473	156 239	40 234	25 8%
Operating costs	(157 799)	(115 813)	(41 986)	36 3%
Operating profit before goodwill and acquired intangibles, non-operating items, taxation	38 674	40 426	(1 752)	(4 3%)
Earnings attributable to non-controlling interests	47	–	47	100 0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	38 721	40 426	(1 705)	(4 2%)
UK and Europe	23 268	25 008	(1 740)	(7 0%)
Core business	28 723	26 643	2 080	7 8%
Rensburg Fund Management Limited	–	1 563	(1 563)	100 0%
Wealth Management Europe	(5 455)	(3 198)	(2 257)	70 6%
Southern Africa	15 453	15 418	35	0 2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	38 721	40 426	(1 705)	(4 2%)
Ordinary shareholders' equity*	316 275	214 116	102 159	27 4%
ROE (pre-tax)*	13 1%	16 5%		
Return on tangible equity (pre-tax)*	46 9%	78 7%		
Cost to income ratio	80 3%	74 1%		
Operating profit per employee (£'000)*	33 7	63 6	(29 9)	(47 0%)

* *As calculated on pages 51 to 53*

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

- The South African business posted an operating profit of R182 million, an increase of 4 6% over the prior year Whilst client execution activity levels have remained subdued, the business has benefited from higher average funds under management However, when converted into Pounds Sterling, operating profit has remained broadly flat since the prior year
- In the UK and Europe, the group has benefited from the full year inclusion of the Rensburg Sheppards plc acquisition However, overall results have continued to be negatively impacted by the restructuring of the wealth management operation in Switzerland In addition, the prior year results include operating profit of £1 6 million in respect of Rensburg Fund Management, which was acquired by Investec on 25 June 2010 and subsequently disposed of on 18 January 2011

Further analysis of operating income

UK and Europe

Investec Wealth & Investment Limited (formerly Rensburg Sheppards plc)

£'000	Year to 31 March 2012	For illustrative purposes year to 31 March 2011***	Actual results reported 25 June 2010 to 31 March 2011
Interest income	6 432	5 414	4 265
Fee and commission income	105 244	109 997	84 581
Annuity fees	77 871	79 076	61 013
– Trail commission	5 086	5 474	4 184
– Fees earned on funds under management	68 126	69 537	53 646
– Other*	4 659	4 065	3 183
Deal/non-recurring fees	27 373	30 921	23 568
Dealing commission	23 520	27 272	20 877
Other**	3 853	3 649	2 691
Share of associate income	–	–	2 135
Total operating income	111 676	115 411	90 981

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

** *2012 comprises a one-off additional management fee earned by Investec Wealth & Investment Limited in relation to its management of Rensburg Aim VCT plc (an independent, separately listed venture capital trust company) and administration/other miscellaneous income 2011 includes the profit on sale of units of unit trusts relating to Rensburg Fund Management, that was disposed of on 18 January 2011*

*** *The acquisition of Rensburg Sheppards plc became effective on 25 June 2010 The table above provides information with respect to the actual results reported by Investec for the year ended 31 March 2011, i e those earnings recorded in the period 25 June 2010 to 31 March 2011 For illustrative purposes the table also indicates the results for the full year to 31 March 2011, as if Rensburg Sheppards plc were a stand alone group*

Williams de Broë and Wealth Management Europe

Williams de Broe contributed total operating income of £18 1 million during the period post the acquisition by Investec on 22 December 2011 Wealth Management Europe contributed total operating income of £12 3 million in the year to 31 March 2012 (2011 £10 7 million)

South Africa

£'000	31 March 2012	31 March 2011
Interest income	1 540	1 638
Fee and commission income	52 000	51 945
Annuity fees	50 175	49 983
– Trail commission	8 472	8 245
– Fees earned on funds under management	37 057	35 636
– Other^	4 646	6 102
Deal/non-recurring fees	1 825	1 962
Other income	485	427
Total operating income	54 025	54 010

^ *Mainly comprises JSE trust account, asset swap currency turn and other miscellaneous fees*

Analysis of key earnings drivers (funds under management)

£'million	31 March 2012	31 March 2011	% change
UK and Europe	20 969	14 852	41 2%
Discretionary	14 187	9 571	48 2%
Non-discretionary and other	6 782	5 281	28 4%
South Africa	13 802	14 596	(5 4%)
Discretionary	2 185	2 076	5 3%
Non-discretionary and other	11 617	12 520	(7 2%)
Total funds under management	34 771	29 448	18 1%

UK and Europe analysis of key earning drivers (funds under management and inflows)

Funds under management and inflows

£'million	31 March 2012	31 March 2011	% change
Investec Wealth & Investment Limited (formerly Rensburg Sheppards plc)	12 837	12 735	0 8%
Discretionary	9 804	9 571	2 4%
Non-discretionary	3 033	3 164	(4 1%)
Williams de Broë	7 119	-	n/a
Discretionary	4 383	-	n/a
Non-discretionary	2 283	-	n/a
Other*	453	-	n/a
Wealth Management Europe and other	1 013	2 117	(52 1%)
Total	20 969	14 852	41 2%

* *Comprises collectives and unit trust funds managed by Williams de Broë*

Further analysis of the Investec Wealth & Investment Limited business

	31 March 2012	31 March 2011	% change
Funds under management (£'billion)	12 84	12 74	0 8%
FTSE/APCIMS Private Investors Balanced Index (at period end)	3 002	2 985	0 6%
Annualised underlying rate of net organic growth in total funds under management^	1 6%	4 2%	n/a
% of total funds managed on a discretionary basis	76 4%	75 2%	n/a

^ *Net organic inflows less outflows as a percentage of opening funds under management*

£'billion	31 March 2012	31 March 2011	% change
At the beginning of the period	12 74	11 60	9 8%
Inflows	0 96	1 08	(11 1%)
Outflows	(0 76)	(0 59)	28 8%
Market adjustment^^	(0 10)	0 65	(>100 0%)
At the end of the period	12 84	12 74	0 8%

^^ *Impact of market movement and relative performance*

Wealth & Investment (continued)

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

Funds under management

R'million	31 March 2012	31 March 2011	% change
Discretionary	26 809	22 585	18 7%
Non-discretionary and other	142 546	136 216	4 6%
Total	169 355	158 801	6 6%

Net inflows/(outflows) at cost over the period

R'million	31 March 2012	31 March 2011
Discretionary	1 956	1 182
Non-discretionary and other	(7 348)*	11 544
Total	(5 392)	12 726

* *Largely relates to one client who moved their portfolio to another institution to serve as collateral in a transaction they were concluding*

Developments

UK and Europe

- Equity markets rose at the beginning of the financial year and the FTSE 100 exceeded the 6 000 mark during April 2011 For the first four months of the financial year, the FTSE 100 fluctuated around the region of 5 950, however, markets suffered a severe setback in early August, with sharp falls which saw the FTSE 100 dropping below 5 000 The period since then has witnessed some marked volatility, with substantial swings occurring on a day-to-day basis These conditions have made investment decisions particularly difficult, which had a significant adverse impact on transaction volume and commission income from September 2011 until mid-January 2012 While significant risk has remained in the market, a period of relative calm in the final quarter of the financial year has seen the equity markets rising, with the FTSE 100 exceeding a level of 5 900 before falling back to end the financial year at 5 768
- While some clients view lower level of indices as being an investment opportunity, net new funds attracted into portfolios from existing clients has been notably depressed during most of the financial year, reflecting perceived risks of further volatility
- Following Investec's acquisition of the Evolution Group plc on 22 December 2011 (further information is provided on page 341), the process of integrating the Williams de Broë business into the Wealth & Investment division commenced While the integration process is ongoing, Investec Wealth & Investment Limited and Williams de Broë will continue to trade as separate entities The integration is expected to complete during the 2012/13 financial year
- Investec Wealth & Investment is in the process of expanding its offshore offering to clients, which will allow the business to exploit opportunities in the international and UK resident non-domiciled marketplace

South Africa

- The strong second half performance helped drive annual revenue growth by a respectable 6 2% in Rand terms Growth in discretionary assets of 18 7% in Rand terms was satisfactory and was accompanied by an encouraging yield pick-up which points to an improvement in overall funds under management quality compared to last year

Strategic objectives

UK and Europe

- Successfully complete the integration of the Williams de Broë business during the remainder of the 2012/13 financial year
- Expand our presence in the international marketplace through our offshore capability
- Achieve positive net organic growth in funds under management
- Achieve growth in additional services which support the core business of investment management

South Africa

- We will continue to grow by focusing on the key metrics at our disposal These include our breadth of leading domestic and offshore investment portfolios and services as well our depth of relationship with many of South Africa's high net worth individuals and families
- In support of this objective we have invested in enhanced operational capacity and technological platforms, continued to attract and develop experienced and professional investment staff, built a sustainable and consistent investment process and leveraged off the synergies available by being a part of the Investec group

Sustainability considerations

Investec Wealth & Investment works in partnership with out-of-the-ordinary organisations that share our core values Through these partnerships our clients gain access to a range of interesting and diverse opportunities to appreciate, learn and enjoy

The services provided by Investec Wealth & Investment assist clients to preserve and grow their wealth and to build and plan for their future financial security

Investec Wealth & Investment in South Africa believe that there has been a fundamental shift in the demand for finite resources which places upward pressure on prices and which will potentially end an environment of cheap resources Identifying the opportunity for clients, we launched AgriCom-One in October 2011 which is a structured investment linked to the underlying performance of a basket of agricultural commodities which closely correlates to the UN Food and Agricultural food price index

In the UK, we have sponsored the National Gardens Scheme since 1994 and have helped to raise more than £29 million for the charity which works with garden owners to welcome thousands of visitors around the UK into their gardens each year We sponsor the National Gardens Scheme Yellow Book which allows people to plan their visits and discover different gardens

In South Africa, we support a variety of charities with some R592 000 donated to various causes including education, cancer and welfare of animals

Looking forward

UK and Europe

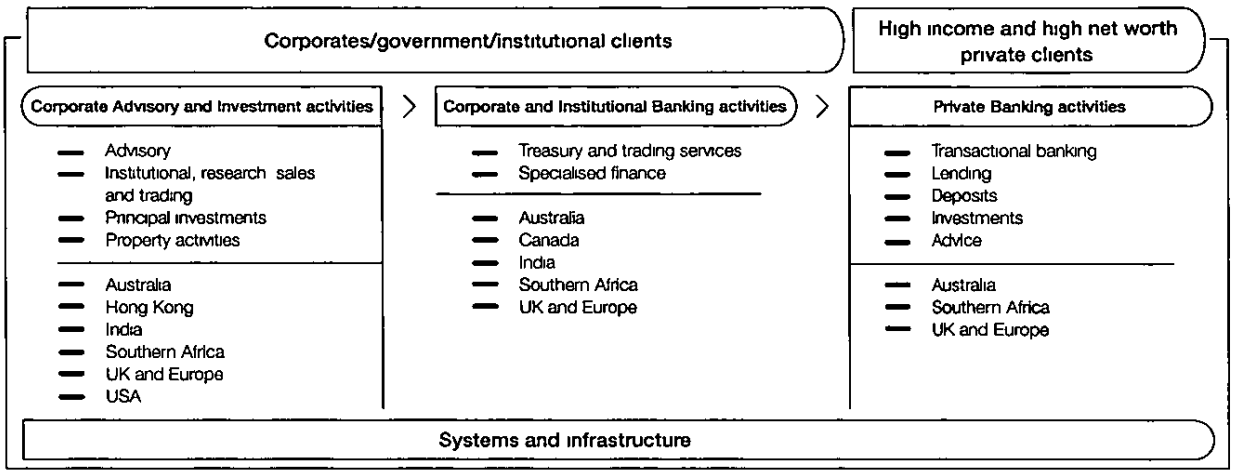
- The key focus of the new financial year will be to achieve the successful integration of the Williams de Broe business into the Wealth & Investment division Several work streams are ongoing to manage the integration process and its related risks
- The future direction of equity markets continues to be uncertain Fee income remains exposed to the actual level of the markets on the key quarterly billing dates of the financial year
- The prospect of continuing significant day-to-day volatility in the UK equity markets may lead to depressed transaction activity, potentially adversely affecting the level of commission income generated
- We continue to seek to achieve net organic growth in funds under management of 5% per annum
- The conclusions and proposals of the Retail Distribution Review (RDR) continue to be debated The full impact that the RDR will have on the industry is yet to become apparent and we will continue to monitor developments closely over the course of the 2012/13 financial year as we progress towards the full implementation of the RDR within the industry
- The Financial Services Compensation Scheme (FSCS) raised a substantial levy on the investment management industry in the previous financial year as a result of the failure of an investment firm, Keydata The FSCS has raised the possibility that the recent failure of MF Global may result in compensation being paid by the FSCS to the extent that further levies may be warranted The FSCS has been unable to quantify the risk or extent of such further levies until more information regarding the losses and the likely number of eligible claimants becomes available

South Africa

- Market volatility, as measured by the Volatility Index (VIX), is at one of its lowest levels in the five years since the financial crisis first began This generally bodes well for our discretionary investment management business as investors are inclined to allocate a larger portion of their investable assets into riskier asset classes, including equities
- The side effects of long-term low market volatility include lower trading-related turnover which can have a negative impact on our advisory and execution stock broking businesses revenue This, together with increased margin pressures and rising regulatory related costs throughout the private client stock broking industry, may result in a reduced contribution to overall income from this segment of the business for the new financial year
- We continue to focus on acquiring new discretionary and other annuity fee paying type assets which best fit into our core investment infrastructure – an area in which we have invested quite considerably over the past year In addition to this, we expect to consolidate our international investment service offering via a single, seamless platform

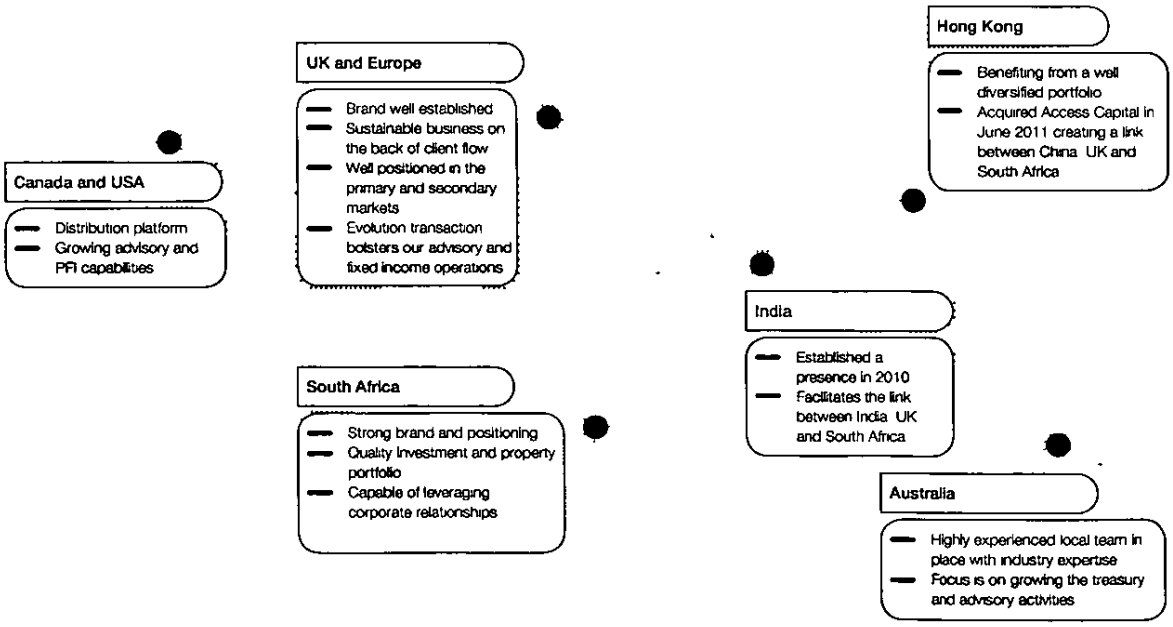
Specialist Banking

What we do



Specialist Banking: Corporate, institutional and government activities

Footprint of our integrated business with local client delivery and international access



Key focus

- Back to basics
- Growing the client base
- Ensuring the product offering is delivered to our global client base

Specialist Banking: Private Banking activities

Value proposition

- Provide high touch transactional banking, specialised lending, deposit and investment products to two distinct client bases
  - High income – c 155 000 clients
  - High net worth (HNW) – c 5 600 clients
- Provide trust and fiduciary services, for wealth preservation and succession planning
- Provide offshore banking services

Management structure

Global heads of Specialist Banking

Stephen Koseff, Bernard Kantor and Glynn Burger

Corporate Advisory and Investment activities

Global head Andy Leith

UK and Europe		South Africa		Australia	Hong Kong
Regional head	Alex Snow David Curne	Regional head	Andy Leith	Corporate finance Institutional research, sales and trading Christian Nicks	Regional head Richard Forlee
Corporate finance and corporate broking	James Grace Chris Baird	Corporate finance	Hugo Steyn		
Securities	Clive Murray	Institutional research, sales and trading	Kevin Brady		
Operations	Leanne Gordon-Kagan	Principal investments	Vincent Langlois	Private equity Jon Brett	
Finance	Ray Milner	Finance corporate finance and principal investments	Robert Slater Caroline Thomson		
		Operations institutional research, sales and trading	Joubert Hay		

Corporate and Institutional Banking activities

Global head David van der Walt

UK and Europe		South Africa		Australia	
Regional head	Andy Clapham	Regional head	Richard Wainwright	Regional head	Milton Samios
Treasury products and distribution	Chris Meyer	Project and resource finance	Michael Meeser	Commodities and resource finance	Anthony Hawke
Central treasury	John Barbour	Equity derivatives and foreign exchange trading	Mark Currie	Project finance	Peter Mansfield
Commodities and resource finance	George Rogers	Financial products	Lourens van Rensburg	Power investment	Mark Schneider
Structured equity derivatives	Anant Patel	Treasury sales and structuring	Ryan Tholet	Social infrastructure investment	Michael Still
Residential mortgages (including Kensington)	Keith Street	Structured and asset finance	David Kuming	Structured real estate finance	Michael Still
Financial markets group	Richard Downer	Balance sheet management and interest rate trading	Clive Sindelman	Aviation finance	David Phillips
Credit investments and trading	Henrik Malmer	Trade finance (RechmansCapital)	John Wilks	Corporate and acquisition finance	Simon Beissel
Specialist corporate capital	David Beadle Jonathan Fourie	Regional head Mauritius	Craig McKenzie	Treasury	Dean You Lee
Structured and asset finance	Alistair Crowther	Operations	Stuart Spencer	Asset finance	Matt Ingram
Project finance (UK and international)	Maurice Hochschild			Fixed income, currencies and commodities	Jeff Duncan-Nagy
Debt capital markets	Eden Riche			Operations	Carl Dennis
Operations	Melanie Abromowitz				
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				

Specialist Banking (continued)

Property activities

Global head Sam Hackner
Deputy chairman Sam Leon

UK and Europe		South Africa		Australia	
Regional head	Sam Hackner	Property projects	Robin Magid	Regional head	Graeme Katz
Property projects	Robin Magid	Investec property fund	Sam Leon	Finance and operations	Jason Sandler
		Finance and operations	Dave Donald		

Private Banking activities

Global head Ciaran Whelan

UK and Europe		South Africa		Australia	
Regional heads	Avron Epstein Paul Stevens	Country head	Colin Franks	Professional finance	Barry Lanesman
Chief operating officer	Chris Forsyth	Chief operating officer	Jodi Joseph	Private client distribution	Ivan Katz
Structured property finance	Gary Dobson	Risk management	Howard Tradonsky		
Specialised lending	David Drewienka	Chief financial officer	Noorul-ain Khan		
Growth and acquisition finance	Ed Cottrell Gary Edwards	Credit risk	Anthony Church		
Specialised banking	Wayne Preston Linda McBain	Business architecture	Graeme Lockley		
Trust and fiduciary	Xavier Isaacs	Strategic projects	Jodi Joseph		
Investec Bank Channel Islands	Stephen Henry	Funding	Les Scott		
Investec Bank Ireland	Michael Cullen	Human resources	Nicola Tager		
Marketing	Denesse Edgar	Banking	Kobus Burger		
Finance	Liza Jacobs	Regional heads			
IT	Douglas Grantham	Cape Town	Dion Millson		
		Durban	Brendan Stewart		
		Johannesburg	Brett Copans		
		Port Elizabeth	Cumesh Moodliar		
		Pretoria	Charl Wild		

Review of operating environment

Corporate Advisory and Investment activities

In the UK, it was a challenging and volatile year for equity investors with the FTSE 100 declining by 4 2% over the financial year Equity markets were gripped with continuing uncertainty as investors focused on the instability of the Eurozone with potential consequences for economic growth and banking exposures This volatility led to aggregate market volumes being the lowest for a decade while M&A and IPO levels remained subdued Broking houses have struggled in the difficult conditions and there has been some fallout amongst the smaller players However, the environment remains competitive

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 affects deal lead time

Principal Investments in South Africa has seen an uptick in competition over the past year This comes mainly from corporates because of cash piles, and also private equity funds available have increased with more focus being brought on emerging markets where potential yields are better We have seen improved trading conditions in most of our assets

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

Corporate and Institutional Banking activities

The economic environment in the UK and Europe remains uncertain with ongoing Eurozone sovereign issues Interest rates remain low and credit spreads are tightening although volatile 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 any increased levels of market activity through the next reporting period

In South Africa, the corporate market continues to remain weak with low levels of activity leading to depressed lending activity We have however, seen an increase in pipeline in our lending businesses and are well positioned for a recovery in activity levels

Activity levels in Australia have picked up, however, we expect conditions to remain tough in 2012 We do expect activity in areas such as infrastructure, power and resources and we continue to invest in these areas

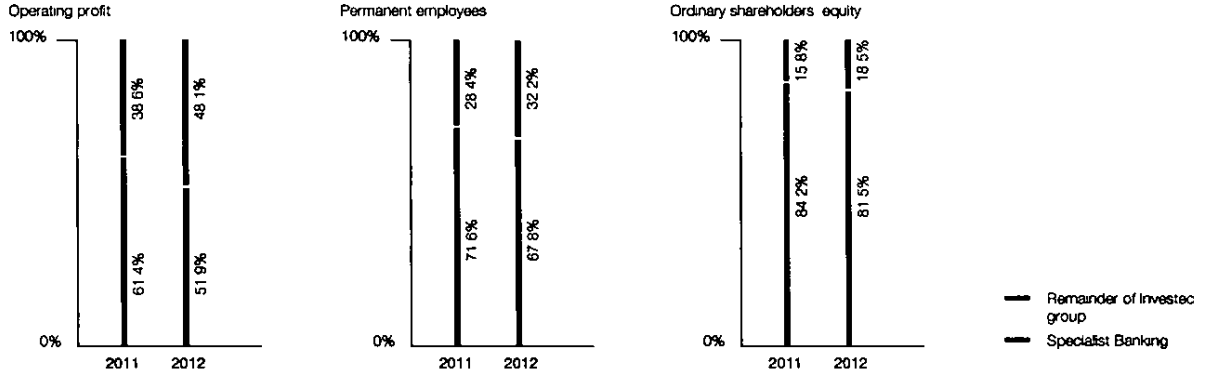
Private Banking activities

The operating environment in each of our three core geographies has continued to be challenging We have however, seen increased deal appetite from our clients and, as a result, have increased specialist lending activity levels across all three geographies Competitive pressures have generally fallen, allowing the Investec Private Bank to increase market share in a number of core target markets

Financial analysis

- Operating profit of the Specialist Banking division decreased 30 2% to £186 2 million contributing 51 9% to group profit

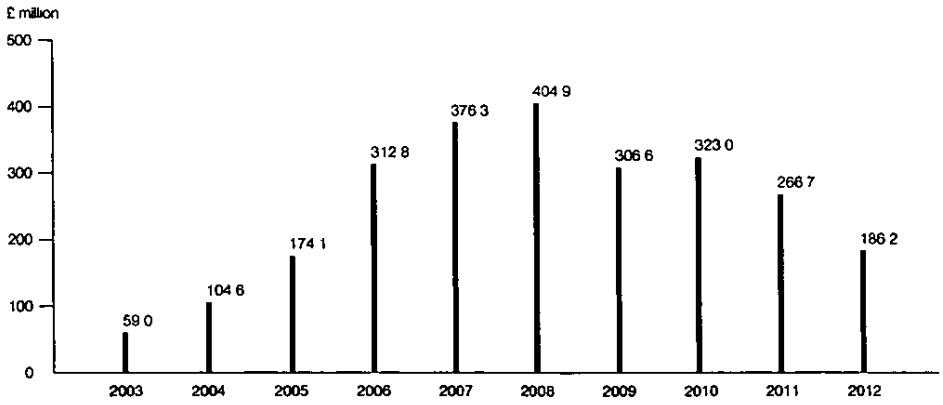
Contribution analysis



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

** *As calculated on page 51*

Operating profit – track record



^ *Trend reflects numbers as at the year ended 31 March, unless otherwise stated 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 2012	31 March 2011	Variance	% change
Net interest income	683 801	671 199	12 602	1 9%
Net fee and commission income	330 197	300 913	29 284	9 7%
Investment income	174 694	253 857	(79 163)	(31 2%)
Trading income				
– Arising from customer flow	76 958	78 379	(1 421)	(1 8%)
– Arising from balance sheet management and other trading activities	31 727	87 824	(56 097)	(63 9%)
Other operating income	62 554	61 985	569	0 9%
Total operating income before impairment losses on loans and advances	1 359 931	1 454 157	(94 226)	(6 5%)
Impairment losses on loans and advances	(325 118)	(318 259)	(6 859)	(2 2%)
Operating costs	(859 970)	(880 552)	20 582	(2 3%)
Operating profit before goodwill and acquired intangibles, non-operating items, taxation	174 843	255 346	(80 503)	(31 5%)
Earnings attributable to non-controlling interests	11 368	11 326	42	0 4%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	186 211	266 672	(80 461)	(30 2%)
Core business	274 342	341 649	(67 307)	(19 7%)
Property loan portfolio being run-off^^	(88 131)	(74 977)	(13 154)	17 5%
UK and Europe	52 880	55 616	(2 736)	(4 9%)
Southern Africa	199 212	210 350	(11 138)	(5 3%)
Australia	(65 881)	706	(66 587)	>100 0
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	186 211	266 672	(80 461)	(30 2%)
Ordinary shareholders' equity*	2 714 259	2 738 439	(15 767)	(0 6%)
ROE (pre-tax)*	6 1%	9 7%		
Return on tangible equity (pre-tax)*	6 5%	10 4%		
Cost to income ratio	62 4%	60 1%		
Operating profit per employee (£'000)*	35 5	52 4	(16 9)	(32 3%)

* *As calculated on pages 51 to 53*

^^ *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

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

- Net interest income increased largely as a result of improved margins and increased lending turnover, partially offset by higher costs on subordinated liabilities
- Net fee and commission income was largely in line with the prior year with transactional activity levels remaining mixed
- Investment income decreased as a result of lower returns generated on the investment portfolio
- Trading income arising from customer flow remained in line with the prior year whilst trading income arising from other trading activities decreased due to profits realised on debt buy-backs in the prior year which were not repeated in the current year
- Impairments decreased and defaults increased marginally Further information is provided on pages 116 and 117
- Operating expenses decreased largely as a result of the deconsolidation of two principal investments

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

- Net interest income increased largely as a result of improved margins, higher average loans and a sound performance from the fixed income portfolio, partially offset by higher costs on subordinated liabilities
- Net fee and commission income increased largely due to a good performance by the corporate banking and advisory businesses

- Investment income decreased largely due to a weaker performance from the listed principal investments portfolio and income earned on the sale of investment properties in the prior year which were not repeated in the current year
- Trading income decreased largely due to a lower return generated on the balance sheet management desk
- Impairments decreased and defaults improved Further information is provided on pages 116 and 117
- Operating expenses decreased largely as a result of the depreciation of the Rand (costs as reported in Rands remained in line with the prior year)

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

- Net interest income was negatively impacted by the underperformance of the default non-core property loan book
- Net fee and commission income was marginally lower than the prior year
- Investment income decreased as a result of negative write-downs on mortgage properties in possession
- Trading income arising from customer flow increased as a result of further development and growth in the business operations
- Impairments increased substantially on the disposal of the non-core property loan book The residual default loan portfolio has largely been sold with the balance ring-fenced for collection and recovery Further information is provided on pages 116 and 117
- Operating expenses increased largely as a result of costs associated with restructuring of the business

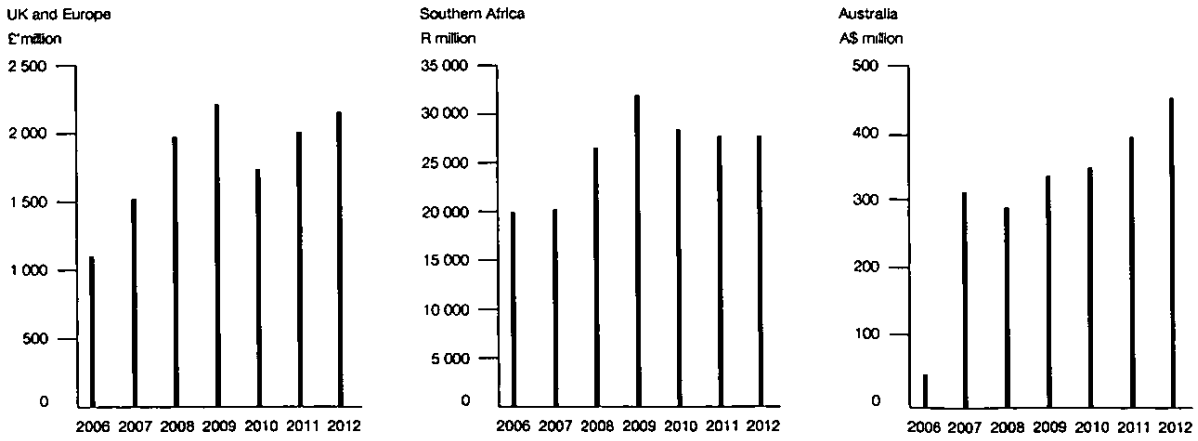
Analysis of key earnings drivers

Corporate Client

Net core loans and advances

	£'million			Home currency 'million		
	31 March 2012	31 March 2011	% change	31 March 2012	31 March 2011	% change
UK and Europe	2 214	2 023	9 4%	£2 214	£2 023	9 4%
Southern Africa	2 261	2 556	(11 5%)	R27 750	R27 804	(0 2%)
Australia	295	253	16 6%	A$440	A$393	15 5%
Total	4 770	4 832	(1 3%)			

Net core loans and advances (excluding Kensington)



Trend reflects numbers as at the year ended 31 March unless stated otherwise

Specialist Banking (continued)

Private Client

Net core loans and advances

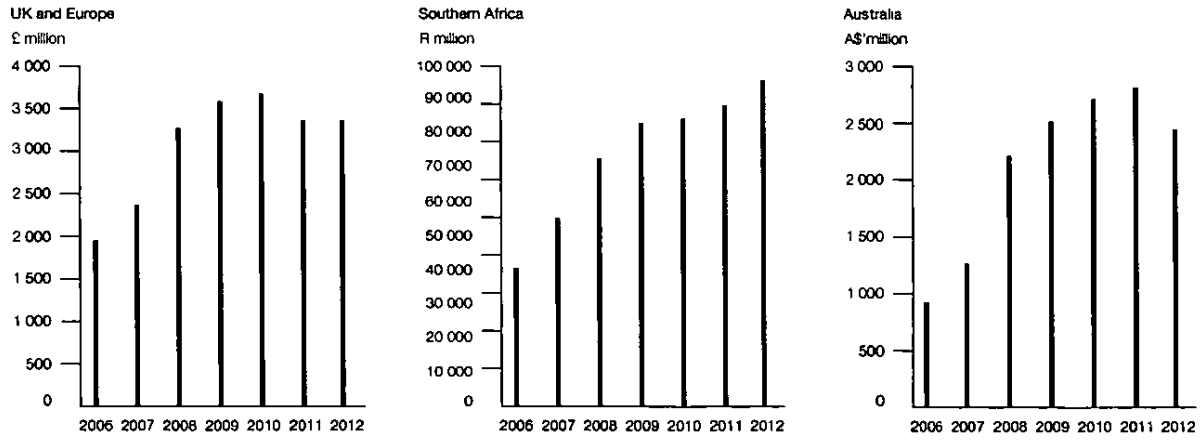
	£'million			Home currency 'million		
	31 March 2012	31 March 2011	% change	31 March 2012	31 March 2011	% change
UK and Europe	3 431	3 378	1 6%	£3 431	£3 378	1 6%
Southern Africa	7 837	8 127	(3 6%)	R96 183	R88 374	8 8%
Australia	1 594	1 820	(12 4%)	A$2 471	A$2 825	(13 0%)
Total	12 862	13 325	(3 5%)			

Total deposits

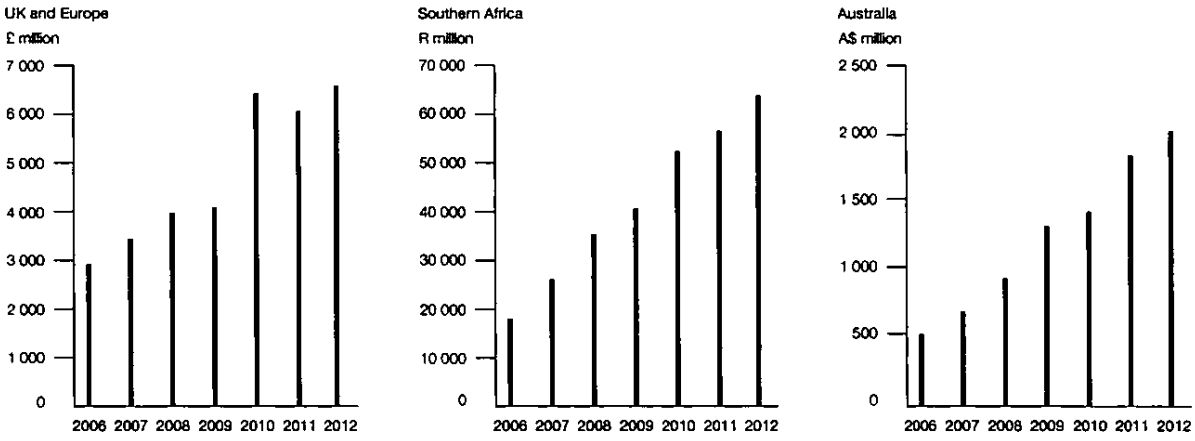
	£'million			Home currency 'million		
	31 March 2012	31 March 2011	% change	31 March 2012	31 March 2011	% change
UK and Europe	6 528	6 100	7 0%	£6 528	£6 100	7 0%
Southern Africa	5 079	5 155	(1 5%)	R62 316	R56 081	11 1%
Australia	1 306	1 211	7 8%	A$2 012	A$1 877	7 2%
Total	12 913	12 466	3 6%			

Further analysis of key earnings drivers

Net core loans and advances



Deposits



Developments

Corporate Advisory and Investment activities

Advisory

UK and Europe

- The year was reasonably active across M&A, fundraising and debt advisory but mostly comprised a large number of smaller transactions
- We completed 24 M&A transactions with a value of £2 6 billion (2011 17 M&A transactions with a value of £2 1 billion) The most notable transaction was the sale of Forth Ports for £760 million
- We completed 11 fundraisings, raising in aggregate £406 million (2011 eight fundraisings raising in aggregate £472 million) This included a £112 million fundraising for Chemring Group Plc and UK IPOs for Circle Holdings plc and Enteq Upstream plc
- With the integration of Evolution Securities we strengthened our offering within the oil, mining and property sectors and increased our number of quoted clients to 113 with an average market cap of £301 million

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 and regulatory conditions
- The total value of corporate finance transactions decreased to R60 4 billion (2011 R76 9 billion) during the period and the number of transactions increased to 61 (2011 60)
- Sponsor broker deals completed during the period increased to 97 (2011 74) with the value decreasing to R61 2 billion (2011 R91 5 billion)
- The Corporate Finance division was ranked first in volume of listed M&A transactions and first in general corporate finance in *Dealmakers* Magazine Survey for Corporate Finance (2011 calendar year) This is the ninth year that we have been ranked first in volume of listed M&A transactions in the last 11 years
- The Sponsor division was ranked first in volume of M&A transactions and first in general corporate finance in the *Dealmakers* Magazine Survey for Sponsors (2011 calendar year) The Sponsor division has been ranked in the top two in M&A transactions and general corporate finance by volume for the past nine years

Specialist Banking (continued)

Australia

- We have executed a number of advisory transactions and the pipeline is encouraging
- We have a highly experienced team well positioned to drive the business going forward
- The outlook for M&A is improving with transaction volume increasing and lending markets reopening
- 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 and increase market share significantly
- The challenging and volatile market conditions have led to higher loss ratios and reduced profitability across the trading books
- The integration of Evolution Securities has strengthened our research offering in oil and mining and added property as a new sector, while enhancing our sales trading and market making capability We also gained new teams, namely Special Situations Sales and RSP, who provide broking services to retail brokers
- During the year we employed a closed end funds team, comprising some nine individuals who specialise in the broking of listed closed end funds

Southern Africa

- The Institutional Securities business underwent a strategic review in the middle of last year and a number of action steps were subsequently implemented
- Core to this action was a cost reduction programme which resulted in the closure of all non-core activities and a narrowing of focus in our research coverage
- Although some of the cost benefits of this action flowed through in the second half of the financial year, the full benefit will only be captured in the 2013 financial year
- The business is in a financially healthier position as a result

Australia

- The australian institutional securities business focuses on resources and is currently implementing strategies to build out and integrate corporate finance, securities and capital markets offerings in this sector

Principal investments

Southern Africa

- The direct investments portfolio was R2 160 million at 31 March 2012 (March 2011 R2 511 million) The decrease in value was primarily due to realisations
- The private equity portfolio was R4 223 million at 31 March 2012 (March 2011 R3 838 million) We continued to expand the capacity of our private equity investments through the acquisition of four 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 primarily by new acquisitions

Australia

- Private Equity is focused on managing and maximising the value of the existing investments in the private equity funds As markets improve, subject to achieving appropriate value, Private Equity will look to progressively realise the remaining investments and return funds to investors
- The Direct Investments business is active in sourcing private equity investments for the bank and, where appropriate, to selected private clients on a syndication basis

Property activities

UK and Europe

- The indirect property investment business has been transferred to Investec Asset Management
- We continue to be joint managers with GLL for the Investec GLL Global Special Opportunities Real Estate Fund and search for suitable acquisition opportunities

Southern Africa

- We are active in a number of office, industrial and retail developments and have successfully completed a number of major developments
- The Investec Property Fund was listed on the JSE in April 2011 with a market capitalisation of R1 7 billion
- The listing was very well received in the market and the asset value at 31 March 2012 was R2 07 billion The unit was listed at R9 50 and at 31 March 2012 was R11 70, having paid an interim distribution of 42 cents, a return in excess of 27% in one year
- The fund creates opportunities for us to develop as it has a strategy to grow aggressively over the next five years

Australia

- The Investec Property Funds have continued to perform well with strategies in place for their future realisation as we are in the process of returning capital and profits to our investors
- The portfolio of distressed loans that we acquired is performing in line with expectations, with assets being realised at a profit and for the remainder of the portfolio strong returns are anticipated

Corporate and Institutional Banking activities

Treasury and trading services

UK and Europe

- The treasury products and distribution desks have shown increased growth and profitability as the client base has grown and product offerings have broadened
- The Structured Finance business remains very active, especially in aircraft finance

Southern Africa

- Significant surplus liquidity levels were maintained during the period 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 successfully launched the Credit Derivatives Trading business
- We successfully rolled out our E Commerce offering for online Corporate trading
- We successfully launched CFD's
- Our commodities investment business was implemented successfully to allow for investment products and corporate hedging
- We successfully established our clearing business

Australia

- The central treasury was separated from the derivative sales and trading business which is now called fixed income, currencies and commodities (FIC)
- Our operational areas have been amalgamated and streamlined so there is now one support team for all treasury and markets business

Specialised finance

UK and Europe

- The Credit Investments and Trading business has continued to take advantage of the condition of the credit markets through its fixed income investments and trading operations
- 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
- We successfully established a Debt Capital Markets business which has been integrated with the Evolution Group, with recent successes in the retail bond market, our combined offering makes us number one in this market
- We have recently successfully closed our first securitisation of our own originated prime residential mortgages We continue to cautiously originate mortgages in this prime market space and are looking to selectively extend our product range
- The Asset Finance business continues to grow Outstanding performance from the Masterlease book purchase was demonstrated during the period
- We successfully built an efficient corporate and financial institutional distribution capability in the setting up of the Financial Markets Group
- The structured equity retail distribution platforms are well established and we have recently marketed launch 33 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

Specialist Banking (continued)

Southern Africa

- The corporate market continues to remain weak with low levels of activity leading to depressed lending activity and consequently, moderate hedging activity We have however, seen an increase in the pipeline in our lending businesses
- We established a supplier asset-based finance business during the year
- An African coverage unit has been established to increase our footprint in Africa
- Activity in the renewable energy sector offers encouraging opportunities for the future

Australia

- We have started two new business streams, Asset Finance and Social Infrastructure Investment and absorbed two businesses from other parts of the bank, being Structured Real Estate Finance and Growth and Acquisition Finance

Private Banking activities

High net worth and high income banking

UK and Europe

- Private Bank UK and Europe can be viewed in three distinct business categories the core banking business, Ireland and the Trust business
- The core banking business has experienced
  - Improved financial performance due to an increase in operating income and reduced level of impairments
  - Increased activity levels within each of the specialist lending niches
  - Negligible overall lending book growth as redemptions have offset new activity
  - On the overall portfolio, risk has decreased and returns have risen as new deals have replaced pre-2008 transactions
  - Excellent growth in deposits, providing the group with a stable retail funding base and building the Investec franchise with a significant number of new private clients
  - Significant investment in product development and operational infrastructure to support the deposit raising business and the forthcoming launch of transactional banking
- In Ireland, the focus remains on managing the historical loan portfolio to minimise impairments No new loans are being written within this geography
- In the Trust business, the new business initiatives launched over the last year are beginning to have an impact on the revenue line The restructuring, which took place at the beginning of the year, has reduced the cost base significantly

Southern Africa

- Private banking activities have been separated into two focus areas, namely high income and high net worth, in order to enhance the offering and the commensurate profitability
- This renewed focus on core banking in the high income space is aimed at improving the client experience, increasing our client acquisition and utilisation of our core products
- The raising of retail, private client and SME deposits is an important focus for the business New products are being developed in an effort to drive growth and duration of our deposit base
- Lending activity levels have improved significantly compared to the previous year Due to growth in repayments, overall asset growth was moderate
- The economic environment remains subdued, however, the Private Banking division experienced a declining trend in new defaults and impairments during the past 18 months
- Costs have been well contained during this period through an ongoing process of realignment of structures and processes

Australia

- The business aims to deepen client relationships through the development of a transactional range of products
  - The credit card offering under development was brought to pilot in March 2012 with the launch anticipated in June 2012
  - The transactional account is well into development with phase one to be launched in July 2012
  - These products will ensure that Investec remains at 'front of mind' with the target clients
- The investment in additional skilled resources made in the prior period is beginning to pay dividends with increased productivity and output

Strategic objectives

Corporate Advisory and Investment activities

Advisory and agency and principal investment activities

- Strong local business with international access
- Target growth and entrepreneurial corporates
- Provide a credible offering to clients operating between the developed world and the emerging world
- Develop key global sector specialisations, e g resources
- Capable of leveraging corporate relationships across Investec businesses and geographies
- Select use of capital to take advantage of commercial opportunities

Property activities

- Our continuing strategic objective is to make Investec Property a pre-eminent property developer, fund manager and trader over time in all the geographies in which we operate
- Our longer-term focus is to create revenue supported by annuity income and enhanced by deal income

Corporate and Institutional Banking activities

- Strategy remains to 'originate and distribute' and to develop capital light businesses, where we continue to actively manage our asset and capital base by originating high yielding, capital efficient deals and utilise our increased distribution capability
- Continue to focus on growing our customer flow and structuring businesses across equity, commodity, foreign exchange and interest rate markets
- Take advantage of opportunities as the market continues to deleverage
- Focus on Africa and connecting Africa, India and China to our core geography offerings

Private Banking activities

- Provide a stable dependable deposit base to the group by broadening and diversifying the private client deposit base
- Broaden the private client franchise by launching a transactional banking offering in the UK and Australia
- Reduce the risk profile within the lending portfolio through increased focus on lower risk lending activities
- Ongoing focus on and management of distressed loans to minimise actual losses

Sustainability considerations

Corporate Advisory and Investment activities

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

In the UK, we are investing in systems and processes to place greater emphasis on environmental, social and governance criteria within our fundamental equity research paradigm It is our intention going forward for this to be an increasing part of our analysis and method of evaluating companies Our Securities division in South Africa considers environmental impacts when compiling research reports on specific companies

In the UK, we are investing in systems and processes to place greater emphasis on environmental, social and governance criteria within our fundamental equity research paradigm.

Specialist Banking (continued)

We continue to monitor our impact and our investee company impacts in terms of carbon emissions.

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 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

People

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 young black professionals and grow and nurture them into more senior positions This is integral 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

Planet

We continue to monitor our impact and our investee company impacts in terms of carbon emissions

In South Africa, the Investec private equity team invests in companies and works with management teams to help build sustainable businesses and fund new technologies For example, we invested in DCD Group in April 2007 One of the companies within the DCD Group – DCD Wind Energy – owns the majority stake in Isivunguvungu Wind Energy Converter, the first multi-megawatt wind turbine manufacturer in South Africa The company manufactures and assembles most wind turbine components As the first in the country, DCD Wind Energy began manufacturing 50m rotor blades at the end of 2011 Job creation and skills development are key features of DCD Wind Energy's philosophy, and production is expected to reach 200 wind turbines a year, creating a total of 400 direct jobs and numerous indirect roles by 2016 Investec owned 44 4% of the DCD Group as at the end of the reporting period

At the end of the financial reporting period we concluded a transaction to divest of our stake in JoJo Tanks, the South African market leader in water security and a key enabler in water preservation During our time of ownership (since December 2008), several strategies were implemented including defining a marketing strategy centred on rain harvesting, water conservation and a greener environment

Property activities

People

Our employees are integral to the success of the business We encourage the development of entrepreneurial skills in the specialist areas of property trading and development Selected staff members have completed the SAPOA Property Development Programme and we support the group's graduate programmes

In terms of employment equity and transformation in South Africa, staff members have attended the zebra crossing and diversity workshops held by the group Investec Property has also implemented a policy of seeking suppliers who demonstrate favourable BEE ratings

We are a member and sponsor of the Women's Property Network which was established in early 2000 to create a forum for women in a predominantly male industry to join together to exchange information, develop business contacts and enhance professional success The network provides a bursary scheme to identify young women who can develop in the industry and provides a mentorship programme to nurture new talent

In terms of corporate social investment, Investec Property entered into its first year as title sponsor to the Investec JAG Invitational which was held in South Africa and the UK Investec was proud to support the JAG Foundation which uses sport and education to support children in underprivileged communities in South Africa

Investec Property has spent over R400 000 on CSI initiatives usually in the form of donations or sponsorships The division has also donated the furniture and fittings from refurbished buildings to charities supporting the underprivileged

Planet

Investec Property continues to encourage clients and tenants to be conscious of the benefits for 'green building' practices over the long term despite the initial economic costs Our sustainability approach focuses on driving energy saving practices when designing and constructing buildings These practices include energy and water saving strategies and waste management initiatives

Investec Property is a silver founding member of the Green Building Council of South Africa Employees attend and/or participate in activities associated with sustainability and several of our employees have attended the Green Building certification courses

Post the end of the financial year, we sponsored a non-profit organisation, Project 90, spending about R30 000 on a Youth Day event in South Africa to raise awareness around World Environment Day Children from 30 schools in the Western Cape, KwaZulu Natal and Gauteng were taken to an environmental place of interest to educate them about the environment, climate change and reducing their carbon footprint

Corporate and Institutional Banking activities

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

We are aware of the need to embrace sustainability issues, with the advent of societal changes and, through them, government policy and legislative changes We have to keep abreast of these changes and to 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 These are considered from both a risk and opportunity perspective, and must make economic sense

People

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 aware that the generation entering the job market will align themselves with organisations that have good social conscience

In South Africa, we strive to meet the requirements of representation within our team, but black representation at 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

Planet

Pressure to conform to international environmental practice norms and agreements is intense and, where relevant, environmental concerns are taken into account at credit and business 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 but rather of government

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 focus on the creation of stability and retaining/growing talent, as well as ensuring transformation and succession planning.

- In the case of a number of large infrastructure and energy projects, there is potential 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 relocation or job loss, for example These trade-offs are a matter for local parties and their representatives While we should remain aware 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

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

The project and infrastructure team in South Africa continues to play an active role in the renewable energy sector and, during the course of the year, they supported a number of transactions as both lender and equity investor in the renewable energy programme currently run by the South African Department of Energy The team takes consideration of the environmental impact of these types of transactions and has agreed to partner with BirdLife South Africa to fund research on the environmental impact of renewable energy such as wind energy facilities on the local birdlife in South Africa This research will make a valuable contribution to mitigate the potential impacts of renewable energy developments on South Africa's birds and will cover energy developments relating to wind, solar and nuclear sites

Lastly, the Corporate and Institutional Banking division has secured funding from the European Investment Bank which will be applied specifically to fund renewable energy and energy efficiency projects in South Africa The initiative targets project sizes below circa R500 million, where a substantial amount of project activity is taking place and which historically would not have been capable of accessing project finance

Private Banking activities

Investec Private Banking 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 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 deal with the challenges we face

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

People and planet

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

In February 2011, Private Banking in Sandton launched a solar water geyser initiative, where employees were offered the opportunity to finance solar water geysers for their homes through the Private Banking division This was rolled out to other South African offices during 2012

Our social investment activity centers 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 In South Africa we provided significant support to Vukukhanye and its initiative in Chesterville Besides financial support, we funded two community garden projects in Chesterville and our staff gave their time to support projects such as the computer room at Chesterville Secondary School and the Children's Foster Home in Westville

Looking forward

Corporate Advisory and Investment activities

Advisory

- The pipeline is positive in the UK, M&A and fundraising activity is dependent on market conditions
- 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

- The outlook in UK and Europe for the next 12 months remains challenging, however the pipeline is positive With the strengthening of our research, sales and trading capability and the introduction of new revenue streams we are well placed to grow revenues
- Post the strategic realignment of the South African platform last year, the Institutional business now stands on a solid foundation to move forward and grow top line revenue in what is a highly competitive operating environment

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
- All of the companies in our private equity portfolio in South Africa are trading profitably in difficult market conditions and the overall outlook remains positive for the future
- The Private Equity business in Australia is actively pursuing divestment opportunities for its existing portfolio The companies in the direct investments portfolio are trading well and are on target to execute their growth plans The outlook remains positive for these investments
- The team is focusing on sourcing new opportunities for the bank and high net worth clients There has been an increase in both the quantity and quality of investment opportunities

Property activities

- Notwithstanding the uncertain outlook in the short term, we believe that the prospects for Investec Property remain positive We have good pipeline for development and there are opportunities to convert and refurbish existing holdings

Corporate and Institutional Banking activities

UK and Europe

- The economic outlook remains uncertain with the year ahead remaining challenging
- We continue to build a balanced business model, where we can switch easily between primary and secondary markets
- The regulatory environment is challenging and creates uncertainty
- The business is well positioned to grow significantly from current levels as market conditions improve

Southern Africa

- We continue to build and grow sustainable businesses on the back of client-driven transactional flow in derivatives and financial markets
- 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
- We look to leverage and grow our African exposure
- We continue to exploit opportunities in the renewable energy sector

Specialist Banking (continued)

Australia

- Our treasury team will continue to manage the funding and liquidity of the bank in a conservative manner We remain one of the most liquid banks in Australia
- Our specialised finance team has a solid pipeline of transactions and we continue to grow each of our finance activities

Private Banking activities

UK and Europe

The operating environment in the UK will remain challenging with low growth forecast The European situation is creating high levels of uncertainty in the broader market Within this operating environment, our objectives for the forthcoming period are

- Regularly release new deposit products that allow us to provide a stable private client funding base to the group
- Provide a fresh alternative to our selected private clients with the launch of our transactional banking offering
- Build a strong franchise within the UK private client market
- Continue reducing our property concentration in the loan portfolio whilst maintaining the franchise
- Improve profitability in each of our specialist lending niches with a view to generating a satisfactory return on capital

Southern Africa

Economic growth is expected to remain subdued, with a tight mortgage market continuing to impact residential property prices

The key objectives for the forthcoming period are

- Continue to build profitability as a result of improved activity levels in both lending and funding activities and a further anticipated reduction in impairments
- Grow our client base within our key target markets
- Reduce the risk profile through increased focus on lower-risk lending activities
- Increase annuity income through a focus on banking activities and transactional activities
- Diversify the deposit base in terms of client and product
- Balance cost containment with investment for the future
- Continue to align processes and structures to support client focus and consistency
- Ongoing focus on distressed and default deals to ensure actual losses are minimised

Australia

The operating environment in Australia is expected to remain difficult Despite this, the outlook for this business remains positive with growth in market share and profits anticipated

The key strategic objectives for the forthcoming period are

- Continue to grow and dominate the medical professional market
- Deepen relationships and enhance profit through distribution of credit card and transactional products
- Broaden and diversify the deposit base
- Identify and grow into other niche markets



Risk, governance and additional information

Risk, governance and additional information

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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 91 to 185) with further disclosures provided within the financial statements section (pages 278 to 378) All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited

Philosophy and approach

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 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 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 34 to 36

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 executive 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

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.

- 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 sound financial strength and integrity, a core competency and an established track record Impairments in South Africa and the UK decreased from £218 1 million to £157 8 million, whilst impairments in Australia increased from £30 2 million to £67 9 million, resulting in a total decrease in impairments on loans and advances from £248 3 million to £225 7 million (excluding Kensington) Since 31 March 2011, the default loan portfolio in Australia declined substantially due to a large portion of the portfolio being sold at the year end The level of defaults in South Africa has improved, whilst the UK reported defaults marginally higher than the prior year The credit loss charge as a percentage of average gross loans and advances has improved from 1 27% at 31 March 2011 to 1 12% The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 3 31% (31 March 2011 4 66%)
- Limited exposure to structured credit investments, representing approximately 1 7% of total assets
- No exposures to peripheral European sovereign debt and limited private client and corporate client exposures to peripheral Europe amounting to approximately 0 6% of total assets In addition the group has certain branch-related activities in Ireland, with total assets representing 1 6% of group 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 9% of total assets
- Low equity (investment) risk exposure, within total investments comprising 3 4% 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 when stress tested under extreme market conditions (i e per extreme value theory) amount to less than 0 2% of total operating income
- A high level of readily available, high quality liquid assets, cash and near cash of £10 3 billion, representing 31 9% 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 with our banks in the UK and Australia meeting Basel III liquidity requirements
- Healthy capital ratios, we have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy We have continued to strengthen our capital base 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 105 to 107, page 147 and pages 162 and 163), with a high level geographic summary of the most salient aspects provided below

UK and Europe

Credit risk

The year in review remained challenging against a difficult economic background The rebalancing of our existing portfolio away from property collateralised lending activity has led to an increase in non-property related private client and corporate lending Core loans and advances increased marginally by 3 8% to £5 8 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 4 23% to 4 92% of core loans and advances and the credit loss ratio has improved from 2 22% to 1 22%, largely as a result of a decrease in impairments in our Private Client division

Traded market risk

In the UK there has been continued growth in client activity across the Interest Rate and Foreign Exchange corporate sales desks The structured equity desk's retail product sales have remained strong and they continue to develop their product range On the trading side the Interest Rate and Foreign Exchange trading desks performed strongly over the year, despite the difficult environment

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 7 3% from 1 April 2011 to £9 5 billion at 31 March 2012 Good growth was experienced in the bank's corporate and structured equity deposit book, whilst the Private Client division slowed its intake of deposits Average cash and near cash balances amounted to £3 5 billion during the year

Southern Africa

Credit risk

Credit quality on core loans and advances has improved during the year in review Core loans and advances increased by 6 6% to R128 7 billion Default loans (net of impairments) as a percentage of core loans and advances decreased from 3 97% to 2 73% as some transactions have settled and others have been written off The credit loss ratio improved from 0 71% to 0 65% The majority of current year and historical defaults were recorded in the private client loan portfolio 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

Traded market risk

Market conditions have not been conducive to client flow or proprietary trading FX markets have been volatile with little or no clear trend as European conditions were the main driver of sentiment Local equity markets took direction from the FX market which also influenced South African bond yields Traders as the first line of defence have ensured that positions remain manageable in these conditions Value at risk has remained on the low side but higher than last year

Balance sheet risk

The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 13 8% from 1 April 2011 to R176 1 billion at 31 March 2012 Cash and near cash balances increased by 31 3% from 1 April 2011 to R69 1 billion at 31 March 2012, with excess reserves placed in highly liquid treasury bills and government bonds

Australia

Credit risk

During the year core loans and advances to customers decreased by 6 1% to A$3 billion largely as a result of the sale of the majority of our non-core property development finance portfolio Our lending focus remains predominantly through selective growth within our professional finance business unit which provides finance to targeted members of the medical and accounting professions and selective growth within our other specialised finance portfolios The Australian business reported a significant increase in the credit loss ratio from 1 53% to 3 13% as additional impairments were required in light of weakened residential property prices in certain sectors of the market The ratio of default loans (net of impairments) to core loans and advances improved from 9 54% to 1 70% as a result of the sales mentioned above

Traded market risk

Australian trading activity remains modest, with limited client flow activity and difficult foreign exchange and interest rate trading environments

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 4 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 2012 £	31 March 2011 £	31 March 2012 R	31 March 2011 R	31 March 2012 A$	31 March 2011 A$	31 March 2012 £	31 March 2011 £
Net core loans and advances (million)	5 788	5 576	128 747	120 784	3 005	3 219	18 226	18 758
Gross defaults as a % of gross core loans and advances	7 35%	6 82%	3 71%	5 07%	2 31%	10 75%	4 73%	6 22%
Defaults (net of impairments) as a % of net core loans and advances	4 92%	4 23%	2 73%	3 97%	1 70%	9 54%	3 31%	4 66%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	–	–	–	–	–	–
Credit loss ratio*	1 22%	2 22%	0 65%	0 71%	3 13%	1 53%	1 12%	1 27%
Structured credit investments as a % of total assets	2 85%	2 85%	0 80%	1 66%	1 55%	1 93%	1 65%	2 20%
Banking book investment and equity risk exposures as a % of total assets	2 03%	1 26%	4 89%	5 90%	1 65%	0 45%	3 39%	3 47%
Traded market risk one-day value at risk (million)	0 6	1 1	4 2	3 8	–	–	n/a	n/a
Cash and near cash (million)	3 565	3 547	69 077	52 591	1 555	1 438	10 251	9 319
Customer accounts (deposits) (million)	9 459	8 812	176 094	154 504	2 370	2 211	25 344	24 441
Core loans to equity ratio	3 5x^	3 7x^	5 8x	5 8x	5 0x	4 7x	4 5x	4 7x
Total gearing/leverage ratio**	10 8x^	11 2x^	12 2x	11 5x	8 7x	7 8x	11 3x	11 3x
Core loans (excluding own originated assets which have been securitised) to customer deposits	65 4%^	70 0%^	69 6%	74 1%	92 0%	111 6%	67 8%	72 4%
Capital adequacy ratio	17 5%^	16 8%^	16 1%	15 9%	17 5%	17 6%	n/a	n/a
Tier 1 ratio	11 6%^	11 6%^	11 6%	11 9%	14 6%	14 7%	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 39 The sections that follow provide information on a number of these risk areas

Additional risks and uncertainties not presently identified by us or that we currently deem immaterial may in the future also negatively impact our business operations

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 190

Committee	Function
Audit committees Members Non-executive directors Chairman Sam Abrahams (non-executive director) Frequency DLC audit committee – four times a year Investec Limited and Investec plc audit committees – four times each per year	• See pages 198 and 199 • 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 page 202
DLC capital committee Members Executive and non-executive directors and senior management Chairman Stephen Koseff (CEO) Frequency At least quarterly	• See page 203
Executive risk review forum (ERRF) Members Executive directors and senior management Chairman Stephen Koseff (CEO) Frequency Every Friday except on BRCC dates	• See page 203
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 mandates granted to divisional and other credit forums on a global basis • 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), and – capital expenditure or disposals (above pre-determined 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 new product or other non-standard transactions that we are considering

Risk management (continued)

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 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)	• Recommends 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
Group operational risk committee Members: Head of Operational Risk and embedded risk managers Chairman: Bradley Tapnack Frequency: Half-yearly	• Provides support to BRCC and ERRF in the management of operational risk • Approval of strategy for the management of operational risk within Investec plc • Challenges and approves the operational risk management framework, practices and guidelines in line with sound practice • Approves and recommends operational risk related policies • Considers and provides recommendations regarding matters relating to operational risk developments and regulatory requirements • Promotes sound operational risk management practices • Considers and recommends the enhancement of operational risk management practices and techniques
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
Head of Risk South Africa	Kevin Kerr
Head of Risk UK	Ian Wohlman
Head of risk Australia	Peter Binnetter

Divisional and geographic roles	Global	UK and Europe	South Africa	Australia
Credit Risk	Glynn Burger	Ian Wohlman	Justin Cowley	Peter Binetter
Market Risk	Mark Trollip	Nick Sheppard	Adrienne Betts	Adam Rapeport
Balance Sheet Risk Management	Cyril Daleski	Wendy Robinson	Cyril Daleski	Peter Binetter
Operational Risk	Bradley Tapnack	Bharat Thakker	Chandre Gnesel	Shirley Snoyman
Business Continuity Management	Robert Cranmer	Chris Hubbard	Chantal Coetzer	Ric Modesto
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	Kathryn Farndell	Elena Berkovic

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 In terms of our definition, settlement debtors receivable in the short term (i e less than three days) are excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - 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

Risk management (continued)

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 ensure 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 for private clients

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 assume exposure 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

There is a preference for primary exposure in the group's three main operating geographies i e South Africa, UK and Australia The group will accept exposures where we have a branch/banking business The group will also tolerate exposures to other countries (Sub-Saharan) where it has core capabilities

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 page 130 for further information)

Target clients include high net worth individuals, certain professionally qualified individuals, high income earning individuals, corporates, state owned enterprises and banks Corporates must have scale, relevance, experienced management, able board members and strong earnings/ cash flow Interbank lending is largely 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 134 to 136 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 the 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 the 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) are increasing and require a specialised understanding of the risk factors, due to both 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 pages 83 to 87

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 regard 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 niche 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

Investec Bank Limited conducts its mapping of credit exposures in accordance with the mapping procedures specified by the Registrar

There is a preference for primary exposure in the group's three main geographies i.e. South Africa, UK and Australia.

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.

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 Client and Corporate Client activities, although some credit and counterparty risk does arise in other businesses

Private Client activities

Our Private Client activities take place in the UK (mainly London), including branches in Ireland and banking businesses in the Channel Islands and Switzerland Credit risk arises from a number of activities which we undertake which are explained in detail below

The structured property finance area provides senior debt and other 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 focus on tenant quality for commercial assets Debt service cover ratios are a key consideration in the lending process supported by reasonable loan to security value ratios 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 £20 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, accounts receivable, inventory, plant and machinery 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 and their controlled entities to facilitate value creation opportunities The team employs specialist bankers focusing on the private equity, media/music, sports, legal services and family office sectors Facilities are structured around each client's particular requirements Risk is mitigated through sector expertise, client quality and certainty of serviceability

An analysis of the private client loan portfolio and asset quality information is provided on pages 128 and 129

Corporate Client activities

The bulk of Corporate Client activities are conducted from London and Ireland As part of the daily management of liquidity, the treasury function places funds with central banks 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 and equities 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, corporate lending and structured credit and securitisation 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 Corporate Client division are concentrated in the UK and to a lesser extent 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 projects themselves with a high degree of due diligence around both the delivery risks and the cash flow to repay any facilities
- **Resource Finance** resource mining transactions considered in the credit decision process must have provable reserves and strong cash flows
- **Credit investment and trading** arranging and execution of Investec securitisations, and credit investments and trading in securitisations (both as principal and as broker)
- **Residential Mortgage Origination and securitisation** origination of target client assets
- **Corporate loans** originate and participate in senior debt facilities covering medium to large corporates The average counterparty exposure is approximately £7 5 million per entity, giving portfolio diversity

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 128 and 129

Investment Banking activities

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 fair value 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 value of the underlying security in the value of 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 our Private Client, Corporate Banking and Asset Finance (ReichmansCapital) divisions

Private Client

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 the stage in the economic cycle

A large portion of the lending portfolio is supported by residential and commercial property collateral 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 client loan portfolio and asset quality information is provided on pages 128 and 129

Corporate Client

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 either to 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 where necessary 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 corporate client loan portfolio and asset quality information is provided on pages 128 and 129

ReichmansCapital

ReichmansCapital is an asset and trade 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 The 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 client and corporate client loan portfolios and asset quality information is provided on pages 128 and 129

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 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 115) 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 homogeneous 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 fulfil 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

Risk management (continued)

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

Credit risk mitigation Audited

Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued

The bulk of collateral taken by private clients 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 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 of every commercial property offered as collateral for a lending facility before advancing funds Revaluations of commercial properties held as collateral at the discretion of the relevant credit committee Residential properties are valued by desktop valuation and/or 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
- There is the intention and ability 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
- Market practice considerations

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

An analysis of collateral is provided on page 130

Collateral is assessed with reference to the sustainability of value and the likelihood of realisation.

Credit and counterparty risk year in review

UK and Europe

In the year under review ongoing concerns over the vulnerability of various peripheral Euro area sovereign markets, especially Portugal, Italy, Greece and Spain, also began to weigh more heavily on markets, triggering a sharp tightening in credit conditions Near the turn of the calendar year, conditions were eased by the European Central Bank (ECB) providing in excess of €1 trillion of three year liquidity via two long-term refinancing operations (LTROs), an agreement on the second Greek bailout, and signs that the Euro area and global authorities were taking steps to bolster the resources which could be made available to embattled Eurozone markets

Against this difficult economic background a rebalancing in the lending portfolios has been in process during the year under review Our lending activity in structured property lending has been significantly reduced and we have proactively managed property collateralised exposures down The decrease in exposure to property collateralised assets has mainly been

The Group Risk division has continued to work closely with the business units to manage the impact of the increased risks in the market and resultant pressure on our lending portfolios.

achieved through a reduction in higher risk planning and development lending Opportunistic new transactions secured by property will continue to be pursued only if the merits of the transaction are justified and the appropriate returns for assuming the additional exposure are achieved Lending supported by proven cash flow rather than asset value propositions continues to be favoured Most property collateralised assets are located in the UK Our exposure to Irish domiciled assets has been under intensive management for the past three years Non-property collateralised lending as a percentage of gross credit exposures has increased The trend in reducing exposure to property collateralised assets is expected to continue for some time as our asset mix rebalances

Core loans and advances remained relatively static year-on-year with only a marginal increase of 1 6% for total private client lending activity The rebalancing of our existing portfolio away from property collateralised related activity has led to an increase in non-property private client and corporate lending

Default loans (net of impairments) have increased from 4 23% to 4 92% of core loans and advances The credit loss ratio has improved from 2 22% to 1 30% Gross default loans (before collateral and impairments) in the private client activities have risen from 9 41% at 31 March 2011 to 9 88% at 31 March 2012 The UK and Channel Islands businesses have shown a deterioration in gross default loans from 3 9% to 5 3% for the year The Irish branch property collateralised portfolio continues to remain under intense active management but has shown no sign of further deterioration during the year

There was an increase in the Kensington impairment charge as a result of adopting new guidelines (published by UK FSA during the past year) relating to provisioning methodology in respect of borrowers that have benefited from forbearance The overall Kensington arrears position remained stable and the legacy book continues to decrease in size The Irish mortgage book however, continued to deteriorate, due to the economic and political environment in the country impacting borrowers' ability and willingness to pay, respectively

Defaults in corporate loans were higher than in 2011 Activity levels in the first half of 2012 were strong, but dropped off in the second half of the financial year when the Eurozone crisis took hold

The group Risk division has continued to work closely with the business units to manage the impact of the increased risks in the market 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 portfolio's 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 existing debt burden on consumers in a low interest rate environment
- Low to moderate levels of discretionary spending and household demand for credit with increased spending emerging from the fourth quarter of 2011
- Continuation of inflationary pressures as a result of oil and utility price increases
- Increased investment by corporates from the fourth quarter of 2011
- Low to moderate infrastructure spending by government
- The European sovereign debt crisis and contagion fears
- Depreciation in the value of the Rand against the US Dollar, Pound and Euro, most notably in the third quarter of 2011
- Less market volatility, although the European debt crisis contributed to market volatility towards the end of the third quarter of 2011 Strong growth in the first quarter of 2012 with the JSE All Share index reflecting overall growth for the year in review of 4 2%
- The property market remains under pressure with low growth across the residential property market and moderate growth across the commercial property market

The high net worth and/or stable income streams of our target market clients provided a level of protection from decreases in property values over the last couple of years Many clients built an effective equity buffer over a period of time, resulting in lower average loan to value ratios which have reduced potential losses

Lower levels of volatility relative to previous financial years have resulted in lower profitability levels for certain of the trading divisions

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

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

For assets written during the current year there has been adherence to lower loan to value lending and competitive pressure on margins

Credit quality on core loans and advances improved Core loans and advances increased by 6 6% to R128 7 billion Default loans (net of impairments) as a percentage of core loans and advances decreased from 3 97% to 2 73% as some transactions have settled and others have been written off The credit loss ratio has improved from 0 71% to 0 65% The majority of the current financial year and historical defaults were recorded in the private client loan portfolio and largely comprise a relatively small number of clients where development finance was provided at reasonable loan to values but with no serviceability except realisation of collateral Defaults have occurred when clients have been unable to realise sales to service and repay

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 Managing certain of the larger defaulted property developments in order to maximise recoveries will take longer than originally anticipated

The corporate client loan portfolio reported one material default for the financial year in review and the settlement of a historical default exposure

Australia

As part of year end reporting at 31 March 2011, Investec Australia indicated its objective to divest and exit non-core businesses unlikely to provide growth opportunities, and/or cease to fall within the framework of tightened credit risk This resulted in closing our property development finance business, including the sale of our default loan book To reflect this in a meaningful way, results have been allocated between ongoing core businesses and the property development finance business whose loan assets were substantially sold or recovered

Credit risk-regulatory considerations

Effective January 2012, the South African Banks Act was amended by the regulator in order to bring it in line with the Basel Committee on Banking Supervision's (BCBS) Enhancements to the Basel II framework document, commonly referred to as Basel 2 5 Investec's credit capital holding was compliant prior to the implementation of the revisions and there was thus no material capital impact, while changes to disclosure were implemented successfully as of January 2012

In addition, in order to enhance risk coverage, and in an attempt to capture the risk of the large mark to market losses incurred by many large financial institutions during the financial crisis where credit spreads on debt instruments widened substantially even without deterioration in the credit quality and ratings of the counterparties, the BCBS has introduced an additional capital charge on the over the counter (OTC) derivative portfolio of the bank This charge is referred to as Credit Valuation Adjustment (CVA)

Further significant ratios required for disclosure in the future will include the Leverage Ratio (a measure of qualifying capital to both on- and off-balance sheet exposure pre the application of any credit conversion factors) Together with the other major banks in South Africa, Investec has been participating in a global Quantitative Impact Study (QIS) in order to gauge the impact of these and other regulatory changes being proposed by the BCBS in the Basel III framework

The SARB have released their first draft of proposed amendments to the Banks Act in line with the proposed Basel III regulatory framework for more resilient banks and banking systems, in many cases, the amendments will follow a phased approach with implementation beginning 2013 In Europe, the CRD IV package is being drafted, and the FSA is expected to publish revised rules to CRD IV later in 2012 In line with Investec's prudent risk management and governance frameworks, we 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 97 to 107 describe where and how credit risk is assumed in our operations The tables that follow provide an analysis of the credit and counterparty exposures

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 1 5% to £40 8 billion largely as a result of an increase in cash and near cash balances partially offset by a decrease in off-balance sheet exposure Cash and near cash balances increased by 10 0% to £10 3 billion and are largely reflected in the following line items in the table below cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, sovereign debt securities

£'000	31 March 2012	31 March 2011**	% change	Average*
Cash and balances at central banks	2 593 813	1 769 042	46 6%	2 181 428
Loans and advances to banks	2 725 347	1 468 705	85 6%	2 097 026
Non-sovereign and non-bank cash placements	642 480	535 983	19 9%	589 232
Reverse repurchase agreements and cash collateral on securities borrowed	975 992	2 467 771	(60 5%)	1 721 882
Sovereign debt securities	4 067 093	3 532 100	15 1%	3 799 597
Bank debt securities	3 081 061	3 006 129	2 5%	3 043 595
Other debt securities	364 976	267 132	36 6%	316 054
Derivative financial instruments	1 489 835	1 553 613	(4 1%)	1 521 724
Securities arising from trading activities	369 408	435 728	(15 2%)	402 568
Loans and advances to customers (gross)	17 461 667	18 002 199	(3 0%)	17 731 932
Own originated loans and advances to customers securitised (gross)	1 035 913	1 067 409	(3 0%)	1 051 661
Other loans and advances (gross)	1 327 232	1 261 452	5 2%	1 294 341
Warehoused assets Kensington (gross)	1 052 805	619 246	70 0%	836 025
Other securitised assets (gross)	67 350	107 435	(37 3%)	87 393
Other assets	43 087	321 080	(86 6%)	182 084
Property, plant and equipment	19 761	64 713	(69 5%)	42 237
Total on-balance sheet exposures	37 317 820	36 479 737	2 3%	36 898 779
Guarantees^	510 975	553 231	(7 6%)	532 103
Contingent liabilities, committed facilities and other	2 921 977	3 098 528	(5 7%)	3 010 253
Total off-balance sheet exposures	3 432 952	3 651 759	(6 0%)	3 542 356
Total gross credit and counterparty exposures pre collateral or other credit enhancements	40 750 772	40 131 496	1 5%	40 441 135

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

** *Restated as discussed on page 370*

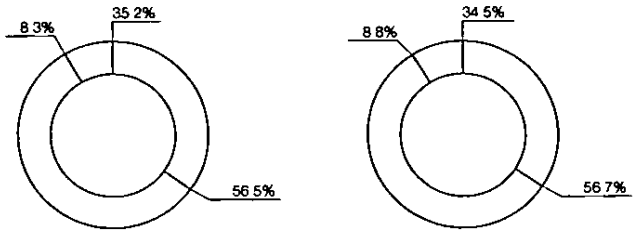
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

An analysis of gross credit and counterparty exposures by geography

£'million	UK and Europe		Southern Africa		Australia		Total	
	31 March 2012	31 March 2011**	31 March 2012	31 March 2011**	31 March 2012	31 March 2011**	31 March 2012	31 March 2011**
Cash and balances at central banks	1 656	987	758	627	180	155	2 594	1 769
Loans and advances to banks	986	809	1 671	564	68	96	2 725	1 469
Non sovereign and non-bank cash placements	–	–	642	536	–	–	642	536
Reverse repurchase agreements and cash collateral on securities borrowed	522	1 400	454	1 068	–	–	976	2 468
Sovereign debt securities	1 415	625	2 420	2 682	232	225	4 067	3 532
Bank debt securities	294	805	2 257	1 671	530	530	3 081	3 006
Other debt securities	87	104	196	83	82	80	365	267
Derivative financial instruments	519	464	837	1 009	134	81	1 490	1 554
Securities arising from trading activities	243	422	119	14	7	–	369	436
Loans and advances to customers (gross)	5 940	5 732	10 095	10 651	1 427	1 619	17 462	18 002
Own originated loans and advances to customers securitised (gross)	–	–	501	583	535	484	1 036	1 067
Other loans and advances (gross)	994	812	333	395	–	54	1 327	1 261
Warehoused assets Kensington (gross)	1 053	619	–	–	–	–	1 053	619
Other securitised assets (gross)	67	107	–	–	–	–	67	107
Other assets	2	184	41	137	–	–	43	321
Property and equipment	20	66	–	–	–	–	20	66
Total on-balance sheet exposures	13 798	13 136	20 324	20 020	3 195	3 324	37 317	36 480
Guarantees	24	12	455	501	32	40	511	553
Contingent liabilities, committed facilities and other	522	718	2 235	2 215	166	165	2 923	3 098
Total off-balance sheet exposures	546	730	2 690	2 716	198	205	3 434	3 651
Total gross credit and counterparty exposures pre collateral or other credit enhancements	14 344	13 866	23 014	22 736	3 393	3 529	40 751	40 131

** *Restated as discussed on page 370*

An analysis of gross credit and counterparty exposures by geography



31 March 2012

£40 751 million

31 March 2011

£40 131 million

- UK and Europe
- Southern Africa
- Australia

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

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
As at 31 March 2012				
Cash and balances at central banks	2 593 813	38		2 593 851
Loans and advances to banks	2 725 347	–		2 725 347
Non-sovereign and non-bank cash placements	642 480	–		642 480
Reverse repurchase agreements and cash collateral on securities borrowed	975 992	–		975 992
Sovereign debt securities	4 067 093	–		4 067 093
Bank debt securities	3 081 061	–		3 081 061
Other debt securities	364 976	12 856		377 832
Derivative financial instruments	1 489 835	423 815		1 913 650
Securities arising from trading activities	369 408	270 738		640 146
Investment portfolio	–	890 702	1	890 702
Loans and advances to customers	17 461 667	(269 459)	2	17 192 208
Own originated loans and advances to customers securitised	1 035 913	(1 739)	2	1 034 174
Other loans and advances	1 327 232	70 245		1 397 477
Warehoused assets Kensington	1 052 805	378 907	3	1 431 712
Other securitised assets	67 350	3 034 072	4	3 101 422
Interest in associated undertakings	–	27 506		27 506
Deferred taxation assets	–	150 381		150 381
Other assets	43 087	1 759 034	5	1 802 121
Property and equipment	19 761^	151 924		171 685
Investment properties	–	407 295		407 295
Goodwill	–	468 320		468 320
Intangible assets	–	192 099		192 099
Insurance assets	–	6 265 846		6 265 846
Total on-balance sheet exposures	37 317 820	14 232 580		51 550 400

^ *Reflects future receivables in respect of assets subject to operating lease contracts*

1 *Largely relates to exposures that are classified as equity risk in the banking book Further information is provided on pages 131 to 133*

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 limit security to the assets in the vehicle The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'*

4 *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 137 to 140 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*

5 *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis*

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
As at 31 March 2011*				
Cash and balances at central banks	1 769 042	36		1 769 078
Loans and advances to banks	1 468 705	–		1 468 705
Non-sovereign and non-bank cash placements	535 983	–		535 983
Reverse repurchase agreements and cash collateral on securities borrowed	2 467 771	4		2 467 775
Sovereign debt securities	3 532 100	–		3 532 100
Bank debt securities	3 006 129	–		3 006 129
Other debt securities	267 132	–		267 132
Derivative financial instruments	1 553 613	245 591		1 799 204
Securities arising from trading activities	435 728	307 759		743 487
Investment portfolio	–	858 610	1	858 610
Loans and advances to customers	18 002 199	(309 843)	2	17 692 356
Own originated loans and advances to customers securitised	1 067 409	(1 627)	2	1 065 782
Other loans and advances	1 261 452	(195 284)	2	1 066 168
Warehoused assets Kensington	619 246	992 935	3	1 612 181
Other securitised assets	107 435	3 751 076	4	3 858 511
Interest in associated undertakings	–	23 481		23 481
Deferred taxation assets	–	114 838		114 838
Other assets	321 080	1 124 986	5	1 446 066
Property and equipment	64 713^	215 088		279 801
Investment properties	–	379 527		379 527
Goodwill	–	456 608		456 608
Intangible assets	–	136 452		136 452
Insurance assets	–	6 361 296		6 361 296
Total on-balance sheet exposures	36 479 737	14 461 533		50 941 270

* *Restated as discussed on page 370*

^ *Reflects future receivables in respect of assets subject to operating lease contracts*

1 *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 131 to 133*

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

4 *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 137 to 140 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.*

5 *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis*

Detailed analysis of gross credit and counterparty exposures by industry as at 31 March 2012

£'000	HNW and professional individuals	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	2 413 753	–	180 060
Loans and advances to banks	–	–	–	–	367	2 724 980
Non-sovereign and non-bank cash placements	–	8 170	–	–	29 683	103 241
Reverse repurchase agreements and cash collateral on securities borrowed	2 996	–	–	3 476	–	969 520
Sovereign debt securities	–	–	–	3 890 011	–	177 082
Bank debt securities	–	–	–	–	–	3 081 061
Other debt securities	–	–	–	9 010	–	205 347
Derivative financial instruments	1 817	124	20 600	–	11 017	1 282 143
Securities arising from trading activities	–	–	–	256 974	–	108 268
Loans and advances to customers (gross)	12 049 126	50 046	474 685	217 031	431 421	799 931
Own originated loans and advances to customers securitised (gross)	1 035 913	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	474 282
Warehoused assets Kensington (gross)	–	–	–	–	–	–
Other securitised assets (gross)	–	–	–	–	–	34 800
Other assets	–	–	–	–	–	43 087
Property and equipment	–	398	442	1 101	5 390	1 035
Total on-balance sheet exposures	13 089 852	58 738	495 727	6 791 356	477 878	10 184 837
Guarantees	334 484	–	5 879	48	1 622	8 578
Contingent liabilities, committed facilities and other	2 123 797	–	45 302	17 683	45 214	137 770
Total off-balance sheet exposures	2 458 281	–	51 181	17 731	46 836	146 348
Total gross credit and counterparty exposures pre collateral or other credit enhancements	15 548 133	58 738	546 908	6 809 087	524 714	10 331 185

Summary analysis of gross credit and counterparty exposures by industry

Private client loans account for 70 6% of total net 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 Client division is provided on pages 100 and 101, and a more detailed analysis of the private client loan portfolio is provided on pages 128 and 129 The remainder of core loans and advances largely reside within our Corporate Client division and are evenly spread across industry sectors A description of the type of lending we undertake within the Corporate Client division is provided on pages 100 to 102, and a more detailed analysis of the corporate client loan portfolio is provided on pages 128 and 129

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 Client division clients

Retailers and wholesalers	Manufac-turing and commerce	Construction	Commercial real estate	Residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport and com-munication	Total
–	–	–	–	–	–	–	–	2 593 813
–	–	–	–	–	–	–	–	2 725 347
183 162	208 865	14 155	–	–	66 569	–	28 635	642 480
–	–	–	–	–	–	–	–	975 992
–	–	–	–	–	–	–	–	4 067 093
–	–	–	–	–	–	–	–	3 081 061
33 788	–	6 831	75 691	–	8 354	12 313	13 642	364 976
16 645	22 800	17 118	93 102	–	8 446	4 565	11 458	1 489 835
2 086	1 880	–	–	–	200	–	–	369 408
432 205	849 478	85 927	782 779	–	310 040	229 299	749 699	17 461 667
–	–	–	–	–	–	–	–	1 035 913
–	–	–	–	852 950	–	–	–	1 327 232
–	–	–	–	1 052 805	–	–	–	1 052 805
–	–	–	32 550	–	–	–	–	67 350
–	–	–	–	–	–	–	–	43 087
2 569	4 375	553	1 633	–	–	330	1 935	19 761
670 455	1 087 398	124 584	985 755	1 905 755	393 609	246 507	805 369	37 317 820
4 169	15 364	17 819	–	–	110 866	8 575	3 571	510 975
29 448	82 823	32 762	16 861	–	165 337	29 620	195 360	2 921 977
33 617	98 187	50 581	16 861	1 905 755	276 203	38 195	198 931	3 432 952
704 072	1 185 585	175 165	1 002 616	1 905 755	669 812	284 702	1 004 300	40 750 772

Breakdown of gross credit exposure by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
£'000	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
HNW and professional individuals	13 085 039	13 594 292	2 463 094	2 661 104	15 548 133	16 255 396
Agriculture	50 046	62 974	8 692	27 171	58 738	90 145
Electricity, gas and water (utility services)	474 685	352 458	72 223	200 067	546 908	552 525
Public and non-business services	217 031	208 784	6 592 056	5 524 337	6 809 087	5 733 121
Business services	431 421	339 584	93 293	124 891	524 714	464 475
Finance and insurance	799 931	1 256 545	9 531 254	10 076 409	10 331 185	11 332 954
Retailers and wholesalers	432 205	355 910	271 867	219 267	704 072	575 177
Manufacturing and commerce	849 478	938 551	336 107	256 541	1 185 585	1 195 092
Construction	85 927	39 212	89 238	5 051	175 165	44 263
Commercial real estate	782 779	645 802	219 837	322 076	1 002 616	967 878
Residential mortgages	–	–	1 905 755	1 123 035	1 905 755	1 123 035
Mining and resources	310 040	279 444	359 772	300 491	669 812	579 935
Leisure, entertainment and tourism	229 299	298 569	55 403	63 006	284 702	361 575
Transport and communication	749 699	697 483	254 601	158 442	1 004 300	855 925
Total	18 497 580	19 069 608	22 253 192	21 061 888	40 750 772	40 131 496

Gross credit and counterparty exposures by residual contractual maturity as at 31 March 2012

£'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
Cash and balances at central banks	2 591 424	–	–	–	–	2 389	2 593 813
Loans and advances to banks	2 541 023	11 345	27 363	135 104	10 512	–	2 725 347
Non-sovereign and non-bank cash placements	642 425	–	–	–	55	–	642 480
Reverse repurchase agreements and cash collateral on securities borrowed	817 058	–	29 339	54 843	74 752	–	975 992
Sovereign debt securities	1 411 916	706 016	368 462	415 803	316 034	848 862	4 067 093
Bank debt securities	233 149	530 906	489 371	972 952	523 983	330 700	3 081 061
Other debt securities	–	–	9 153	87 117	139 532	129 174	364 976
Derivative financial instruments	319 260	147 361	119 179	574 958	246 267	82 810	1 489 835
Securities arising from trading activities	69 645	6 543	1 184	214 558	14 160	63 318	369 408
Loans and advances to customers	2 462 409	1 379 800	2 012 606	7 540 382	1 695 712	2 370 758	17 461 667
Own originated loans and advances to customers securitised	69 252	53 041	70 799	395 446	57 155	390 220	1 035 913
Other loans and advances	–	–	4 512	82 182	29 326	1 211 212	1 327 232
Warehoused assets Kensington	–	–	–	–	–	1 052 805	1 052 805
Other securitised assets	–	–	–	–	–	67 350	67 350
Other assets	43 087	–	–	–	–	–	43 087
Property and equipment	2 620	2 580	4 041	10 520	–	–	19 761
Total on-balance sheet exposures	11 203 268	2 837 592	3 136 009	10 483 865	3 107 488	6 549 598	37 317 820
Guarantees	100 191	89 849	38 576	80 975	188 595	12 789	510 975
Contingent liabilities, committed facilities and other	583 435	135 236	180 474	702 843	489 839	830 150	2 921 977
Total off-balance sheet exposures	683 626	225 085	219 050	783 818	678 434	842 939	3 432 952
Total gross credit and counterparty exposures pre collateral or other credit enhancements	11 886 894	3 062 677	3 355 059	11 267 683	3 785 922	7 392 537	40 750 772

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

Calculation of core loans and advances to customers

£'000	31 March 2012	31 March 2011**
Loans and advances to customers as per the balance sheet	17 192 208	17 692 356
Add own originated loans and advances securitised as per the balance sheet	1 034 174	1 065 782
Net core loans and advances to customers	18 226 382	18 758 138

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 pages 105 to 107

£'000	31 March 2012	31 March 2011
Gross core loans and advances to customers	18 497 580	19 069 608
Total impairments	(271 198)	(311 470)
Portfolio impairments	(20 159)	(30 844)
Specific impairments	(251 039)	(280 626)
Net core loans and advances to customers	18 226 382	18 758 138
Average gross core loans and advances to customers	18 783 594	18 583 373
Current loans and advances to customers	17 231 735	17 438 856
Past due loans and advances to customers (1 – 60 days)	290 513	356 756
Special mention loans and advances to customers	100 561	87 541
Default loans and advances to customers	874 771	1 186 455
Gross core loans and advances to customers	18 497 580	19 069 608
Current loans and advances to customers	17 231 735	17 438 856
Default loans that are current and not impaired	10 632	6 746
Gross core loans and advances to customers that are past due but not impaired	523 369	803 813
Gross core loans and advances to customers that are impaired	731 844	820 193
Gross core loans and advances to customers	18 497 580	19 069 608
Total income statement charge for core loans and advances	(225 687)	(248 343)
Gross default loans and advances to customers	874 771	1 186 455
Specific impairments	(251 039)	(280 626)
Portfolio impairments	(20 159)	(30 844)
Defaults net of impairments	603 573	874 985
Collateral and other credit enhancements	827 572	1 210 061
Net default loans and advances to customers (limited to zero)	–	17*
Ratios		
Total impairments as a % of gross core loans and advances to customers	1 47%	1 63%
Total impairments as a % of gross default loans	31 00%	26 25%
Gross defaults as a % of gross core loans and advances to customers	4 73%	6 22%
Defaults (net of impairments) as a % of net core loans and advances to customers	3 31%	4 66%
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 12%	1 27%

* *Exposures cannot be set-off against one another as reflected on pages 120 and 121*

** *Restated as discussed on page 370*

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

	UK and Europe		Southern Africa		Australia		Total	
£'000	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Gross core loans and advances to customers	5 940 213	5 731 767	10 596 805	11 234 172	1 960 562	2 103 669	18 497 580	19 069 608
Total impairments	(152 086)	(155 515)	(106 858)	(127 727)	(12 254)	(28 228)	(271 198)	(311 470)
Portfolio impairments	(1 668)	–	(16 948)	(29 326)	(1 543)	(1 518)	(20 159)	(30 844)
Specific impairments	(150 418)	(155 515)	(89 910)	(98 401)	(10 711)	(26 710)	(251 039)	(280 626)
Net core loans and advances to customers	5 788 127	5 576 252	10 489 947	11 106 445	1 948 308	2 075 441	18 226 382	18 758 138
% of total	31 7%	29 7%	57 6%	59 2%	10 7%	11 1%	100 0%	100 0%
% change since 31 March 2011*	3 8%	–	(5 6%)	–	(6 1%)	–	(2 8%)	–
Average gross core loans and advances to customers	5 835 990	5 634 261	10 915 488	10 971 050	2 032 116	1 978 062	18 783 594	18 583 373
Current loans and advances to customers	5 278 440	5 094 608	10 053 758	10 504 773	1 899 537	1 839 475	17 231 735	17 438 856
Past due loans and advances to customers (1 – 60 days)	215 758	232 866	60 460	99 738	14 295	24 152	290 513	356 756
Default loans and advances to customers^	436 604	391 132	392 860	569 172	45 307	226 151	874 771	1 186 455
Gross core loans and advances to customers	5 940 213	5 731 767	10 596 805	11 234 172	1 960 562	2 103 669	18 497 580	19 069 608
Current loans and advances to customers	5 278 440	5 094 608	10 053 758	10 504 773	1 899 537	1 839 475	17 231 735	17 438 856
Default loans that are current and not impaired	–	–	10 632	6 746	–	–	10 632	6 746
Gross core loans and advances to customers that are past due but not impaired	230 488	300 874	266 745	362 600	26 136	140 339	523 369	803 813
Gross core loans and advances to customers that are impaired	431 285	336 285	265 670	360 053	34 889	123 855	731 844	820 193
Gross core loans and advances to customers	5 940 213	5 731 767	10 596 805	11 234 172	1 960 562	2 103 669	18 497 580	19 069 608
Total income statement charge for core loans and advances	(88 489)	(140 598)	(69 326)	(77 538)	(67 872)	(30 207)	(225 687)	(248 343)
Gross default loans and advances to customers^	436 604	391 132	392 860	569 172	45 307	226 151	874 771	1 186 455
Specific impairments	(150 418)	(155 515)	(89 910)	(98 401)	(10 711)	(26 710)	(251 039)	(280 626)
Portfolio impairments	(1 668)	–	(16 948)	(29 326)	(1 543)	(1 518)	(20 159)	(30 844)
Defaults net of impairments	284 518	235 617	286 002	441 445	33 053	197 923	603 573	874 985
Collateral and other credit enhancements	311 329	336 740	480 460	658 781	35 783	214 540	827 572	1 210 061
Net default loans and advances to customers (limited to zero)	–	17**	–	–	–	–	–	17**

* *Largely impacted by the depreciation of the Rand against Pound Sterling over the period, with the currency neutral increase in core loans and advances amounting to 4 3%*

^ *These numbers have declined over the period for the reason set out on page 107*

** *Exposures cannot be set-off against one another*

	UK and Europe		Southern Africa		Australia		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Total impairments as a % of gross core loans and advances to customers	2 56%	2 71%	1 01%	1 14%	0 63%	1 34%	1 47%	1 63%
Total impairments as a % of gross default loans	34 83%	39 76%	27 20%	22 44%	27 05%	12 48%	31 00%	26 25%
Gross defaults as a % of gross core loans and advances to customers	7 35%	6 82%	3 71%	5 07%	2 31%	10 75%	4 73%	6 22%
Defaults (net of impairments) as a % of net core loans and advances to customers	4 92%	4 23%	2 73%	3 97%	1 70%	9 54%	3 31%	4 66%
Net defaults as a % of core loans and advances to customers	–	–	–	–	–	–	–	–
Credit loss ratio (i e income statement impairment charge as a % of average gross loans and advances)	1 22%	2 22%	0 65%	0 71%	3 13%	1 53%	1 12%	1 27%

An analysis of core loans and advances to customers and asset quality by geography and client type as at 31 March 2012

	Private Client**			
£'000	UK and Europe	Southern Africa	Australia	Total
Gross core loans and advances to customers	3 562 106	7 917 770	1 605 163	13 085 039
Total impairments	(130 686)	(81 037)	(11 563)	(223 286)
Portfolio impairments	–	(6 682)	(1 543)	(8 225)
Specific impairments	(130 686)	(74 355)	(10 020)	(215 061)
Net core loans and advances to customers	3 431 420	7 836 733	1 593 600	12 861 753
Average gross core loans and advances	3 540 997	8 071 867	1 726 800	13 339 664
Current loans and advances to customers	3 008 546	7 429 345	1 551 702	11 989 593
Past due loans and advances to customers (1 – 60 days)	192 924	37 167	9 992	240 083
Special mention loans and advances to customers	8 834	86 574	972	96 380
Default loans and advances to customers	351 802	364 684	42 497	758 983
Gross core loans and advances to customers	3 562 106	7 917 770	1 605 163	13 085 039
Current loans and advances to customers	3 008 546	7 429 545	1 551 702	11 989 593
Default loans that are current and not impaired	–	9 767	–	9 767
Gross core loans and advances to customers that are past due but not impaired	206 810	240 300	20 177	467 287
Gross core loans and advances to customers that are impaired	346 750	238 358	33 284	618 392
Gross core loans and advances to customers	3 562 106	7 917 770	1 605 163	13 085 039
Total income statement charge for impairments on loans and advances	(52 188)	(60 856)	(72 647)	(185 691)
Gross default loans and advances to customers	351 802	364 684	42 497	758 983
Specific impairments	(130 686)	(74 355)	(10 020)	(215 061)
Portfolio impairments	–	(6 682)	(1 543)	(8 225)
Defaults net of impairments	221 116	283 647	30 934	535 697
Collateral and other credit enhancements	222 625	460 399	33 235	716 259
Net default loans and advances to customers (limited to zero)	–	–	–	–
Total impairments as a % of gross core loans and advances to customers	3 67%	1 02%	0 72%	1 71%
Total impairments as a % of gross default loans	37 15%	22 22%	27 21%	29 42%
Gross defaults as a % of gross core loans and advances to customers	9 88%	4 61%	2 65%	5 80%
Defaults (net of impairments) as a % of net core loans and advances to customers	6 44%	3 62%	1 94%	4 17%
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 47%	0 75%	4 21%	1 39%

* *Largely includes lending activities within our central funding and international trade finance businesses*

** *A further analysis of our private client and corporate client loan portfolios, broken down by type of loan, is provided on pages 128 and 129*

Corporate Client**				Other*				
UK and Europe	Southern Africa	Australia	Total	UK and Europe	Southern Africa	Australia	Total	Total
2 234 201	2 270 678	295 340	4 800 219	143 905	408 359	60 058	612 322	18 497 580
(19 732)	(9 678)	(690)	(30 100)	(1 668)	(16 144)	–	(17 812)	(271 198)
–	(1 919)	–	(1 919)	(1 668)	(8 347)	–	(10 015)	(20 159)
(19 732)	(7 759)	(690)	(28 181)	–	(7 797)	–	(7 797)	(251 039)
2 214 469	2 261 000	294 650	4 770 119	142 237	392 215	60 058	594 510	18 226 382
2 135 431	2 414 992	274 353	4 824 776	159 564	428 628	30 962	619 154	18 783 594
2 126 551	2 236 789	287 777	4 651 117	143 341	387 626	60 058	591 025	17 231 735
22 819	16 637	4 303	43 759	15	6 656	–	6 671	290 513
537	–	451	988	40	3 153	–	3 193	100 561
84 294	17 252	2 809	104 355	509	10 924	–	11 433	874 771
2 234 201	2 270 678	295 340	4 800 219	143 905	408 359	60 058	612 322	18 497 580
2 126 551	2 236 789	287 777	4 651 117	143 341	387 626	60 058	591 025	17 231 735
–	865	–	865	–	–	–	–	10 632
23 623	16 637	5 958	46 218	55	9 809	–	9 864	523 369
84 027	16 387	1 605	102 019	509	10 924	–	11 433	731 844
2 234 201	2 270 678	295 340	4 800 219	143 905	408 359	60 058	612 322	18 497 580
(37 104)	(12 414)	4 787	(44 731)	803	3 944	(12)	4 735	(225 687)
84 294	17 252	2 809	104 355	509	10 924	–	11 433	874 771
(19 732)	(7 759)	(690)	(28 181)	–	(7 797)	–	(7 797)	(251 039)
–	(1 919)	–	(1 919)	(1 668)	(8 347)	–	(10 015)	(20 159)
64 562	7 574	2 119	74 255	(1 159)	(5 220)	–	(6 379)	603 573
88 152	16 354	2 549	107 055	552	3 706	–	4 258	827 572
–	–	–	–	–	–	–	–	–
0 88%	0 43%	0 23%	0 63%	1 16%	3 95%	–	2 91%	1 47%
23 41%	56 10%	24 56%	28 84%	>100 0%	>100 0 %	–	>100 0%	31 00%
3 77%	0 76%	0 95%	2 17%	0 35%	2 68%	–	1 87%	4 73%
2 92%	0 33%	0 72%	1 56%	(0 81%)	(1 33%)	–	(1 07%)	3 31%
–	–	–	–	–	–	–	–	–
1 17%	0 44%	(1 74%)	0 72%	(0 50%)	(0 92%)	0 04%	(0 76%)	1 12%

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

	Private Client**			
£'000	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 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
Current loans and advances to customers	2 971 055	7 537 610	1 589 647	12 098 312
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
Gross core loans and advances to customers	3 519 886	8 225 970	1 848 436	13 594 292
Total income statement charge for impairments on core loans	(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 client and corporate client loan portfolios, broken down by type of loan, is provided on pages 128 and 129*

^ *Exposures cannot be set-off against one another*

Corporate Client**				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
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
1 948 588	2 547 067	247 960	4 743 615	174 966	420 097	1 866	596 929	17 438 856
–	–	–	–	–	–	–	–	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
2 036 660	2 559 305	253 366	4 849 331	175 222	448 897	1 866	625 985	19 069 608
(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	–	–	17^	17^
0 68%	0 10%	0 10%	0 34%	–	5 64%	–	4 05%	1 63%
23 14%	66 05%	5 82%	24 54%	–	>100 0%	–	>100 0%	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 age analysis of past due and default core loans and advances to customers

£'000	31 March 2012	31 March 2011
Default loans that are current	461 086	59 170
1 – 60 days	347 693	414 546
61 – 90 days	52 386	66 944
91 – 180 days	61 864	431 589
181 – 365 days	62 197	230 810
>365 days	280 619	427 693
Past due and default core loans and advances to customers (actual capital exposure)	1 265 845	1 630 752
1 – 60 days	57 159	33 871
61 – 90 days	26 273	21 405
91 – 180 days	22 847	68 058
181 – 365 days	28 106	154 279
>365 days	227 802	381 518
Past due and default core loans and advances to customers (actual amount in arrears)	362 187	659 131

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

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 31 March 2012							
Watchlist loans neither past due nor impaired							
Total capital exposure	10 632	–	–	–	–	–	10 632
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	341 236	50 361	42 529	24 499	64 744	523 369
Amount in arrears	–	54 816	25 504	15 673	18 320	51 928	166 241
Gross core loans and advances to customers that are impaired							
Total capital exposure	450 454	6 457	2 025	19 335	37 698	215 875	731 844
Amount in arrears	–	2 343	769	7 174	9 786	175 874	195 946
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

An age analysis of past due and default core loans and advances to customers as at 31 March 2012 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	290 513	–	–	–	–	290 513
Special mention	–	35 488	42 178	7 164	5 795	9 936	100 561
Special mention (1 – 90 days)	–	35 488	9 495	7 164*	5 795*	9 936*	67 878
Special mention (61 – 90 days and item well secured)	–	–	32 683	–	–	–	32 683
Default	461 086	21 692	10 208	54 700	56 402	270 683	874 771
Sub-standard	187 427	831	7 835	28 728	33 585	24 703	283 109
Doubtful	129 879	20 861	2 373	25 972	22 817	245 980	447 882
Loss	143 780	–	–	–	–	–	143 780
Total	461 086	347 693	52 386	61 864	62 197	280 619	1 265 845

An age analysis of past due and default core loans and advances to customers as at 31 March 2012 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	13 992	–	–	–	–	13 992
Special mention	–	33 430	17 666	4 402	4 103	7 899	67 500
Special mention (1 – 90 days)	–	33 430	6 614	4 402*	4 103*	7 899*	56 448
Special mention (61 – 90 days and item well secured)	–	–	11 052	–	–	–	11 052
Default	–	9 737	8 607	18 445	24 003	219 903	280 695
Sub-standard	–	458	7 835	9 040	14 718	20 627	52 678
Doubtful	–	9 279	772	9 405	9 285	199 276	228 017
Loss	–	–	–	–	–	–	–
Total	–	57 159	26 273	22 847	28 106	227 802	362 187

* *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 are 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 2011 (based on total capital exposure)

£'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)

£'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 are 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

£'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 2012								
Current core loans and advances	17 231 735	–	–	17 231 735	–	(17 571)	17 214 164	–
Past due (1 – 60 days)	–	290 513	–	290 513	–	(270)	290 243	13 992
Special mention	–	100 561	–	100 561	–	(650)	99 911	67 500
Special mention (1 – 90 days)	–	67 878	–	67 878	–	(531)	67 347	56 448
Special mention (61 – 90 days and item well secured)	–	32 683	–	32 683	–	(119)	32 564	11 052
Default	10 632	132 295	731 844	874 771	(251 039)	(1 668)	622 064	280 695
Sub-standard	3 029	74 242	205 838	283 109	(35 792)	–	247 317	52 678
Doubtful	7 603	58 053	382 226	447 882	(127 953)	–	319 929	228 017
Loss	–	–	143 780	143 780	(87 294)	(1 668)	54 818	–
Total	17 242 367	523 369	731 844	18 497 580	(251 039)	(20 159)	18 226 382	362 187
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

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

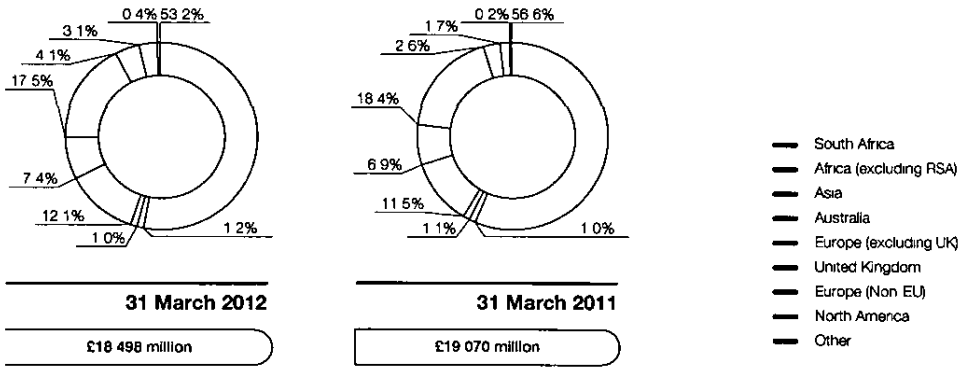
£'000	Private Banking professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
As at 31 March 2012						
Current core loans and advances	11 986 334	4 028 388	797 029	216 307	203 677	17 231 735
Past due (1 – 60 days)	240 083	41 972	1 788	–	6 670	290 513
Special mention	96 830	538	–	–	3 193	100 561
Special mention (1 – 90 days)	67 878	–	–	–	–	67 878
Special mention (61 – 90 days and item well secured)	28 952	538	–	–	3 193	32 683
Default	761 792	102 050	1 114	724	9 091	874 771
Sub-standard	264 845	18 153	–	–	111	283 109
Doubtful	353 167	83 897	1 114	724	8 980	447 882
Loss	143 780	–	–	–	–	143 780
Total gross core loans and advances to customers	13 085 039	4 172 948	799 931	217 031	222 631	18 497 580
Total impairments	(223 286)	(34 288)	(7 678)	(491)	(5 455)	(271 198)
Specific impairments	(215 061)	(24 351)	(5 748)	(424)	(5 455)	(251 039)
Portfolio Impairments	(8 225)	(9 937)	(1 930)	(67)	–	(20 159)
Net core loans and advances to customers	12 861 753	4 138 660	792 253	216 540	217 176	18 226 382
As at 31 March 2011						
Current core loans and advances	12 092 906	3 681 121	1 255 864	208 146	200 819	17 438 856
Past due (1 – 60 days)	315 376	28 964	352	–	12 064	356 756
Special mention	78 673	7 273	–	–	1 595	87 541
Special mention (1 – 90 days)	47 492	6 786	–	–	–	54 278
Special mention (61 – 90 days and item well secured)	31 181	487	–	–	1 595	33 263
Default	1 107 337	70 000	329	638	8 151	1 186 455
Sub-standard	404 034	39 288	–	–	89	443 411
Doubtful	529 520	26 180	329	638	8 062	564 729
Loss	173 783	4 532	–	–	–	178 315
Total gross core loans and advances to customers	13 594 292	3 787 358	1 256 545	208 784	222 629	19 069 608
Total impairments	(269 737)	(35 708)	(756)	(379)	(4 890)	(311 470)
Specific impairments	(253 729)	(21 430)	(198)	(379)	(4 890)	(280 626)
Portfolio Impairments	(16 008)	(14 278)	(558)	–	–	(30 844)
Net core loans and advances to customers	13 324 555	3 751 650	1 255 789	208 405	217 739	18 758 138

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

£'000	31 March 2012	31 March 2011
Private Banking professional and HNW individuals	13 085 039	13 594 292
Corporate sector	4 172 948	3 787 358
Insurance, financial services (excluding sovereign)	799 931	1 256 545
Public and government sector (including central banks)	217 031	208 784
Trade finance and other	222 631	222 629
Total gross core loans and advances to customers	18 497 580	19 069 608

Additional information

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



31 March 2012

£18 498 million

31 March 2011

£19 070 million

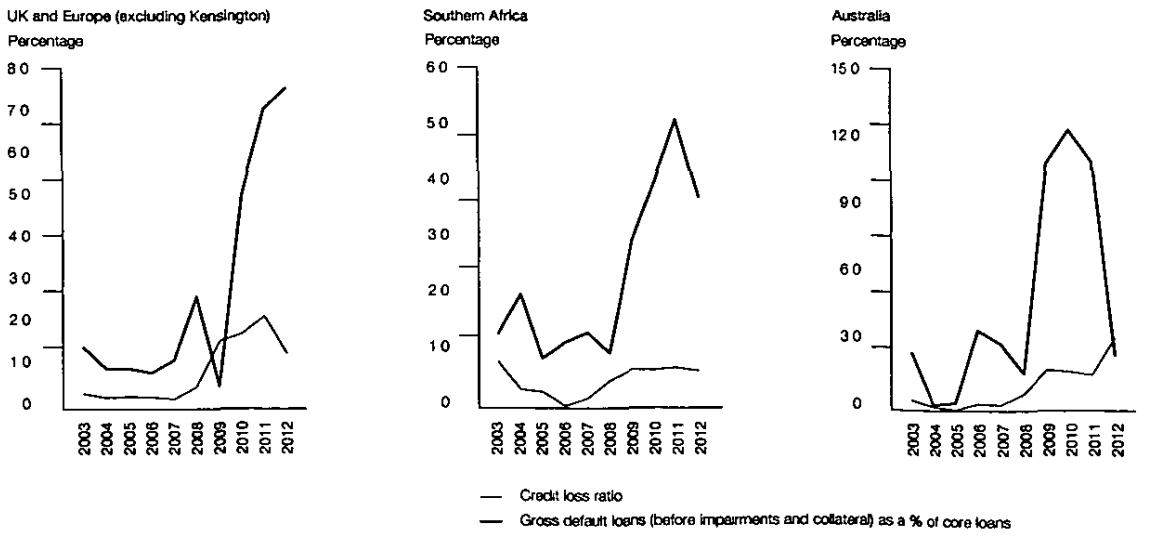
An analysis of default core loans and advances as at 31 March 2012

	UK and Europe				Southern Africa			
£'million	Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments	Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments
Private Client								
Residential property	1 503	197	121	(76)	3 086	190	200	(40)
Residential property investment	611	20	16	(4)	325	23	22	(6)
Residential mortgages (owner occupied)	288	–	–	–	2 433	50	61	(9)
Residential property development	446	89	56	(33)	108	12	12	(3)
Residential estates/land/ planning	158	88	49	(39)	220	105	105	(22)
Commercial property	1 391	138	89	(49)	3 543	100	129	(17)
Commercial property investment	1 128	48	42	(6)	3 160	67	85	(9)
Commercial property land/planning	192	76	40	(36)	247	26	28	(8)
Commercial property development	71	14	7	(7)	136	7	16	–
Other	668	16	12	(6)	1 289	75	131	(23)
Asset backed lending	346	–	–	–	360	33	76	(12)
Unlisted securities and general corporate lending	110	3	1	(2)	490	2	4	(1)
Unsecured lending^	–	–	–	–	111	3	1	(2)
Other	212	13	11	(4)	328	37	50	(8)
Total Private Client	3 562	351	222	(131)	7 918	365	460	(80)
Corporate Client								
Acquisition finance	616	22	40	(5)	167	–	–	–
Asset finance	473	10	5	(5)	273	–	–	–
Corporate loans	709	18	18	(1)	1 500	1	–	(2)
Project finance	406	34	25	(9)	184	16	16	(8)
Resource finance and commodities	30	–	–	–	147	–	–	–
Total Corporate Client	2 234	84	88	(20)	2 271	17	16	(10)
Other*	145	2	1	(1)	408	11	4	(17)
Total group	5 941	437	311	(152)	10 597	393	480	(107)

* *Largely includes lending activities within our central funding and international trade finance business*

^ *Largely relates to debit card balances*

Asset quality ratios



Australia				Total group			
Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments	Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments
263	20	16	(5)	4 852	407	337	(121)
5	–	–	–	941	43	38	(10)
81	–	–	–	2 802	50	61	(9)
136	20	16	(5)	690	121	84	(41)
41	–	–	–	419	193	154	(61)
460	7	6	(1)	5 394	245	224	(67)
448	7	6	(1)	4 736	122	133	(16)
2	–	–	–	441	102	68	(44)
10	–	–	–	217	21	23	(7)
882	15	11	(6)	2 839	106	154	(35)
624	1	–	–	1 330	34	76	(12)
152	12	10	(3)	752	17	15	(6)
62	2	1	(3)	173	5	2	(5)
44	–	–	–	584	50	61	(12)
1 605	42	33	(12)	13 085	758	715	(223)
82	–	–	–	865	22	40	(5)
39	3	3	–	785	13	8	(5)
58	–	–	–	2 267	19	18	(3)
51	–	–	–	641	50	41	(17)
65	–	–	–	242	–	–	–
295	3	3	–	4 800	104	107	(30)
60	–	–	–	613	13	5	(18)
1 960	45	36	(12)	18 498	875	827	(271)

Collateral

A summary of total collateral

£'000	Collateral held against		Total
	Core loans and advances	Other credit and counterparty exposures*	
As at 31 March 2012			
Eligible financial collateral	2 313 351	208 012	2 521 363
Listed shares	2 079 575	191 074	2 270 649
Cash	233 776	16 938	250 714
Debt securities issued by sovereigns	–	–	–
Mortgage bonds	19 089 855	1 110 610	20 200 465
Residential mortgages	7 731 966	1 109 372	8 841 338
Residential development	868 833	–	868 833
Commercial property development	1 092 290	1 238	1 093 528
Commercial property investments	9 396 766	–	9 396 766
Other collateral	8 029 594	72 545	8 102 139
Unlisted shares	1 261 143	–	1 261 143
Bonds other than mortgage bonds	537 484	–	537 484
Debtors, stock and other corporate assets	3 458 491	–	3 458 491
Guarantees	924 641	60 163	984 804
Other	1 847 835	12 382	1 860 217
Total collateral	29 432 800	1 391 167	30 823 967
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
Other	1 783 373	–	1 783 373
Total collateral	30 528 471	1 052 445	31 580 916

* *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

- 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 Client and Corporate Client 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 287 and pages 320 to 324 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 9% of total assets (refer to page 321 for further information)

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

	Income (pre funding costs)				
£'000 Country/category	Unrealised	Realised	Dividends and other	Total	Fair value through equity
For the year ended 31 March 2012					
Unlisted investments	24 390	71 959	35 268	131 617	1 690
UK and Europe	18 070	24 689	1 303	44 062	2 286
South Africa	6 386	46 079	33 810	86 275	–
Australia	(66)	1 191	155	1 280	(596)
Listed equities	(26 863)	(3 422)	1 050	(29 235)	(1 859)
UK and Europe	(3 140)	1 541	587	(1 012)	828
South Africa	(23 723)	(5 311)	547	(28 487)	–
Australia	–	348	(84)	264	(2 687)
Investment and trading properties^	18 141	(10 812)	915	8 244	–
UK and Europe	(11)	2 737	779	3 505	–
South Africa	18 152	(3 232)	136	15 056	–
Australia	–	(10 317)	–	(10 317)	–
Warrants, profit shares and other embedded derivatives	(2 228)	9 110	1 648	8 530	–
UK and Europe	–	–	1 648	1 648	–
South Africa	(2 228)	9 110	–	6 882	–
Australia	–	–	–	–	–
Total	13 440	66 835	38 881	119 156	(169)
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 purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 50 01% It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment*

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

£'000 Country/category	On-balance sheet value of investments 31 March 2012	Valuation change stress test 31 March 2012*	On-balance sheet value of investments 31 March 2011	Valuation change stress test 31 March 2011*
Unlisted investments	778 894	116 834	681 730	102 260
UK and Europe	280 183	42 027	116 994	17 549
South Africa	493 607	74 041	558 184	83 728
Australia	5 104	766	6 552	983
Listed equities	111 809	27 765	187 402	46 850
UK and Europe	27 843	6 961	61 337	15 334
South Africa	76 985	19 246	117 124	29 281
Australia	6 981	1 745	8 941	2 235
Investment and trading properties^	577 008	71 258	589 244	81 693
UK and Europe	58 336	11 667	30 554	6 111
South Africa	474 979	50 852	530 810	70 006
Australia	43 693	8 739	27 880	5 576
Warrants, profit shares and other embedded derivatives	67 432	23 602	85 432	29 902
UK and Europe	35 979	12 593	32 387	11 336
South Africa	31 453	11 009	53 045	18 566
Australia	–	–	–	–
Total	1 535 143	239 459	1 543 808	260 705

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 50 01%*

* *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 2012, as reflected above we could have a £239 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 180 for further detail

Securitisation/credit investment and trading activities 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

In the UK and Europe the group focuses on securitisation of its 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 £938 million to the assets originated, warehoused and securitised by Kensington Further information is provided on pages 137 to 140

South Africa

In South Africa, our securitisation business was established over ten years ago 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 a standby liquidity facility to one conduit namely, Grayston Conduit 1 (Pty) Limited Series 1 and Series 2 These facilities, which totalled R1 7 billion as at 31 March 2012 (31 March 2011 R2 0 billion), has not been drawn on and is thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to pages 135 and 136) 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 client business in South Africa The primary motivations for the securitisation of assets within our Private Client 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 Client division amount to R6 1 billion (March 2011 R6 3 billion) and include auto loans (R0 9 billion) and residential mortgages (R5 2 billion) These securitisation structures have all been rated by Moody's

Australia

Investec Bank (Australia) Limited acquired Expanen in October 2007 (now Investec professional finance) As is the case in the South African Private Client division assets originated by the business have been securitised These amount to A$825 million (31 March 2011 A$750 million)

Accounting policies Audited

Refer to pages 284 to 295

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/credit investment and trading 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 Client division are reflected as part of our core lending exposures and not our securitisation/credit investment and trading 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 2012 £'million	Exposure as at 31 March 2011 £'million	Balance sheet and credit risk classification	Asset quality – relevant comments	Capital treatment
Structured credit investments*	849	900	Other debt securities and other loans and advances		Risk-weighted or supervisory deductions against primary and secondary capital
Rated	723	713			
Unrated	126	176			
Other	–	11			
Kensington – mortgage assets Net exposures (after impairments) to the securitised book (i e those assets have been securitised)	12	65	Other securitised assets 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 137 to 140	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)	927	535	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 137 to 140	Risk-weighted
Warehouse lines provided to own originated loans and advances to customers and investment in third party intermediary originating platforms (mortgage and auto loans)	857^	497	Other loans and advances		Risk-weighted depending on rating of counterparty
Private Client division assets which have been securitised	1 034	1 067	Own originated loans and advances to customers securitised	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	135	188	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

^ *Subsequent to the year end approximately £200 million of these assets were securitised*

* *Analysed further on page 136*

***Analysis of structured rated and unrated credit investments**

	31 March 2012				31 March 2011			
£'million	Rated**	Unrated	Other	Total	Rated	Unrated	Other	Total
US corporate loans	18	–	–	18	20	–	–	20
US ABS	1	–	–	1	3	–	–	3
European ABS	8	5	–	13	3	7	–	10
European RMBS	510	90	–	600	514	147	–	661
European CMBS	65	5	–	70	75	5	–	80
European credit cards	–	–	–	–	5	–	–	5
European corporate loans	67	26	–	93	–	17	–	17
South African RMBS	2	–	–	2	25	–	–	25
South African CMBS	–	–	–	–	2	–	–	2
Australian RMBS	52	–	–	52	66	–	–	66
Other (credit default swaps)	–	–	–	–	–	–	11	11
Total	723	126	–	849	713	176	11	900

****Further analysis of rated structured credit investments as at 31 March 2012**

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	–	17	–	1	18
US ABS	–	–	–	–	–	–	1	1
European ABS	–	3	–	5	–	–	–	8
European RMBS	177	139	53	65	22	32	22	510
European CMBS	3	23	21	5	9	–	4	65
European corporate loans	43	12	–	12	–	–	–	67
South African RMBS	–	1	1	–	–	–	–	2
Australian RMBS	20	23	7	2	–	–	–	52
Total as at 31 March 2012	243	201	82	89	48	32	28	723
Total as at 31 March 2011	263	143	106	72	71	28	30	713

Kensington group plc – salient features

As at 31 March 2012	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 432	1 938	3 370	
IFRS adjustments (£'million)	(77)	67	(10)	
Mortgage assets under management (£'million)	1 509	1 871	3 380	
First charge % of total mortgage assets under management	94 1%	93 6%	93 8%	
Second charge % of total mortgage assets under management	5 9%	6 4%	6 2%	
Fixed rate loans % of total mortgage assets under management	0 7%	0 1%	0 3%	
Number of accounts	13 633	21 738	35 371	
Average loan balance (first charge) (£)	141 597	106 907	120 083	
Largest loan balance (£)	1 091 675	1 174 323	1 174 323	
Weighted average loan mature margin (%)	4 1%	4 7%	4 5%	
Product mix (pre-IFRS adjustments) (£'million)	**1 509**	**1 871**	**3 380**	**100 0%**
Prime	6	–	6	0 2%
Near prime	504	380	884	26 2%
Prime buy to let	1	–	1	–
Adverse	349	1 383	1 732	51 2%
Adverse buy to let and right to buy	61	108	169	5 0%
Start – Irish operations	588	–	588	17 4%
Geographic distribution (£'million)	**1 509**	**1 871**	**3 380**	**100 0%**
UK – North	284	609	893	26 4%
UK – South West	69	132	201	5 9%
UK – South East	207	388	595	17 6%
Outer London	143	231	374	11 1%
Inner London	67	129	196	5 8%
Midlands	151	382	533	15 8%
Start – Irish operations	588	–	588	17 4%
Spread of value of properties (%)	**100 0%**	**100 0%**	**100 0%**	
>£500 000	3 5%	1 1%	1 9%	
>£250 000 – <=£500 000	23 5%	9 9%	15 2%	
>£200 000 – <=£250 000	16 5%	11 6%	13 5%	
>£150 000 – <=£200 000	20 6%	20 0%	20 2%	
>£100 000 – <=£150 000	23 2%	30 6%	27 7%	
>£70 000 – <=£100 000	11 2%	20 7%	17 1%	
>£50 000 – <=£70 000	1 4%	5 0%	3 7%	
<£50 000	0 1%	1 1%	0 7%	
Asset quality statistics				
Weighted average current LTV (adjusted for house price index movement*)	105 6%	79 8%	91 3%	

* *Bad debt provision is based on house price index assumptions of UK calendar year house price growth of nil going forward, with an additional -20% haircut to the price to reflect forced sale discount Ireland peak to trough decline of 53%, including calendar year house price decline assumption of -9% for 2012, and house price growth assumption of 1%, 3%, 4%, 4% per annum respectively for the period 2013 – 2016, and an additional forced sale discount of 5% – 6%*

Kensington group plc – salient features (continued)

As at 31 March 2012	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100 0%	100 0%	100 0%	
<= 65%	11 5%	21 8%	17 6%	
>65% – <70%	3 4%	6 3%	5 1%	
>70% – <75%	3 7%	8 5%	6 5%	
>75% – <80%	4 5%	9 4%	7 4%	
>80% – <85%	5 5%	11 0%	8 7%	
>85% – <90%	7 3%	12 0%	10 1%	
>90% – <95%	8 6%	9 1%	8 9%	
>95% – <100%	8 6%	7 1%	7 7%	
> 100%	46 9%	14 8%	28 0%	
% of accounts > 90 days in arrears	33 2%	29 3%	30 8%	
Number of accounts > 90 days in arrears	4 515	6 368	10 883	
Total capital lent in arrears (£'million)	748	848	1 596	100 0%
Arrears 0 – 60 days	73	136	209	13 1%
Arrears 61 – 90 days	56	97	153	9 6%
Arrears >90 days	565	571	1 136	71 2%
Possession	54	44	98	6 1%
Debt to income ratio of clients (%)	20 2%	19 1%	19 6%	
Investec investment/exposure to assets reflected above (£'million)	1 053	36	1 089	
On balance sheet provision (£'million)	(127)	(24)	(151)	
Investec net investment/exposure to assets reflected above (£'million)	926	12	938	

Kensington group plc – salient features (continued)

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 days 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	

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 at least 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

	UK and Europe 95% (one-day)			
	Year end £'000	Average £'000	High £'000	Low £'000
31 March 2012				
Commodities	–^	1	64	–
Equity derivatives	549	1 029	1 677	536
Foreign exchange	31	34	105	9
Interest rates	288	231	424	115
Consolidated*	624	1 060	1 742	610
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

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

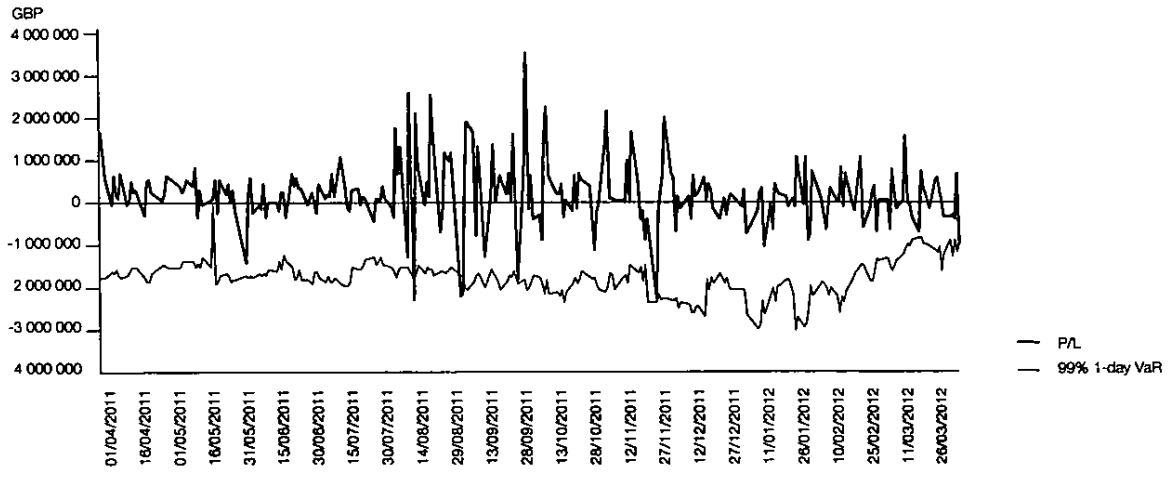
^ *The UK commodities desk was closed and all residual positions were unwound by April 2011*

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

The average VaR utilisation was lower than that in 2011 and the VaR at year end was close to the low for the year at £0 6 million, mainly as a result of a reduction in risk on the structured equity derivatives desk There were four exceptions over the year i e where the loss was greater than the 99% one-day VaR This is more than the expected two to three exceptions per year at the 99% level Most of these exceptions came in the second quarter of the year with the increased volatility experienced during the height of the European Sovereign crisis

99% 1-day VaR backtesting

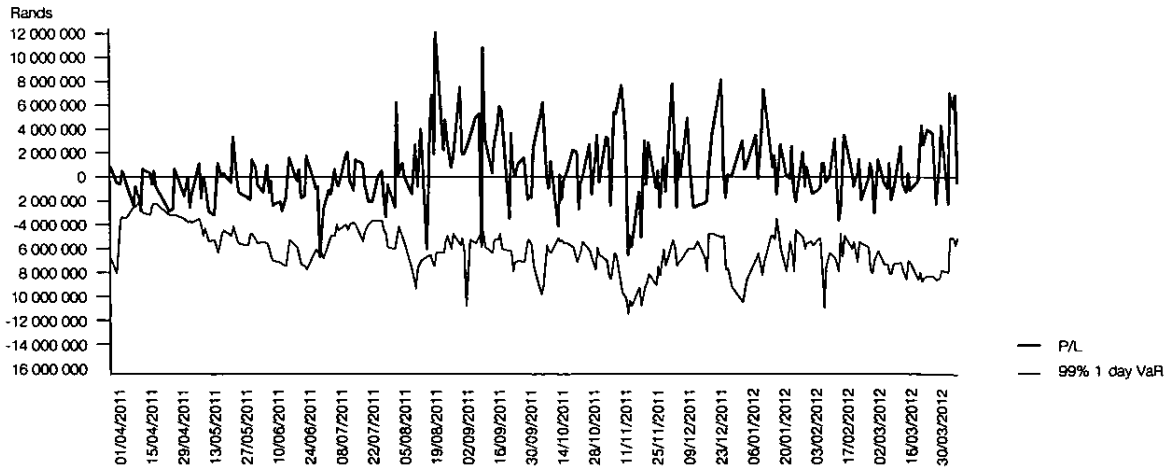


South Africa – Limited 95% (one-day)				Australia 95% (one-day)			
Year end R'million	Average R'million	High R'million	Low R'million	Year end A$'000	Average A$'000	High A$'000	Low A$'000
–	01	05	–	–	–	8	–
19	23	80	09	–	–	–	–
11	27	89	07	2	31	192	1
26	25	53	08	31	57	116	17
42	48	96	27	31	68	184	19
01	01	03	–	1	1	29	–
16	18	91	06	–	–	–	–
09	19	57	07	6	21	146	1
13	24	51	09	17	82	198	11
38	40	100	20	20	89	202	12

South Africa

VaR for 2012 in the South African trading book was slightly higher than for 2011, though still lower than pre-crisis (2007) levels Using hypothetical (clean) profit and loss data for backtesting resulted in four exceptions, which is more than the two to three exceptions that a 99% VaR implies The exceptions were due to normal trading losses and most were due to trade in the FX market Using actual profit and loss resulted in one exception which is lower than expected

99% 1-day VaR backtesting

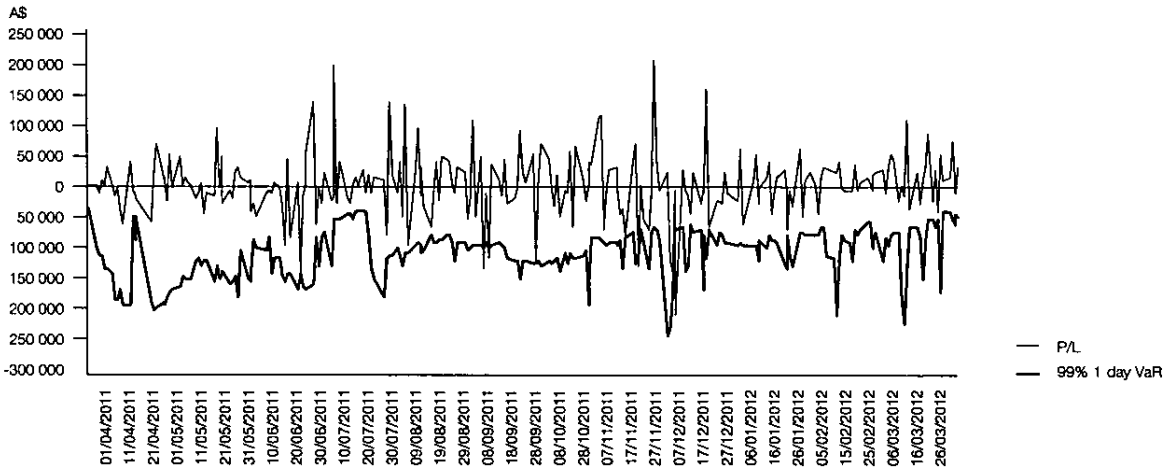


Risk management (continued)

Australia

Average VaR utilisation for 2012 remained at the moderate levels experienced in 2011 There have been five exceptions i e where the loss is greater than the VaR This is more than the expected number of exceptions at the 99% level as a result of the unusually high levels of market volatility, specifically in interest rate and foreign exchange markets where the Australian trading activity was most active

99% 1-day VaR backtesting



ETL

	UK and Europe 95% (one-day) £'000	Australia 95% (one-day) A$'000	South Africa 95% (one-day) R'million
31 March 2012			
Commodities	–	–	0 1
Equity derivatives	846	–	3 5
Foreign exchange	48	2	2 2
Interest rates	367	40	3 9
Consolidated*	876	40	5 8
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

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

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions The method used 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 These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution

	UK and Europe using 99% EVT £'000	Australia using 99% EVT A$'000	South Africa using 99% EVT R'million
31 March 2012			
Commodities	–	–	0 1
Equity derivatives	2 467	–	16 3
Foreign exchange	119	6	17 2
Interest rates	659	70	24 3
Consolidated	2 230	71	20 3

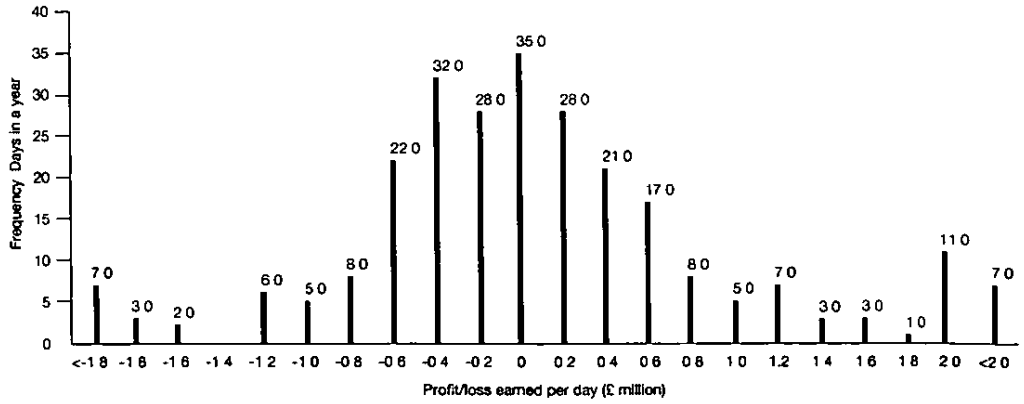
	UK and Europe using 99% EVT £'000	Australia using 99% EVT A$'000	South Africa using 99% EVT R'million
31 March 2011			
Commodities	266	–	0 3
Equity derivatives	3 782	–	24 3
Foreign exchange	33	15	5 6
Interest rates	2 087	121	10 0
Consolidated	3 915	273	13 6

Profit and loss histograms

UK and Europe

The histogram below illustrates the distribution of 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 139 days out of a total of 252 days in the trading business The average daily trading revenue generated for the year ended 31 March 2012 was £120 635 (2011 £144 616)

Profit and loss

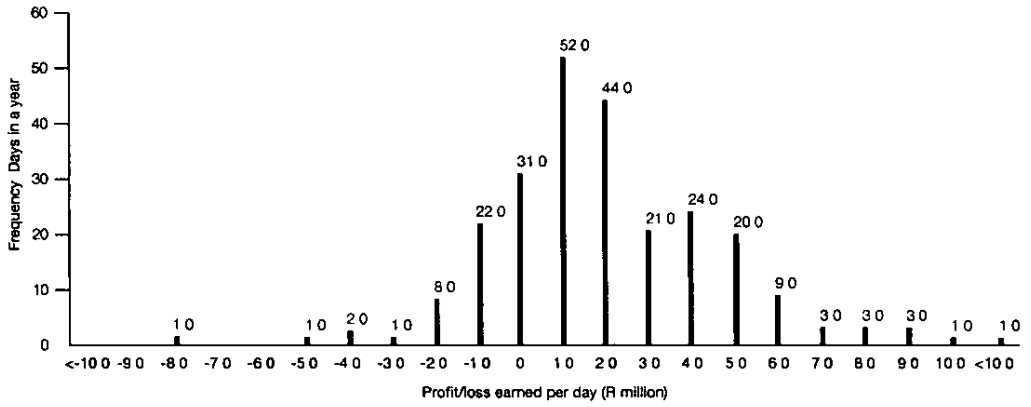


Risk management (continued)

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 181 days out of a total of 247 days in the trading business The average daily trading revenue generated for the year ended 31 March 2012 was R1 5 million (2011 R1 2 million)

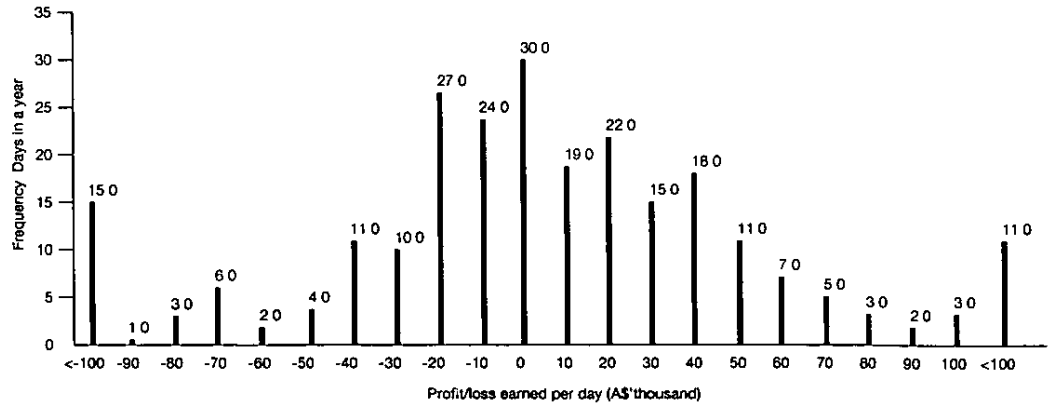
Profit and loss



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 133 days out of a total of 249 days in the trading business The average daily trading loss generated for the year ended 31 March 2012 was A$6 056 (2011 revenue of A$1 393)

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 reconciled 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

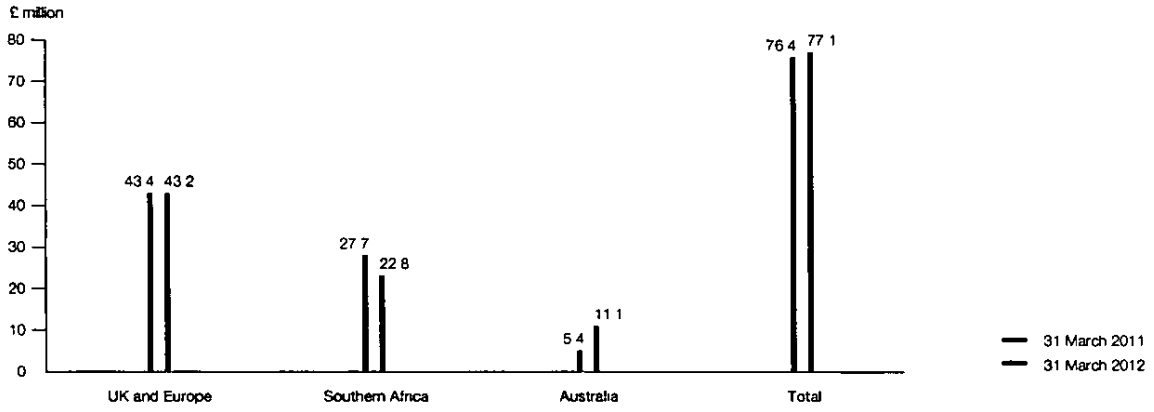
Traded market risk year in review

Market conditions have not been conducive to client flow or proprietary trading FX markets have been volatile with little or no clear trend as European conditions were the main driver of sentiment South African equity markets took direction from the FX market which also influenced South African bond yields Traders as the first line of defence have ensured that positions remain manageable in these conditions VaR has remained on the low side but higher than last year

In the UK there has been continued growth in client activity across the interest rate and foreign exchange corporate sales desks The structured equity desk's retail product sales have remained strong and they continue to develop their product range On the trading side the Interest Rate and foreign exchange trading desks performed strongly over the year, despite the difficult environment

Australian trading activity remains modest, with limited client flow activity and difficult foreign exchange and interest rate trading environments

Revenue arising from customer flow trading activities within our Corporate Banking 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 329 and 330

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

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure and risk mitigation

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

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

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

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

The ALCO's typically comprise the managing director, the head of risk, the head of Corporate Client, economists, divisional heads, the balance sheet risk management team, the treasurer, Private Client representatives and any appropriate co-opted personnel The ALCO's meet on a monthly basis to discuss the balance sheet, market conditions and decide on strategies to mitigate any undesirable liquidity and interest rate risk The group's central treasury function is mandated to manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis 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, 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

We maintain an internal funds transfer pricing system based on prevailing market rates Our funds transfer pricing system charges the businesses the price of short-term and long-term liquidity The costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management

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, performs scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework The balance sheet risk team further pro-actively identifies proposed best risk practice and measures adopted in the broader market and implements the changes where relevant

The scenario modelling and daily liquidity stress tests are 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 These scenarios consider 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

The integrated balance sheet risk management framework is based on similar methodologies as those contemplated under the BCBS 'liquidity risk measurement standards and monitoring' and is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk on the banking book'

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 interest rate risk include

- Repricing risk Arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- Yield curve risk Repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk Arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Optionality We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk

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

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services 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 BCBS framework for assessing banking book (non-trading) interest rate risk
- 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 The Bank swaps it's Fixed Deposits and Loans with maturities greater than one year to three-month risk in the wholesale market via Interest Rate Swaps
- Central Treasury directs pricing for all deposit products (including deposit products offered to the private clients), in so doing we manage access to funding at cost-effective levels
- The bank 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 provides long-term stable funding for our asset creation activity
- Central Treasury is the primary interface to the wholesale market

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services.

Risk management (continued)

- 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 from both earnings and economic value perspectives, with the aim to protect and enhance net interest income in accordance with the board approved risk management framework and risk appetite The standard tools that are used to measure non-trading interest rate risk as defined above are

- the repricing gap,
- net interest income sensitivity (also referred to as earnings risk), and
- economic value (or NPV) sensitivity

This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk

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 repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings in changes to interest rates calculated off the repricing gap This allows for the detection of interest rate risk by concentration of repricing buckets Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve Economic value sensitivity and stress testing to macro-economic movement or changes 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, after 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

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, Central Treasury also hedges all fixed rate deposits with a term of more than one year to within three-months repricing These derivative hedging trades are executed with the bank's interest rate trading desk Limits exist to ensure there is no undesired risk retained within any business or product area

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 duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions which transfer the risk into the trading books within the Corporate Client division to be traded with the external market The Central Treasury mandate allows for a tactical response to market opportunities which may arise during changing interest rate cycles Any resultant interest rate position is managed under the Market Risk Limits

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 2012

£'million	Not >3 months	>3 months but <6 months	>6 months but <1 year	>1 year but <5 years	>5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	2 465	–	17	1	–	158	2 641
Investment/trading assets	1 553	145	112	220	499	459	2 988
Securitised assets	2 638	–	–	–	–	324	2 962
Advances	7 644	190	199	534	9	–	8 576
Non-rate assets	–	–	–	180	–	1 825	2 005
Assets	14 300	335	328	935	508	2 766	19 172
Deposits – banks	(1 718)	(27)	(30)	(26)	–	(31)	(1 832)
Deposits – retail	(7 195)	(1 226)	(555)	(413)	–	(70)	(9 459)
Negotiable paper	(716)	(519)	–	(88)	–	–	(1 323)
Investment/trading liabilities	(803)	–	–	(170)	–	(157)	(1 130)
Securitised liabilities	(2 111)	–	–	–	–	(250)	(2 361)
Subordinated liabilities	(65)	–	–	(34)	(598)	–	(697)
Non-rate assets	(7)	–	–	–	–	(1 178)	(1 185)
Liabilities	(12 615)	(1 772)	(585)	(731)	(598)	(1 686)	(17 987)
Intercompany loans	(25)	–	–	255	352	(13)	569
Shareholders' funds	–	–	–	–	–	(1 848)	(1 848)
Balance sheet	1 660	(1 437)	(257)	459	262	(781)	(94)
Off-balance sheet	129	49	673	(147)	(449)	202	457
Repricing gap	1 789	(1 388)	416	312	(187)	(579)	363
Cumulative repricing gap	1 789	401	817	1 129	942	363	

South Africa – interest rate sensitivity as at 31 March 2012

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	24 770	–	–	–	–	4 724	29 494
Cash and short-term funds – non-banks	7 885	–	–	–	–	–	7 885
Investment/trading assets and statutory liquids**	28 478	11 949	6 449	8 766	8 971	15 085	79 698
Securitised assets	7 146	–	–	–	–	692	7 838
Advances	105 142	680	2 348	9 399	4 765	956	123 290
Other assets	18	–	–	–	194	4 766	4 978
Assets	173 439	12 629	8 797	18 165	13 930	26 223	253 183
Deposits – banks	(12 771)	(894)	(20)	(118)	–	(130)	(13 933)
Deposits – non-banks	(151 544)	(10 555)	(8 508)	(3 431)	(609)	(1 004)	(175 651)
Negotiable paper	(3 483)	(352)	(448)	(32)	(74)	–	(4 389)
Securitised liabilities	(5 887)	–	(218)	–	–	(643)	(6 748)
Investment/trading liabilities	(7 157)	(1)	(34)	(2 906)	(4 436)	(4 474)	(19 008)
Subordinated liabilities	(4 489)	–	(2 062)	(125)	(2 033)	(919)	(9 628)
Other liabilities	(123)	–	–	–	–	(5 802)	(5 925)
Liabilities	(185 454)	(11 802)	(11 290)	(6 612)	(7 152)	(12 972)	(235 282)
Intercompany loans	5 979	(242)	(289)	(557)	(90)	(190)	4 611
Shareholders' funds	(3 170)	(43)	–	–	(871)	(18 055)	(22 139)
Balance sheet	(9 206)	542	(2 782)	10 996	5 817	(4 994)	373
Off-balance sheet	25 742	(5 102)	(2 935)	(12 441)	(5 637)	–	(373)
Repricing gap	16 536	(4 560)	(5 717)	(1 445)	180	(4 994)	–
Cumulative repricing gap	16 536	11 976	6 259	4 814	4 994	–	–

Australia – interest rate sensitivity as at 31 March 2012

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	383	–	–	–	–	–	383
Investment/trading assets	1 091	30	–	183	–	6	1 310
Securitised assets	233	60	134	389	9	–	825
Advances	1 769	45	74	200	26	65	2 179
Other assets	–	–	–	–	–	534	534
Assets	3 476	135	208	772	35	605	5 231
Deposits – non-banks	(1 562)	(531)	(73)	(138)	(11)	(56)	(2 371)
Negotiable paper	(506)	(7)	(8)	(650)	–	(27)	(1 198)
Securitised liabilities	(813)	–	–	–	–	–	(813)
Subordinated loans	(71)	–	–	–	–	–	(71)
Other liabilities	–	–	–	–	–	(181)	(181)
Liabilities	(2 952)	(538)	(81)	(788)	(11)	(264)	(4 634)
Intercompany loans	–	–	–	–	–	–	–
Shareholders' funds	–	–	–	–	–	(597)	(597)
Balance sheet	524	(403)	127	(16)	24	(256)	–
Off-balance sheet	109	(37)	(101)	63	(24)	(10)	–
Repricing gap	633	(440)	26	47	–	(266)	–
Cumulative repricing gap	633	193	219	266	266	–	

Economic value sensitivity as at 31 March 2012

For the reasons outlined above, 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 the mark-to-market values of the lending and deposit taking activities, should such a hypothetical scenario arise This sensitivity effect does not have a significant direct impact on our equity

UK and Europe

	Sensitivity to the following interest rates (expressed in original currencies)				
'million	GBP	USD	EUR	Other (GBP)	All (GBP)
200bp down	(22 0)	0 5	0 9	0 2	(20 7)
200bp up	22 0	(0 5)	(0 9)	(0 2)	20 7

South Africa

	Sensitivity to the following interest rates (expressed in original currencies)					
'million	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bp down	(23 1)	6 3	7 5	(2 8)	1 8	97 0
200bp up	15 7	(6 5)	(6 2)	6 5	(1 4)	(56 0)

Australia

'million	AUD
200bp down	(5 91)
200bp up	5 91

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 in the normal course of business, without adversely affecting 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, APRA, and the Bank of Mauritius
- 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, to be implemented in 2015 and 2018
- The risk appetite is clearly defined by the board and 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 standpoint 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 collection 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 both domestic and offshore markets through the Central Treasury divisions
- The 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

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment Liquidity risk management encompasses the ongoing management of structural, tactical day-to-day and contingent stress liquidity

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 structural and term funding, resulting in strong balance sheet liquidity ratios 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 contingent event, we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions

We maintain a funding structure with stable private client deposits and long-term wholesale funding well in excess of illiquid assets We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency This validates 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 client risk assets We continue to develop products to attract and service the investment needs of our private client client base Although the

contractual repayments of many private client customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds Our Private Client division continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 3 6% from 1 April 2011 to £12 9 billion at 31 March 2012 We also have a number of innovative retail deposit initiatives within our Corporate Client division and these continued to experience strong inflows during the financial year On average our fixed and notice customer deposits have amounted to approximately 70% of total deposits since April 2006, thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business 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 The group remains committed to increasing its core deposits and accessing domestic and foreign corporate clients when appropriate 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

The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding Credit ratings are dependent on multiple factors including business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework

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 term 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 We do not rely on interbank deposits to fund term lending From 1 April 2011 to 31 March 2012 average cash and near cash balances over the period amounted to £10 billion (£3 5 billion in UK and Europe, R66 billion in South Africa and A$1 4 billion in Australia)

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

Each banking entity within the group maintains a contingency funding plan to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis The liquidity contingency plans outline extensive early warning indicators and clear and decisive crisis response strategies Early warning indicators span bank specific and systemic crises Rapid response strategies address action plans, 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

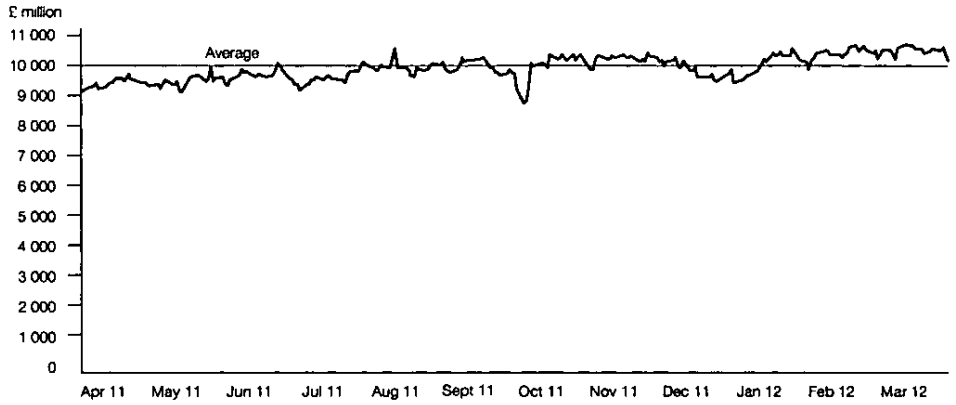
Group cash and near cash
^ up 10% to
£10 251 million

Investec plc cash and near cash
^ up 2% to
£4 576 million

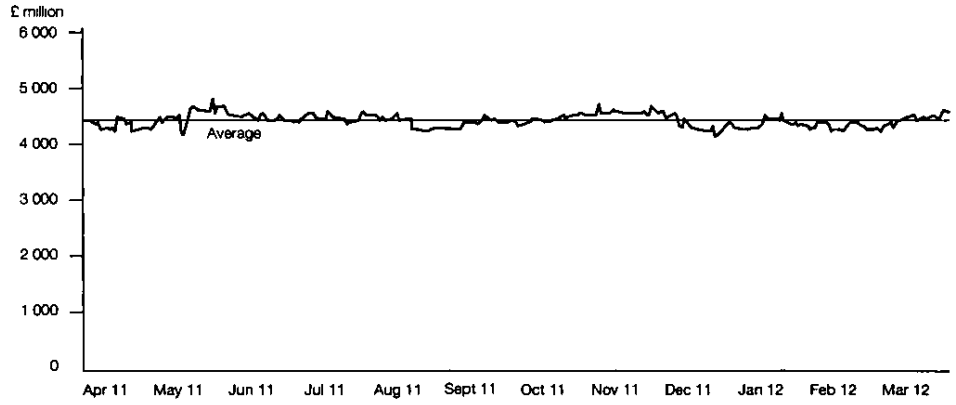
Investec Limited cash and near cash
^ up 31% to
R69 077 million

Average cash and near cash for the group
^ up to
£10 012 million

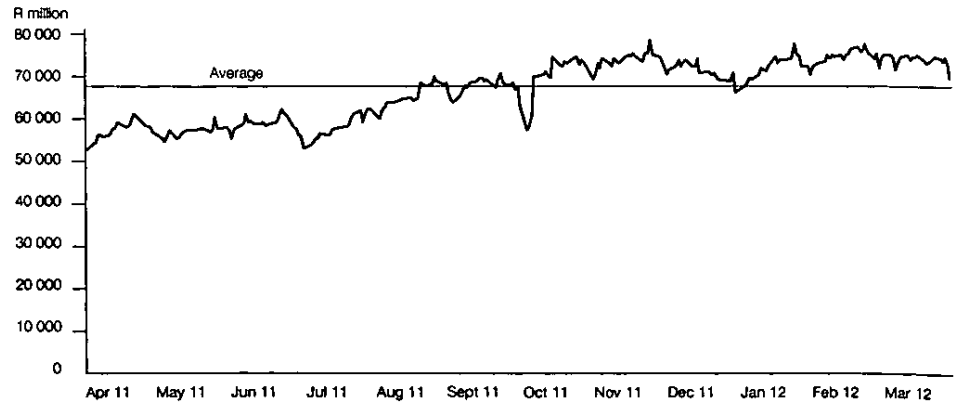
Total Investec group cash and near cash trend



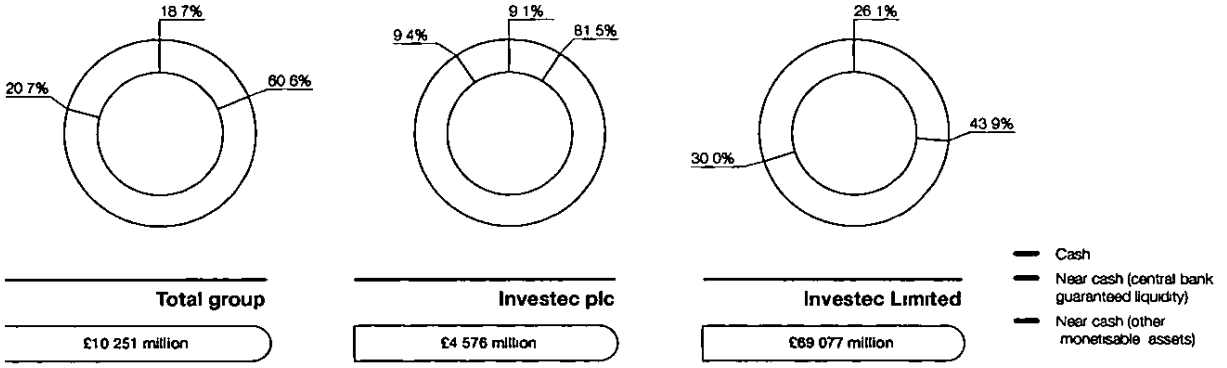
Investec plc cash and near cash trend



Investec Limited cash and near cash trend



An analysis of cash and near cash

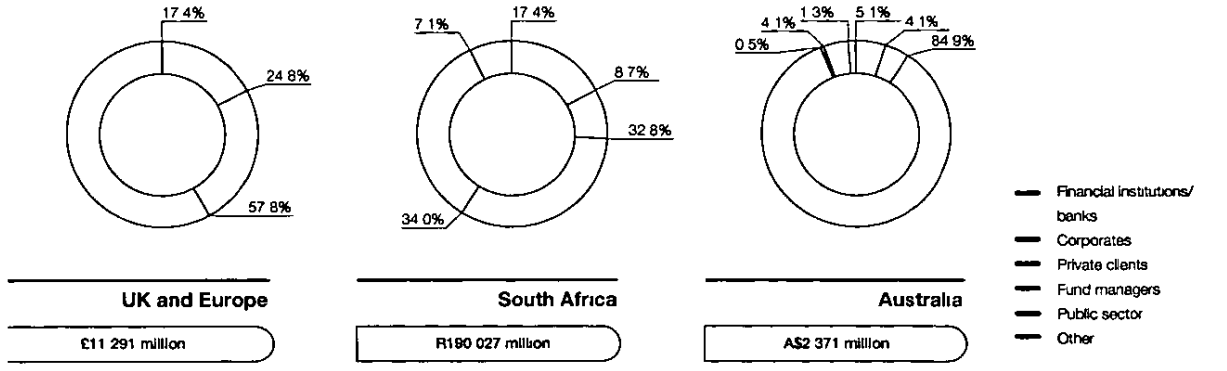


Total group
£10 251 million

Investec plc
£4 576 million

Investec Limited
£89 077 million

Bank and non-bank depositor concentration by type



UK and Europe
£11 291 million

South Africa
R180 027 million

Australia
A$2 371 million

Liquidity mismatch

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

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

The liquidity position of the group strengthened in 2012, and we continued to enjoy strong inflows of customer deposits whilst maintaining good access to wholesale markets despite the ongoing Eurozone crisis and underlying market conditions Our liquidity and funding profile reflects our strategy, risk appetite and business activities 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 assets 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 repo'ing or selling these securities, we have
  - Set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank
  - 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
  - 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' Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers 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 This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour 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 2012

£'million	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Cash and short-term funds – banks	2 317	314	10	–	2	–	–	2 643
Investment/trading assets	438	1 047	73	169	312	851	1 075	3 965
Securitised assets	429	1	1	1	2	29	2 499	2 962
Advances	6	305	456	732	871	2 936	3 270	8 576
Other assets	174	902	64	16	18	120	717	2 011
Assets	3 364	2 569	604	918	1 205	3 936	7 561	20 157
Deposits – banks	(259)	(132)	(351)	(159)	(30)	(656)	(245)	(1 832)
Deposits – non-banks	(849)^	(1 281)	(2 567)	(2 524)	(761)	(1 365)	(112)	(9 459)
Negotiable paper	(196)	(213)	(18)	(20)	(29)	(620)	(305)	(1 401)
Securitised liabilities	(258)	–	–	–	–	–	(2 103)	(2 361)
Investment/trading liabilities	(756)	(646)	(8)	(15)	(14)	(406)	(82)	(1 927)
Subordinated liabilities	–	–	–	–	–	(99)	(598)	(697)
Other liabilities	(213)	(687)	(74)	(33)	(94)	(76)	(92)	(1 269)
Liabilities	(2 531)	(2 959)	(3 018)	(2 751)	(928)	(3 222)	(3 537)	(18 946)
Intercompany loans	(30)	26	–	–	–	290	351	637
Shareholders' funds	–	–	–	–	–	–	(1 848)	(1 848)
Contractual liquidity gap	803	(364)	(2 414)	(1 833)	277	1 004	2 527	–
Cumulative liquidity gap	803	439	(1 975)	(3 808)	(3 531)	(2 527)	–	–

Behavioural liquidity (as discussed on page 158)

£'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	1 797	(520)	(1 042)	44	47	(2 459)	2 133	–
Cumulative	1 797	1 277	235	279	326	(2 133)	–	–

^ *The deposits shown in the demand column at 31 March 2012 reflect cash margin deposits held*

Southern Africa

Contractual liquidity as at 31 March 2012

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*	23 606	181	3 949	111	993	974	–	29 814
Cash and short-term funds – non-banks	7 885	–	–	–	–	–	–	7 885
Investment/trading assets and statutory liquids**	25 557	23 702	1 095	2 209	1 298	27 001	16 340	97 202
Securitised assets	976	31	99	167	281	1 607	4 677	7 838
Advances	3 772	5 286	9 229	9 005	13 954	51 558	30 486	123 290
Other assets	862	–	–	5	–	395	3 881	5 143
Assets	62 658	29 200	14 372	11 497	16 526	81 535	55 384	271 172
Deposits – banks	(2 315)	(1 089)	(926)	(293)	(93)	(9 217)	–	(13 933)
Deposits – non-banks	(60 282)^	(23 980)	(36 298)	(17 898)	(18 197)	(18 498)	(941)	(176 094)
Negotiable paper	(200)	(714)	(350)	(906)	(1 532)	(87)	(600)	(4 389)
Securitised liabilities	(32)	(842)	(195)	–	(1 130)	(4 332)	(217)	(6 748)
Investment/trading liabilities	(517)	(10 455)	(791)	(848)	(475)	(14 272)	(4 662)	(32 020)
Subordinated liabilities	–	(1 655)	–	–	(2 856)	(425)	(4 692)	(9 628)
Other liabilities	–	(618)	(236)	(271)	(671)	(296)	(4 026)	(6 118)
Liabilities	(63 346)	(39 353)	(38 796)	(20 216)	(24 954)	(47 127)	(15 138)	(248 930)
Shareholders' funds	–	–	–	–	–	–	(22 242)	(22 242)
Contractual liquidity gap	(688)	(10 153)	(24 424)	(8 719)	(8 428)	34 408	18 004	–
Cumulative liquidity gap	(688)	(10 841)	(35 265)	(43 984)	(52 412)	(18 004)	–	–

Note contractual liquidity adjustments (as discussed on page 158)

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	18 896	181	3 949	111	993	974	4 710	29 814
**Investment/trading assets and statutory liquids	291	12 781	9 190	15 622	10 624	28 580	20 114	97 202

Behavioural liquidity (as discussed on page 158)

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	33 488	(3 444)	4 665	4 164	3 022	(76 269)	34 374	–
Cumulative	33 488	30 044	34 709	38 873	41 895	(34 374)	–	–

^ *Includes call deposits of R56 6 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity*

Australia

Contractual liquidity as at 31 March 2012

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	383	–	–	–	–	–	–	383
Investment/trading assets*	1 139	12	25	6	8	64	56	1 310
Securitised assets	2	29	73	79	171	461	10	825
Advances**	17	104	139	324	434	1 012	149	2 179
Other assets	–	5	27	36	81	53	332	534
Assets	1 541	150	264	445	694	1 590	547	5 231
Deposits – non-banks	(435)^	(279)	(842)	(544)	(106)	(153)	(12)	(2 371)
Negotiable paper	–	(26)	(176)	(10)	(14)	(972)	–	(1 198)
Securitised liabilities	(2)	(27)	(69)	(344)	(371)	–	–	(813)
Subordinated liabilities	–	–	–	–	–	(71)	–	(71)
Other liabilities	–	(2)	(12)	(18)	(52)	(28)	(69)	(181)
Liabilities	(437)	(334)	(1 099)	(916)	(543)	(1 224)	(81)	(4 634)
Intercompany loans	–	–	–	–	–	–	–	–
Shareholders' funds	–	–	–	–	–	–	(597)	(597)
Contractual liquidity gap	1 104	(184)	(835)	(471)	151	366	(131)	–
Cumulative liquidity gap	1 104	920	85	(386)	(235)	131	–	–

Note contractual liquidity adjustments (as discussed on page 158)

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	–	280	135	62	137	814	118	1 546
**Advances	207	98	127	289	364	945	149	2 179

Behavioural liquidity (as discussed on page 158)

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	1 476	(245)	(841)	(644)	28	358	(132)	–
Cumulative	1 476	1 231	390	(254)	(226)	132	–	–

^ *Includes call deposits of A$414 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity*

Balance sheet risk year in review

UK and Europe

The official UK Bank rate remained at 0 5% during the period under review, marking three years of record low rates The MPC fended off some calls for a rate increase over spring 2011 while inflation was rising (CPI inflation eventually hit 5 2% in September), before signs of a slowdown in the economy and a tightening in credit conditions resulted in the committee sanctioning further Quantitative Easing (QE) in October Originally the MPC voted to add a further £75 billion of asset purchases to take the target to £275 billion, but raised the QE target by another £50 billion in February to £325 billion In what was a choppy year due to factors such as the weather and an extra Bank holiday for the Royal Wedding, the British economy shrank by 0 3% in the final quarter of calendar year 2011, but the general expectation is for a modest rebound in Q1 2012 The UK's long-term sovereign credit rating remains AAA according to all the main ratings agencies, but both Moody's and Fitch placed Britain on a negative outlook However there has not been a perceptible market reaction to this news

Signs of firm economic growth in Europe for much of the beginning of the financial year resulted in the ECB raising its main refinancing rate by 25bps in both April and July 2011, to 1 5% However these hikes were reversed in November and December as the economic outlook began to deteriorate rapidly At the end of March 2012 the refinance rate stood at 1 0% As the Eurozone debt crisis continued, Portugal needed to be bailed out in May 2011, joining Greece and Ireland Concerns over the vulnerability of various peripheral Euro area sovereign markets, especially Italy and Spain, plus the possible knock-on effects on the Eurozone banking system, triggered a major tightening in credit conditions from June 2011 onwards To help to get the flow of credit moving again, and to help banks refinance an estimated €240 billion of liability maturities in the first three months of 2012, the ECB held two three-year Longer-Term Refinancing Operations (LTROs), whose combined take-up exceeded €1 trillion Indeed at the end of March the Eurosystem had over €750 billion of excess liquidity In addition, a second Greek bailout helped to ease fears of an uncontrolled default by the Hellenic Republic, despite a 53 5% nominal haircut being enforced through a bond swap Also the Euro area authorities gave the go ahead to run the two rescue facilities, the EFSF and its replacement the ESM, in tandem, thereby raising Europe's bailout capacity by €200 billion to €700 billion From the end of 2012 there were some signs that the Euro area economy could have begun to stabilise and by the end of the period, key yields and capital market spreads had come down sharply

The Eurozone banks were most impacted, with US money funds refusing to place funds with them even on a short-term basis With the announcement of the provision of USD swap lines between the Fed and the ECB as well as the announcement by the new ECB President of the three year LTRO to be held in December, panic subsided €489 billion Euros were provided in the first LTRO and an additional €530 billion were provided in February 2012 Appetite for risk assets, especially those with maturities shorter than the maturity date of the LTRO, increased dramatically Various 'liquidity risk' indicators reversed their impending doom direction and markets have acquired a faintly optimistic tone Greece did default in an orderly way but there are still questions about the ability and willingness of the Eurozone to provide the backstop facilities to ensure Spain, Portugal or Italy do not provide a new focus for sovereign risk fears

The bank entered the year with a healthy surplus liquidity position which was managed down over the course of the year In December the bank re-entered the mass retail funding market with two new notice products and attractive rates on term fixed rate products The bank also improved the payoff profiles for its structured deposit offering Both actions have seen a healthy in-flow of retail funds No wholesale funding transactions were entered into over the course of the year as retail continued to provide the funds necessary for the business Cash and near cash balances as at 31 March 2012 amounted to £3 6 billion (2011 £3 5 billion) with total customer deposits increasing by 7 4% during the year to £9 5 billion

South Africa

The financial year was characterised by no official change in interest rates, despite the fact that inflation exceeded the target at the end of the third quarter However, the yield curve fluctuated markedly around the short end anchor point as firstly fears of rates cuts surfaced in the first half of the year and then speculation on a possible rate hike surfaced in the latter part of the year The monetary authorities indicated that inflation would remain out of the target range for a significant period, but concern over global weakness and possible recession on the back of the European bank and credit crisis stayed their hand 2011 saw borrowing costs for debt stressed Euro sovereigns spiral to new highs in November on the spike in risk aversion, driving global money market rates up and the rand weaker The Rand was also very volatile, ending the year weaker than it started, although it depreciated by double this to R8 57 USD (R13 31 GBP) in November

The high level of liquidity in global markets on the back of Central Banks' action, including the quantitative easing in the UK and the ECB provision of unlimited three year loans, has driven demand for both SA's bonds and emerging market assets in general, with the result that the Rand has ended the financial year close to fair value (currently estimated around R7 67 USD)

One over-riding constant though was a continual upward pressure on longer-term spreads to the three-month JIBAR benchmark as banks competed to lengthen their deposit books in the face of a marked drop in the appetite for longer duration assets from Money Market funds in particular

Investec continued to build its cash resources over the course of the year as general fund raising activities more than exceeded a slight uptick in lending activities The bank continued to benefit from a growing retail franchise with total customer deposits increasing by 14% from 1 April 2011 to R176 1 billion at 31 March 2012 Cash and near cash balances increased by 31 3% from 1 April 2011 to R69 1 billion at 31 March 2012 Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues (refer to pages 348 to 351) Syndicated loan deals in Europe and the Far East and other structured transactions raised about USD1 75 billion longer-term funds

Our major focus along with other major South African banks has been a desire to reshape the nature of our deposit books towards more retail and longer-term funds in order to meet the new Basel III liquidity guidelines that will be implemented in 2015 We anticipate no problems in meeting the new regulations in time, however, the impact on overall margins will be negative in the short to medium term

Australia

The Australian economy has remained one of the strongest advanced economies in the world, supported by the connection to Asia with the trade surplus up 1 5% of GDP The Australian Dollar exhibited periods of extreme strength from time to time, exceeding the USD1 10 level for a while in July, but closed the 2011/12 financial year at USD1 0350 The unemployment rate has remained subdued at 5 3% albeit some signs of softness in employment growth occurred through the year and significant shifts in structural demand have been evident arising from the demand in the mining sector but weakness in retail trade Inflation remains contained with the underlying rate remaining in the middle of the Reserve Bank of Australia's 2% – 3% target band Public finances are in a positive condition relative to most Western governments, with Australian Commonwealth Government net debt peaking at around 9% of GDP Credit growth, particularly at the consumer end, remains weak and the household savings ratio remains strongly positive, in part reflecting a continued cautionary approach by consumers, reflecting sensitivity to the economic headlines relating to European sovereign risk that dominated the second half of 2011 The Australian banking system has strengthened liquidity, as a result of the weak demand for credit and higher savings ratio, along with the new legislative support for covered bonds adding a new instrument for access to term debt funding As expected, the government also reviewed the threshold level for its retail deposit guarantee, and adjusted the level from $1 million (initially set in October 2008 in response to the global financial crisis) to A$250 000 on a continuing basis In response to the evolving environment the Reserve Bank of Australia reduced interest rates in the second half of the year with two reductions of 0 25% each to take the cash rate from 4 75% to 4 25%

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 4 billion Total customer deposits increased by 7 2% from 1 April 2011 to A$2 4 billion at 31 March 2012

Investec group

We successfully embarked on several term debt funding initiatives, accessing domestic and foreign corporate clients when appropriate, 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
  - We issued €75 million of senior bank debt with a term of 18 months
- Investec Bank plc
  - We issued a further tranche of £75 million of subordinated debt maturing February 2022
- Investec Bank (Australia) Limited (IBAL)
  - Undertook a further term securitisation of A$215 million Professional Finance assets from the Impala securitisation vehicle
  - IBAL bought back $125 million of previously issued government guaranteed term debt
- Investec Bank Limited (IBL)
  - We issued 10 year subordinated debt totalling R3 0 billion over the course of the year
  - We issued medium-term 3 5 and 10 year notes totalling R2 8 billion over the course of the year
  - We raised 1 2 billion USD equivalent multicurrency syndicated loan for 24 months to boost our foreign currency cash reserves

Regulatory considerations – balance sheet risk

Regulators are proposing to both strengthen and harmonise global liquidity standards and to ensure a strong financial sector and global economy We believe that we are well positioned for the proposed regulatory reform as we have reduced risk and maintained strong capital, funding and liquidity

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

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and monitoring the enhanced regulatory framework to be established 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 reshape our liquidity and funding profile where necessary, as we move towards the compliance timeline

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks whilst the regulatory developments could result in additional costs

We have been an active participant in regulatory and industry forums to promote best practice standards on liquidity management

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.

Two key liquidity measures as defined are

Liquidity coverage ratio (LCR)

This ratio is designed to promote short-term resilience of one 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

Both the LCR and the NSFR will be subject to an observation period and will include a review clause to address any unintended consequences 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

UK

In December the FSA conducted its Supervisory Liquidity Review Process (SLRP) for the bank This was followed up by its Individual Liquidity Guidance letter in February 2012

The UK is committed to implementing the BCBS guidelines for liquidity risk measurement Our UK operation currently meets both the new liquidity ratios (LCR and NSFR)

The UK government's recent announcement on regulatory reform, particularly the Independent Commission on Banking, implies considerable change might lie ahead for the banking industry Our UK business continues to engage with the regulators to establish the potential implications for the bank

Investec plc currently meets both the new liquidity ratios (LCR and NSFR)

South Africa

South Africa is also committed to implementing the BCBS guidelines for liquidity risk measurement, by the due dates of 2015 and 2018

Investec is involved in the process in the following ways

- Collectively via the Banking Association of South Africa and their task groups
- Direct bilateral consultation with SARB and SARB task teams
- As part of the Quantitative Impact Study by BCBS via SARB
- As part of National Treasury Structural Funding and Liquidity Risk task team

The banking industry in South Africa will find it difficult to meet the new ratios (LCR and NSFR) as a result of the shortcomings and constraints in the South African environment The banking sector in South Africa is characterised by certain structural features such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services The proposed liquidity measures have the potential to impact growth and job creation in the economy In recognition thereof, the Finance Minister instituted a Structural Funding and Liquidity task team to investigate the constraints in the South African market and make recommendations to address these limitations

The SARB issued the first draft for the proposed changes to implement the new liquidity framework in early April 2012 and it is expected to be finalised early in 2013

The regulator has issued Guidance note 5 – 2012, following the BCBS guideline for 'Treatment of jurisdictions with insufficient liquid assets', which makes provisions for 'contractual committed liquidity facilities from the relevant central bank, with a fee' where a jurisdiction has an insufficient supply of Level 1 assets in their domestic currency to meet the aggregate demand of banks with significant exposures in this currency

Australia

The Australian regulatory environment has progressed, as expected, towards full introduction of Basel III standards through the release by APRA of discussion papers, draft standards and certain new laws passed by the Federal Parliament

In respect of Liquidity, APRA released a Discussion Paper titled 'Implementing Basel III Liquidity Reforms in Australia' and a 'Draft Prudential Standard APS 210 Liquidity' APRA proposes to apply the qualitative liquidity requirements of Basel III upon the release of the final APS 210 (expected in mid to late 2012), and the quantitative liquidity requirements for 'larger' ADIs in line with the Basel III minimums and timeframes with only minor modification relating to the national discretion provided under Basel III where clarification is required for Australian circumstances The most notable modification being the potential allowance of a secured committed liquidity facility with the Reserve Bank of Australia as a mechanism for ADIs to cover any shortfall in Australian Dollars between the ADIs liquidity needs at its holding of HQLA (High Quality Liquid Assets) due to the insufficient supply of HQLA in Australia

As part of the evolution of these reforms, the Federal government passed legislation enabling the issuance of Covered Bonds by Australian Banks, and the Federal government reviewed and modified its guarantee regime for retail deposits (the Financial Claims Scheme), confirming the commitment to the scheme and lowering the coverage level from the A$1 million threshold, set in October 2008 in response to the global financial crisis, to a ongoing new threshold of A$250 000

Investec Australia currently meets both the new liquidity ratios (LCR and NSFR)

Operational risk

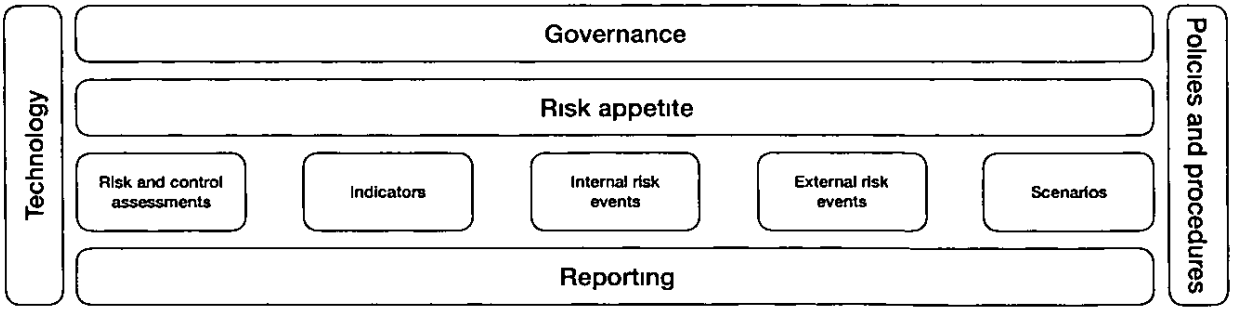
Operational risk is defined as the risk of loss or earnings volatility arising from inadequate or failed internal processes, people and systems, or from external events Loss is not limited to financial consequences, but may affect business objectives, customer service and regulatory responsibilities

We recognise that there is a significant risk inherent in the operations of a bank We therefore endeavour to manage exposures and events, through the promotion of sound operational risk management practices, to an acceptable level This is done taking the cost and benefits of mitigation into account

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

Operational risk management framework

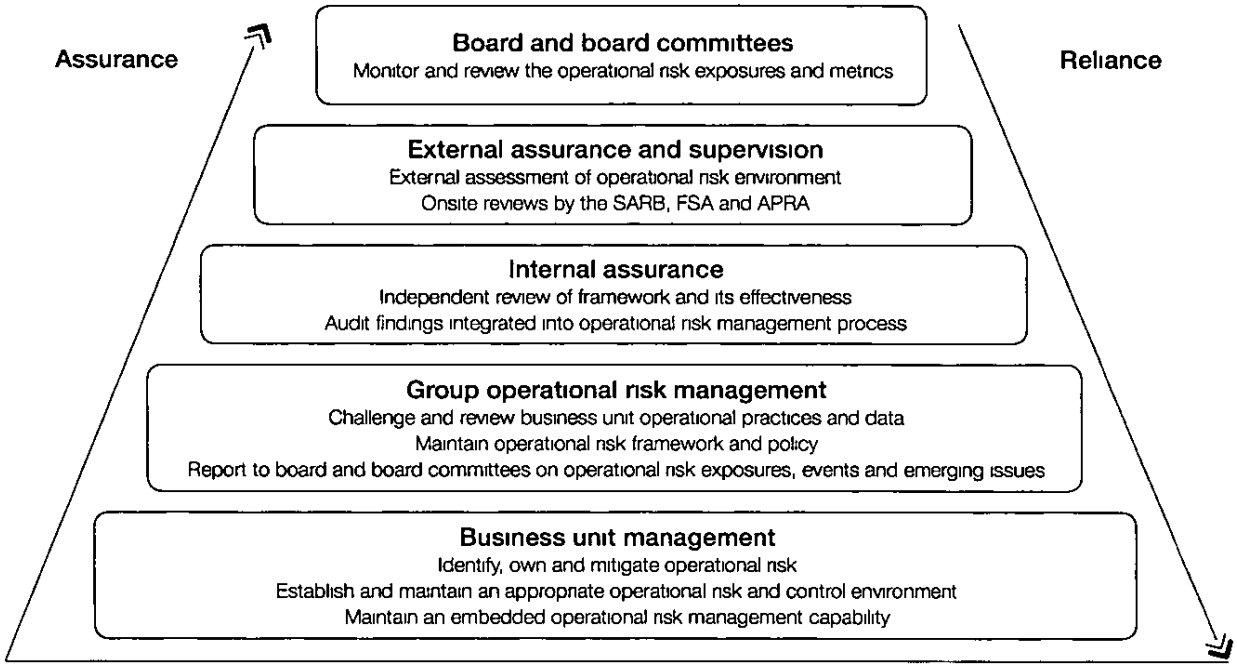
The objective of the framework is to set out a structured and efficient approach to manage operational risk and thereby improve business performance and comply with regulatory requirements



Risk management (continued)

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



At a group level policies and practices have been established by group Operational Risk Management to ensure that operational risk is managed in an appropriate and consistent manner

Operational risk at the business unit level is managed by embedded risk managers (ERMs) Significant risk exposures and events are subject to action and escalation by ERMs in terms of the Operational Risk Appetite policy This policy sets out the operational risk exposure that the group is willing to accept or retain

Operational risk practices

The following practices are key to the management of operational risk as described below

Practice	Activity
Risk and control assessment	• Qualitative assessment to identify key risks and controls • Allows for improvement of ineffective controls and risk management decisions through an enhanced understanding of the operational risk profile
Risk indicators	• Monitoring of risk exposures • Assists in predictive capability through provision of early warning signs
Internal risk events	• An incident, event or loss resulting from failed processes, people and systems or external events • A causal analysis is performed to link the event and consequence to risks and controls • Enables business to identify and correct control weakness
External risk events	• Collected from selected public sources and analysed in a similar manner to internal risk events • Analysis allows for improvement of the control environment through the awareness of possible risks
Scenarios	• Extreme, unexpected but plausible loss events not yet experienced for which the financial and non-financial impacts are evaluated • Used to measure the exposure arising from key risks, which is considered in determining internal operational risk capital requirements

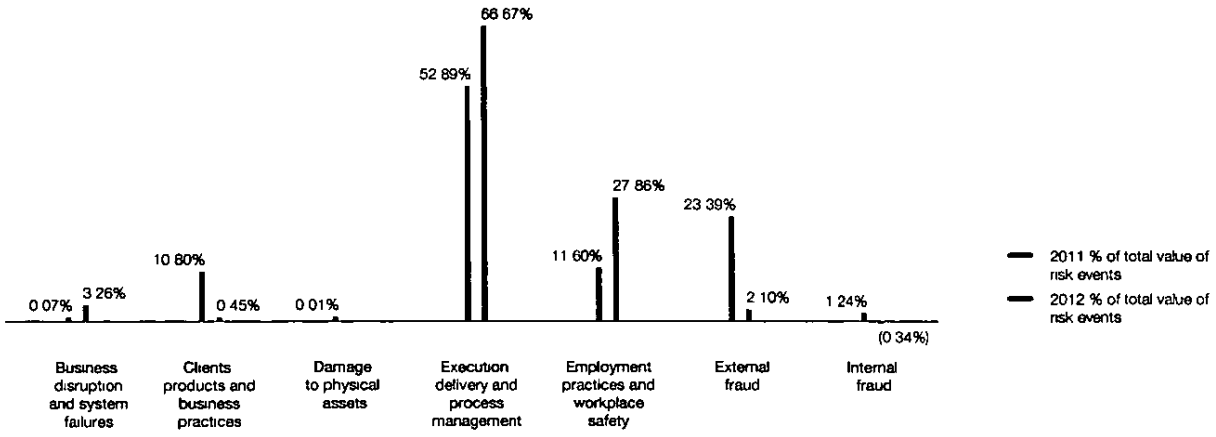
Practice	Activity
Reporting	• Group operational risk management reports to the board, BRCC and audit committee on a regular basis • Purpose is to ensure that risk exposures are understood at all levels throughout the group and key risks are appropriately escalated and managed on a timely basis
Technology	• An infrastructure supports practices through capture, assessment and linking of operational risks and related data

The practices which form part of the operational risk management framework, as described above, are monitored on an ongoing basis by group Operational Risk Management and the ERMs These components are integrated to inform each other, enabling more efficient monitoring of operational risk data integrity, compliance with the policies and practices, and the operational risk profile across the group

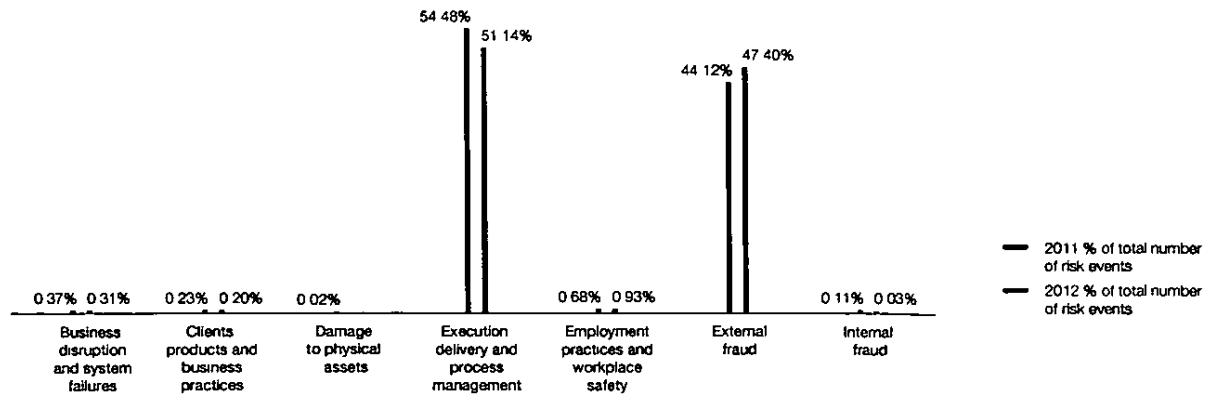
Group operational risk profile

The figures below represent the distribution of the value and number of risk events across the Basel 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 increase in value of execution, delivery and process management events is primarily due to a small number of isolated events with a larger impact

Employment practices and workplace safety represent losses associated with the resolution of employment issues The increase in value is primarily due to changes in the external market conditions

The controls in place to mitigate both of these risk event types are considered and continually improved

External fraud includes credit card fraud In line with market trends, the number of events relating to external fraud has increased within the group, consequently a continual focus on initiatives to improve, detect, prevent and mitigate credit card fraud has limited the financial loss

Key operational risk considerations

The following risks, which may result in reduction of earnings and/or loss of value should they materialise, are a key focus of the group

Financial crime

Financial crime is the risk of loss due to, but not limited to, fraud, forgery, theft and corruption It also includes the execution of trades which have not been appropriately authorised It is identified, assessed, monitored and measured to ensure that the risk of loss is understood, managed and mitigated

Financial crime is mitigated as follows

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

Senior management is responsible for implementing appropriate financial crime risk mitigation and control practices Group Forensic Risk management provides and maintains the framework, policies, practices and monitoring to promote sound risk management practices and provide investigative support

Regulatory and compliance risk

Regulatory and compliance risk relates to the failure to comply with applicable laws, regulation or codes

It has become increasingly significant due to the extent and complexity of laws and regulations with which the group is expected to comply Group Compliance and Group Legal assist in the management of this risk through the identification and adherence to legal and regulatory requirements to which the group is or will become subject

Information security risk

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

Process management risk

This risk of loss arises due to failed process management Losses in this area are continually mitigated through careful consideration of control effectiveness

Developments

During the year under review the operational risk management function revisited the operational risk governance structure to ensure alignment with sound practices, other risk disciplines and changes within the group structure Output from other assurance activities has also been integrated to enhance the operational risk management process

Enhancement of the risk and control environment remains a key area of focus through the constant development of the operational risk management framework as practices are advanced This is also achieved through an increase in industry interaction, which creates awareness of best practice

The group also monitors regulatory developments and actively engages 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 ensures that there is an exchange of information in order to enhance the mitigation of operational risks

Business continuity management

The group maintains a global business continuity management capability which incorporates an appropriate level of resilience into the bank's operations to minimise the risk of severe operational disruptions occurring

In the event of a major disruption, an incident management framework will be used to manage the disruption Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site(s) Dedicated resources ensure all governance processes are in place with business and technology teams responsible for activating and managing the recovery process

The group conducts regular exercises and testing of recovery procedures to ensure that its recovery capability remains appropriate

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 advisers Further information is provided on pages 345 to 347

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 1 capital ratio of 11% and a total capital adequacy ratio range of 15% to 18%, 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

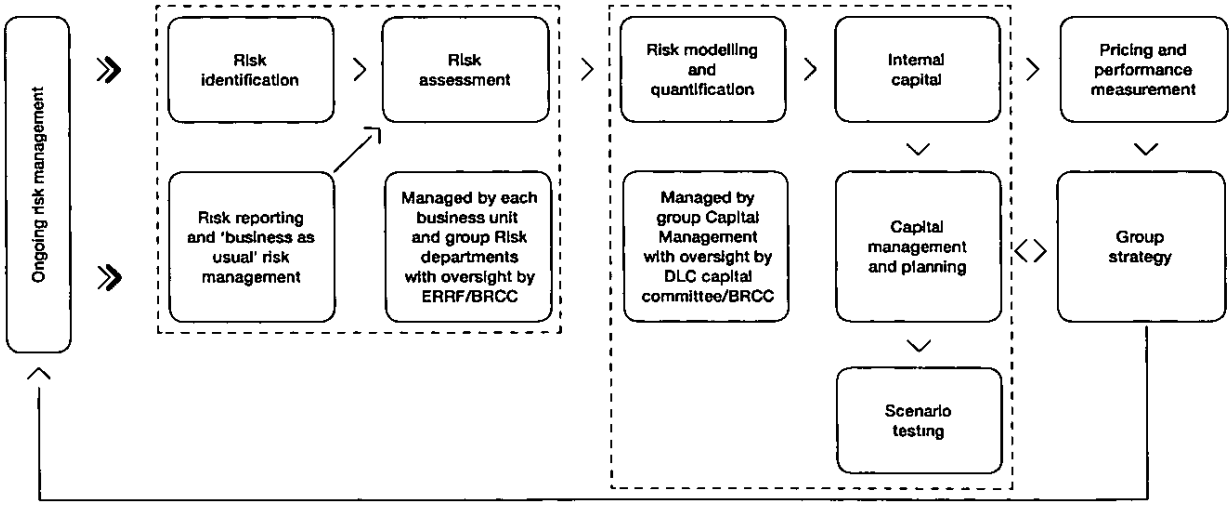
Internal capital performs a critical role in

- 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 tracking 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

Risk management (continued)

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 the 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

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.

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 50 to 52

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 page 202

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 Client and Corporate Client)
  - 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 coordinates, 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 identifies, assesses and quantifies 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 the 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

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 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

Risk management (continued)

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		
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 Financial Regulator of Ireland	100%	Yes		Ireland	Subject to regulatory rules
NUA Mortgages Limited	The Financial Regulator of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Start Mortgages Limited	The Financial Regulator of Ireland	100%	Yes		Ireland	Subject to regulatory rules
Investec Wealth & Investment Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Investec Wealth & Investment Trustees Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Hargreave Hale Limited	FSA	35%	Proportionately consolidated		UK	Subject to regulatory rules
Evolution Securities Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Darwin Strategic Limited	FSA	52%	Yes		UK	Subject to regulatory rules
Williams de Broe Limited	FSA	100%	Yes		UK	Subject to regulatory rules
WDB Asset Management Limited	FSA	100%	Yes		UK	Subject to regulatory rules
WDB Private Investment Management Limited	FSA	100%	Yes		UK	Subject to regulatory rules
Asset Management						
Investec Asset Management Limited	FSA, Australian Securities Investment Commission, Securities and Exchange 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 Limited	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

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		
Asset Management (continued)						
Investec Asset Management Ireland Limited	The Financial Regulator 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 Limited	Australian Securities and Investment Commission	100%	Yes		Australia	Subject to regulatory rules
Investec Africa Frontier Private Equity fund GP Limited	Guernsey Financial Services Commission	100%	Yes		Guernsey	Subject to regulatory rules
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 Ireland Limited		100%	Yes		Ireland	None
Investec Trust Holdings AG		100%	Yes		Switzerland	None
Kensington Group plc		100%	Yes		UK	None
Kensington Mortgages Limited		100%	Yes		UK	None
Newbury Park Mortgage Funding Limited		100%	Yes		UK	None
St James's Park Mortgage Funding Limited		100%	Yes		UK	None
Investec Experien Pty Limited		100%	Yes		Australia	None
Guinness Mahon & Co Limited		100%	Yes		UK	None
Evolution Group plc		100%	Yes		UK	None

Investec Limited

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 Limited group
			Fully consolidated	Entities that are given a deduction treatment		
Bank controlling company						
Investec Limited	SARB	100%	Yes		SA	None
Regulated subsidiaries banking and securities trading						
Investec Bank Limited	SARB	100%	Yes		SA	None

Risk management (continued)

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 Limited group
			Fully consolidated	Entities that are given a deduction treatment		
Regulated subsidiaries banking and securities trading (continued)						
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) Limited		100%	Yes		SA	None
Investec Asset Management (Pty) Limited	FSB/SAFEX	100%	Yes		SA	None
Investec Fund Managers SA (RF) (Pty) Limited	FSB/SAFEX	100%	Yes		SA	None
Insurance						
Investec Employee Benefits Holdings (Pty) Limited	FSB	100%	Deconsolidated		SA	None
Investec Employee Benefits Limited	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) Limited		100%	Yes		SA	None
Investpref Limited		100%	Yes		SA	None
KWJ Investments (Pty) Limited		100%	Yes		SA	None
Securities Equities (Pty) Limited		100%	Yes		SA	None
Sechold Finance Services (Pty) Limited		100%	Yes		SA	None
Investec Personal Financial Services (Pty) Limited		100%	Yes		SA	None
Fedsure International Limited		100%	Yes		SA	None
Investec Share Plan Services (Pty) Limited		100%	Yes		SA	None
Investec International Holdings (Gibraltar) Limited		100%	Yes		Gibraltar	None
World Axis Management (Pty) Limited		100%	Yes		SA	None
Investec Group Data (Pty) Limited		100%	Yes		SA	None
Fuzztique (Pty) Limited		100%	Yes		SA	None
Investec Property Group Holdings (Pty) Limited		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 management and allocation

Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 351 to 353

	Investec plc £'million	IBP* £'million	IBAL* A$'million	Investec Limited R'million	IBL* R'million
As at 31 March 2012					
Regulatory capital					
Tier 1					
Called up share capital	–	1 071	292	–	29
Share premium	1 108	129	–	10 887	13 527
Retained income	465	328	297	12 532	7 807
Treasury shares	(42)	–	–	(825)	–
Other reserves	426	194	(7)	143	6
Non-controlling interest in subsidiaries	164	(2)	–	–	–
Goodwill and intangible assets	(605)	(379)	(90)	(266)	(96)
Primary capital (tier 1)	1 516	1 341	492	22 471	21 273
Less deductions	(23)	(22)	(58)	(248)	(248)
	1 493	1 319	434	22 223	21 025
Tier 2 capital					
Aggregate amount	809	649	98	8 915	8 915
Less deductions	(23)	(22)	(7)	(248)	(248)
	786	627	91	8 667	8 667
Other deductions from tier 1 and tier 2	(31)	(26)	–	–	–
Total capital	2 248	1 920	525	30 890	29 692
As at 31 March 2011					
Regulatory capital					
Tier 1					
Called up share capital	–	1 026	292	–	27
Share premium	1 059	105	–	10 719	11 845
Retained income	491	314	364	10 903	7 067
Treasury shares	(11)	–	–	(807)	–
Other reserves	278	196	(5)	389	250
Minority interests in subsidiaries	170	(7)	–	–	–
Goodwill and intangible assets	(542)	(381)	(90)	(314)	(108)
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

* *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 management and allocation (continued)

Capital requirements

	Investec plc £'million	IBP* £'million	IBAL* A$'million	Investec Limited Rmillion	IBL* R'million
As at 31 March 2012					
Capital requirements	1 026	915	389	18 276	17 504
Credit risk – prescribed standardised exposure classes	792	731	328	13 201	13 081
Corporates	233	226	256	7 881	7 773
Secured on real estate property	247	239	4	1 246	1 246
Counterparty risk on trading positions	21	21	7	498	498
Short-term claims on institutions and corporates	24	28	2	2 041	2 033
Retail	76	76	9	314	314
Institutions	14	14	14	1 125	1 125
Other exposure classes	177	127	36	96	92
Securitisation exposures	22	22	–	382	382
Equity risk – standardised approach	26	26	9	2 428	2 376
Listed equities	2	2	2	281	229
Unlisted equities	24	24	7	2 147	2 147
Market risk – portfolios subject to internal models approach	56	53	2	463	421
Interest rate	16	16	2	125	125
Foreign exchange	16	13	–	120	120
Commodities	–	–	–	2	2
Equities	24	24	–	216	174
Operational risk – standardised approach	130	83	50	1 802	1 244
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

* *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 adequacy

As at 31 March 2012	Investec plc £'million	IBP* £'million	IBAL* A$'million	Investec Limited R'million	IBL* R'million
Primary capital (tier 1)	1 516	1 341	492	22 471	21 273
Less deductions	(23)	(22)	(58)	(248)	(248)
	1 493	1 319	434	22 223	21 025
Tier 2 capital					
Aggregate amount	809	649	98	8 915	8 915
Less deductions	(23)	(22)	(7)	(248)	(248)
	786	627	91	8 667	8 667
Other deductions from tier 1 and tier 2	(31)	(26)	–	–	–
Total capital	2 248	1 920	525	30 890	29 692
Risk-weighted assets (banking and trading)	12 827	11 421	2 983	192 376	184 253
Credit risk – prescribed standardised exposure classes	9 910	9 130	2 516	138 965	137 704
Corporates	2 909	2 819	1 971	82 961	81 824
Secured on real estate property	3 093	2 983	32	13 117	13 117
Counterparty risk on trading positions	268	264	43	5 245	5 245
Short-term claims on institutions and corporates	301	355	13	21 489	21 401
Retail	950	950	68	3 301	3 301
Institutions	176	176	109	11 846	11 846
Other exposure classes	2 213	1 583	280	1 006	970
Securitisation exposures	274	274	–	4 017	4 017
Equity risk – standardised approach	325	321	68	25 558	25 011
Listed equities	26	25	16	2 954	2 407
Unlisted equities	299	296	52	22 604	22 604
Market risk – portfolios subject to internal models approach	695	659	16	4 867	4 424
Interest rate	200	200	14	1 314	1 314
Foreign exchange	195	159	–	1 266	1 266
Commodities	1	1	2	17	17
Equities	299	299	–	2 270	1 827
Operational risk – standardised approach	1 623	1 037	383	18 969	13 097
Capital adequacy ratio	17 5%	16 8%	17 6%	16 1%	16 1%
Tier 1 ratio	11 6%	11 5%	14 6%	11 6%	11 4%

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Capital management and allocation (continued)

Capital adequacy (continued)

As at 31 March 2011	Investec plc £'million	IBP* £'million	IBAL* A$'million	Investec Limited R'million	IBL* R'million
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%

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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 2012 Exposure £'million	31 March 2012 Exposure after credit risk mitigation £'million	31 March 2011 Exposure £'million	31 March 2011 Exposure after credit risk mitigation £'million
Central banks and sovereigns					
1	0%	3 831	3 831	2 539	2 486
2	20%	–	–	–	–
3	50%	–	–	–	–
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	196	196	804	804
2	50%	262	262	168	168
3	50%	3	3	5	4
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short-term claims on institutions					
1	20%	167	167	546	467
2	20%	572	411	151	151
3	20%	13	13	392	276
4	50%	6	6	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Counterparty credit risk – effective original maturity of more than three months					
1	20%	302	214	392	368
2	50%	132	106	77	51
3	50%	579	15	–	–
4	100%	1	1	1	1
5	100%	–	–	–	–
6	150%	–	–	–	–
Counterparty credit risk – effective original maturity of less than three months					
1	20%	874	183	1 072	69
2	50%	384	167	189	49
3	50%	72	19	159	12
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	92	92	128	128
2	50%	17	17	7	7
3	100%	16	16	171	171
4	100%	15	15	17	17
5	150%	14	14	14	14
6	150%				
Securitisation positions					
1	20%	163	163	196	196
2	50%	90	90	78	78
3	100%	36	36	41	41
4	350%	13	13	13	15
5	1 250%	29	29	47	47
Re-securitisation positions					
1	40%	165	165	–	–
2	100%	16	16	–	–
3	225%	11	11	–	–
4	650%	1	1	–	–
5	1 250%	16	16	–	–
Total rated counterparty exposure		8 088	6 288	7 207	5 620

Analysis of rated counterparties in each standardised credit exposure class (continued)

Investec Limited

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

		31 March 2012		31 March 2011	
Credit quality step	Risk weight	Exposure R'million	Exposure after credit risk mitigation R'million	Exposure R'million	Exposure after credit risk mitigation R'million
Central banks and sovereigns					
1	0%	38 679	38 679	35 074	35 074
2	20%	–	–	–	–
3	50%	29	29	46	46
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Institutions original effective maturity of more than three months					
1	20%	2 450	2 308	2 993	2 993
2	50%	15 901	12 239	9 088	9 088
3	50%	10 185	10 171	6 540	6 384
4	100%	–	–	–	–
5	100%	–	–	–	–
6	150%	–	–	–	–
Short term claims on institutions					
1	20%	841	841	1 375	1 375
2	20%	12 324	12 324	743	743
3	20%	1 745	1 745	2 038	783
4	50%	–	–	–	–
5	50%	–	–	–	–
6	150%	–	–	–	–
Corporates					
1	20%	1 052	620	188	188
2	50%	149	149	57	57
3	100%	142	142	330	262
4	100%	125	125	116	116
5	150%	–	–	–	–
6	150%	–	–	55	55
Securitisation positions					
1	20%	1 332	1 332	2 017	2 017
2	50%	2 691	2 691	1 963	1 963
3	100%	980	980	1 150	1 150
4	350%	286	286	600	600
5	1 250%	496	496	583	583
Total rated counterparty exposure		89 407	85 157	64 956	63 477

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 2012 are as follows

Rating agency		Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited	Investec plc	Investec Bank plc – a subsidiary of Investec plc	Investec Bank (Australia) Limited – a subsidiary of Investec Bank plc
Fitch	Long term ratings					
	Foreign Currency	BBB	BBB		BBB-	BBB-
	National		A+(zaf)			
	Short term rating					
	Foreign Currency	F3	F3		F3	F3
	National		F1 (zaf)			
	Viability rating	bbb	bbb		bbb-	
	Support rating	5	2		5	3
Moody's	Long term deposit ratings					
	Foreign Currency		A3	Ba1	Baa3	Ba1
	National		Aa3 (za)			
	Short term deposit rating					
	Foreign Currency		Prime-2	Non-prime	Prime-3	Non-prime
	National		P1 (za)			
	Bank financial strength rating		C-		D+	D
Global Credit Ratings	Local currency					
	Short-term rating		A1+(za)		A2	
	Long-term rating		AA-(za)		BBB+	

Internal audit

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.

Internal audit activity is governed by an internal audit charter which is approved by the group audit committees and is 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 heads of internal audit are responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged to maximise efficiency For administrative purposes the heads of internal audit also report to the global head of corporate governance and compliance The 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 An update on the status of previously raised issues is provided by Internal Audit to each audit committee, if there are concerns in relation to overdue issues these will be escalated to the executive risk review forum to expedite resolution

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

Compliance

In keeping with our core values, Investec endeavours to comply with the highest professional standards of integrity and behaviour, always keeping the interests of our customers and shareholders at the forefront of the corporate agenda We also seek to bring high standards of compliance good practice to all our jurisdictions in order to build trust and promote the quality of service to our colleagues and clients

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 At Investec we manage compliance risk through internal policies and processes, which include legal, regulatory and operational requirements relevant to the business Those responsible for compliance work closely with the business and operational units to ensure consistent management of compliance risk They also provide regular training and advice on emerging policy issues to ensure that all employees are familiar with their regulatory obligations

As well as monitoring the business units to ensure adherence to policies and procedures, compliance officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all jurisdictions

In addition to monitoring compliance with the provisions prescribed by the respective regulatory authorities, key compliance functions include ensuring that the business is not being used for money laundering, terrorist financing or market abuse, that customers are fairly treated and afforded the necessary consumer protections and that conflicts of interests are adequately identified and managed Current regulatory themes and developments in these and other areas are covered in the respective jurisdictions' year in review below

The volume of regulatory pressure on the sector to implement reforms has continued to be resource intensive, with little indication that the rate of regulatory intervention is likely to slow down in the near future Despite this pressure, Investec has continued to successfully adapt to the changing landscape by dedicating significant resources to monitoring, analysing and implementing regulatory developments as they arise

UK and Europe – year in review

We have seen a continued effort by the UK and European supervisory authorities to enhance stability and resilience in the banking sector by focusing on structural reforms and macro-prudential regulation, specifically in relation to capital, resolution, liquidity and market infrastructure

Independent Commission on Banking

One of the key UK developments, in the form of the proposals by the Independent Commission on Banking (ICB), follows the emerging trend for a high impact approach to regulation and the tendency for it to drive firms' strategy setting

The ICB has published its final report (September 2011) and the key recommendations are as follows

- Retail ring-fence Ring-fence retail banking divisions within separate subsidiaries, making it easier and less costly to wind down those parts of banks that get into financial difficulty
- Loss absorption Improving banks' ability to absorb losses by requiring large UK retail banks to maintain equity capital of at least 10% of risk-weighted assets and large UK banking groups to maintain primary loss absorbing capacity of 17% – 20%

The UK Government will publish a White Paper in spring 2012 which will set out their detailed proposals on implementation which we will then consider

FSA Remuneration Code

Another key development relates to firms' remuneration practices and seeks to address concerns that the financial crisis was partly caused by a bonus culture, which promoted short-termism and resulted in the wrong outcomes for clients The FSA have finalised Guidance on the Revised Remuneration Code, which contains the FSA's plans for monitoring the implementation of the Code up to and during the 2011/12 annual remuneration review The Guidance defines 'Remuneration Code Staff' and outlines FSA expectations of firms

Reforms of the UK Regulatory Framework

Regulators have also increased their attention on the retail space, focusing largely on fair outcomes for consumers and increased supervisory powers in relation to consumer protection measures Some of the most significant changes to this effect will be delivered by major reforms to the UK regulatory system The reforms include integration of responsibility for banking supervision into the Bank of England under a new Prudential Regulation Authority and the creation of a consumer champion in the form of the Financial Conduct Authority, a supervisor focused solely on regulating firms' conduct

Retail Distribution Review/Mortgage Market Review

The FSA have continued with the Retail Distribution Review (RDR) proposals, which aim to improve the quality of service provided to clients in the advice sector By imposing minimum qualification standards for advisers and therefore increasing professionalism in the sector, as well as requiring firms to be more transparent regarding charging practices and the parameters within which advice is provided i e independent or restricted, the FSA hope to rebuild trust in the IFA and investment management community as well as improve outcomes for retail clients The Mortgage Market Review is the mortgage market equivalent of the RDR, focusing on outcomes for clients in the mortgage space

South Africa – year in review

The 2011 budget speech, and National Treasury's publication of the Red Book with the same title, highlighted the need for 'A safer financial sector to serve South Africa better' and the required regulatory response post the global financial crisis The 'Twin Peaks' model of regulation was identified as the most appropriate model going forward with separate regulators being responsible for prudential and market conduct regulation across industries The Red Book proposes the South African Reserve Bank (SARB) as the prudential regulator and Financial Services Board (FSB) as the market conduct regulator

To give effect to the Twin Peaks model of regulation a variety of South African legislation needs to be amended to ensure each regulator has the appropriate authority and scope to enable adequate regulation To initiate this process the FSB has published 'The Roadmap Treating Customers Fairly (TCF)' which sets out their programme and intended timelines for market conduct regulation The six principles set out by the FSB mirror the equivalent principles published by the FSA in the UK

Consumer protection

Accordingly, consumer protection regulation remains a key focus into 2012 with additional emphasis on aligning existing processes with the TCF Roadmap published by the FSB

As required by FAIS, the fit and proper status of representatives and key individuals of all licensed Investec financial services providers (FSPs) is monitored on an ongoing basis and the requisite reports are made to the FSB The 'fit and proper' status refers to the qualifications and experience needed to perform a representative or key individual role for an FSP, and includes the requirement to successfully complete designated representative exams The majority of representatives and key individuals of Investec FSPs have already successfully completed the required regulatory examinations, despite the extensions granted to June and September 2012, respectively We are satisfied that all representatives and key individuals will be 'fit and proper' by the necessary deadlines

The most recent draft of the Protection of Personal Information Bill (POPI) was debated at the Technical Working Committee during March 2012 The next version, incorporating amendments, was presented to the full portfolio committee during the April 2012 parliamentary term Promulgation is anticipated during 2012, although implementation time frames have not been agreed yet 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

Australia – year in review

Reform within the Australian regulatory framework

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 ASIC has taken over the market supervision of market participants which includes Investec Securities (Australia) Pty Limited In addition to this, ASIC has issued new Market Integrity Rules for Competition in Exchange Markets Investec Securities has responded to this by implementing the Best Execution Policy and has become a member of the Chi-X

From an APRA perspective the key proposals include a credit risk review and the implementation of Basel III requirements (Capital and Liquidity Changes) IBAL has implemented the Basel III Securitisation requirements

Consumer protection

Consumer protection regulation continues to be a key focus for 2011 with ongoing monitoring and reporting of compliance with the prescribed obligations of licensing, fit and proper requirements etc

The Australian government's 'Future of Financial Advice Reform' is actively exploring ways to improve access to and the quality of advice as well as the 'ban on conflicted remuneration'

In terms of the Financial Claims Scheme (FCS) there has been a reduction of the government deposit guarantee arrangement from A$1 million to A$250 000 for all investment accounts This has resulted in a communication to our clients as well as an amendment to the PDS to reflect the new bands of investments in terms of the application of the FCS

The National Credit Code Act (NCC) has been implemented for the last 12 months and governs the consumer credit code including 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 With regard to responsible lending, ASIC proposes to ensure that all personal loans are carefully assessed to make sure borrowers can afford them Specific proposals include imposing affordability tests for all personal loans 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 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

Anti-money laundering and terror financing

There is a new anti-money laundering requirement to register the designated business group with AUSTRAC This mandatory enrolment will enable AUSTRAC to more accurately identify its regulated population AUSTRAC will also capture additional information which is necessary to identify which entities are subject to the annual AUSTRAC supervisory levy and the amount of the levy that will apply to each leviable entity

Corporate governance

Introduction

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

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 corporate client 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 charactenstics 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

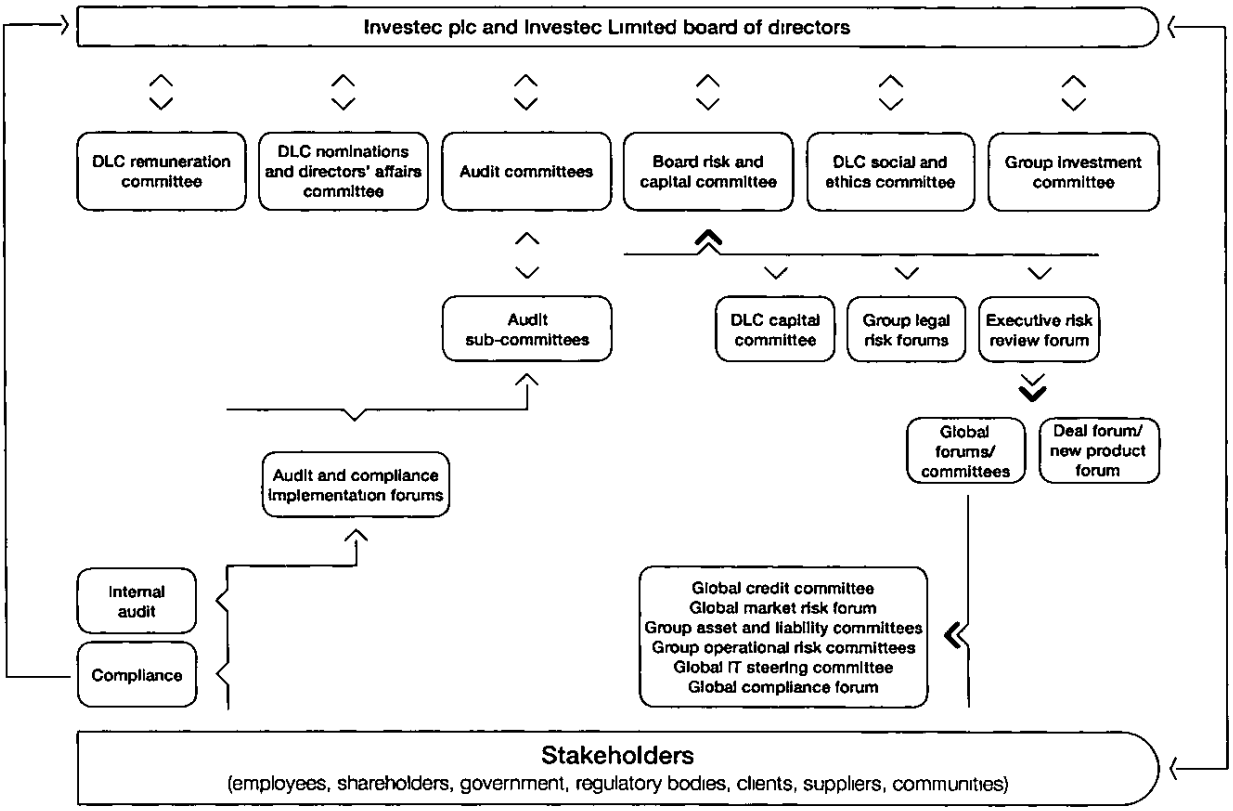
Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure Structures are designed to ensure that our values remain embedded in all businesses and processes We continually refine these structures and a written statement of values serves as our code 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 UK Corporate Governance Code 2010 (the Code) 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

UK Corporate Governance Code (2010)

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 relevant provisions set out in the UK Corporate Governance Code, save that Fani Titi, the joint chairman, was not considered independent upon appointment in view of his previous connection with Tiso Group Limited Tiso had a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 as a result of South Africa's Financial Sector Charter Fani resigned as board member and chairman of Tiso during March 2008 however, the UK Corporate Governance Code requires a five year break in the relationship

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

The following principle of King III is currently not being applied by Investec

- Sustainability reporting and disclosure should be independently assured
  - Sustainability reporting and related disclosure was not independently assured by an external expert The audit committees have overseen the integrated report, including sustainability disclosures, which have been verified by the Internal Audit division
  - We recognise the importance of sustainability reporting and verification of our efforts in this area During the 2012 financial year, we designed and implemented a reporting system to align our sustainability process across the group and accordingly we will be able to commission external verification for the 2013 financial year

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 197 to 203

The significant risks we continue to face include risks flowing from the instability in the global financial market and the 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 153 to 165 and pages 170 to 182

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 leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed

The board has 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 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 joint chairmen, comprised four executive directors and 10 non-executive directors Biographical details of the directors are set out on pages 208 to 210

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 2012 annual general meeting

Board changes during the past year, which all became effective on 17 November 2011

- Hugh Herman retired as non-executive chairman
- Sir David Prosser and Fani Titi were appointed joint chairmen
- George Alford was appointed as senior independent director

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

** *Sir David Prosser and Fani Titi were appointed as joint chairmen with effect from 17 November 2011*

^ *Sir David Prosser was the senior independent director up to 16 November 2011 and George Alford was appointed as senior independent director on 17 November 2011*

\# *Fani Titi is independent for Investec Limited but not for Investec plc*

Independence

- As at 31 March 2012, the board is compliant with Principle B 1 2 of the UK Corporate Governance Code at least half the board, excluding the chairmen, comprises independent non-executive directors
- As at 31 March 2012, the board is compliant with Chapter 2, Principle 2 18 of King III in that the majority of non-executive directors are independent

A summary of the factors the board uses to determine the independence of non-executive directors is detailed below

Chairmen

Hugh Herman retired as non-executive chairman on 17 November 2011 Hugh was 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

As from 17 November 2011, the board appointed Sir David Prosser and Fani Titi as joint chairmen of the group Fani is not regarded as independent in terms of the UK Corporate Governance Code as explained overleaf

Relationships and associations

- Fani Titi resigned as a board member and chairman of Tiso Group Limited (Tiso) during March 2008. Tiso had 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 Fani's appointment to Investec Limited and subsidiaries, he is now considered to be independent as it has been three years since Fani's relationship with Tiso has 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 subsidiaries, he could not yet be considered to be independent.
- Peter Malungani is the chairman of Peu Group (Pty) Limited (Peu). Peu had 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.
- 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 as 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. Accordingly, the board concluded that Bradley could not be considered independent under the UK Corporate Governance Code and King III.

Despite the board concluding that Fani, Peter, 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 and Peter Thomas regularly attend, by invitation, certain credit committees of the group. The board considers their attendance at these committees to be desirable 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. The board concluded that Sam 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 materially interferes with their ability to act in our 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. At the time of the 2012 annual general meeting Haruko Fukuda OBE would have served for nine years and the board has concluded that Haruko retains independence of character and judgement.

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 considered and discussed by the board

The chairmen hold 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 chairmen 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

Performance evaluation of the board and directors as well as training and development are matters that are standing agenda items of the nominations and directors' affairs committee

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 2012 financial year

Remuneration

Details of the directors' remuneration and remuneration process are set out in the remuneration report on pages 235 to 262

Joint chairmen and chief executive officer

The roles of the joint chairmen and chief executive officer are distinct and separate with a clear, documented division of responsibilities that has been approved by the board The joint chairmen lead the board and are responsible for ensuring that the board receives accurate, timely and clear information to ensure that directors can perform their duties effectively

Directors' ongoing training and development is a standing board agenda item, including updates on various training and development initiatives.

Details of the joint chairmen's external directorships are set out on page 208 The board does not consider that the joint chairmen's external commitments interfere with their performance and responsibilities to Investec The board is satisfied that the joint chairmen make sufficient time available to serve Investec effectively

The board has not appointed a deputy chairman

Senior independent director

George Alford was appointed senior independent director on 17 November 2011 following the appointment of Sir David Prosser as joint chairman 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

Board meetings

The combined boards of Investec plc and Investec Limited meet jointly at least six times annually, excluding an annual two day board strategy meeting 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 joint chairmen are 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 joint chairmen during the year

Details of directors' attendance at board meetings during the financial year ended 31 March 2012

Investec plc and Investec Limited board	Number of normal board 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	6	–
GR Burger (group risk and finance director)	6	6	–
HJ du Toit	6	5	–
Non-executive directors			
HS Herman (chairman)*	6	4	No
Sir David Prosser (joint chairman)*	6	5	Yes
F Titi (joint chairman)*	6	6	No^
SE Abrahams	6	5	Yes
GFO Alford (senior independent director)*	6	6	Yes
CA Carolus	6	5	Yes
PKO Crosthwaite	6	6	Yes
OC Dickson	6	6	Yes
B Fried	6	5	No
H Fukuda OBE	6	6	Yes
IR Kantor	6	6	No
MP Malungani	6	6	No
PRS Thomas	6	6	Yes

* *Board appointments/retirements during the reporting period*
- *Hugh Herman retired as a non-executive director and chairman of the board on 17 November 2011 and attended all meetings up to the date of his retirement*
- *Sir David Prosser and Fani Titi were appointed as joint chairmen with effect from 17 November 2011*
- *Sir David Prosser was the senior independent director up to 16 November 2011 and George Alford was appointed as senior independent director on 17 November 2011*

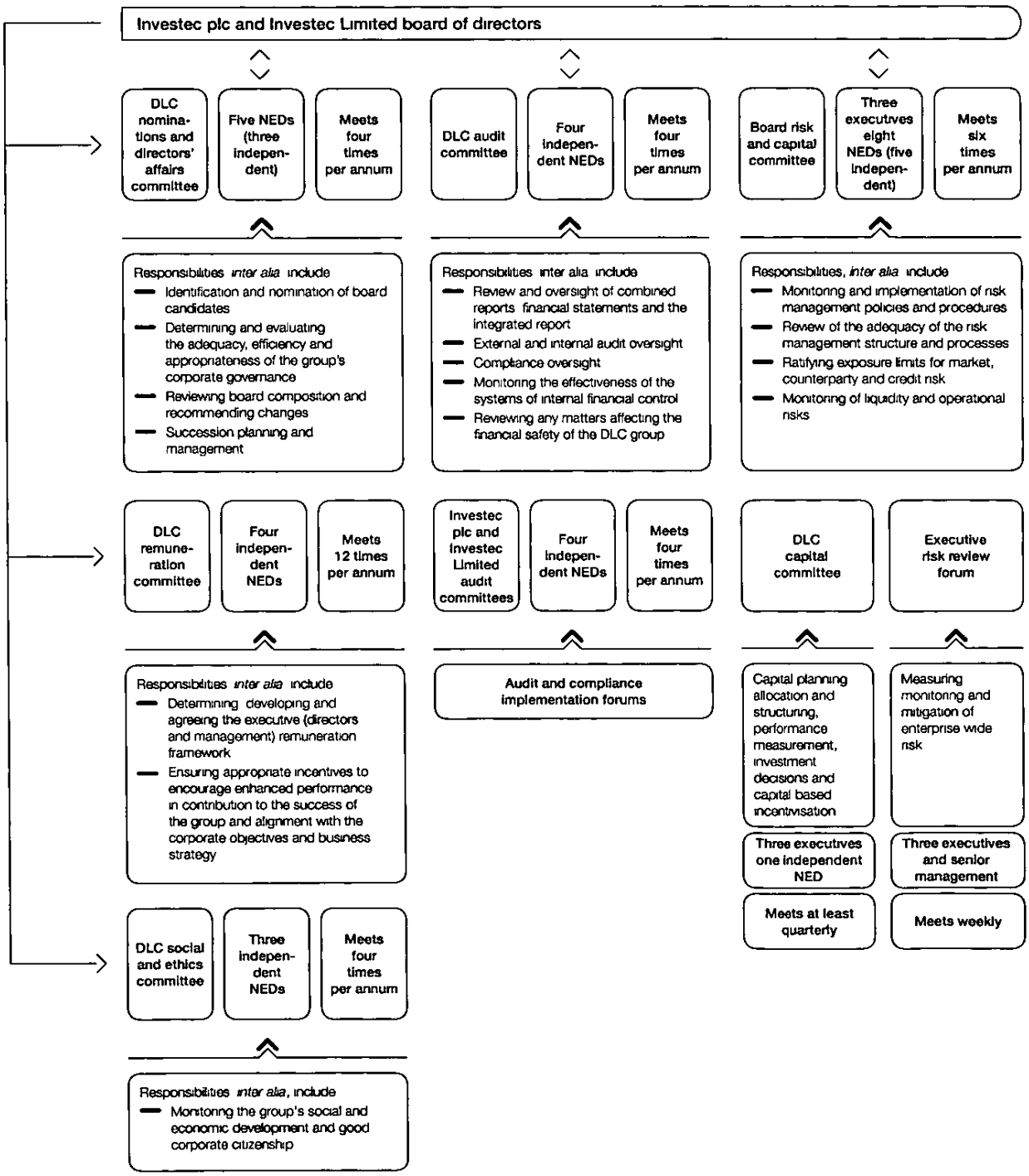
^ *Fani Titi is independent for Investec Limited but not for Investec plc*

The number of meetings held during the year excludes the non-scheduled deals board meeting held on 23 August 2011, which meeting was not attended by Hugh Herman, Hendrik du Toit and Brad Fried

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



The following table indicates non-executive board representation on the board committees as at the date of this report

Members	Independent	DLC audit	Investec plc audit	Investec Limited audit	DLC remuneration	DLC nominations and directors' affairs	Board risk and capital	DLC social and ethics committee
Sir David Prosser (joint chairman)	Yes				√	√	√	
F Titi (joint chairman)	No*					Chair	√	Chair
SE Abrahams	Yes	Chair	Chair	Chair		√	√	
GFO Alford (senior independent director)	Yes	√	√	√	Chair*		√	
CA Carolus	Yes							√
PKO Crosthwaite	Yes				√			
OC Dickson	Yes	√	√	√	√			
B Fried	No						√	
H Fukuda OBE	Yes						√	
IR Kantor	No							
MP Malungani	No						√	
PRS Thomas	Yes	√	√	√		√	√	√

* *Fani 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 UK Corporate Governance 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
- Making the necessary recommendations to the board on the going concern statements

The committee's terms of reference are available on our website

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 214 to 216 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 current members at audit committee meetings during the financial year ended 31 March 2012

	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	3	4	3
GFO Alford	4	4	4	4	4	4
OC Dickson	4	4	4	4	4	4
Sir David Prosser^	4	4	4	1^	4	1^
PRS Thomas	4	4	4	4	4	4
CB Tshili*	4	3	n/a	n/a	4	4

^ *Sir David Prosser stepped down from the audit committees on his appointment as joint chairman, with effect from 17 November 2011*

* *Busi 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 (Proprietary) 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 director 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 page 251

Membership and attendance

Attendance by current members at remuneration committee meetings

Members	Number of meetings held during the year	Number of meetings attended during the year
GFO Alford (chairman)	12	12
PKO Crosthwaite	12	10
OC Dickson	12	12
Sir David Prosser	12	11

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 situations 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

- Reviewed the structure, size and composition of the board and the principal board committees
- In particular, the committee discussed the implications of the Davies Review (Women on Boards March 2011) There are currently three women on the board, representing 19% of the total board membership It is the aspiration of the board to achieve 25% female representation by 2015
- Succession
  As noted above, the skills, knowledge, experience, gender, age and country of residence of the board are regularly reviewed to ensure there is an appropriate balance between each, at present and going forward While in itself not a single determinant to the value a director can add, tenure of service is a further factor that the committee considers within the context of succession planning This year the committee has paid particular attention to the role of chairman of the audit committee, who has served as chairman of that committee for more than seven years, in order to ensure that robust succession plans are in place for a complex and challenging role
- 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 including the Financial Reporting Council's guidance on board effectiveness
- Board and director evaluation process

The committee's terms of reference are available on our website

Membership and attendance

Attendance by current members at NOMDAC meetings during the financial year ended 31 March 2012

Members	Number of meetings held during the year	Number of meetings attended during the year
F Titi (chairman)	4	4
SE Abrahams	4	4
Sir David Prosser	4	3
KXT Socikwa*	4	2
PRS Thomas	4	4

* *Karl Socikwa is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee*

DLC social and ethics committee

The DLC social and ethics committee is mandated by the board to be the social and ethics committee of Investec plc and Investec Limited and their subsidiaries The Companies Act, 71 of 2008, as amended (the Act), provides that all listed public companies must establish a social and ethics committee before 1 May 2012 The Act enables the group to appoint a social and ethics committee for the holding company, which will fulfil the required functions on behalf of the subsidiary companies Due to the required functions of the committee which are universal in nature, the board resolved to constitute the committee to monitor the activities for the group and not just Investec Limited

Role and responsibilities

The DLC social and ethics committee is responsible to monitor the group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to

- Social and economic development
- Good corporate citizenship
- Monitoring Investec Limited and its subsidiaries' activities, with regard to matters relating to
  - The Employment Equity Act
  - The Broad-Based Black Economic Empowerment Act
  - Contribution to development of the communities in which its activities are predominantly conducted or within which its products and services are predominantly marketed
- Meetings take place at least quarterly

The committee was recently constituted and the board approved the committee's terms of reference which are available on our website As it is newly constituted, the committee had no monitoring activities for the financial year ended 31 March 2012

Members
F Titi (chairman)
CA Carolus
B Kantor
S Koseff
PRS Thomas

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 current members at BRCC meetings during the financial year ended 31 March 2012

Members	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
S Koseff (chairman)	6	5
GR Burger (group risk and finance director)	6	6
B Kantor (managing director)	6	5
Non-executive directors		
Sir David Prosser	6	4
F Titi	6	5
SE Abrahams	6	6
GFO Alford	6	6
B Fried	6	6
H Fukuda OBE	6	5
MP Malungani	6	3
KXT Sockwa*	6	3
PRS Thomas	6	6

* *Karl Sockwa 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

Material incidents and losses and significant breaches of systems and controls are reported to the board risk and capital committee and the audit committees.

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 57

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

Matters of succession are considered regularly by the NOMDAC

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 91 to 185

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 186

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 £14 1 million (2011 £11 7 million), of which £4 9 million (2011 £3 0 million) related to the provision of non-audit services

Compliance

The compliance function 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 187 and 188

Regulation and supervision

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the UK Financial Services Authority (FSA), the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB), 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 overleaf The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group

Corporate governance (continued)

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 and client 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 nominations 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, USA 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 chairmen and the non-executive directors are committed to communicating with shareholders and 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 The chairmen and senior independent non-executive director held a number of meetings in this regard during the year

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 require 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

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

Directors' dealings

The remuneration report, as set out on pages 235 to 262, 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 joint chairmen or, in the joint chairmen's absence, George Alford 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

Approved and authorised for issue by the board of directors on 13 June 2012 and signed on its behalf by

David Miller
Company secretary
Investec plc

Benita Coetsee
Company secretary
Investec Limited

Directorate Investec plc and Investec Limited

Executive directors (details as at the date of this report)

Stephen Koseff (60)
Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Committees Board risk and capital, DLC capital, DLC social and ethics and global credit

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.

Current directorships The Bidvest Group Limited, Investec Wealth & Investment and a number of Investec subsidiaries

Bernard Kantor (62)
Managing director
CTA

Committees Board risk and capital, DLC capital, DLC social and ethics and global credit

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.

Current directorships Phumelela Gaming and Leisure Limited, Investec Wealth & Investment and a number of Investec subsidiaries

Glynn R Burger (55)
Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Committees Board risk and capital, DLC capital and global credit

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Current directorships Investec Bank Limited and a number of Investec subsidiaries

Hendrik du Toit (50)
Investec Asset Management chief executive officer
BCom Law, BCom (Hons) (cum laude), (MCom) (cum laude), MPhil (Cambridge)

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.

Current directorships Investec Asset Management Holdings (Pty) Limited and Investec Asset Management Limited as well as their subsidiaries

Non-executive directors (details as at the date of this report)

Sir David Prosser* (68)
Joint chairman
BSc (Hons), FIA

Committees DLC remuneration, DLC nominations and directors' affairs and board risk and capital

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 chief executive in September 1991. Sir David was previously chairman of the Financial Services Skills Council.

Current directorships Investec Bank plc (chairman) Pippbrook Limited, Epsom Downs Racecourse Limited and The Royal Automobile Club Limited

Fani Titi* (49)
Joint chairman
BSc (Hons), MA, MBA

Committees Board risk and capital, DLC nominations and directors' affairs and DLC social and ethics

Fani is chairman of Investec Bank Limited and formerly the chairman of Tiso Group Limited.

Current directorships Investec Bank Limited (Chairman), Tsiya Group (Pty) Limited and a number of its investee companies, Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Limited

* *Joint chairmen with effect from 17 November 2011*

- *The dates on which the directors were appointed to the boards of Investec plc and Investec Limited can be found on page 193*
- *Details of the Investec committees can be found on pages 197 to 203*

Non-executive directors (details as at the date of this report) (continued)

Sam E Abrahams (73)
FCA, CA(SA)

Committees DLC audit, Investec plc audit, Investec Limited audit, DLC nominations and directors' affairs, board risk and capital and DLC capital and global credit

Sam is a former international partner and South African managing partner of Arthur Andersen

Current directorships Investec Bank Limited, The Foschini Group Limited and a number of Investec subsidiaries

George FO Alford (63)
Senior independent director
BSc (Econ), FCIS, FIPD, MSI

Committees DLC audit, Investec plc audit, Investec Limited audit, DLC remuneration and board risk and capital

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

Current directorships Investec Bank plc

Cheryl A Carolus (53)
BA (Law), BEd

Committees DLC social and ethics

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 Airways

Current directorships 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) Limited, Investec Asset Management Holdings (Pty) Limited, executive chairperson of Peotona Group Holdings (Pty) Limited and director of a number of the Peotona group companies

Peregrine KO Crosthwaite (63)
MA (Hons) in modern languages

Committees DLC remuneration

Perry is a former chairman of Investec Investment Banking Securities Limited and director of Investec Bank plc

Current directorships Investec Bank plc, Jupiter Green Investment Trust, Melrose plc and Toluna plc

Olivia C Dickson (51)
MA (Oxon), MSc (Lon), CDipAF

Committees DLC audit, Investec plc audit, Investec Limited audit and DLC remuneration

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

Current directorships 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

Bradley Fried (46)
BCom, CA(SA), MBA

Committees Board risk and capital

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

Current directorships Investec Wealth & Investment Limited, Grovepoint Capital LLP and non-executive director of the Court of Bank of England

Haruko Fukuda OBE (65)
MA (Cantab), DSc

Committees Board risk and capital

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

Current directorships Director of Aberdeen Asian Smaller Companies Investment Trust PLC She is an adviser to Metro AG

Non-executive directors (details as at the date of this report) (continued)

Ian R Kantor (65)
BSc (Eng), MBA

Current directorships Insinger de Beaufort Holdings SA (in which Investec Limited indirectly holds an 8.6% interest), Investec Bank plc, Bank Insinger de Beaufort NV where he is chairman of the management board

M Peter Malungani (54)
BCom, MAP, LDP

Committees Board risk and capital

Peter is chairman and founder of Peu Group (Pty) Limited

Current directorships 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

Peter RS Thomas (67)
CA(SA)

Committees DLC audit, Investec plc audit, Investec Limited audit, board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and global credit

Peter was the former managing director of The Unisec Group Limited

Current directorships Investec Bank Limited, various Investec companies, JCI Limited and various unlisted companies

- *The dates on which the directors were appointed to the boards of Investec plc and Investec Limited can be found on page 193*
- *Details of the Investec committees can be found on pages 197 to 203*

Directorate Investec plc and Investec Limited subsidiaries

Investec Bank Limited

A subsidiary of Investec Limited

Directorate		
Fani Titi (49) Non-executive chairman *BSc (Hons), MA, MBA*	Bernard Kantor (62) *CTA*	Karl-Bart XT Socikwa (43) *BCom, LLB, MAP, IPBM (IMD)*
David M Lawrence (60) Deputy chairman *BA (Econ) (Hons), MCom*	Stephen Koseff (60) *BCom, CA(SA), H Dip BDP, MBA*	Bradley Tapnack (65) *BCom, CA(SA)*
Sam E Abrahams (73) *FCA, CA(SA)*	M Peter Malungani (54) *BCom, MAP, LDP*	Peter RS Thomas (67) *CA(SA)*
Glynn R Burger (55) *BAcc, CA(SA), H Dip BDP, MBL*	Sir David Prosser (68) *BSc (Hons), FIA*	C Busi Tshili (48) *CA(SA)*

Investec Bank plc

A subsidiary of Investec plc

Directorate		
Sir David Prosser (68) Non-executive chairman *BSc (Hons), FIA*	Bernard Kantor (62) *CTA*	Kevin McKenna (45) *BCom, BAcc*
David M van der Walt (47) Chief executive officer *BCom (Hons), CA(SA)*	Ian R Kantor (65) *BSc (Eng), MBA*	Stephen Koseff (60) *BCom, CA(SA), H Dip BDP, MBA*
George FO Alford (63) *BSc (Econ), FCIS, FIPD, MSI*	Fani Titi (49) *BSc (Hons), MA, MBA*	Ian R Wohlman (57) *ACIB*
	Allen Zimbler (62) *BA (Hons), MBA, PhD*	Peregrine KO Crosthwaite (63) *MA (Hons)*

Investec Asset Management Limited

A subsidiary of Investec plc

Directorate		
Hugh S Herman (71) Non-executive chairman *BA, LLB, LLD (hc)*	Lord Flight (63) *MA, MBA*	Kim M McFarland (47) *BAcc, BCom, CA(SA), MBA*
Hendrik J du Toit (50) Chief executive officer *BCom (Law), BCom Hons (cum laude), MCom (cum laude), MPhil (Cambridge)*	John C Green (46) *BCom, LLB*	John T McNab (45) *BEng, MEng, CFA*
David J Aird (45) *BA (Hons)*	Luc JJJ van Hoof (58)	Mark I Samuelson (47) *BCom, CFA*
Domenico Fernini (43) *BCom*	Bernard Kantor (62) *CTA*	Philip GS Saunders (54) *MA (Hons)*
	Stephen Koseff (60) *BCom, CA(SA), H Dip BDP, MBA*	Bradley Tapnack (65) *BCom, CA(SA)*

Directorate Investec plc and Investec Limited subsidiaries (continued)

Investec Asset Management Holdings (Pty) Limited

A subsidiary of Investec Limited

Directorate		
Hugh S Herman (71) Non-executive chairman *BA, LLB, LLD (hc)*	Noluthando P Gosa (49) *BA (Hons), MBA*	Kim M McFarland (47) *BAcc, BCom, CA(SA), MBA*
Hendrik J du Toit (50) Chief executive officer *BCom (Law), BCom Hons (cum laude), MCom (cum laude), MPhil (Cambridge)*	John C Green (46) *BCom, LLB*	John T McNab (45) *BEng, MEng, CFA*
Cheryl A Carolus (53) *BA (Law), BEd*	Bernard Kantor (62) *CTA*	Bradley Tapnack (65) *BCom, CA(SA)*
Domenico Ferrini (43) *BCom*	Thabo Khojane (39) *BA (Econ) (Hons), BSc (Eng)*	Fani Titi (49) *BSc (Hons), MA, MBA*
Jeremy B Gardiner (46) *BCom (Hons)*	Stephen Koseff (60) *BCom, CA(SA), H Dip BDP, MBA*	
	M Peter Malungani (54) *BCom, MAP, LDP*	

Investec Securities Limited

A subsidiary of Investec Limited

Directorate		
Andrew WJ Leith (52) Chairman *BCom, CA(SA)*	Henry E Blumenthal (52) *BCom, BAcc, CA(SA)*	Stephen Koseff (60) *BCom, CA(SA), H Dip BDP, MBA*
Sam E Abrahams (73) *FCA, CA(SA)*	Kevin Brady (45) *BA (Hons)*	Christopher G Clarke (67) *FCA*
Reginald S Berkowitz (75) *Natal Law Certificate*	Joubert du Toit Hay (46) *BCom (Hons) (Acc), CA(SA)*	Kevin J Kerr (50) *BCom, BAcc, CA(SA)*

Investec Bank (Mauritius) Limited

A subsidiary of Investec Bank Limited

Directorate		
David M Lawrence (60) Chairman *BA(Econ) (Hons), MCom*	Angelique A Desvaux de Marigny (36) *LLB, Barrister-at-Law, Maitrise en Droit (Université de Paris I-Panthéon – Sorbonne)*	Peter RS Thomas (67) *CA(SA)*
Pierre de Chasteigner du Mee (58) *ACEA, FBIM, FMAAT*	Craig C McKenzie (51) *BSc, MSc, CFA*	

Investec Bank (Australia) Limited

A subsidiary of Investec Bank plc

Directorate		
David M Gonski AC (58) Non-executive chairman *BCom, LLB* Geoffrey Levy AO (53) Non-executive deputy chairman *BCom, LLB, FFIN* David Clarke (56) Chief executive officer *LLB*	Alan H Chonowitz (57) Deputy chief executive officer and chief financial officer *BAcc, MCom, CA* Stephen Koseff (60) *BCom, CA(SA), H Dip BDP, MBA* Richard A Longes (66) *BA, LLB, MBA*	Robert C Mansfield AO (60) *BCom, FCPA* John W Murphy (59) *BCom, MCom, ACA, FCPA* Kathryn Spargo (60) *BA, LLB (Hons), FAICD* Peter RS Thomas (67) *CA(SA)*

Investec Wealth & Investment Limited^

A subsidiary of Investec Bank plc

Directorate		
Christopher G Clarke (67) Chairman Non-executive chairman *FCA* David JH Bulteel (56) Stephen M Elliott (57) *BCom* Bradley Fried (46) *BCom, CA(SA), MBA*	Iain W Hooley (39) *BA (Hons), ACA* Simon G Kaye (51) Robert Lister (51) Ian Maxwell Scott (66) Judith E Price (54) Mark JS Redmayne (63) *FCA*	Mike Rigby (42) *BA (Hons), FCA, Chartered MSCI* Jonathan D Seal (52) Tomas H Street (47) Jane N Warren (47) Jonathan P Wragg (44) *BSc (Hons), ACA*

^ *Formerly Rensburg Sheppards Investment Management Limited*

Investec Property (Pty) Limited

An indirect subsidiary of Investec Limited

Directorate		
Stephen Koseff (60) Chairman *BCom, CA(SA), H Dip BDP, MBA* Sam Hackner (56) Chief executive and managing director *BCom (Hons), CA(SA)*	Sam R Leon (62) Deputy chairman *LLB (London)* Glynn R Burger (55) *BAcc, CA(SA), H Dip BDP, MBL* Dave AJ Donald (61) *BCom, CA(SA), H Dip Tax Law*	Robin Magid (39) *BCom* David M Nurek (62) *Dip Law, Dip Advanced Company Law* Ronnie Sevitz (68)

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.

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 are summarised on pages 198 and 199 of this report During the year under review Sir David Prosser resigned from the committee following his appointment as joint chairman of the Investec group The audit committee records its appreciation to him for his valuable contribution to the committee over many years

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 2012

Following a review and meeting the requirements of each of the terms of reference, the individual and combined audit committees, to the best of my and our knowledge and belief, 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 all material weaknesses in financial control have been identified and mitigated in due course
- The external auditors of both Investec plc and Investec Limited are, and remain, independent
- The external auditors perform their functions with the appropriate expertise, competence and experience

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
- Reviewed and considered representation by management on the going concern statement for the group and recommended the adoption of the going concern concept to the board

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 committees' structure

Audit committees 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

Annexure to corporate governance (continued)

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 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 When agreed implementation dates for remediation have not been met, the issues are escalated to ERRF for discussion and action plans are devised to hasten clearance of the identified weakness 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

Following the completion of all group audit committee meetings, the chairman provides a written report to the next meeting of the board of directors highlighting matters of which the audit committee believes the board should be aware

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 In addition, the audit committee has had significant influence in ensuring that IT global management has assessed the controls over 'super users/privileged users' to ensure audit trails are monitored and controlled One of the major risks facing all banking groups globally is that third parties often have direct access to banks' computer environment
- Adherence to key regulatory issues facing the group via strict compliance and the result of ongoing compliance monitoring procedures
- The integration of the Evolution businesses into the group was a key element of the Investec Wealth & Investment sub-audit process In particular the Williams de Broe business acquisition and integration is being carefully monitored It is anticipated that complete integration will be achieved by approximately August 2012
- Specific emphasis has continued to be 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

With the assistance of internal audit, assisted by operational risk, we have received written combined assurance from the entire DLC group comprising all business units and assurance providers as well as support functions

The chairman of the audit committees also met with representatives of various shareholder representative bodies during the year



SE Abrahams
Chairman, audit committees

13 June 2012

Sustainability report

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 Investec's sustainability philosophy is based on the recognition that we are a specialist bank and asset manager driven by our commitment to our culture and values

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet

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 executive 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

During the year under review, Investec maintained its inclusion in the JSE SRI Index, the FTSE4Good Index* and the Dow Jones Sustainability Index

Sustainability in its broadest sense is about managing and positioning Investec for the long term.

Sustainability at Investec

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 During the period, the responsibility for sustainability was moved from the CSI area to Group Strategy, still reporting directly to group executive This aligns with international best practice where sustainability is seen as a strategic business imperative Accordingly, a significant amount of strategic review and engagement took place between the various contributors We now have a more cohesive approach across the group that can be used to guide the unique geographic circumstances and requirements

Sustainability at Investec is a key strategic issue and is about

- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients and stakeholders' wealth based on strong relationships of trust

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet

* *FTSE Group confirms that Investec has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards Companies in the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalise on the benefits of responsible business practice*

Objectives for 2013

- Maintain a focused business strategy based on building a balanced and sustainable business model
- Dialogue with business units on a variety of sustainability considerations
- Influence internal behaviour through staff awareness campaigns on water, waste and energy
- Capture opportunities in the environmental space across all business areas, particularly renewable energy
- Engage with stakeholders to set measurable targets and action plans

Responsibility

We have recently constituted a social and ethics committee which covers the non-profit elements of sustainability, see page 201

We also have sustainability representatives in each of the major geographies in which we operate and various forums discussing sustainability considerations Feedback on relevant sustainability issues is provided to board members at each board meeting

Reporting

Our approach to sustainability is documented throughout this integrated report with further detail available in a more detailed Sustainability Report on our website In line with our view on integrated reporting and reducing paper consumption, copies of the detailed Sustainability Report have not been published The online version is available at www investec com where a pdf version can be downloaded

Our approach to reporting has followed guidance from the King Code which recommends that a company integrates financial and non-financial reporting detailing how economic, social and environmental issues have influenced business strategy We have been assisted in this regard by the Global Reporting Initiative's (GRI) G3 1 sustainability reporting guidelines and an index of these indicators together with our response to each of them can be found in our separate sustainability report We have self-assessed our reporting to be application level B

Certain elements of the sustainability information in this report have been verified by the group Internal Audit division

Internal audit

Investec Internal Audit performed a limited review of the quantitative and qualitative sustainability information disclosed on pages 217 to 227 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

Investec employees remain critical to continued business success and to overall sustainability efforts The expertise and dedication of staff is fundamental in meeting clients' needs and delivering distinctive results It is therefore vital that we engage, develop and retain a high-value workforce One of the group's values is to ensure open and honest communication and hence we encourage active and open dialogue between staff and senior management As a responsible employer, Investec aims to offer staff a stimulating and progressive working environment in which they can flourish and realise their true potential

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 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

Employee strategy

The core areas of emphasis regarding our people strategy are

To attract, retain and motivate the right people who can perform extraordinarily

We invest significantly in a number of opportunities for developing and training employees and in leadership programmes to develop current and future leaders of the group During the period under review, Investec in South Africa received first prize in BANKSETA's skills@work 'large employers' category for our efforts in skills development within the financial services sector It focuses on how people's lives are changed through various skills development interventions and how that affects society and strengthens nation building The award pays tribute to Investec's dedication to developing its people and remaining at the forefront of learning and development

Group training spend

	Male (£)		Female (£)		Total (£)	
For the year to 31 March	2012	2011	2012	2011	2012	2011
Divisions						
South Africa						
Specialist Banking	1 996 087	2 882 653	1 902 641	2 228 704	3 898 728	5 111 357
Asset Management	421 829	223 146	381 938	172 481	803 767	395 627
Wealth & Investment	715 005	603 715	499 122	278 107	1 214 127	881 822
Group Services and Other activities	1 381 373	1 225 668	1 195 397	1 155 954	2 576 770	2 381 622
Total	4 514 294	4 935 182	3 979 098	3 835 246	8 493 392	8 770 428
UK and Europe						
Specialist Banking	1 552 897	1 840 819	808 772	981 139	2 361 669	2 821 958
Asset Management	208 683	248 673	353 662	158 987	562 345	407 660
Wealth & Investment	308 186	352 433	158 864	164 403	467 050	516 836
Group Services and Other activities	471 776	660 320	463 622	515 001	935 398	1 175 321
Total	2 541 542	3 102 245	1 784 920	1 819 530	4 326 462	4 921 775
Mauritius**	4 293	6 587	6 255	8 320	10 548	14 907
Australia						
Specialist Banking	48 930	168 552	36 792	132 828	85 722	301 380
Group Services and Other activities	51 657	52 686	48 429	60 369	100 086	113 055
Total	100 587	221 238	85 221	193 197	185 808	414 435
Total group spend on training	7 160 716	8 265 252	5 855 494	5 856 293	13 016 210	14 121 545

** *The 2011 training figures for Mauritius have been restated due to the improvement of internal collection of data*

Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment that encourages and fosters extraordinary performance.

To retain and motivate staff through appropriate remuneration and reward structures

Our remuneration practices comply with the principles of local regulations, while continuing to reward people meaningfully for performance and contribution. Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment that encourages and fosters extraordinary performance. In line with our philosophy of employee ownership, staff share schemes provide all employees, at all levels of the organisation, with the opportunity to participate in our long-term growth. As at 31 March 2012, management and staff held an effective interest in the group of approximately 10%.

Further information is provided on pages 235 to 253

To ensure that performance management is effectively and constructively practised

Our culture of open and honest dialogue promotes immediate and direct performance-related feedback between manager, employee and team, to help individuals identify and address their development needs.

The policies and business practices of Investec are outlined in BAWI ('Becoming Acquainted with Investec') and in the compliance handbook. They are intended to guide our conduct and ensure that at all times our actions and attitude reflect the group's values and philosophies.

These policies and business practices can be found on our website, including more details on the following:

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. During the year we completed our second Department of Trade and Industry BEE verification according to generic codes and were awarded level 3 rating status by Empowerdex, an improvement of 8.04 points. Further information on the employment equity statistics of our South African business is available on our website.

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. In South Africa, Investec's HIV/Aids policy and management forum extends to all permanent employees.

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.

Human rights

We do not have a formal human rights policy for the group as this would fall within the ambit of our Code of Conduct but we do adhere to the relevant laws in all our jurisdictions.

Discrimination

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

To review the full details on employees and our policies relating to business practices, please refer to the separate sustainability report on our website.

Corporate social investment report

Our approach to corporate social investment (CSI) has historically placed strong emphasis on education and entrepreneurship, while also supporting other causes, albeit more passively We believe this to be the most effective way to create opportunities for employment, wealth creation and stimulating socio-economic growth

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

Group CSI spend

	2012		2011	
For the year to 31 March	£	R	£	R
South Africa				
Specialist Banking	90 955	1 077 812	82 896	925 116
Asset Management*	140 744	1 667 816	163 373	1 823 242
Wealth & Investment	50 034	592 905	53 984	602 465
Group Services and Other activities	2 596 811	30 772 215	3 136 945	35 008 302
Total	2 878 544	34 110 748	3 437 198	38 359 125
UK and Europe				
Specialist Banking	133 366	1 580 387	168 123	1 876 253
Asset Management	137 937	1 634 554	250 594	2 796 629
Wealth & Investment	48 256	571 833	28 901	322 535
Group Services and Other activities	1 070 674	12 687 487	871 820	9 729 511
Total	1 390 233	16 474 261	1 319 438	14 724 928
Mauritius	66 595	789 152	65 704	733 255
Australia				
Specialist Banking	131 712	1 560 785	157 432	1 756 936
Group Services and Other activities	54 796	649 333	47 025	524 797
Total	186 508	2 210 118	204 457	2 281 733
Total group CSI Spend	4 521 880	53 584 279	5 026 797	56 099 041
Total group CSI spend as a % of operating profit before tax^	1 26%		1 16%	

* *Asset Management figure for 2011 has been restated due to accounting treatment*

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

UK and Europe

The UK social investment programme plays a key role in the fulfilment of Investec's core values 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

Investec focuses its social investment programme on charitable partners working in the areas of education, entrepreneurship and environment Through these dedicated partnerships we are able to deliver tangible impacts to the communities in which we operate

Highlights during the period

- Investec won the Social Impact category at the Business Charity Awards, for our work with 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 support three projects initiated by the Bromley by Bow Centre One of the projects, Beyond Business, is a social enterprise incubator which provides start-up funding and advice to local people looking to start their own businesses It has led to the development of over 30 businesses, creating 200 jobs
- Investec was a finalist in the economic regeneration and community partnership categories at the 2011 Lord Mayor's Dragon Awards These awards recognise the contributions made by London-based companies to their local communities
- We run a mentoring programme for 50 students in partnership with Arrival Education
- We work with Morpeth school on a variety of education projects and have also funded their outward bound activities
- Investec continues to work with Community Links on the development of a new market garden enterprise at the Newham City farm which will provide jobs and a stable income stream to disadvantaged members of the local community
- 37 runners participated in the 2011 London Marathon and raised £97 000 for a variety of charities
- Outside of London, many of the Investec offices have been developing their own social investment programmes, which are aligned with our education, entrepreneurship and environment focus areas
- In Guernsey, a strong partnership has been developed with local primary school, Amherst Volunteers are very involved with literacy programmes, cookery lessons and outward bound activities
- The Leeds office has been partnering with a local comprehensive school on a mentoring programme, as well as environmental projects in the local area
- Ireland have a longstanding relationship with Marino College Dublin, with volunteers mentoring young people in education and life skills

South Africa

Aligned with the group approach, our CSI endeavours focus 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

In the context of the sheer number of socio-economic needs in the South African context, however, we have had to recognise that we cannot be all things to all people in respect of our available resources Our CSI strategy is to focus on a more clearly defined pipeline of educational and entrepreneurial projects The strategy is aimed at facilitating the empowerment of talented individuals within a defined continuum of interventions through school and university to the workplace

Breakdown of spend by the CSI division For the year to 31 March 2012	R'million
Education	23 1
Bursary programme	6 3
Promaths	6 0
Schools assistance programme	5 3
Universities	2 8
Private schools assistance	1 2
Other	1 5
Entrepreneurial	4 1
In schools	2 5
Other	1 6
Philanthropic	2 7
Total CSI contribution by the CSI division in South Africa*	29 9

* *Excluding contributions made by other divisions of a further R4 2 million*

Highlights during the period

- In line with our strategy, a total of 91% of CSI spend was allocated to education and entrepreneurial initiatives
- Promaths, which is a partnership between Investec and Kutlwanong Maths and Science Centre, offers extra maths and science lessons to grade 10, 11 and 12 learners The main aim is to improve learners' performance in maths, hence facilitating entrance into tertiary learning institutions The results for our 2011 learners were extremely encouraging As their pivotal founding partner, Investec continues to cover around 40% of Kutlwanong Centre's operational costs contributing to the achievement of 752 decent passes in maths and 702 decent passes nationwide
- Investec entered into a partnership with the Independent Schools Association of Southern Africa and the Department of Education with the main objective to develop quality teachers of maths, science and english
- Investec staff donated a total of R136 475 to various charities through the Touch by Giving initiative during the year Touch by Giving offers Investec staff a simple way to make a monthly donation, directly from their salaries, to a pre-selected charity
- The Cradle Project, a group of Investec employees who give their time and resources to improving the lives of those less fortunate in our surrounding communities, allocated R734 550 to a variety of worthy causes
- A total of 83 employees are currently mentoring young students, either at high school or at university, to providing guidance and support through their educational journey
- During the financial year, 347 high school learners participated in an eight month long Investec funded programme focusing on entrepreneurial, financial literacy and workplace readiness, as well as micro-economics and business ethics

The Cradle Project is a group of Investec employees who give their time and resources to improving the lives of those less fortunate in our surrounding communities.

Mauritius

Investec Bank Mauritius believes in making a positive contribution to the society and the environment in which we operate Our strategy is to focus on projects and initiatives in education, environment and sports development

In line with the government's focus on poverty alleviation, Investec's CSI projects are directed at communities or beneficiaries that are financially disadvantaged Our approach is to ensure long-term sustainability This means making multifaceted interventions in selected communities and may include building operational skills and organisational capacity

The following criteria are assessed when considering projects

- Ability to make a meaningful difference
- Capacity to deliver sustained benefits
- Measurability
- Potential to engage co-sponsors to increase leverage and provide an integrated solution
- Opportunity for staff involvement

The Mauritius office contributed MUR3 2 million (2011 MUR3 1 million) to a number of corporate social investment projects during the financial year of which 37% went to environmental considerations

Australia

The Investec Foundation in Australia embodies our philanthropic commitment to the Australian community This commitment is illustrated primarily through supporting meaningful health, welfare and educational programmes, while remaining focused on preserving the local environment and managing our environmental footprint

To create a positive social impact the Investec Foundation focuses on a small number of sustained philanthropic giving and volunteering efforts We partner with local, entrepreneurial organisations which perform remarkable work in these fields

Alongside financial support our employees offer their hands, heads and hearts to the foundation's chosen causes

Highlights during the period

- The Australian office contributed A$283 492 to a number of corporate social investment projects
- During the year Investec participated in five Australian Business and Community Network (ABCN) programmes with 14% of our staff involved nationally ABCN is a partnership of highly committed national business leaders and companies working on mentoring and coaching initiatives
- Investec Australia's Investment Bank team initiated Investec Community Awareness and Responsible Engagement (ICARE) in 2011 ICARE takes entire teams of Investec people out of the workplace for a day and connects them to people in need In 2011, the investment banking team spent a day at a special needs school in Bondi working directly with children with intellectual and multiple disabilities Inspired by the success of this initiative, the Investec Foundation has decided to broaden ICARE to include all of Investec Bank Australia in 2012
- In its latest initiative, the Investec Foundation has partnered with the Gonski Foundation and The Royal Flying Doctor Service (RFDS) South Eastern Section (SES) to deliver a new oral health service in North West NSW to address the poor and deteriorating oral health in some of our most remote and vulnerable communities
- During the financial year, our staff donated A$93 937 to charities of their choice which was matched by Investec

Information technology (IT)

Investec continues to invest in IT infrastructure and systems which allow the organisation to benefit from technological innovation, improve our ability to meet business needs and, in some instances, offer more environmentally friendly solutions

Infrastructure

The vision is to create a fluid and elastic infrastructure stack, allowing Investec to be more agile in response to business need, while containing costs and increasing service to the respective businesses

Key infrastructure related developments during the period include

- The introduction of a global shared services support model facilitating resource leveraging across the UK and South Africa, as infrastructure is supported by a unified global team
- Consolidation of storage platforms onto a single platform has allowed a reduction of our physical footprint in the data centre This has also facilitated a reduction in hosting costs and a reduced TCO over a five year period by improving storage utilisation
- Operational efficiencies have been created in Mauritius by automating the disaster recovery process
- The implementation of a new strategy in the backup environment has mitigated backup and recovery risks of the old tape system as we now back up to disk Reliance on third parties has been reduced as we are now able to utilise in-house skills to support this within the global model
- We continue to improve efficiencies through our virtualisation strategies and have consolidated licences globally with the implementation of a global enterprise licence agreement This will significantly improve the allocation and usage of licences across all geographies and will facilitate an estimated saving on software maintenance spend of approximately R3 million over the next three years
- The utilisation of technology has allowed us to exploit our current infrastructure by almost doubling the amount of virtual machines without having to procure any additional physical hosts
- Our move to commodity type infrastructure from proprietary equipment continues to reduce our operating costs through reduced power requirements, a reduction in the physical footprint and the use of an internal support model
- We continue to upgrade our video conferencing environment with the majority of Investec offices now running in high definition This has changed our day-to-day collaboration experience and greatly enhanced communication between offices, effectively reducing travel needs
- Kensington was upgraded with a new Cisco contact centre to answer client calls We have full visibility of calling statistics which enables us to manage, run and staff the contact centres appropriately
- A fully resilient voice architecture has been achieved in the UK by the Investec team, working with British Telecom (BT) External connectivity, with call routing, will be maintained while enduring a failure both internally on the Investec systems, and externally on the BT systems

- South Africa has been upgraded to a Cisco IP platform for its voice infrastructure It is now fully resilient internally, and load-balanced across multiple data-centres The team is working with South African providers to gain a similar level of resilience for external calls as achieved in the UK
- The UK office is expanding its footprint of 'thin' desktops to more users and therefore continuing to reduce total energy consumption for the desktop environment
- A managed print service is to be implemented in the next financial year in the UK region to reduce print wastage

Key business application-related developments during the period include

- In both the UK and South Africa there is a concerted effort to become a more client-centric organisation All client facing interfaces are being reviewed resulting in many improvement initiatives The 'Single Specialist Bank' initiative will ensure elimination of duplicate business processes across divisions, delivering a more cost effective, client-focused service offering
- In the UK there is a drive to move clients onto online banking, new and enhanced online account opening functionality, both for Private Banking and Reading mortgages (in terms of the initial mortgage application vetting process), electronic credit application processes within the Investec asset finance business and electronic statement distribution
- In South Africa, significant investments are being made to improve our client experience in the online environments, develop innovative products and increase efficiency in back office processes Base technology product selection has been achieved with global architectural community participation with a view to realising future technology convergence across geographies

This convergence will lead to opportunities to leverage resources, skills and licensing at a global level and aid in the achievement of our three strategic goals to

- Align architectural principles across all businesses and geographies
- Reduce the global business applications footprint
- Commoditise common functionality wherever commercially viable

We are in the process of implementing a sustainability reporting system (non-financial data), externally hosted, that imports data from various sources, consolidates the information and calculates the carbon footprint, human resource and community spend This is a global solution and covers corporate social investment, human resource data such as headcount, training and health and safety statistics as well as operational impacts including energy (electricity, gas and fuel), water, paper, waste and travel

Future benefits of the sustainability reporting system include consistent methodologies and metrics, benchmarking and target setting in terms of economic, environmental and social performance It will also facilitate trend analysis from historic information across all geographies

The lack of technical skills in South Africa remains a challenge and we have embarked on a graduate programme with local schools and universities to promote IT as a direction of study and career choice This initiative is being coordinated and aligned with Investec's corporate social investment programme

Procurement report

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, within 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 BEE requirements of the Department of Trade and Industry's Codes of Good Practice 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

During the year, environmental management policy statements for our South African and UK offices were approved by executive.

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 However, in promoting sustainability as part of Investec's core strategy, we believe there needs to be a balance between economic and financial imperatives, the needs of society and their combined impact on the environment

Investec's environmental policy takes into account the challenges that climate change presents to the global economy and we will consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet We believe that as a bank, and given our positioning in the first world and emerging world, we can make a meaningful impact in addressing climate change

Our environmental strategy is focused internally on creating awareness and encouraging behavioural change in recognition of our environmental responsibilities Externally, we are starting to focus on incorporating environmental considerations into our daily operations We recognise the significant opportunities for our clients and our various businesses in areas such as cleaner and renewable energy sources, energy efficiency and responsible lending and investing

Investec recognises that effective environmental management is an essential part of embedding this philosophy into the organisation We are committed to operating an effective environmental management system compliant with King III in South Africa and ISO14001 2004 in the UK

During the year, environmental management policy statements for our South African and UK offices were approved by executive Copies of these statements are included in our staff induction packs and are available on our websites

Highlights for the UK and Europe

- Investec was placed in the top 5% overall and ranked third amongst the financial institutions in the first league tables of the Carbon Reduction Commitment Energy Efficiency Scheme This was launched by the UK government in an effort to encourage business to reduce their carbon footprint and help the UK meet its emissions reduction targets
- Our Gresham Street office was awarded the Special Commendation Platinum Award in the City of London's Clean City Awards Scheme for 2011 These awards recognise City businesses that operate a well-managed waste minimisation programme through staff engagement
- Our Gresham Street office was shortlisted in the UK-wide Sustainable City Awards in the Responsible Waste Management category in recognition of outstanding effort in our waste minimisation programme in 2011
- We completed our formal environmental management system for our Gresham Street building This system has been produced to ensure environmental control, continual improvement in our environmental performance and compliance with the internationally recognised environmental management standard BS EN ISO 14001 2004 The system is based on our environmental policy which sets out our environmental commitments initially for the facilities function at Gresham Street
- We published our energy management plan for Gresham Street which sets the following targets on energy reductions based on the financial year 2009, a reduction target of 15% in 2012, and 34% in 2020
- We completed the installation of smart energy meters across our Gresham Street offices so that we now have 100% coverage of our electricity usage This has enabled us to continue to monitor and better manage our electricity usage, reducing it by a further 6% during the period under review
- Smart meters have been rolled out to the majority of our European offices

- In 2011 our Guildford office became the first tenant of the Low Carbon Workplace's first refurbished office Low Carbon Workplace, a wholly owned subsidiary of the Carbon Trust, has a remit to refurbish old buildings to a high energy efficiency standard The building is expected to save as much as 60% carbon above the industry standard
- In an effort to reduce our waste streams further we have removed all paper hand towels from our staff washrooms and have replaced them with Dyson Airblade hand dner units
- Team Green, our team of environmental champions, continues to engage with our staff by running environmental initiatives to encourage better and sustainable environmental behaviour Local Team Green groups have grown across our UK offices, and have in Scotland and Ireland
- Following the GreenHouse Gas Protocol methodology, we have broadened the scope of our carbon footprint exercise this year to include the emissions from all our UK, Ireland, Scotland, Channel Islands, Switzerland and Canada based offices

Highlights for South Africa

- Energy efficient installations and upgrades were done at the two Investec office buildings in Sandton and Pretoria which resulted in electricity savings equivalent to power the lights of approximately 5 280 average homes in South Africa
- We hosted a post-COP17 breakfast with the National Business Institute in South Africa at the end of January 2012, creating a platform for discussion on climate change and the potential implications for business and society at large
- Investec was included in the Carbon Disclosure Project for South Africa for 2011 and was ranked third in the financial services sector
- We held a number of staff awareness campaigns during the year on topics such as water awareness, solar initiatives, Earth Hour and the COP17 climate change conference
- Recognising that climate change is an increasingly relevant investment issue, with potentially profound economic and societal implications, Investec Asset Management published a research report assessing the impact of climate change on shareholder value in South Africa This is publicly available from their website
- The project and infrastructure team continues to play an active role in the renewable energy sector and, during the course of the year, they supported a number of transactions both as lender and equity investor in the renewable energy programme currently run by the South African department of energy Investec Energy Finance concluded a 15-year €50 million climate action framework loan facility with the European Investment Bank (EIB) The facility will be utilised for funding energy efficient and clean energy projects in South Africa over the next few years The team takes consideration of the environmental impact of these types of transactions and has agreed to partner with BirdLife South Africa to fund research on the environmental impact of renewable energy such as wind energy facilities on the local birdlife in South Africa This research will make a valuable contribution to mitigate the potential impacts of renewable energy developments on South Africa's birds and will cover energy developments relating to wind, solar and nuclear sites
- We hosted a lunch at our offices in which 20 MBA students from Duke University in the US met with representatives from Food and Trees for Africa, NOAH and Operation Hope to engage with Investec staff on a variety of sustainability topics

Highlights for Mauritius

- Investec partnered with the Mauritian Wildlife Foundation to sponsor 666 children to participate in their Learning with Nature programme

Highlights for Australia

- Investec in Australia has developed procedures to minimise the environmental impact of our operations We continue to monitor our carbon emissions performance and ways in which we can reduce our footprint
- The group has implemented a reporting system to capture data relating to operational impacts and our carbon footprint and this will be rolled out to the Australian office in the 2013 financial year

Summary of Investec's carbon footprint

For the period 1 April 2011 – 31 March 2012 CO_2 metric tonnes	South Africa	UK	Australia	Mauritius	Group
Emissions per full time employee	12 73	4 12	6 14	4 20	6 80
Emissions per m² office space	0 53	0 39	0 56	0 36	0 46

Shareholder analysis

Investec ordinary shares

As at 31 March 2012 Investec plc and Investec Limited had 598 3 million and 276 0 million ordinary shares in issue, respectively

Spread of ordinary shareholders as at 31 March 2012

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
14 011	1 to 500	50 7%	2 450 074	0 4%
4 758	501 – 1 000	17 2%	3 734 077	0 6%
5 872	1 001 – 5 000	21 2%	13 593 733	2 3%
1 008	5 001 – 10 000	3 6%	7 497 514	1 3%
1 103	10 001 – 50 000	4 0%	26 038 646	4 4%
292	50 001 – 100 000	1 1%	20 791 702	3 4%
618	100 001 and over	2 2%	524 233 866	87 6%
27 662		100 0%	598 339 612	100 0%

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 609	1 to 500	40 6%	854 907	0 3%
1 762	501 – 1 000	19 8%	1 371 198	0 5%
2 142	1 001 – 5 000	24 1%	4 945 185	1 8%
423	5 001 – 10 000	4 8%	3 107 642	1 1%
565	10 001 – 50 000	6 3%	13 384 538	4 9%
147	50 001 – 100 000	1 7%	10 579 692	3 8%
244	100 001 and over	2 7%	241 777 059	87 6%
8 892		100 0%	276 020 221	100 0%

Shareholder classification as at 31 March 2012

	Investec plc number of shares	% holding	Investec Limited number of shares	% holding
Public*	585 003 615	97 8%	251 888 039	91 3%
Non-public	13 335 997	2 2%	24 132 182	8 7%
Non-executive directors of Investec plc/Investec Limited	3 863 253	0 6%	300 825	0 1%
Executive directors of Investec plc/Investec Limited	7 305 248	1 2%	7 252 146	2 6%
Investec staff share schemes	2 167 496	0 4%	16 579 211	6 0%
Total	598 339 612	100 0%	276 020 221	100 0%

* *As per the JSE Listings Requirements*

Largest ordinary shareholders as at 31 March 2012

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)	85 575 855	14 3%
2	Coronation Fund Managers (ZA)	46 256 861	7 7%
3	Allan Gray (ZA)	45 953 028	7 7%
4	Old Mutual (ZA)	27 864 457	4 7%
5	Sanlam Group (ZA)	25 170 696	4 2%
6	BlackRock Inc (US and UK)	23 015 284	3 9%
7	Legal & General Investment Management (UK)	21 586 169	3 6%
8	Norges Bank Investment Management (Oslo)	16 158 059	2 7%
9	Prudential Group (ZA)	15 735 602	2 6%
10	Abax Investments (ZA)	14 141 267	2 4%
	Cumulative total	321 457 278	53 8%

The top 10 shareholders account for 53 8% 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

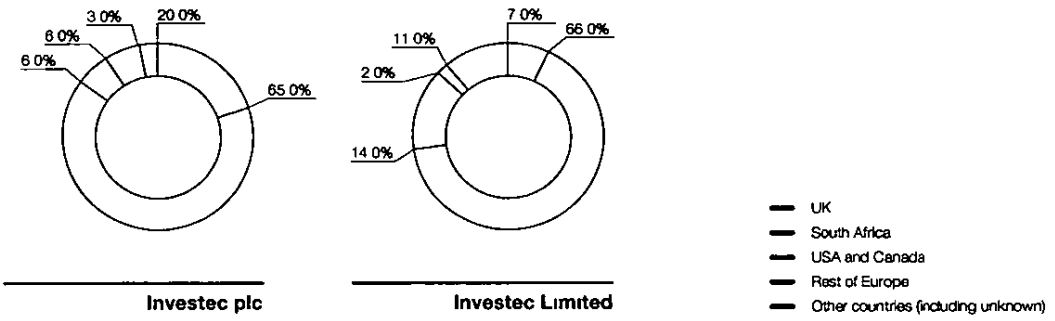
		Number of shares	% holding
1	Public Investment Corporation (ZA)	31 602 307	11 4%
2	Old Mutual (UK and ZA)	18 914 873	6 9%
3	Investec Staff Share Schemes (UK and ZA)	16 579 211	6 0%
4	Entrepreneurial Development Trust (ZA)*	16 311 353	5 9%
5	MMI Holdings (UK and ZA)	15 976 667	5 8%
6	Sanlam Group (UK and ZA)	15 613 376	5 7%
7	BlackRock Inc (UK and US)	11 147 152	4 0%
8	Afena Capital (ZA)	9 845 728	3 6%
9	Coronation Fund Managers (ZA)	7 225 511	2 6%
10	Vanguard Group (UK and US)	6 732 575	2 4%
	Cumulative total	149 948 753	54 3%

The top 10 shareholders account for 54 3% 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*

Shareholder analysis (continued)

Geographical holding by beneficial ordinary share owner as at 31 March 2012



Share statistics

Investec plc ordinary shares in issue

For the year ended 31 March	2012	2011	2010	2009	2008	2007	2006
Closing market price per share (Pounds)							
Year end	3 82	4 78	5 39	2 92	3 39	6 58	5 88
Highest	5 22	5 50	5 62	4 21	7 65	6 76	6 07
Lowest	3 18	4 29	2 87	1 69	2 94	4 95	3 04
Number of ordinary shares in issue (million)[1]	598 3	537 2	471 1	444 9	423 3	381 6	373 0
Market capitalisation (£'million)[1]	2 286	2 568	2 539	1 299	1 435	2 511	2 194
Daily average volume of shares traded ('000)	1 683	1 634	1 932 6	2 604	3 926	2 832	1 489
Price earnings ratio[2]	12 0	11 1	12 0	6 9	6 0	12 4	14 0
Dividend cover (times)[2]	1 9	2 5	2 8	3 3	2 3	2 3	2 3
Dividend yield (%)[2]	4 5	3 6	3 0	4 5	7 4	3 5	3 1
Earnings yield (%)[2]	8 3	9 0	8 4	14 5	16 7	8 1	7 1

Investec Limited ordinary shares in issue

For the year ended 31 March	2012	2011	2010	2009	2008	2007	2006
Closing market price per share (Rands)							
Year end	47 16	52 80	62 49	38 86	57 43	93 30	62 60
Highest	57 36	65 50	65 40	63 19	104 4	94 60	66 50
Lowest	42 00	49 49	37 51	27 20	50 90	59 06	34 10
Number of ordinary shares in issue (million)[1]	276 0	272 8	269 8	268 4	234 3	227 7	220 0
Market capitalisation (R'million)[3]	41 232	42 768	46 299	27 715	37 766	56 848	37 121
Market capitalisation (£'million)[3]	3 340	3 872	3 993	2 083	2 229	4 009	3 488
Daily average volume of shares traded ('000)	1 033	794	1 068	1 168	841	620	478

1 *The LSE only include the shares in issue for Investec plc i e 598 3 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 874 3 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 page 268

Spread of perpetual preference shareholders as at 31 March 2012

Investec plc perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued preference share capital
143	1 to 500	10 9%	39 110	0 3%
149	501 - 1 000	11 4%	120 692	0 8%
702	1 001 - 5 000	53 6%	1 454 937	9 6%
119	5 001 - 10 000	9 1%	897 719	6 0%
144	10 001 - 50 000	11 0%	3 084 555	20 4%
29	50 001 - 100 000	2 2%	2 113 350	14 0%
24	100 001 and over	1 8%	7 370 786	48 9%
1 310		100 0%	15 081 149	100 0%

Investec plc (Rand denominated) perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued preference share capital
48	1 to 500	14 4%	16 642	0 7%
89	501 - 1 000	26 7%	71 133	3 1%
152	1 001 - 5 000	45 7%	343 857	15 1%
19	5 001 - 10 000	5 7%	148 105	6 5%
16	10 001 - 50 000	4 8%	339 112	14 9%
1	50 001 - 100 000	0 3%	99 010	4 4%
8	100 001 and over	2 4%	1 258 081	55 3%
333		100 0%	2 275 940	100 0%

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued preference share capital
710	1 to 500	13 8%	232 759	0 8%
1 346	501 - 1 000	26 1%	1 189 450	4 2%
2 255	1 001 - 5 000	43 7%	5 397 000	18 8%
462	5 001 - 10 000	9 0%	3 385 968	11 8%
331	10 001 - 50 000	6 4%	6 150 079	21 4%
18	50 001 - 100 000	0 3%	1 298 320	4 5%
35	100 001 and over	0 7%	11 066 282	38 5%
5 157		100 0%	28 719 858	100 0%

Shareholder analysis (continued)

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued preference share capital
767	1 to 500	19 2%	228 987	1 5%
1 215	501 – 1 000	30 5%	1 095 635	7 1%
1 552	1 001 – 5 000	38 9%	3 732 978	24 1%
252	5 001 – 10 000	6 3%	1 865 606	12 1%
180	10 001 – 50 000	4 5%	3 585 056	23 2%
9	50 001 – 100 000	0 2%	650 345	4 2%
16	100 001 and over	0 4%	4 289 023	27 8%
3 991		100 0%	15 447 630	100 0%

Largest perpetual preference shareholders as at 31 March 2012

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

Investec plc	
Steyn Capital EC Partnership	5 2%
Chase Nominees Limited (Artemis)	9 9%
Investec plc (Rand denominated)	
NES Investments (Pty) Limited	5 3%
Regent Insurance Company Limited safe custody	6 6%
Liberty Life Association of Africa Limited	7 8%
Outsurance Insurance Company Limited	13 2%
Cadiz Absolute Yield Fund – CIS	17 6%
Investec Limited	
Agulhas Nominees (Pty) Limited (Sanlam Private Investments)	5 6%
Investec Bank Limited	
Agulhas Nominees (Pty) Limited (Sanlam Private Investments)	9 9%



Remuneration report

Remuneration report

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Remuneration report

Statement from the chairman of the board remuneration committee

This remuneration report was prepared by the remuneration committee and approved by the board The board believes that a properly constituted and effective remuneration committee is key to maintaining 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 2012 financial year

The board believes that a properly constituted and effective remuneration committee is key to maintaining the link between pay and performance.

Introduction

The formal purpose of this statement is to introduce the remuneration report component of the annual report to shareholders However, given the attention paid to remuneration during the last year by governments, regulators and social commentators the audience is wider than the current shareholders and consequently I will address a number of the key issues currently under discussion by these other stakeholders This audience can be broadly divided into those who look at Investec as a single group such as shareholders, and those who look at individual components be they defined by geography or technical speciality, such as individual regulators or host societies and their governments

The directors of Investec Limited and Investec plc (together Investec) have committed to their respective authorities and to shareholders to run the dual listed group as a single economic entity The increasing intervention of regulators, particularly those in the UK, means that the operating structure of the group, from a remuneration perspective, is developing into a federal model rather than a single integrated unit

Among our lines of business, it is our specialist banking businesses which face the largest changes in their regulatory environment The introduction by the Financial Services Authority (FSA) of its Code on Remuneration including the concept of FSA Code staff in the UK creates a difference in the way we treat key staff in the UK bank from our Asset Management or Wealth & Investment businesses This provides some challenges in a culture that promotes equal treatment across our businesses It is clear that in the future our staff operating within our specialist banking businesses will be subject to a different remuneration regime from other parts of our business

Within the clamour that surrounds pay for those who work in financial services across the world there are many voices The demands we face from different stakeholders are not always capable of being met in full, not least because they may not be consistent with one another Nonetheless, we are listening to this wide range of stakeholders and are trying to amend our approaches and systems to meet the changing and substantially more complex environment

Issues raised by stakeholders

The overall level of pay, notably for executives, and the mix between fixed and variable costs

The most general issue that has been raised by stakeholders is the overall level of executive pay and more recently where last year's pay levels have been compared to the current year's performance Investec is conscious of the public debate concerning the relatively high rewards for executives, and in particular bankers, and has participated in discussions with interested parties such as HM Treasury and the High Pay Commission in the UK The board of our South African bank had a full session with the South African Reserve Bank (SARB) on remuneration The remuneration committee has also begun to participate in the Australian remuneration operational and regulatory review process

At present, as a participant in a competitive market for staff in each of the markets in which we operate, our published policy is to continue to pay at overall levels competitive with our peers as described in our annual reports in previous years We believe that our ability to diverge significantly from market practice is limited by the exposure to losing staff to rivals who will pay more

We continue to recognise the importance of sustainability and continue to take specific account of corporate performance in this area when assessing the variable pay of the executive directors.

We continue to believe that base salaries should be restricted to retain control of fixed costs We are however, faced with a market where many competitors have responded to criticism of the multiple between fixed and variable pay by raising the former and thereby reducing the ratio by increasing their fixed costs We do not believe this to be in the interests of shareholders, and have not followed suit

Furthermore, we believe that the introduction of a cap on the multiple between fixed and variable compensation is anti-competitive as it favours large established firms with high base pay and raises the cost of entry In both South Africa and the UK we believe that Investec has, and is, playing an important competitive role by offering a different business model to longer established banks In order to compete we need to be able to be more flexible in the variations in the rewards we offer Our specialist banking businesses have not predominantly participated in principal proprietary risk taking businesses nor have our individual employees been remunerated on formulae that encourage the sort of risk taking the cap is designed to prevent

We recognise that some commentators focus particularly on the highest paid individuals and have published figures with respect to the ABI Principles of Remuneration, revised in September 2011 We believe that there is too much attention paid to this 'celebrity pay' and insufficient debate on the appropriate division of the returns between capital, labour and society (see below)

Similarly, whilst we can calculate the multiple between the rewards of the average employee and the highest paid, we believe that the resulting figure can be significantly distorted, for example, by whether or not a firm outsources the bulk of its lower paid support functions An organisation that uses computers will look less dispersed than one that uses manual accounting and correspondence systems For many years we have included pension contributions in our pay decisions for executive staff when some of our competitors have separated them

Risk management and risk-adjusted compensation awards

Various stakeholders are concerned that risk management should be expressly considered when looking at rewards for bankers Our existing economic value added (EVA) system, which we have run for over ten years, includes a risk-based component at the heart of our compensation system Our rewards are distributed from pools of realised earnings generated in excess of targeted thresholds which reflect usage of risk-adjusted capital 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 ensuring that the basis for the division of rewards between all stakeholders is transparent and consistent over time We continue to avoid contractual commitments to specific individual bonuses preferring to pay from our formula-driven EVA pools on the basis of discretionary judgements at an individual level These individual judgements take account of the individual's record of compliance with the group's risk management policies

The remuneration of the various risk, compliance and internal audit staff 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 and the individuals taking into consideration financial performance, compliance with culture and values and numerous other qualitative factors set out later in this report

We recognise the principle of 'clawback' for Code staff and have considered the financial results and governance reviews and regulatory actions to assess whether any such action is appropriate this year We have concluded that no such action is required

Sustainability aspects

We continue to recognise the importance of sustainability and continue to take specific account of corporate performance in this area when assessing the variable pay of the executive directors Thus, for example we note our Level 3 rating in terms of the South African Codes on Broad Based Black Economic Empowerment and the Special Commendation Platinum Award for 2011 in the City of London's Clean City Awards

Across the group, we encourage staff ownership of shares Our employee share schemes (excluding schemes applicable to the executive directors) are not generally subject to performance conditions as their purpose is to provide all staff with some alignment with the interests of our owners As a relatively young company, we have many senior executives with

significant shareholdings reflecting their long association with our growing business We are comfortable with the introduction of regulations requiring variable remuneration to be paid in shares and have applied deferral principles for the past three years However, to a significant degree we do not see this as introducing a new relationship between management and shareholders but an extension of an approach that has long been at the heart of our business The proportion of shares held by our employees is approximately 10%

We continue to avoid long-term contracts and termination payments Specifically we have changed the contractual arrangements for one individual to which certain shareholders objected last year to bring it in line with our general policy Among the firms that we acquired during the year there are contractual arrangements which fall below best practice and are outside our preferred conditions of employment We will look to phase these out as soon as practicable given our responsibility to honour existing contracts

The 'distribution' model

Investec has acknowledged for many years the importance of the appropriate division of the commercial fruits of our work between our owners, our workforce and the societies in which we operate, the latter through corporate and personal taxation We would welcome the more widespread adoption of this 'distribution' model as recommended by the UK High Pay Commission

Our approach is to pay individuals from pools of realised income generated by the different business units and to monitor the overall share our staff receive in the economic return of the company Our effective corporate tax rate has averaged 21% over the past ten years, while our gross staff compensation ratio i e comprising total fixed costs, total variable remuneration paid (including the total deferred portion) and share-based costs (as spread over the period of the share incentive option) remains within its long-term range of 35% to 43% Personal tax deduction, payroll taxes and national insurance mean that a substantial portion of the gross compensation is ultimately paid to the tax authorities Our payments to shareholders remain within our stated dividend policies, and we have retained a portion of earnings each year to build up capital resources

Our EVA model allows us to compare individual business units with their competitors with the result that our overall gross staff compensation ratio will reflect changes in the proportions contributed by different businesses Thus in a year when the asset management and wealth and investment businesses perform relatively well, one would expect the overall compensation ratio to rise because of the higher proportion of earnings paid to staff in a business which uses low amounts of capital

In summary we estimate our total economic return has been divided between the main stakeholders as follows

- Governments through corporate, personal and other taxation at source 25%
- Employees through total compensation net of taxation at source 48%
- Owners through dividends (before taxation) at source and retention in the business 27%

Our value added statement is provided on page 18

The year under review

Key points to note for the period under review include

- Recurring revenue as a percentage of total revenue amounts to 67 7% (2011 62 3%)
- Core capital and liquidity ratios remain sound and the group has reported attributable earnings of £257 6 million (2011 £327 9 million) Further information on our risk management indicators, policies and procedures and the group's performance can be found on pages 39 to 54 and 91 to 95
- The total staff compensation to operating income ratio is 43 0% (2011 40 7%), with the following percentages within our three core business units
  - Asset Management 45 9% (2011 45 2%)
  - Wealth & Investment 57 2% (2011 53 1%)
  - Specialist Banking 40 2% (2011 38 3%)
- £36 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 26% 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 16 5% for Investec plc in Pounds Sterling and negative 6 8% for Investec Limited in Rands This compares to a return of negative 8 5% for the FTSE 350 General Finance Index Since listing on the London Stock Exchange in 2002, Investec plc has outperformed the FTSE 350 General Finance Index (see graph on page 253)
- Executive directors hold 1 2% and 2 7% of the issued share capital of Investec plc and Investec Limited respectively Non-executive directors hold 0 6% and 0 1% of the issued share capital of Investec plc and Investec Limited respectively (see table on page 256)
- Investec plc issued 1 065 000 ordinary shares and Investec Limited issued no ordinary shares to the staff share schemes during the year

Our underlying remuneration philosophy and processes as a group remains as in prior years, however, we have introduced additional process to reflect the requirements of different regulators on different subsidiaries

This year in addition to our existing programme of shareholder engagement we have held direct meetings with a number of shareholders and their representatives and one of our joint chairmen and the chair of the remuneration committee have presented the action taken as a result of the feedback around our 2011 annual general meeting and explained the increased involvement of our regulators in remuneration since then We also canvassed opinion on the appropriate performance measures to use for executive directors in future On this we have noted significant disagreement among our stakeholders For example, some regulators and shareholders are very critical of ROE measures whilst others believe they should be paramount Similarly, there was no consistent view as to the appropriate peer group against which to compare our executives Below the top management it is much easier to identify competitors and other comparators Our conclusion was that no single measure or benchmark would satisfy all our stakeholders Accordingly, we propose to retain our flexibility to use a range of measures and benchmarks but will be explicit and transparent in respect of each incentive award as to what measures have been chosen and the reasons for this choice In each case our intention will be to align the interests of executive management with our strategic goals Some measures will be used to ensure reward follows delivery of returns to shareholders Others will meet regulatory requirements to ensure the appropriate relationship between risk and reward Finally, there will be some that seek directly to align the executives with shareholders through ownership of shares

I would like to thank our shareholders for the open and frank nature of these conversations and for the various suggestions that were made I regret that the complexity of the issues coupled with the repeated call for simplicity means that we cannot give everyone exactly what they want The proposals herein reflect our best efforts to respond to the underlying drivers to enhance shareholder value and to ensure executive reward is fully aligned with shareholder value, whilst complying with local regulatory requirements and being a positive force within the societies in which we operate

Concluding remarks

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 management frameworks

At present the outcome of the Vickers Independent Commission on Banking and the Department for Business, Innovation and Skills discussions on executive pay in the UK, although imminent, is unknown We have reflected on these issues and their potential for impacting the way we measure performance, and considered the feedback received from our recent discussions with shareholders We recognise that in order to give proper attention to these matters and reach a satisfactory and sustainable conclusion we need more time for discussion and accordingly we will not be presenting specific proposals for change at the 2012 annual general meeting

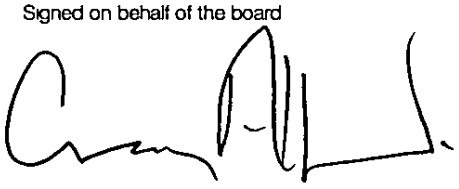
We acknowledge and value the leadership shown by three of our executive directors in asking us not to consider performance bonuses for them in respect of the 2012 financial year The committee has decided to rather focus compensation for these individuals on the longer-term alignment with shareholders and in addition has not adjusted the fixed salary of Mr Koseff and Mr Kantor

The board has reiterated its support for the overall strategy of the business and we believe that the executive directors should receive a long term incentive award this year to reflect the underlying progress of the group, whilst acknowledging that this is taking longer to implement than we had hoped due to the difficult economic conditions We plan to allot the executive directors shares under the existing share matching plan subject to confirmation with the UK regulator under their new rules concerning Code staff These conditions have proved testing in recent years with several awards lapsing as performance hurdles were not achieved The amount and terms of the new allocations will be announced before the end of June 2012

The committee will keep the existing remuneration arrangements, as discussed in this report, under review during the 2013 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 2012 annual general meeting

Signed on behalf of the board



George Alford
Chairman
Remuneration committee

13 June 2012

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 241 to 246)
- Ownership in the form of share incentive scheme participation

We consider 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 in a risk conscious manner 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 in a regulated industry and within an effective risk management environment 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-, medium- and long-term success

In summary, we recognise that banks 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 A value added statement is included on page 18

Remuneration principles

Our remuneration policy is consistent with the following overarching 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

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 contain fixed cost elements
- Variable rewards (a portion of which is deferred for senior employees, FSA Code staff and executive directors) are largely EVA-based (and underpinned by our risk appetite and capital utilisation as discussed on pages 170 to 174)
- 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
- Given our stance on the fixed cost component of remuneration (see above), our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards
- The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are contractually (and do not consider ourselves morally) bound to award variable performance 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

Remuneration report (continued)

Remuneration policy

In addition to enshrining the principles above, 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 not to 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

Remuneration and effective risk management

Risk consciousness and management is embedded in our organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do

The board risk and capital committee sets the overall risk appetite for the Investec group and determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as overseeing the mitigation of risks and overall capital management and allocation process

The capital committee is a sub-committee of the board risk and capital committee and provides detailed input into the group's identification, quantification and measurement of its capital requirements taking into account the capital requirements of the banking regulators It determines the amount of internal capital that the group should hold and its minimum liquidity requirements taking into account all the associated risks plus a buffer for any future or unidentified risks This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units

The executive risk review forum is responsible for approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risk are implemented

The various central, independent group credit and deal approval forums also provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and by implication, risk premium is built into every approved transaction

The central credit, deal and risk forums are independent from the operating business units and, by their approval, in effect ensure that every transaction undertaken by the group results in a contribution to profit that has already been subject to some risk adjustment

These independent committees approve all limits, exposures, credit and investment approvals, ensuring that risk is well managed on a central basis within the group

Furthermore, both the risk and compliance functions are also embedded in the operating business units and are subject to oversight by the independent central risk and compliance functions

An added control against conflicts of interest is the embedded collaborative committee-based approval culture of the Investec group, where most decisions are processed through multiple committees which mitigates the risk that conflicts of interest may influence the decision making process

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 FTSE350 General Finance firms have provided the most appropriate benchmark to date

- For employees, combinations of firms from the JSE Financial 15 and the FTSE350 General Finance sector have offered the most appropriate benchmarks
- 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 may be 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 or sustain either a business unit or our capability in a geography

Components of remuneration

The reward package for executive directors and employees comprises

- Fixed base salary and benefits
- Annual variable 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

Fixed 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 incorporate 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 do not 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 254 has been done on a gross basis (i e inclusive of pension fund contributions from the company)

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

Annual variable performance bonus

All employees are eligible to be considered for a discretionary annual performance bonus, subject *inter alia* to the factors set out above in the section dealing with the determination of remuneration levels

Investec Asset Management and Investec Wealth & Investment are separate regulated entities and are classified differently to the Specialist Bank in terms of the FSA Remuneration Code As a result the structure of performance bonuses for these two divisions differs slightly from the rest of the group (refer to pages 244 to 246)

Structure of variable performance bonuses for employees in the Specialist Bank

Our EVA model performance-linked and risk-adjusted remuneration

Our business strategy and associated risk appetite, together with effective capital utilisation, 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

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each operating business on its operating profit This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the chief executive officer and managing director, and agreed by the remuneration committee and the board

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

- 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 principle 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 and credit committees A detailed explanation of our capital management and allocation process is provided on pages 170 to 174
- 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 the degree of risk and the 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 predetermined (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 exceeded, 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

In circumstances where an operating business unit does not have an EVA pool (e g when it incurs a loss or when it is a start-up), the chief executive officer and managing director would consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the group, despite the lack of EVA profits in the short term, e g control functions, support staff and key business staff

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance as well as the executive directors, 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 group, objectives based on their function, and compliance with the various non-financial aspects referred to above

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 and in order to ensure that the payment of such discretionary bonuses does not inhibit the group's ability to maintain/raise its capital levels 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 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 group 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

The risk adjustment framework

All variable remuneration payable to our UK Specialist Banking staff is subject to the risk adjustment framework where performance is assessed at a group, business unit and individual level This framework seeks to balance both financial and non-financial measures of performance and risk adjustment to ensure that the appropriate factors are considered prior to making an award, and that the appropriate mix of cash and share-based awards are made In this way, we ensure that all variable remuneration is fully risk-adjusted

The risk adjustment drivers are

Group level

- Financial measures of performance
  - Group-wide risk adjusted EVA model
  - Overall affordability
- Non-financial measures of performance
  - Market context
  - Specific input from the group risk and compliance functions

Individual level

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions
- Non-financial measures of performance
  - Alignment and adherence to our culture and values
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the bank's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the group risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives

Deferral of performance bonus awards – non-UK FSA Code staff within the Specialist Bank

All performance bonus awards exceeding a predetermined 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 three equal tranches at the end of 12 months, 24 months and 36 months Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as EVA shares These awards are made in terms of our existing long-term incentive plans (refer below) The entire amount of the performance bonus that is not deferred is payable up front in cash

Deferral of performance bonus awards – UK FSA Code staff within the Specialist Bank

- Individual awards to FSA Code staff will be determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the risk adjustment framework and group remuneration governance processes (also set out above)
- Performance awards to directors of the UK Specialist Bank (excluding executive directors who are employees of a separately regulated firm) and all performance awards where total variable remuneration exceeds £500 000 are subject to 60% deferral

- All other performance awards to FSA Code staff are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as to 50% in cash and 50% in EVA forfeitable shares ('up-front EVA forfeitable shares')
- The up-front EVA forfeitable shares will vest immediately but will only be released after a period of six months, which we consider to be an appropriate retention period
- Discretionary bonuses for FSA Code staff who are not exempted by the *de minimis* rates are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of LTIPs granted to each staff member in the applicable financial year and which are included in deferred variable remuneration The deferred portion of discretionary awards to FSA Code staff will, at the election of the staff member, be made either entirely in the form of EVA forfeitable shares, or 50% in EVA forfeitable shares and 50% in cash
- All deferrals in the form of EVA forfeitable shares (being either 50% or 100% of such deferral) vest in equal amounts at the end of 12 months, 24 months and 36 months and are then subject to an appropriate period of retention, being six months

Other information on deferred awards and clawback provisions within the Specialist Bank (FSA Code staff)

Employees who leave the employment of Investec prior to vesting of these deferred awards will lose their EVA forfeitable shares other than as a result of retirement, subject to the group's normal good leaver provisions and approval process in exceptional cases

The deferred share awards are subject to clawback of unpaid EVA The assessment of whether any clawback should be made to an individual's unvested award will be undertaken within the following framework

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or operating business unit suffers a material downturn in its financial performance
- Where the firm or business unit suffers a material failure of risk management

In these cases, management and the remuneration committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the group or business unit
- Any violation of the group's culture and values
- The long-term impact of the outcome on the group or relevant business unit
- External factors including market conditions
- Any other relevant factors

Specifically for EVA share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee

EVA share awards for executive directors are not permitted under the rules of the current long-term incentive plan and thus any such award is made in the form of phantom share awards over Investec shares

Structure of performance bonus awards for employees in Investec Asset Management

Investec Asset Management (IAM) recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the FSA Remuneration Code The IAM remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of IAM

IAM operates the following performance bonus schemes which may result in annual payments to employees

- Annual Discretionary Cash Bonus Scheme (all employees of IAM are currently eligible to be considered for a cash bonus payment under this scheme)
- Deferred Bonus Plan (participation in this scheme is determined on an annual basis at the discretion of IAM based on the roles of individual employees)

Annual Discretionary Cash Bonus Scheme (ADCBS)

Awards under the ADCBS are payable entirely in cash The purpose of the cash bonus is to reward behaviour and effort against objectives and values, and retain key employees The cash bonus pool determination is based on the profitability of IAM only In principle, there would be no cash bonus payments should IAM be loss making (although this would be reviewed where it was considered that bonus payments were necessary in order to retain staff and protect the business in the long term even if the business had been loss making in the short term)

The percentage of profit allocated to the variable compensation pool has been agreed (at a fixed rate) and approved by the DLC remuneration committee and IAM remuneration committee

Management information is provided to the IAM remuneration committee to ensure that IAM's financial results are put into the context of the risk appetite of the business and the IAM remuneration committee is able to risk adjust the cash bonus pool should they believe this is required given the risk taken and the overall financial results

The individual cash bonus awards are approved by the IAM remuneration committee and reviewed by the DLC remuneration committee annually

Deferred Bonus Plan (DBOP)

As noted above, participation in the DBOP is determined on an annual basis at the discretion of IAM based on the roles of individual employees The purpose of the DBOP is both to retain key employees and to provide better alignment of the interests with clients and to manage potential, currently unknown future risks

The conditions for participation in the DBOP are approved by the IAM remuneration committee annually, based on the remuneration requirements in the year being considered This will take into consideration local market remuneration practices and relevant and required regulations

The DBOP awards are made in the form of investments into various funds managed by IAM and with specific allocations for the portfolio managers into their own funds The deferral period is just over three years and awards are only paid out under specific listed conditions The award does not accrue to the employee until the end of the deferral period and as such both the asset and liability remain on the balance sheet of IAM until that time Employees forfeit their allocations if they resign or their employment terminates (other than for redundancy, retirement, death or disability) prior to the vesting date

Payments can only be made to participants prior to a scheduled vesting date with the consent of the IAM executive committee and ultimately by the IAM remuneration committee

IAM's governance processes, operating within the context of the broader Investec group's process, ensure robust oversight of reward and effective management of any potential conflicts of interest whilst reflecting the need to link remuneration decisions with IAM's risk appetite

The head of the IAM risk committee assesses the risk appetite, risk tolerance level and risk management for IAM and feeds her views into the remuneration decision making process, including sending a risk report to the IAM remuneration committee for consideration when making remuneration decisions

In addition, IAM Human Resources and Compliance are responsible for ensuring that the IAM remuneration committee takes into consideration financial and non-financial criteria, risk and compliance reports, and any other relevant information in making decisions around remuneration

The primary determinant of the variable compensation pool available for distribution is IAM's own annual profit There is an annual budget against which the business is measured

The variable compensation pool is allocated to business divisions and then to individuals based on divisional performance and the individual's performance This ensures that staff are rewarded appropriately for meeting their objectives and keeping within the values of the business

The oversight of conflicts of interest and the link between risk and reward is achieved through a combination of effective remuneration components, designed to incorporate risk and of the dual operation of the DLC remuneration committee and IAM remuneration committee in ensuring appropriate and, where necessary, independent oversight of both remuneration policy and outcomes

Structure of variable performance bonuses for employees in Investec Wealth & Investment (other than in South Africa)

Investec Wealth & Investment (IW&I) recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the FSA Remuneration Code IW&I recognises that the policy, procedures and practices it has adopted should not conflict with the group's obligations under the FSA Remuneration Code The IW&I remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of IW&I within the context of the Investec group's agreed remuneration philosophy and policy

IW&I operates the following variable performance bonus schemes which may result in annual payments to employees

- Discretionary Incentive Scheme (relating to staff in client facing roles and administration staff who support them directly)
- Discretionary Bonus Scheme (relating to staff in non-client facing support functions)
- Additional New Business Incentive Scheme (relating to staff primarily in client facing roles who are direct generators of income)

Awards under each of the three schemes above are payable entirely in cash and do not attract employer pension contributions In the case of the Discretionary Incentive Scheme and the Discretionary Bonus Scheme, the award may be paid directly to the individual (subject to the deduction of PAYE and NIC) or, at IW&I's discretion, as an additional pension contribution

All employees are eligible to be considered for an annual discretionary award under one of the above schemes Awards relate to financial years ending 31 March each year An interim payment on account of the annual award is considered at the half-year stage

Value adjustments that are considered appropriate as a result of an individual's level of non-financial performance being below that expected by the business are made entirely to the discretionary incentive scheme or discretionary bonus scheme award of the employee concerned

Where an IW&I executive director undertakes a role that is primarily client facing in a specific business unit, that director may also be eligible to participate in the incentive schemes of the relevant business unit Such schemes comprise two elements

- The first element is a bonus pool which is calculated based on a formula that is directly related to the profitability of the business unit The entire bonus pool, which is not subject to an upper limit, is distributed to the employees of the business unit on a discretionary basis A proportion of the annual discretionary bonus payable to such executive directors may be awarded as a pension contribution, at the discretion of the committee
- The second element rewards participating employees on an individual basis for new business that is gained and then retained for a period of three years following the end of the year in which the new business is gained The amount payable is based on a formula which is directly related to the income generated as a result of the new business and is not subject to an upper limit All awards under this scheme are cash awards This latter scheme represents a long-term incentive scheme in accordance with the regulations and amounts earned and paid under this scheme are separately disclosed in the financial statements of IW&I

Share option and long-term share incentive plans for the Investec group

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 in appropriate circumstances as a retention mechanism for key talent

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, conditional awards 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 a *de facto* non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also *de facto* non-discretionary awards of 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 employees of Investec Limited

The value of the overall pool of LTIP awards will be reviewed by the remuneration committee in the context of business-wide factors, including

- Group-wide risk-adjusted EVA
- Non-financial performance and risk factors, based on input from Group Risk
- Market context
- Overall affordability

The remuneration committee may adjust the total pool of LTIP awards on this basis prior to award, leading to consequent alterations in individual award levels In this way, ex-ante risk-adjusted performance determines the overall LTIP pool outcome

LTIP awards for non-FSA Code staff are subject to 75% vesting at the end of four years and the final 25% at the end of the fifth year, which we believe is appropriate for our business requirements LTIP awards to FSA Code staff are subject to 75% vesting at the end of three and a half years and the final 25% at the end of four and a half years, and are then subject to a six-month retention period 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 and allows for multi-year contribution to performance and brand building

These are summarised later in this remuneration report and include

- Our current long-term incentive plans
- Our current share option plans
- Several plans that are no longer used, or which were introduced prior to the implementation of the DLC structure Some of these plans still have outstanding awards

Investec plc has four share plans (detailed below) that were introduced around the time of the implementation of our DLC structure and our listing on the London Stock Exchange that are due to expire in July 2012, namely

- The Investec plc Share Option Plan 2002
- The Investec plc Approved Share Option Plan 2002
- The Investec plc Share Participation Plan 2002 (SIP)
- The Investec plc Sharesave Option Plan 2002

These will be replaced in due course, subject to shareholder approval

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 2012[4,5,6]
Long term incentive plans								
Investec 1 Limited Share Incentive plan[7] – 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 and for FSA Code staff 75% at the end of three and a half years and 25% at the end of four and a half years plus a six month retention • EVA share awards up to three years from date of award	8 499 340	Number 41 506 731 % of issued share capital of company 6 9%
Investec Limited Share Incentive Plan[7] – 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	9 020 438	Number 42 423 893 % of issued share capital of company 4 9%
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	Nil	Number 3 150 000 % 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 2012[4,5,6]
Current share option plans								
Investec plc Share Option Plan 2002 (un-approved plan) (expires August 2012)	• 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	277 650	Number 511 557 % of issued share capital of company 0.1%
Share plans not currently in use								
Investec plc Share Option Plan 2002 (approved plan) (expires August 2012)	• 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 288 042 % 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%

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 *The Investec plc Share Option Plan 2002 (unapproved plan) is operated in jurisdictions where the application of the other schemes is less favourable to participants This scheme provides for performance conditions to be applied to awards, which are determined by the committee at the time the awards are made 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 268 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 2012 was 598 million shares and 276 million shares respectively As announced on the stock exchange news services, 1 065 000 Investec plc and no 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 2012 was £3 82 (2011 £4 78), ranging from a low of £3 18 to a high of £5 22 during the financial year*

6 *The market price of an Investec Limited share as at 31 March 2012 was R47 16 (2011 R52 80), ranging from a low of R42 00 to a high of R57 36 during the financial year*

7 *The rules of these long-term incentive plans do not allow awards to be made to executive directors*

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award This includes, but is not limited to sign-on, buy-out and guarantee awards Guaranteed variable awards will not be awarded, paid or provided to any individual within the Investec plc group unless they are

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service

The remuneration committee shall at least annually review guaranteed variable remuneration payments and the number of guarantees awarded to ensure that they are only granted in exceptional circumstances

Retention awards

Investec will only pay retention awards to serving staff in exceptional circumstances In all such cases, Human Resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation Additionally for FSA Code staff, the remuneration committee shall review all proposed awards Circumstances where Investec plc will consider paying a retention award are in the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the FSA should be notified prior to the retention award being made to FSA Code staff, and should consider seeking guidance on the appropriateness of retention awards for certain individuals

Severance awards

Severance payments by Investec plc or one of its subsidiary companies for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure Severance payments for FSA Code staff individuals shall be subject to prior approval by the DLC remuneration committee

Discretionary extended pension benefits policy

All proposed extended pension payments made to employees upon reaching retirement should be reviewed by the remuneration committee for alignment with appropriate laws, policy and regulation

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 2012 and 2013 financial years is shown below

Non-executive directors' remuneration	2012 financial year	As approved by the board for the 2013 financial year
Chairman's total fee	£400 000 per year	£250 000 per year
Basic non-executive director fee	£62 000 per year	£65 000 per year
Senior independent director	£5 000 per year	£5 000 per year
Chairman of the DLC audit committee	£52 000 per year	£55 000 per year
Chairman of the DLC remuneration committee	£35 000 per year	£37 000 per year
Member of the DLC audit committee	£15 000 per year	£16 000 per year
Member of the DLC remuneration committee	£13 500 per year	£14 500 per year
Member of DLC nominations and directors' affairs committee	£10 000 per year	£10 500 per year
Member of the board risk and capital committee	£12 500 per year	£13 000 per year
Board member in attendance of the board risk and capital committee	£10 000 per year	£10 500 per year
IBL board member in attendance of the board risk and capital committee	R120 000 per year	R125 000 per year
Member of the Investec Bank plc board	£11 000 per year	£11 500 per year
Member of the Investec Bank Limited board	R240 000 per year	R250 000 per year
Member of the Investec Limited audit committee who is not a DLC audit committee member	R115 000 per year	R120 000 per year
IBL board member in attendance of the DLC nominations and directors' affairs committee	R65 000 per year	R68 000 per year

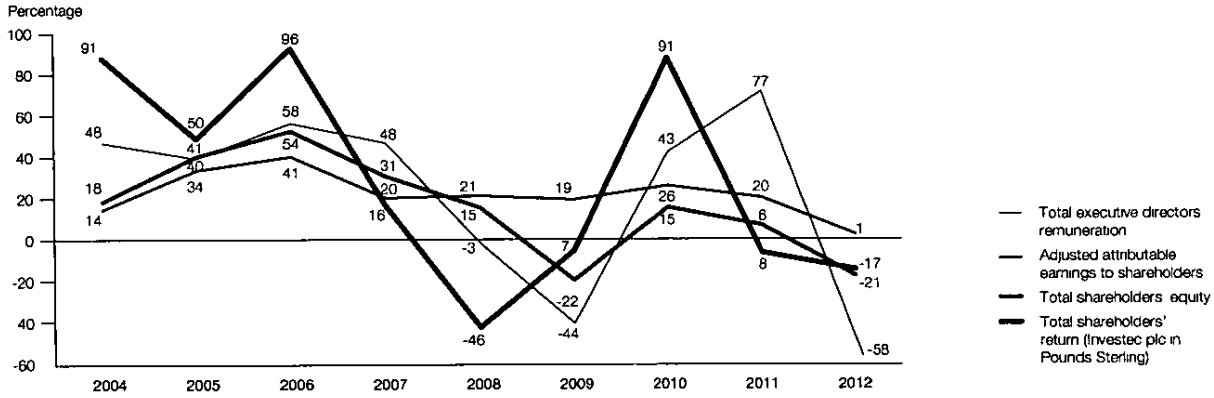
Fees are also payable for any additional time committed to the group including attendance at certain other meetings

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 2012	March 2003	CAGR since March 2003
Executive directors – gross remuneration (£'million)*	1 3	0 7	6 5%
Executive directors – annual bonus (£'million)*	–	1 0	(>100 0%)
Executive directors – total remuneration (£'million)*	1 3	1 7	(3 3%)
Non-executive directors – total fees (£'million)	1 9	0 6	13 8%
Adjusted attributable earnings to shareholders (£'million)	257 6	89 7	12 4%
Adjusted EPS (pence)	31 8	19 2	5 8%
Total shareholders' equity (£'million)	4 013 0	706 0	21 3%
Total shareholders' return (Investec plc in Pounds Sterling)	468 0	100 0	18 7%
Net tangible asset value per share (pence)	317 0	75 0	17 4%

* *Information for S Koseff, B Kantor and GR Burger*

Governance section

Compliance and governance statement

The remuneration report complies with the provisions of the UK Corporate Governance Code 2010, section 420 of the UK Companies Act 2006, the UK Financial Services Authority listing rules, the FSA Remuneration Code, the South African King III Code of Corporate Practice and Conduct, the South African Companies Act 2008 and the JSE Limited listing requirements

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 1 organisation as defined therein), and in particular in relation to FSA 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 principles and rules of the FSA Remuneration Code in respect of Investec plc and its subsidiary companies We also believe that this policy is consistent with and complies with the substance of the Financial Stability Board's Principles for Sound Compensation Practices

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

- Investec Asset Management
- Investec Wealth & Investment
- Investec Bank plc
- Hargreave Hale
- The Evolution Group plc

Under the FSA Remuneration Code, Investec Bank plc is the only group entity which is classified as being tier 1 It should be noted that our asset management and wealth management businesses have been classified as tier 4 entities under the proportionality rules of the FSA Remuneration Code

Composition and role of the committee

The four 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 The majority of the members are also members of the group's board risk and/or capital committee and the audit committee (as discussed on pages 199 to 202), thus bringing risk and control mechanisms into their deliberations Two of the members are relatively new to the board and to the committee Whilst George Alford has been a member of the board for over nine years it is our belief that he provides continuity to this committee and his past experience (including relevant banking and regulatory experience) is particularly relevant and helpful at this point in the remuneration cycle

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)
- Commission and consider the results of an annual central and internal review of policy implementation
- 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 are subject to annual review and are available on our website

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.

Meetings

The committee met 12 times during the financial year An attendance schedule is provided on page 200 The company secretary of Investec plc acts as secretary to the committee Executive directors do not attend these meetings, unless required to do so by the chairman of the committee 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 and aspects of the implementation of the FSA Remuneration Code Linklaters is one of Investec plc's legal advisers

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 meeting 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 either party giving three months written notice to the other The contract of employment does not contain provisions for compensation payable on early termination HJ du Toit's employment contact has been amended during the course of the year to bring it in line with group policy

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

Biographical details of the directors of the board

These details can be found on pages 208 to 210

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 193

Performance graph total shareholder return

We have implemented a DLC structure, in terms of which we have 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

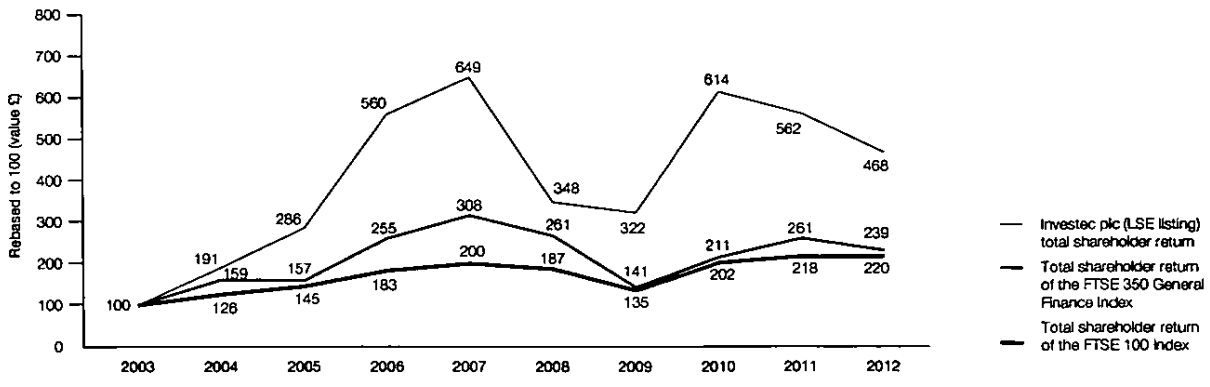
Schedule 8 of the UK Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index We found it difficult to locate an appropriate 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 Investec plc however, exited this index during December 2011 as it did not qualify for re-inclusion based on its market capitalisation at that date 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 2012, 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 £468 compared with a return of £239 if invested in the FTSE 350 General Finance Index and a return of £220 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 2011 to 31 March 2012, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was negative 16 5% and negative 6 8%, respectively This compares to a negative 8 5% for the FTSE 350 General Finance Index and a return of 1 2% for the FTSE 100 Index

The market price of our shares on the LSE was £3 82 as at 31 March 2012, ranging from a low of £3 18 to a high of £5 22 during the financial year Furthermore, the market price of our shares on the JSE Limited was R47 16 as at 31 March 2012, ranging from a low of R42 00 to a high of R57 36 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 2012

Name	Salaries, directors' fees and other remuneration 2012 £	Total other benefits 2012[3] £	Gross remuneration 2012[1/2] £	Annual bonus cash component 2012[4] £	Annual bonus deferred component 2012[4] £	Total remuneration 2012 £	Total remuneration 2011[5] £
Executive directors							
S Koseff (chief executive officer)							
– cash component	344 791	105 209	450 000	–	–	450 000	1 715 000
– deferred component	–	–	–	–	–	–	1 710 000
						450 000	3 425 000
B Kantor (managing director)							
– cash component	410 640	39 360	450 000	–	–	450 000	1 715 000
– deferred component	–	–	–	–	–	–	1 710 000
						450 000	3 425 000
GR Burger (group risk and finance director)							
– cash component	315 163	55 518	370 681	–	–	370 681	1 569 483
– deferred component	–	–	–	–	–	–	1 586 021
						370 681	3 155 504
HJ du Toit							
– cash component	391 378	50 300	441 678	–	–	441 678	3 303 001
– deferred component	–	–	–	–	4 327 500	4 327 500	1 230 000
						4 769 178	4 533 001
Total in Pounds Sterling	1 461 972	250 387	1 712 359	–	4 327 500	6 039 859	14 538 505
Non-executive directors							
Sir D Prosser (joint chairman)	176 832	–	176 832	–	–	176 832	90 500
F Titi (joint chairman)	218 548	–	218 548	–	–	218 548	218 063
SE Abrahams	283 972	–	283 972	–	–	283 972	258 028
GFO Alford	148 000	–	148 000	–	–	148 000	134 500
CA Carolus	67 705	–	67 705	–	–	67 705	61 017
PKO Crosthwaite[6]	86 500	–	86 500	–	–	86 500	52 724
OC Dickson[6]	90 500	–	90 500	–	–	90 500	–
B Fried[6]	145 500	–	145 500	–	–	145 500	90 000
H Fukuda OBE	72 000	–	72 000	–	–	72 000	55 000
HS Herman[7]	266 667	–	266 667	–	–	266 667	375 000
GMT Howe[8]	–	–	–	–	–	–	67 500
IR Kantor	73 000	–	73 000	–	–	73 000	64 500
Sir C Keswick[9]	–	–	–	–	–	–	41 875
MP Malungani	99 767	–	99 767	–	–	99 767	81 600
PRS Thomas	208 445	–	208 445	–	–	208 445	196 746
Total in Pounds Sterling	1 937 436	–	1 937 436	–	–	1 937 436	1 787 053
Total in Pounds Sterling	3 399 408	250 387	3 649 795	–	4 327 500	7 977 295	16 325 558

1 *Gross remuneration comprises base salary and other benefits (see points 2 and 3 below)*
2 *Gross remuneration of S Koseff and B Kantor has increased by 5 9% and HJ du Toit's gross remuneration increased by 2 0% 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 6 0% from R3 350 000 in March 2011 to R3 550 000 in March 2012 Gross remuneration increases for other employees across the group have generally been in the range of 5% 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 *S Koseff, B Kantor and GR Burger waived their bonuses in respect of the year ended 31 March 2012 HJ du Toit's bonus was based on the results of Investec Asset Management, with 80 5% deferred and payable in April 2013, and the balance deferred and payable during 2014/2015*
5 *A breakdown of the components of the reward packages for the executive directors in the 2011 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)	309 075	115 925	425 000	1 290 000	1 710 000	3 425 000
B Kantor (managing director)	391 436	33 564	425 000	1 290 000	1 710 000	3 425 000
GR Burger (group risk and finance director)	346 945	30 782	377 727	1 191 756	1 586 021	3 155 504
HJ du Toit	424 401	8 600	433 001	2 870 000	1 230 000	4 533 001
Total Pounds Sterling	1 471 857	188 871	1 660 728	6 641 756	6 236 021	14 538 505

6 *The following appointments were made in the previous financial year*
- *B Fried 1 April 2010*
- *PKO Crosthwaite 18 June 2010*
- *OC Dickson 31 March 2011*

7 *HS Herman retired on 17 November 2011*
8 *GMT Howe resigned on 31 December 2010*
9 *Sir Chips Keswick retired on 13 August 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	2012 £	2011 £
Executive directors		
S Koseff (chief executive officer)	64 659	72 806
B Kantor (managing director)	23 931	23 735
GR Burger (group risk and finance director)	43 402	22 517
HJ du Toit	50 000	-
Total Pounds Sterling	181 992	119 058

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 2012 £	Accounting IFRS charge in relation to equity awards 2012 £*	Total assumed remuneration expense 2012 £	Salary, bonus and other benefits 2011 £	Accounting IFRS charge in relation to equity awards 2011 £	Total assumed remuneration expense 2011 £
Executive directors						
S Koseff (chief executive officer)	450 000	288 512	738 512	3 425 000	850 134	4 275 134
B Kantor (managing director)	450 000	315 471	765 471	3 425 000	850 195	4 275 195
GR Burger (group risk and finance director)	370 681	(307 877)	62 804	3 155 504	956 097	4 111 601
HJ du Toit	4 769 178	833 535	5 602 713	4 533 001	938 009	5 471 010
Total Pounds Sterling	6 039 859	1 129 641	7 169 500	14 538 505	3 594 435	18 132 940

* *Accounting IFRS charges have been reversed in respect of awards lapsed, where performance conditions have not been met Refer to the notes to the directors' interest in the Share Matching Plan on page 258*

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 2012

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2012

Name	Beneficial and non-beneficial interest Investec plc[1] 1 April 2011	Beneficial and non-beneficial interest Investec plc[1] 31 March 2012	% of shares in issue[1] Investec plc 31 March 2012	Beneficial and non-beneficial interest Investec Limited[1] 1 April 2011	Beneficial and non-beneficial interest Investec Limited[1] 31 March 2012	% of shares in issue[1] Investec Limited 31 March 2012
Executive directors						
S Koseff	4 839 133	4 839 133	0 8%	1 809 330	1 809 330	0 7%
B Kantor	48 525	63 980	–	3 801 000	3 801 000	1 4%
GR Burger	2 402 135	2 402 135	0 4%	1 037 076	1 037 076	0 4%
HJ du Toit	–	–	–	604 740	604 740	0 2%
Total number	7 289 793	7 305 248	1 2%	7 252 146	7 252 146	2 7%
Non-executive directors						
Sir D Prosser (joint chairman)	10 000	10 000	–	–	–	–
F Titi (joint chairman)	–	–	–	–	–	–
SE Abrahams	20 000	–	–	–	–	–
GFO Alford	10 000	10 000	–	–	–	–
CA Carolus	–	–	–	–	–	–
PKO Crosthwaite	132 908	132 908	–	–		
OC Dickson	–	–	–	–	–	–
B Fried	–	–	–	400 000	300 000	0 1%
H Fukuda OBE	5 000	5 000	–	–	–	–
IR Kantor	3 509 545	3 509 545	0 6%	325	325	–
MP Malungani[2]	–	–	–	3 288 890	–	–
PRS Thomas	195 800	195 800	–	500	500	–
Total number	3 883 253	3 863 253	0 6%	3 689 715	300 825	0 1%
Total number	11 173 046	11 168 501	1 8%	10 941 861	7 552 971	2 8%

1 *The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on pages 258 and 259*
2 *In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Group (Proprietary) Limited (Peu), a broad-based entrepreneurship 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 During the year the transaction with Peu was unwound*

Directors' interest in preference shares as at 31 March 2012

	Investec plc		Investec Limited		Investec Bank Limited	
Name	1 April 2011	31 March 2012	1 April 2011	31 March 2012	1 April 2011	31 March 2012
Executive directors						
S Koseff	101 198	101 198	3 000	3 000	4 000	4 000

- *The market price of an Investec plc preference share as at 31 March 2012 was R45 00 (2011 R51 31)*
- *The market price of an Investec Limited preference share as at 31 March 2012 was R93 41 (2011 R90 70)*
- *The market price of an Investec Bank Limited preference share as at 31 March 2012 was R98 25 (2011 R98 00)*

Directors' interest in options as at 31 March 2012

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2011	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2012
Executive directors						
B Kantor	20 December 2002	£1 59	9 455	(9 455)	–	–
HJ du Toit	20 December 2002	£1 59	9 455	(9 455)	–	–

- *B Kantor and H du Toit's options were granted in terms of the Investec plc Share Option Plan 2002*
- *The options granted on 20 December 2002 were made for no consideration*
- *HJ du Toit exercised his options and sold 9 455 Investec plc shares on 6 February 2012, when the share price was £3 97 per share The performance conditions in respect of these options were met*
- *B Kantor exercised his options and bought 9 455 Investec plc shares on 8 March 2012, when the share price was £4 02 per share The performance conditions in respect of these options were met*

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 259

Directors' interest in long-term incentive plans as at 31 March 2012

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2011	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2012	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Executive director									
HJ du Toit	25 June 2007	Nil	375 000	(281 250)	–	93 750	£4 75	£1 335 908	Remaining 25% is exercisable on 25 June 2012
	25 June 2009	Nil	250 000	–	–	250 000	–	–	75% is exercisable on 25 June 2013 and 25% on 25 June 2014
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015

The group has made 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 HJ du Toit exercised his options and sold 281 250 Investec plc shares on 27 June 2011, when the share price was £4 75 per share

Directors' interest in the Share Matching Plan 2005 as at 31 March 2012

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2011	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2012	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
S Koseff	25 June 2009	Nil	300 000	–	–	300 000^	–	–	The entire award will be forfeited on 25 June 2012
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015
B Kantor	25 June 2009	Nil	300 000	–	–	300 000^	–	–	The entire award will be forfeited on 25 June 2012
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015
GR Burger	25 June 2007	Nil	150 000	–	(150 000)	–	–	–	The entire award was forfeited on 25 June 2011*
	25 June 2009	Nil	300 000	–	–	300 000^	–	–	The entire award will be forfeited on 25 June 2012
	1 July 2010	Nil	750 000	–	–	750 000	–	–	75% is exercisable on 1 July 2014 and 25% on 1 July 2015

* *The performance conditions in respect of the award made to GR Burger on 25 June 2007 were not met and accordingly the entire award was forfeited on 25 June 2011*

^ *The performance conditions in respect of the awards made on 25 June 2009 have not been met and accordingly the awards will be forfeited on 25 June 2012*

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

No additional matching awards were made during the year

Summary total interest in Investec plc and Investec Limited ordinary shares, options and long-term incentive awards as at 31 March 2012

Investec plc

Name	Beneficially and non-beneficially held	Options	Share Matching Plan/LTIPs	Balance at 31 March 2012	Balance at 31 March 2011
Executive directors					
S Koseff	4 839 133	–	1 050 000^	5 889 133	5 889 133
B Kantor	63 980	–	1 050 000^	1 113 980	1 107 980
GR Burger	2 402 135	–	1 050 000^	3 452 135	3 602 135
HJ du Toit	–	–	1 093 750	1 093 750	1 384 455
Total number	7 305 248	–	4 243 750	11 548 998	11 983 703

^ *As discussed above, 300 000 of these share awards will be forfeited on 25 June 2012*

Investec Limited

Name	Beneficially and non-beneficially held	Options	Share Matching Plan/LTIPs	Balance at 31 March 2012	Balance at 31 March 2011
Executive directors					
S Koseff	1 809 330	–	–	1 809 330	1 809 330
B Kantor	3 801 000	–	–	3 801 000	3 801 000
GR Burger	1 037 076	–	–	1 037 076	1 037 076
HJ du Toit	604 740	–	–	604 740	604 740
Total number	7 252 146	–	–	7 252 146	7 252 146

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 2012	31 March 2011	High over the year	Low over the year
Investec plc share price (£)	3 82	4 78	5 22	3 18
Investec Limited share price (R)	47 16	52 80	57 36	42 00
Number of Investec plc shares in issue ('million)	598 3	537 2	–	–
Number of Investec Limited shares in issue ('million)	276 0	272 8	–	–

South African Companies Act, 2008 disclosures

Subsequent to regulatory developments in South Africa, Investec Limited is required to disclose the remuneration of those individuals that are defined by the South African Companies Act No 71 of 2008 as amended, read together with the Companies Regulations 2011 (together the Act), as Prescribed Officers

In keeping with the group's integrated global management structure as well as the three distinct business activities of the group, i e Asset Management, Wealth & Investment and Specialist Banking, the Prescribed Officers for Investec Limited, as per the Act are the following Global Heads of the group's three distinct business activities

- Asset Management
  - Hendrik du Toit
- Wealth & Investment
  - Steve Elliott
- Specialist Banking
  - Stephen Koseff
  - Bernard Kantor
  - Glynn Burger

Hendrik, Stephen, Bernard and Glynn are also the four executive directors of Investec Limited and their remuneration is disclosed on page 254 Steve is remunerated by Investec plc (a UK domiciled company) and is not required to disclose his remuneration under the South African Companies Act

Additional remuneration disclosures Unaudited

FSA Remuneration Code disclosures

In terms of the FSA's Chapter 11 Disclosure Requirements (BIPRU 11 5 18) the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to FSA Code staff Code staff are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile A total of 45 individuals were FSA Code staff in 2012

The bank's qualitative remuneration disclosures are provided on pages 235 to 253 The information contained in the tables below sets out the bank's quantitative disclosures in respect of FSA Code staff for the year ended 31 March 2012

Aggregate remuneration by remuneration type

£'million	Senior management	Other code staff	Total
Fixed remuneration	5 6	5 2	10 8
Variable remuneration*			
– Cash	5 2	5 9	11 1
– Deferred shares	6 4	8 0	14 4
Other			
– Options – long-term incentive awards made in current year**	0 2	0 3	0 5
– Options – long-term incentive awards made in prior years**	3 2	1 6	4 8
Total aggregate remuneration and deferred incentives	20 6	21 0	41 6

* *Total number of employees receiving variable remuneration was 34*

** *Information based on the IFRS 2 accounting charge that has been expensed by the company in its income statement during the financial year*

Additional disclosure on deferred remuneration

£'million	Senior management	Other code staff	Total
Deferred unvested remuneration outstanding at the beginning of the year	18 4	6 4	24 8
Deferred remuneration awarded in year	6 4	8 0	14 4
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration vested in year	(4 9)	(1 7)	(6 6)
Deferred unvested remuneration outstanding at the end of the year	19 9	12 7	32 6

£'million	Senior management	Other code staff	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	16 9	10 2	27 1
– Cash	2 2	2 4	4 6
– Other	0 8	0 1	0 9
	19 9	12 7	32 6

£'million	Senior management	Other code staff	Total
Deferred remuneration vested in year			
– For awards made in 2011 financial year	–	–	–
– For awards made in 2010 financial year	(4 9)	(1 7)	(6 6)
– For awards made in 2009 financial year	–	–	–
	(4 9)	(1 7)	(6 6)

Other remuneration disclosures

	Senior management	Other code staff	Total
Sign-on payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Severance payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

Pillar Three remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar Three Disclosure requirements. The bank's qualitative remuneration disclosures are provided on pages 235 to 253. The information contained in the tables below sets out the bank's quantitative disclosures for the year ended 31 March 2012.

Aggregate remuneration by remuneration type

R'million	Senior management	Risk takers	Financial and risk control staff	Total
Fixed remuneration	69 1	23 9	161 0	254 0
Variable remuneration*				
– Cash	135 7	45 7	58 3	239 7
– Deferred shares	65 7	35 3	5 6	106 6
Other				
– Options – long-term incentive awards made in current year**	0 9	3 9	2 0	6 8
– Options – long-term incentive awards made in prior years**	78 0	21 4	24 3	123 7
Total aggregate remuneration and deferred incentives	349 4	130 2	251 2	730 8

* *Total number of employees receiving variable remuneration was 348*

** *Information based on the IFRS 2 accounting charge that has been expensed by the company in its income statement during the financial year*

Additional disclosure on deferred remuneration

R'million	Senior management	Risk takers	Financial and risk control staff	Total
Deferred unvested remuneration outstanding at the beginning of the year	203 8	38 4	5 0	247 2
Deferred remuneration awarded in year	65 7	35 3	5 6	106 6
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration vested in year	(61 2)	(12 9)	(1 9)	(76 0)
Deferred unvested remuneration outstanding at the end of the year	208 3	60 8	8 7	277 8

Remuneration report (continued)

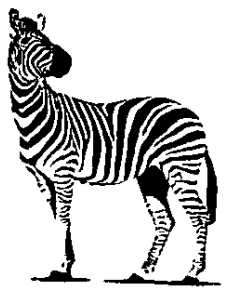
R'million	Senior management	Risk takers	Financial and risk control staff	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	208 3	60 8	8 7	277 8
– Cash	–	–	–	–
– Other	–	–	–	–
	208 3	60 8	8 7	277 8

R'million	Senior management	Risk takers	Financial and risk control staff	Total
Deferred remuneration vested in year				
– For awards made in 2011 financial year	–	–	–	–
– For awards made in 2010 financial year	(61 2)	(12 9)	(1 9)	(76 0)
– For awards made in 2009 financial year	–	–	–	–
	(61 2)	(12 9)	(1 9)	(76 0)

Other remuneration disclosures

	Senior management	Risk takers	Financial and risk control staff	Total
Sign-on payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Severance payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Guaranteed bonuses*				
Made during the year (R'million)	–	–	0 1	0 1
Number of beneficiaries	–	–	1	1

* *Included in variable remuneration as reflected on page 261*



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Annual financial statements

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Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' report set out on pages 275 to 277, 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 companies 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 companies, 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 reports to the members of the companies are set out on pages 275 to 277 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 companies and the group, which appear on pages 266 to 274 and pages 278 to 378, were approved by the board of directors on 13 June 2012

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

13 June 2012

Bernard Kantor
Managing director

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 United Kingdom, South Africa and Australia as well as certain other countries Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking

The operating financial review on pages 23 to 26 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 27 to 262 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 42 to the financial statements

Investec plc

During the year the following shares were issued

- 1 499 ordinary shares on 14 April 2011 at 185 88 pence per share
- 4 699 150 ordinary shares on 23 June 2011 at 476 00 pence per share
- 500 000 ordinary shares on 23 June 2011 at 478 00 pence per share
- 3 183 553 special converting shares on 23 June 2011 at par
- 1 859 900 Rand denominated non-redeemable, non-cumulative, non-participating perpetual preference shares on 24 June 2011 at R100 00 per share
- 17 556 ordinary shares on 6 July 2011 at 185 88 pence per share
- 12 540 ordinary shares on 8 July 2011 at 185 88 pence per share
- 4 180 ordinary shares on 11 July 2011 at 185 88 pence per share
- 6 688 ordinary shares on 13 July 2011 at 185 88 pence per share
- 4 180 ordinary shares on 27 July 2011 at 185 88 pence per share
- 2 161 ordinary shares on 2 August 2011 at 185 88 pence per share
- 416 040 Rand denominated non-redeemable, non-cumulative, non-participating perpetual preference shares on 24 June 2011 at R101 00 per share
- 565 010 ordinary shares on 25 November 2011 at 159 00 pence per share
- 53 800 540 ordinary shares on 22 December 2011 at 326 80 pence per share
- 1 550 019 ordinary shares on 1 February 2012 at 185 88 pence per share

Investec Limited

During the year the following shares were issued

- Allotment and issue on 15 April 2011 of 1 499 (one thousand four hundred and ninety nine) special convertible redeemable preference shares of R0 0002 at par
- Allotment and issue on 24 June 2011 of 3 183 553 (three million one hundred and eighty three thousand five hundred and fifty three) ordinary shares at R52 77 (R0 0002 par and premium of R52 7698 per share)
- Allotment and issue on 24 June 2011 of 5 199 150 (five million one hundred and ninety nine thousand one hundred and fifty) special convertible redeemable preference shares of R0 0002 each at par

- Allotment and issue on 6 July 2011 of 17 556 (seventeen thousand five hundred and fifty six) special convertible redeemable preference shares of R0 0002 each at par
- Allotment and issue on 11 July 2011 of 16 720 (sixteen thousand seven hundred and twenty) special convertible redeemable preference shares of R0 0002 each at par
- Allotment and issue on 13 July 2011 of 6 688 (six thousand six hundred and eighty eight) special convertible redeemable preference shares of R0 0002 each at par
- Allotment and issue on 21 July 2011 of 4 180 (four thousand one hundred and eighty) special convertible redeemable preference shares of R0 0002 each at par
- Allotment and issue on 2 August 2011 of 2 161 (two thousand one hundred and sixty one) special convertible redeemable preference shares of R0 0002 each at par
- Allotment and issue on 25 November 2011 of 565 010 (five hundred and sixty five thousand and ten) special convertible redeemable preference shares of R0 0002 each at par
- Allotment and issue on 22 December 2011 of 53 800 540 (fifty three million eight hundred thousand five hundred and forty) special convertible redeemable preference shares of R0 0002 each at par
- Allotment and issue on 1 February 2012 of 1 550 019 (one million five hundred and fifty thousand and nineteen) special convertible redeemable preference shares of R0 0002 at par

As at 31 March 2012, Investec held 23 8 million (twenty three million eight hundred thousand) shares in treasury (2011 28 1 million) The maximum number of shares held in treasury during the period under review was 28 1 million (twenty eight million one hundred thousand)

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 2012 The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger

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 (2011 8 0 pence) registered on 9 December 2011
- To South African resident shareholders registered on 9 December 2011, a dividend paid by Investec Limited on the SA DAS share, equivalent to 7 5 pence per ordinary share and 0 5 pence per ordinary share paid by Investec plc

The dividends were paid on 20 December 2011

The directors have proposed a final dividend to shareholders registered on 27 July 2012, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 2 August 2012 and, if approved, will be paid on 6 August 2012 as follows

- 9 0 pence per ordinary share to non-South African resident shareholders (2011 9 0 pence) registered on 27 July 2012
- To South African resident shareholders registered on 27 July 2012, through a dividend paid by Investec Limited on the SA DAS share, of 7 5 pence per ordinary share and 1 5 pence per ordinary share paid by Investec plc Shareholders in Investec plc will receive a distribution of 9 0 pence (2011 9 0 pence) per ordinary share

Investec Limited

An interim dividend of 103 0 cents per ordinary share (2011 90 cents) was declared to shareholders registered on 9 December 2011 and was paid on 20 December 2011

The directors have proposed a final dividend of 121 0 cents per ordinary share (2011 102 0 cents) to shareholders registered on 27 July 2012 to be paid on 6 August 2012 The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 2 August 2012

Preference dividends

Investec plc

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

Preference dividend number 11 for the period 1 April 2011 to 30 September 2011, amounting to 7 52 pence per share, was declared to members holding preference shares registered on 2 December 2011 and was paid on 13 December 2011

Preference dividend number 12 for the period 1 October 2011 to 31 March 2012, amounting to 7 52 pence per share, was declared to members holding preference shares registered on 15 June 2012 and will be paid on 26 June 2012

Rand denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 1 for the period 29 June 2011 to 30 September 2011, amounting to 220 19 cents per share, was declared to members holding Rand denominated non-redeemable, non-cumulative, non-participating preference shares registered on 2 December 2011 and was paid on 13 December 2011

Preference dividend number 2 for the period 1 October 2011 to 31 March 2012, amounting to 428 67 cents per share, was declared to members holding preference shares registered on 15 June 2012 and will be paid on 26 June 2012

Preferred securities

The fifth 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 25 June 2012

Investec Limited

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

Preference dividend number 14 for the period 1 April 2011 to 30 September 2011, amounting to 315 86 cents per share, was declared to members holding preference shares registered on 2 December 2011 and was paid on 13 December 2011

Preference dividend number 15 for the period 1 October 2011 to 31 March 2012, amounting to 315 86 cents per share, was declared to members holding preference shares registered on 15 June 2012 and will be paid on 26 June 2012

Redeemable cumulative preference shares

Dividends amounting to R25 196 844 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 page 421 of the annual report In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2012 annual general meeting

HS Herman retired on 17 November 2011

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 257 to 259 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 190

Share incentive trusts

Details regarding options granted during the year are set out on pages 307 and 308

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 198 and 199.

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 2 August 2012.

Contracts

Refer to pages 256 and 259 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 366 to 368.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 229.

Special resolutions

Investec plc

At the annual general meeting held on 4 August 2011, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own shares in terms of section 701 of the UK Companies Act, 2006.

Investec Limited

At the annual general meeting held on 4 August 2011, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary and non-redeemable, non-cumulative, non-participating preference shares in terms of the provisions of the South African Companies Act No 71 of 2008.
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act No 71 of 2008.
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act No 71 of 2008.

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 284 to 295.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 91 to 185. Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 290 and in notes 23 and 52.

Directors' report (continued)

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 regard to dialogue on the issue Where appropriate the appointment of individuals responsible for various areas of health and safety is made

Further information is provided on pages 218 to 219

Donations

During the year, Investec plc made donations for charitable purposes, totalling £1 6 million and Investec Limited made donations for charitable purposes, totalling R34 9 million

Further information is provided on pages 221 to 224

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 217 to 227

Post balance sheet events

On 11 June 2012 Investec completed the acquisition of a majority interest in Neontar Limited (parent of NCB group) The consideration for the shares will be an amount equal to £4 35 million plus the net asset value of Neontar Limited at completion estimated at €28 million There may also be deferred payments to sellers, dependent on the recovery of certain amounts by NCB group

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)

Sir David Prosser
Joint chairman

Fani Titi
Joint chairman

Stephen Koseff
Chief executive officer

13 June 2012

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 or 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 31 March 2012 consists of 598 339 612 plc ordinary shares of £0 0002 each, 15 081 149 non-redeemable, non-cumulative, non-participating preference shares of £0 01 each, 2 275 940 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0 001 each, 276 020 221 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% 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 Act

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 meeting 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

Schedule A to the directors' report (continued)

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 share 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
  - 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
  - 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

Rand denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the 'ZAR perpetual preference shares')

Investec plc has 2 275 940 ZAR preference shares in issue The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Sterling perpetual preference shares, as outlined above, save that they are denominated in South African Rand

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 accordance with the UK Corporate Governance Code (the Code) all members of the board offer themselves for annual re-election

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

Schedule A to the directors' report (continued)

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 88(2)(e) of the South African Companies Act No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2012, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date



Benita Coetsee
Company secretary, Investec Limited

13 June 2012

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 2012 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 accounting policies set out on pages 284 to 295 and the related notes 1 to 56 The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) 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 United Kingdom 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 265, 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 2012 and of the group's profit for the year then ended
- The group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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 set out on pages 284 to 295, the group, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRS as issued by the International Accounting Standards Board (IASB)

In our opinion, the group financial statements comply with IFRS 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

- The information given in the corporate governance statement set out on pages 189 to 207 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 191, in relation to going concern
- The part of the corporate governance statement on pages 190 and 191, relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review
- Certain elements of the report to shareholders by the board on directors' remuneration

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

London
13 June 2012

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 group annual financial statements of Investec Limited, which comprise the directors' report, the combined consolidated balance sheet as at 31 March 2012, the combined consolidated income statement, the combined consolidated statement of comprehensive income, the combined consolidated statement of changes in equity and combined consolidated cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 278 to 371, the separate annual financial statements of Investec Limited, which comprise the separate balance sheet as at 31 March 2012, the separate income statement and statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 375 to 378 and the information in the risk management section and remuneration report that is marked 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 the requirements of 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the combined consolidated and separate financial position of Investec Limited as at 31 March 2012, 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 the requirements of the Companies Act of South Africa

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2012, we have read the Audit Committee's Report and the Company Secretary's declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements These reports are the responsibility of the respective preparers Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements However, we have not audited these reports and accordingly do not express an opinion on these reports

Ernst & Young Inc
Director – Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor

Wanderers Office Park
52 Corlett Drive, Illovo
Sandton

13 June 2012

Combined consolidated income statement

For the year ended 31 March £'000	Notes	2012	2011*
Interest income		2 299 925	2 238 783
Interest expense		(1 600 878)	(1 557 314)
Net interest income		**699 047**	**681 469**
Fee and commission income	2	1 013 379	896 300
Fee and commission expense	2	(129 145)	(108 642)
Investment income	3	174 327	254 943
Trading income arising from			
- customer flow		77 066	76 447
- balance sheet management and other trading activities		32 204	87 296
Other operating income	4	65 128	67 173
Total operating income before impairment on loans and advances		**1 932 006**	**1 954 986**
Impairment losses on loans and advances	26	(325 118)	(318 230)
Operating income		**1 606 888**	**1 636 756**
Operating costs	5	(1 230 628)	(1 196 865)
Depreciation on operating leased assets	5/31	(28 670)	(16 447)
Operating profit before goodwill and acquired intangibles		**347 590**	**423 444**
Impairment of goodwill	33	(24 366)	(6 888)
Amortisation of acquired intangibles	34	(9 530)	(6 341)
Cost arising from integration of acquired subsidiaries	35	(17 117)	-
Operating profit		**296 577**	**410 215**
Non-operational costs arising from acquisition of subsidiary	35	(5 342)	-
Profit arising from associate converted to subsidiary	35	-	73 465
Net loss on sale of subsidiaries	35	-	(17 302)
Profit before taxation		**291 235**	**466 378**
Taxation on operating profit before goodwill	7	(62 907)	(65 075)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	7	8 164	6 610
Profit after taxation		**236 492**	**407 913**
Operating losses attributable to non-controlling interests		11 035	10 962
Loss on subsidiaries attributable to non-controlling interests		-	1 641
Earnings attributable to shareholders		**247 527**	**420 516**
Earnings per share (pence)			
- Basic	8	25 7	49 7
- Diluted	8	24 3	46 7

* *Restated for reclassifications detailed in note 56*

Combined consolidated statement of comprehensive income

For the year ended 31 March £'000	Notes	2012	2011
Profit after taxation		236 492	407 913
Other comprehensive income			
Cash flow hedge movements taken directly to other comprehensive income	7	(34 691)	9 929
Gains on realisation of available-for-sale assets reclassified to the income statement	7	(12 891)	(4 845)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	7	(312)	27 631
Foreign currency adjustments on translating foreign operations		(196 351)	39 588
Pension fund actuarial gains	40	282	10 157
Total comprehensive (loss)/income		(7 471)	490 373
Total comprehensive loss attributable to non-controlling interests		(21 798)	(10 710)
Total comprehensive (loss)/income attributable to ordinary shareholders		(24 979)	458 064
Total comprehensive income attributable to perpetual preferred securities		39 306	43 019
Total comprehensive (loss)/income		(7 471)	490 373

Combined consolidated balance sheet

At 31 March £'000	Notes	2012	2011*	2010*
Assets				
Cash and balances at central banks	17	2 593 851	1 769 078	2 338 234
Loans and advances to banks	18	2 725 347	1 468 705	2 781 630
Non-sovereign and non-bank cash placements		642 480	535 983	581 117
Reverse repurchase agreements and cash collateral on securities borrowed	19	975 992	2 467 775	911 432
Sovereign debt securities	20	4 067 093	3 532 100	2 533 377
Bank debt securities	21	3 081 061	3 006 129	2 142 117
Other debt securities	22	377 832	267 132	118 945
Derivative financial instruments	23	1 913 650	1 799 204	1 591 841
Securities arising from trading activities	24	640 146	743 487	626 535
Investment portfolio	25	890 702	858 610	768 896
Loans and advances to customers	26	17 192 208	17 692 356	16 720 495
Own originated loans and advances to customers securitised	27	1 034 174	1 065 782	1 170 302
Other loans and advances	26	1 397 477	1 066 168	694 196
Warehoused assets – Kensington warehouse funding	26	1 431 712	1 612 181	1 776 525
Other securitised assets	27	3 101 422	3 858 511	4 164 151
Interests in associated undertakings	28	27 506	23 481	104 059
Deferred taxation assets	29	150 381	114 838	134 355
Other assets	30	1 802 121	1 446 066	1 268 472
Property and equipment	31	171 685	279 801	161 255
Investment properties	32	407 295	379 527	273 038
Goodwill	33	468 320	456 608	274 417
Intangible assets	34	192 099	136 452	36 620
		45 284 554	44 579 974	41 172 009
Other financial instruments at fair value through profit or loss in respect of				
– Liabilities to customers	36	6 265 846	6 361 296	5 397 014
– Assets related to reinsurance contracts		–	–	2 842
		51 550 400	50 941 270	46 571 865
Liabilities				
Deposits by banks		2 132 516	1 858 893	2 439 670
Deposits by banks – Kensington warehouse funding		834 912	975 542	1 213 042
Derivative financial instruments	23	1 421 130	1 486 419	1 193 421
Other trading liabilities	37	612 884	716 556	504 618
Repurchase agreements and cash collateral on securities lent	19	1 864 137	1 599 646	1 110 508
Customer accounts (deposits)		25 343 771	24 441 260	21 934 044
Debt securities in issue	38	2 243 948	2 145 213	2 187 040
Liabilities arising on securitisation of own originated loans and advances	27	1 036 674	1 052 281	1 212 906
Liabilities arising on securitisation of other assets	27	2 402 043	3 288 583	3 501 650
Current taxation liabilities		209 609	206 957	196 965
Deferred taxation liabilities	29	102 478	148 750	136 974
Other liabilities	39	1 575 154	1 411 137	1 177 589
Pension fund liabilities	40	–	–	1 285
		39 779 256	39 331 237	36 809 712
Liabilities to customers under investment contracts	36	6 263 913	6 358 732	5 392 662
Insurance liabilities, including unit-linked liabilities	36	1 933	2 564	4 352
Reinsured liabilities		–	–	2 842
		46 045 102	45 692 533	42 209 568
Subordinated liabilities	41	1 492 776	1 287 635	1 070 436
		47 537 878	46 980 168	43 280 004
Equity				
Ordinary share capital	42	221	208	195
Perpetual preference share capital	43	153	153	152
Share premium	44	2 457 019	2 242 067	1 928 296
Treasury shares	45	(72 820)	(42 713)	(66 439)
Other reserves		82 327	315 878	246 718
Retained income		1 249 515	1 131 980	846 060
Shareholders' equity excluding non-controlling interests		3 716 415	3 647 573	2 954 982
Non-controlling interests	46	296 107	313 529	336 879
– Perpetual preferred securities issued by subsidiaries		291 769	317 997	314 944
– Non-controlling interests in partially held subsidiaries		4 338	(4 468)	21 935
Total equity		4 012 522	3 961 102	3 291 861
Total liabilities and equity		51 550 400	50 941 270	46 571 865

* *Restated for reclassifications detailed in note 56*

Combined consolidated cash flow statement

For the year to 31 March £'000	Notes	2012	2011
Operating profit adjusted for non-cash items	48	776 138	854 779
Taxation paid		(117 759)	(61 496)
Increase in operating assets	48	(2 538 282)	(4 137 456)
Increase in operating liabilities	48	3 393 045	2 689 207
Net cash inflow/(outflow) from operating activities		1 513 142	(654 966)
Cash flow on acquisition of group operations	35	55 685	57 044
Cash flow on disposal of group operations	35	–	80 161
Cash flow on net (acquisition)/disposal of associates		(3 736)	1 179
Cash flow on acquisition of property, equipment and intangible assets		(84 744)	(285 382)
Cash flow on disposal of property, equipment and intangible assets		72 355	22 523
Net cash inflow/(outflow) from investing activities		39 560	(124 475)
Dividends paid to ordinary shareholders		(134 436)	(123 630)
Dividends paid to other equity holders		(39 696)	(43 375)
Proceeds on issue of shares, net of related costs		43 215	141 814
Proceeds on issue of perpetual preference shares		20 638	16 138
Proceeds on net acquisition of treasury shares, net of related costs		(75 431)	(45 461)
Proceeds on issue of other equity instruments*		72	1 493
Proceeds from subordinated debt raised		321 068	634 617
Repayment of subordinated debt		(29 751)	(438 246)
Net cash inflow from financing activities		105 679	143 350
Effects of exchange rates on cash and cash equivalents		(102 563)	101 032
Net increase/(decrease) in cash and cash equivalents		1 555 818	(535 059)
Cash and cash equivalents at the beginning of the year		3 386 988	3 922 047
Cash and cash equivalents at the end of the year		4 942 806	3 386 988
Cash and cash equivalents is defined as including			
Cash and balances at central banks		2 593 851	1 769 078
On demand loans and advances to banks		1 706 475	1 081 927
Non-sovereign and non-bank cash placements		642 480	535 983
Cash and cash equivalents at the end of the year		4 942 806	3 386 988

* *Includes equity instruments issued by subsidiaries*

Cash and cash equivalents are defined as including cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (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 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/(loss) for the year	–	–	–	–
Share-based payment 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)
Movement in reserves 1 April 2011 – 31 March 2012				
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 (loss)/income for the year	–	–	–	–
Share-based payment 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	–	219 629	–
Issue of perpetual preference shares	–	–	20 638	–
Share issue expenses	–	–	(607)	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to disposal of subsidiaries	–	–	–	–
Movement of treasury shares	–	–	(24 708)	(56 504)
Transfer from capital reserve account	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	26 397
At 31 March 2012	221	153	2 457 019	(72 820)

Other reserves						Shareholders' excluding non-controlling interests	Non-controlling interests	Total equity
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income			
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
–	–	–	–	–	247 527	247 527	(11 035)	236 492
–	–	–	(34 691)	–	–	(34 691)	–	(34 691)
–	(12 891)	–	–	–	–	(12 891)	–	(12 891)
–	(312)	–	–	–	–	(312)	–	(312)
(26)	450	111	(458)	(185 636)	(29)	(185 588)	(10 763)	(196 351)
–	–	–	–	–	282	282	–	282
(26)	(12 753)	111	(35 149)	(185 636)	247 780	14 327	(21 798)	(7 471)
–	–	–	–	–	69 796	69 796	–	69 796
–	–	–	–	–	(134 436)	(134 436)	–	(134 436)
–	–	–	–	–	(39 306)	(39 306)	21 367	(17 939)
–	–	–	–	–	–	–	(21 367)	(21 367)
–	–	–	–	–	–	–	(390)	(390)
–	–	–	–	–	–	219 642	–	219 642
–	–	–	–	–	–	20 638	–	20 638
–	–	–	–	–	–	(607)	–	(607)
–	–	–	–	–	–	–	72	72
–	–	–	–	–	–	–	(483)	(483)
–	–	–	–	–	–	–	5 177	5 177
–	–	–	–	–	–	(81 212)	–	(81 212)
(136)	–	–	–	–	136	–	–	–
–	–	38	–	–	(38)	–	–	–
–	–	–	–	–	(26 397)	–	–	–
11 127	9 113	34 596	(31 632)	59 123	1 249 515	3 716 415	296 107	4 012 522

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 2012, IFRS as endorsed by the EU are identical to current IFRS 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

- The group retrospectively adopted the amendments to IAS 24 Related Parties which related to the clarification of a definition of a related party (noting that an investor, its subsidiaries and interests in associated undertakings are related parties to each other) These amendments have had no material impact on the financial statements of the group
- The following amendments and improvements to IFRS have been adopted retrospectively, with no impact to the financial statements of the group
  - IFRS 7 Financial Instruments Disclosures
  - IFRIC 14 Prepayments of a Minimum Funding Requirement
  - IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
  - IAS 1 Presentation of Financial Statements
  - IAS 27 Consolidated and Separate Financial Statements
  - IFRIC 13 Customer Loyalty Programmes

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 170 to 182

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 235 to 262

Restatements and presentation of information

The group has revised its disclosure of business segments into three core (previously six) business lines, namely, Asset Management, Wealth & Investment and Specialist Banking To align with information provided to the chief operating decision maker, the previously reported Private Banking, Capital Markets, Investment Banking, Property Activities and Group Services and Other divisions have been grouped under one core business division referred to as Specialist Banking Associated with these changes, the group has refined the disclosures relating to the income statement and balance sheet as detailed in note 56 on pages 369 to 371 The group believes that these refinements provide greater clarity on the key income and balance sheet drivers of its business

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 entities (SPE's) 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 income statement line item as discontinued operations

Investec sponsors the formation of SPE's for a variety of reasons SPE's are consolidated when the substance of the relationship between the group and the SPE indicates that the SPE is controlled by the group Investec performs a re-assessment of consolidation whenever there is a change in the substance of the relationship between Investec and an SPE Investec also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated

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

In circumstances where interests in associated undertakings 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

For equity accounted associates, 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

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 three principal business divisions, namely, Asset Management, Wealth & Investment and Specialist Banking

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 57 to 88 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, interests in associated undertakings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity The functional currency of group entities is determined based on the primary economic environment in which the entity operates

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

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

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities 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 related to provision of services is recognised when the related services are performed 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 and includes rental income from investment properties

Investment income includes income, other than margin, from securities held for the purpose of generating interest yield, dividends and capital appreciation

Customer flow trading income includes income from trading activities arising from making and facilitating client activities

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains and losses arising from the balance sheet management

Trading profits 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 investment portfolio and valued accordingly

Dividend income is recognised when the group's right to receive payment is established

Funding costs allocated against revenue are disclosed in note 3

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings, income from assurance activities 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 or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition

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 or loss

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity 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 is accounted for as available-for-sale instruments

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 interests in associated undertakings, 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 directly in other comprehensive income in the available-for-sale reserve 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

All changes in fair value of financial liabilities are recognised in the income statement

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 have 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 currently enforceable 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 directly in other comprehensive income in the cash flow hedge reserve 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 trading income from balance sheet management and other trading activities

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 a contractual 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 lender's 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 'investment income'

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

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

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 the amount expected to be payable 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 interests in associated undertakings, 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

Insurance income is included in other operating income

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

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 Expenses related to provisions are recognised in the income statement 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 10 – Consolidated Financial Statements

The standard replaces consolidation principles contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Special Purpose Entities The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee The standard is retrospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date The impact of this standard is currently under evaluation

IFRS 11 – Joint Arrangements

The standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers The key change is to require all joint ventures to be equity-accounted, thus removing the option to proportionately consolidate The standard is retrospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date The group does not expect any changes to the accounting policies of the group arising from this standard

IFRS 12 – Disclosure of Interests in Other Entities

The standard requires disclosure of the significant judgements and assumptions made in determining the nature of interests in subsidiaries, joint ventures and interest in associated undertakings and the interest that non-controlling interests have in the group's activities and cash flows The standard further provides disclosure requirements relating to consolidated and unconsolidated structured entities that the group is associated with The standard is retrospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date The impact of this standard is currently under evaluation

IFRS 13 – Fair Value Measurement

The standard defines fair value (being a market-based measurement), sets out in a single IFRS a framework for measuring fair value and requires extensive disclosure about fair value measurements, inclusive of non-financial instruments that are subject to fair value measurement The standard is prospectively effective for the group for the year commencing 1 April 2013, and EU endorsement is expected before the effective date The impact of this standard is currently under evaluation

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments will replace certain key elements of IAS 39 when finally issued The three key elements being drafted are

- Classification and measurement of financial assets and financial liabilities – the standard requires that all financial assets be classified as either held at fair value or amortised cost The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows solely arise from payment of principal and interest The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk is taken directly to other comprehensive income without recycling These are current deliberations which may result in limited modifications to IFRS 9 relating to classification and measurement
- Impairment methodology – the key change is related to a shift from an incurred loss to an expected loss impairment methodology This element is subject to continued deliberation with expected amendments to IFRS 9 in 2012
- Hedge accounting – this is subject to deliberation and an exposure draft is expected in 2012

The standard is effective for the group for the year commencing 1 April 2015, and does not require the restatement of comparative-period financial statements upon initial application The EU have highlighted that they will not endorse IFRS 9 until a complete standard is issued

IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)

These amendments requires additional disclosures which the group will be in a position to provide The amendments are effective for the year commencing 1 April 2013

There are other proposed amendments which do not have a material impact to the financial statements and thus have not been highlighted or discussed above

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 the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on pages 131 to 133
- 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 32 for the carrying value of investment property with further analysis contained in the risk management section on pages 131 to 133
- 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 115 to 130 in the risk management section for further analysis on impairments
- The group's income tax charge and balance sheet provision are judgemental in nature This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities The group recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified
- 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 ended 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
1 Combined consolidated segmental analysis				
2012				
Segmental business analysis – income statement				
Net interest income	5 163	10 083	683 801	699 047
Fee and commission income	454 762	197 535	361 082	1 013 379
Fee and commission expense	(86 906)	(11 354)	(30 885)	(129 145)
Investment income	25	(392)	174 694	174 327
Trading income arising from				
– customer flow	–	108	76 958	77 066
– balance sheet management and other trading activities	380	97	31 727	32 204
Other operating income	2 178	396	62 554	65 128
Total operating income before impairment on loans and advances	375 602	196 473	1 359 931	1 932 006
Impairment losses on loans and advances	–	–	(325 118)	(325 118)
Operating income	375 602	196 473	1 034 813	1 606 888
Operating costs	(241 529)	(157 799)	(831 300)	(1 230 628)
Depreciation on leased assets	–	–	(28 670)	(28 670)
Operating profit before goodwill and acquired intangibles	134 073	38 674	174 843	347 590
Operating losses attributable to non-controlling interests	(380)	47	11 368	11 035
Operating profit before goodwill, acquired intangibles and after non-controlling interests	133 693	38 721	186 211	358 625
Core business	133 693	38 721	274 342	446 756
Property loan portfolio being run off*	–	–	(88 131)	(88 131)
Selected returns and key statistics				
ROE (pre-tax)**	84 0%	13 1%	6 1%	9 7%
Return on tangible equity (pre-tax)**	288 6%	46 9%	6 5%	11 8%
Cost to income ratio	64 3%	80 3%	62 4%	64 7%
Staff compensation to operating income	45 9%	57 2%	40 2%	43 0%
Operating profit per employee (£'000)	119 2	33 7	35 5	47 8
Total assets (excluding assurance assets) (£'million)	539	796	43 950	45 285

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

** *Refer to calculation on page 51*

For the year ended 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
1 Combined consolidated segmental analysis (continued)				
2011				
Segmental business analysis – income statement				
Net interest income	2 989	7 281	671 199	681 469
Fee and commission income	411 935	159 055	325 310	896 300
Fee and commission expense	(72 831)	(11 414)	(24 397)	(108 642)
Investment income	(40)	1 126	253 857	254 943
Trading income arising from				
– customer flow	–	(1 932)	78 379	76 447
– balance sheet management and other trading activities	–	(528)	87 824	87 296
Other operating income	2 537	2 651	61 985	67 173
Total operating income before impairment on loans and advances	**344 590**	**156 239**	**1 454 157**	**1 954 986**
Impairment losses on loans and advances	29	–	(318 259)	(318 230)
Operating income	**344 619**	**156 239**	**1 135 898**	**1 636 756**
Operating costs	(216 947)	(115 813)	(864 105)	(1 196 865)
Depreciation on operating leased assets	–	–	(16 447)	(16 447)
Operating profit before goodwill and acquired intangibles	**127 672**	**40 426**	**255 346**	**423 444**
Operating losses attributable to non-controlling interests	(364)	–	11 326	10 962
Operating profit before goodwill and acquired intangible and after non-controlling interests	**127 308**	**40 426**	**266 672**	**434 406**
Core business	127 308	40 426	341 649	509 383
Property loan portfolio being run off*	–	–	(74 977)	(74 977)
Selected returns and key statistics				
ROE (pre-tax)**	78 5%	16 5%	9 7%	13 5%
Return on tangible equity (pre-tax)**	329 7%	78 7%	10 4%	15 8%
Cost to income ratio	63 0%	74 1%	60 1%	61 7%
Staff compensation to operating income	45 2%	53 1%	38 3%	40 7%
Operating profit per employee (£'000)	124 4	63 6	52 4	64 4
Total assets (excluding assurance assets) (£'million)	553	1 081	42 946	44 580

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

** *Refer to calculation on page 51*

For the year ended 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
1 Combined consolidated segmental analysis (continued)				
2012				
Segmental geographic analysis – income statement				
Interest income	696 673	1 352 348	250 904	2 299 925
Interest expense	(409 256)	(1 007 060)	(184 562)	(1 600 878)
Net interest income	**287 417**	**345 288**	**66 342**	**699 047**
Fee and commission income	605 125	369 798	38 456	1 013 379
Fee and commission expense	(114 808)	(10 962)	(3 375)	(129 145)
Investment income	115 822	66 979	(8 474)	174 327
Trading income arising from				
– customer flow	43 179	22 775	11 112	77 066
– balance sheet management and other trading activities	16 430	16 900	(1 126)	32 204
Other operating income	62 127	4 180	(1 179)	65 128
Total operating income before impairment on loans and advances	**1 015 292**	**814 958**	**101 756**	**1 932 006**
Impairment losses on loans and advances	(187 920)	(69 326)	(67 872)	(325 118)
Operating income	**827 372**	**745 632**	**33 884**	**1 606 888**
Operating costs	(671 776)	(459 087)	(99 765)	(1 230 628)
Depreciation on operating leased assets	(28 544)	(126)	–	(28 670)
Operating profit before goodwill and acquired intangibles	**127 052**	**286 419**	**(65 881)**	**347 590**
Operating losses attributable to non-controlling interests	8 018	3 017	–	11 035
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**135 070**	**289 436**	**(65 881)**	**358 625**
Core business	139 920	289 436	17 400	446 756
Property loan portfolio being run off*	(4 850)	–	(83 281)	(88 131)
Impairment of goodwill	(21 510)	(2 856)	–	(24 366)
Amortisation of acquired intangibles	(9 530)	–	–	(9 530)
Cost arising from integration of acquired subsidiaries	(17 117)	–	–	(17 117)
Non-operational costs arising from acquisition of subsidiary	(5 342)	–	–	(5 342)
Earnings attributable to shareholders before taxation	**81 571**	**286 580**	**(65 881)**	**302 270**
Taxation on operating profit before goodwill	(33 911)	(48 536)	19 540	(62 907)
Taxation on acquired intangibles and acquisition/disposal of group operations	8 164	–	–	8 164
Earnings attributable to shareholders	**55 824**	**238 044**	**(46 341)**	**247 527**
Selected returns and key statistics				
ROE (post-tax)**	6 0%	14 9%	(11 1%)	7 8%
Return on tangible equity (post-tax)**	9 6%	15 1%	(12 7%)	9 5%
Cost to income ratio	68 1%	56 3%	98 0%	64 7%
Staff compensation to operating income	44 7%	37 3%	71 2%	43 0%
Operating profit per employee (£'000)	45 0	70 9	(154 7)	47 8
Effective operational tax rate	26 7%	16 9%	(29 7%)	18 1%
Total assets (£'million)	19 856	28 310	3 384	51 550

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

** *Refer to calculation on page 52*

For the year ended 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
1 Combined consolidated segmental analysis (continued)				
2011				
Segmental geographic analysis – income statement				
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)
Investment income	138 193	111 904	4 846	254 943
Trading income arising from				
– customer flow	43 353	27 694	5 400	76 447
– balance sheet management and other trading activities	62 430	25 133	(267)	87 296
Other operating income	51 122	18 380	(2 329)	67 173
Total operating income before impairment on loans and advances	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
Core business	178 937	300 074	30 372	509 383
Property loan portfolio being run off*	(45 311)	–	(29 666)	(74 977)
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 on operating profit before goodwill	(29 228)	(35 357)	(490)	(65 075)
Taxation on acquired intangibles and acquisition/disposal of group operations	6 610	–	–	6 610
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

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

** *Refer to calculation on page 52*

For the year ended 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
1 Combined consolidated segmental analysis (continued)				
2012				
Geographical analysis of assets and liabilities				
Assets				
Cash and balances at central banks	1 655 824	758 002	180 025	2 593 851
Loans and advances to banks	985 727	1 671 153	68 467	2 725 347
Non-sovereign and non-bank cash placements	–	642 480	–	642 480
Reverse repurchase agreements and cash collateral on securities borrowed	522 180	453 812	–	975 992
Sovereign debt securities	1 415 447	2 419 822	231 824	4 067 093
Bank debt securities	294 383	2 256 509	530 169	3 081 061
Other debt securities	100 219	195 753	81 860	377 832
Derivative financial instruments	916 994	862 887	133 769	1 913 650
Securities arising from trading activities	365 686	267 576	6 884	640 146
Investment portfolio	308 027	570 590	12 085	890 702
Loans and advances to customers	5 788 127	9 990 781	1 413 300	17 192 208
Own originated loans and advances to customers securitised	–	499 166	535 008	1 034 174
Other loans and advances	1 064 796	332 681	–	1 397 477
Warehoused assets – Kensington warehouse funding	1 431 712	–	–	1 431 712
Other securitised assets	2 961 970	139 452	–	3 101 422
Interests in associated undertakings	19 231	3 076	5 199	27 506
Deferred taxation assets	75 175	30 691	44 515	150 381
Other assets	1 234 108	488 561	79 452	1 802 121
Property and equipment	117 718	44 188	9 779	171 685
Investment properties	11 500	395 795	–	407 295
Goodwill	409 837	13 696	44 787	468 320
Intangible assets	176 988	7 902	7 209	192 099
	19 855 649	22 044 573	3 384 332	45 284 554
Other financial instruments at fair value through profit or loss in respect of				
– Liabilities to customers	–	6 265 846	–	6 265 846
	19 855 649	28 310 419	3 384 332	51 550 400
Liabilities				
Deposits by banks	997 268	1 135 248	–	2 132 516
Deposits by banks – Kensington warehouse funding	834 912	–	–	834 912
Derivative financial instruments	635 996	698 243	86 891	1 421 130
Other trading liabilities	271 627	341 257	–	612 884
Repurchase agreements and cash collateral on securities lent	1 020 670	843 467	–	1 864 137
Customer accounts (deposits)	9 459 554	14 347 614	1 536 603	25 343 771
Debt securities in issue	1 109 268	357 494	777 186	2 243 948
Liabilities arising on securitisation of own originated loans and advances	–	509 728	526 946	1 036 674
Liabilities arising on securitisation of other assets	2 361 986	40 057	–	2 402 043
Current taxation liabilities	77 188	132 421	–	209 609
Deferred taxation liabilities	76 489	25 989	–	102 478
Other liabilities	1 108 343	430 194	36 617	1 575 154
	17 953 301	18 861 712	2 964 243	39 779 256
Liabilities to customers under investment contracts	–	6 263 913	–	6 263 913
Insurance liabilities, including unit-linked liabilities	–	1 933	–	1 933
	17 953 301	25 127 558	2 964 243	46 045 102
Subordinated liabilities	661 920	784 501	46 355	1 492 776
	18 615 221	25 912 059	3 010 598	47 537 878

For the year ended 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
1 Combined consolidated segmental analysis (continued)				
2011				
Geographical analysis of assets and liabilities				
Assets				
Cash and balances at central banks	987 263	626 514	155 301	1 769 078
Loans and advances to banks	808 395	563 838	96 472	1 468 705
Non-sovereign and non-bank cash placements	–	535 983	–	535 983
Reverse repurchase agreements and cash collateral on securities borrowed	1 399 733	1 068 042	–	2 467 775
Sovereign debt securities	625 158	2 682 479	224 463	3 532 100
Bank debt securities	806 013	1 670 667	529 449	3 006 129
Other debt securities	104 225	83 417	79 490	267 132
Derivative financial instruments	662 620	1 056 008	80 576	1 799 204
Securities arising from trading activities	479 419	264 068	–	743 487
Investment portfolio	183 429	658 793	16 388	858 610
Loans and advances to customers	5 575 994	10 524 236	1 592 126	17 692 356
Own originated loans and advances to customers securitised	–	582 466	483 316	1 065 782
Other loans and advances	618 611	393 581	53 976	1 066 168
Warehoused assets – Kensington warehouse funding	1 612 181	–	–	1 612 181
Other securitised assets	3 679 005	179 506	–	3 858 511
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	855 919	539 074	51 073	1 446 066
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
Total assets	**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 of own originated loans and advances	–	580 172	472 109	1 052 281
Liabilities arising on securitisation of other assets	3 174 268	114 315	–	3 288 583
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
	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

For the year ended 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				
2012				
Asset Management	58 922	74 771	–	133 693
Wealth & Investment	23 268	15 453	–	38 721
Specialist Banking	52 880	199 212	(65 881)	186 211
Property activities	572	17 740	3 351	21 663
Private Banking activities	1 841	30 423	(73 679)	(41 415)
Core business	6 691	30 423	9 602	46 716
Property loan portfolio being run off*	(4 850)	–	(83 281)	(88 131)
Corporate Advisory and Investment activities	7 893	37 249	(3 157)	41 985
Corporate and Institutional Banking activities	118 496	102 548	12 956	234 000
Group Services and Other activities	(75 922)	11 252	(5 352)	(70 022)
Total group	135 070	289 436	(65 881)	358 625
Core business	139 920	289 436	17 400	446 756
Property loan portfolio being run off*	(4 850)	–	(83 281)	(88 131)
Non-controlling interest – equity				(11 035)
Operating profit				347 590
2011				
Asset Management	53 002	74 306	–	127 308
Wealth & Investment	25 008	15 418	–	40 426
Specialist Banking	55 616	210 350	706	266 672
Property activities	375	40 178	7 155	47 708
Private Banking activities	(84 041)	2 990	(10 390)	(91 441)
Core business	(38 730)	2 990	19 276	(16 464)
Property loan portfolio being run off*	(45 311)	–	(29 666)	(74 977)
Corporate Advisory and Investment activities	8 887	65 191	(6 716)	67 362
Corporate and Institutional Banking activities	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
Core business	178 937	300 074	30 372	509 383
Property loan portfolio being run off*	(45 311)	–	(29 666)	(74 977)
Non-controlling interest – equity				(10 962)
Operating profit				423 444

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

For the year ended 31 March £'000	2012	2011
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		
Asset Management	133 693	127 308
Wealth & Investment	38 721	40 426
Specialist Banking	186 211	266 672
Property activities	21 663	47 708
Private Banking activities		
Core Private Banking	46 716	(16 464)
Property loan portfolio being run-off*	(88 131)	(74 977)
	(41 415)	(91 441)
Corporate Advisory and Investment activities		
Corporate Finance	14 764	7 581
Institutional research, sales and trading	(15 545)	(4 230)
Principal Investments	42 766	64 011
	41 985	67 362
Corporate and Institutional Banking activities	234 000	242 049
Group Services and Other activities		
International trade finance	10 324	9 065
Central funding	10 238	91 037
Central costs	(90 584)	(99 108)
	(70 022)	994
Core business	446 756	509 383
Property loan portfolio being run-off*	(88 131)	(74 977)
Total group	358 625	434 406

* *Residual property loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off*

For the year ended 31 March £'000	UK and Europe	Southern Africa	Australia	Total group
2 Fees and commissions				
2012				
Fund management fees/fees for assets under management	404 327	188 953	5 674	598 954
Private client transactional fees	62 486	65 295	9 251	137 032
Corporate and institutional transactional and advisory services	138 312	115 550	23 531	277 393
Fee and commission income	605 125	369 798	38 456	1 013 379
Fee and commission expense	(114 808)	(10 962)	(3 375)	(129 145)
Net fees and commissions	**490 317**	**358 836**	**35 081**	**884 234**
2011				
Fund management fees/fees for assets under management	332 621	183 994	7 580	524 195
Private client transactional fees	53 763	80 543	12 761	147 067
Corporate and institutional transactional and advisory services	136 841	68 500	19 697	225 038
Fee and commission income	523 225	333 037	40 038	896 300
Fee and commission expense	(99 473)	(5 280)	(3 889)	(108 642)
Net fees and commissions	**423 752**	**327 757**	**36 149**	**787 658**

For the year ended 31 March 2012 £'000	UK and Europe	Southern Africa	Australia	Total group
3 Investment income				
Realised	102 280	47 548	(8 929)	140 899
Unrealised	11 652	1 837	(66)	13 423
Dividend income	1 890	34 353	521	36 764
Funding costs	–	(16 759)	–	(16 759)
Investment income	**115 822**	**66 979**	**(8 474)**	**174 327**

For the year ended 31 March 2012 £'000	Investment portfolio* (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
Realised	26 230	62 960	–	13 090	102 280
Unrealised	14 929	(3 226)	–	(51)	11 652
Dividend income	1 890	–	–	–	1 890
Investment income UK and Europe	**43 049**	**59 734**	**–**	**13 039**	**115 822**
Realised	49 878	902	(3 232)	–	47 548
Unrealised	(19 565)	4 576	22 611	(5 785)	1 837
Dividend income	34 357	(79)	75	–	34 353
Funding costs	(16 751)	(8)	–	–	(16 759)
Investment income Southern Africa	**47 919**	**5 391**	**19 454**	**(5 785)**	**66 979**
Realised	1 539	(784)	–	(9 684)	(8 929)
Unrealised	(66)	–	–	–	(66)
Dividend income	71	450	–	–	521
Investment income Australia	**1 544**	**(334)**	**–**	**(9 684)**	**(8 474)**

* *Including embedded derivatives (warrants and profit shares)*

For the year ended 31 March 2011 £'000	UK and Europe	Southern Africa	Australia	Total group
3 Investment income (continued)				
Realised	124 196	31 271	4 061	159 528
Unrealised	13 054	64 915	767	78 736
Dividend income	943	37 482	18	38 443
Funding costs	–	(21 764)	–	(21 764)
Investment income	138 193	111 904	4 846	254 943

For the year ended 31 March 2011 £'000	Investment portfolio* (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
Realised	29 610	89 385	–	5 201	124 196
Unrealised	13 217	(163)	–	–	13 054
Dividend income	943	–	–	–	943
Investment income UK and Europe	43 770	89 222	–	5 201	138 193
Realised	26 922	3 441	908	–	31 271
Unrealised	12 072	(2 141)	54 984	–	64 915
Dividend income	36 826	37	619	–	37 482
Funding costs	(15 818)	(107)	(5 839)	–	(21 764)
Investment income Southern Africa	60 002	1 230	50 672	–	111 904
Realised	130	1 578	–	2 353	4 061
Unrealised	767	–	–	–	767
Dividend income	18	–	–	–	18
Investment income Australia	915	1 578	–	2 353	4 846

* *Including embedded derivatives (warrants and profit shares)*

For the year ended 31 March £'000	2012	2011
4 Other operating income		
Rental income from properties	259	1 814
Gains on realisation of properties	672	1 258
Operating income of non-core businesses**	2 304	10 568
Income from operating leases	59 344	36 421
Operating income from associates	1 626	3 942
Assurance income	923	13 170
	65 128	67 173

** *Other operating income for the year ended 31 March 2011 includes operating income of certain private equity investments that were consolidated until their disposal during that year The 2011 net operating income includes gross income of £96 0 million net of all direct cost of sales Their other direct costs are included in operating costs*

For the year ended 31 March £'000	2012	2011
5 Operating costs		
Staff costs	831 076	795 592
– Salaries and wages (including directors' remuneration)*	682 524	648 395
– Share-based payment expense	69 763	69 518
– Social security costs	47 243	48 583
– Pensions and provident fund contributions	31 546	29 096
Premises (excluding depreciation)	73 243	70 394
Equipment (excluding depreciation)	52 833	54 324
Business expenses*	190 512	197 453
Marketing expenses	54 210	48 943
Depreciation, amortisation and impairment on property, equipment and intangibles	28 754	30 159
	1 230 628	1 196 865
Depreciation on operating leased assets	28 670	16 447
	1 259 298	1 213 312
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	801	921
Fees payable to the company's auditors and its associates for other services		
Audit of the company's subsidiaries pursuant to legislation	5 313	5 276
Other services pursuant to legislation	1 740	1 627
Tax services	700	622
Services related to corporate finance transactions	158	–
All other services	683	262
	9 395	8 708
KPMG fees		
Fees payable to the company's auditors and its associates for other services		
Audit of the company's subsidiaries pursuant to legislation	2 111	1 858
Other services pursuant to legislation	145	342
Tax services	720	444
Services relating to information technology	–	155
Services related to corporate finance transactions	201	–
All other services	534	203
	3 711	3 002
Total	13 106	11 710

* *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 254 to 259

6 Share-based payments

The group operates share option and share purchase schemes for employees the majority of which are on an equity-settled basis The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group Further information on the group share options and long-term incentive plans are provided on pages 247 to 248 of the remuneration report and on our website

For the year ended 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
Share-based payment expense charged to the income statement (included in operating costs)				
2012				
Equity-settled	8 957	6 820	54 019	69 796
Cash-settled	–	–	(33)	(33)
Total income statement charge	8 957	6 820	53 986	69 763
2011				
Equity-settled	6 303	4 368	58 852	69 523
Cash-settled	–	–	(5)	(5)
Total income statement charge	6 303	4 368	58 847	69 518

Included in the above income statement charge is an accelerated share-based payment charge of £786 755 (2011 £136 089)

For the year ended 31 March £'000	2012	2011
Weighted average fair value of options granted in the year		
UK schemes	26 569	59 299
South African schemes	28 950	61 774

	UK schemes				South African schemes			
	2012		2011		2012		2011	
Details of options outstanding during the year	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Outstanding at the beginning of the year	45 033 517	0 09	33 381 361	0 17	42 984 422	0 74	33 651 198	1 98
Granted during the year	8 776 990	0 16	20 237 627	0 04	9 020 438	–	17 903 599	–
Exercised during the year*	(5 733 448)	0 19	(6 687 293)	0 11	(7 223 129)	4 38	(7 013 570)	4 42
Expired during the year	(2 000 229)	0 58	(1 898 178)	0 87	(2 357 838)	–	(1 556 805)	2 59
Outstanding at the end of the year	46 076 830	0 06	45 033 517	0 09	42 423 893	–	42 984 422	0 74
Exercisable at the end of the year	704 523	0 04	160 236	0 74	1 011 438	–	1 115 836	28 35

* *Weighted average share price during the year was £4 15 (2011 £4 94)*

For the year ended 31 March	UK schemes 2012	UK schemes 2011	South African schemes 2012	South African schemes 2011
6 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 50 – £6 52	£1 55 – £6 52	n/a	R20 28 – R57 60
Weighted average remaining contractual life	3 47 years	1 59 years	n/a	0 53 years
Weighted average fair value of options granted at measurement date	£3 03	£2 93	R37 25	R39 21
Long-term incentive grants with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	3 00 years	3 37 years	2 99 years	3 32 years
The fair values of options granted were calculated using a Black-Scholes option pricing model For options granted during the year, the inputs into the model were as follows				
– Share price at date of grant	£3 34 – £5 00	£4 29 – £4 98	R44 00 – R56 29	R52 55 – R55 40
– Exercise price	£nil, £3 34 – £5 00	£nil, £4 29 – £4 98	Rnil	Rnil
– Expected volatility	30%	30% – 38%	30%	30% – 36%
– Option life	5 – 5 25 years	5 – 5 25 years	5 years	5 years
– Expected dividend yields	5 19% – 7 84%	5 07% – 5 23%	3 87% – 5 33%	2 85% – 4 61%
– Risk-free rate	1 48% – 2 15%	2 05% – 2 15%	6 44% – 7 58%	6 75% – 7 31%

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk The expected volatility is based on the respective share price movement over the last 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 ended 31 March £'000	2012	2011
7 Taxation		
Income statement tax charge		
Current taxation		
UK		
Current tax on income for the year	41 504	(2 342)
Adjustments in respect of prior years	3 436	13 238
Corporation tax before double tax relief	44 940	10 896
– Double taxation relief	(614)	(597)
	44 326	10 299
Southern Africa		
– in respect of current year	83 495	60 364
– in respect of prior year adjustments	–	(14 573)
	83 495	45 791
Europe	4 503	1 926
Australia	432	–
Other	287	179
Secondary taxation on companies*	228	932
Total current taxation	133 271	59 127

* *Secondary taxation on companies is an additional corporate tax on South African entities on declaration of dividends*

For the year ended 31 March £'000	2012	2011
7 Taxation (continued)		
Deferred taxation		
UK	(23 352)	10 518
Southern Africa	(35 187)	(11 365)
Europe	7	7
Australia	(19 996)	489
Other	–	(311)
Total deferred taxation	(78 528)	(662)
Total taxation charge for the year	54 743	58 465
Total taxation charge for the year comprises		
Taxation on operating profit before goodwill	62 907	65 075
Taxation on intangibles and sale of subsidiaries	(8 164)	(6 610)
	54 743	58 465
Deferred taxation comprises		
Origination and reversal of temporary differences	(80 629)	4 791
Changes in tax rates	2 838	1 210
Adjustment in respect of prior years	(737)	(6 663)
	(78 528)	(662)
Items which affect the tax rate going forward are		
Estimated tax losses arising from trading activities available for relief against future taxable income		
UK	Nil	Nil
South Africa	Nil	Nil
Europe	Nil	Nil
The rates of corporation tax for the relevant years are	%	%
UK	26	28
South Africa	28	28
Europe (average)	10	10
Australia	30	30
USA	35	35
Profit before taxation	291 235	466 378
Taxation on profit before taxation	54 743	58 465
Effective tax rate	18.80%	12.54%
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 26% (2011 28%)	75 721	130 586
Taxation adjustments relating to foreign earnings	45 639	(65 336)
Taxation relating to prior years	2 699	6 575
Share options accounting expense	20 530	14 749
Share options exercised during the year	(5 033)	(7 697)
Unexpired share options future taxation deduction	(12 027)	(9 294)
Non-taxable income	(12 907)	(17 967)
Net other permanent differences	35 091	12 217
Unrealised capital losses	(6 530)	(5 109)
Utilisation of brought forward capital losses	–	(1 469)
Change in taxation rate	2 838	1 210
Total taxation charge as per income statement	54 743	58 465

For the year ended 31 March £'000	2012	2011
7 Taxation (continued)		
Other comprehensive income taxation effects		
Cash flow hedge movements taken directly to other comprehensive income	(34 691)	9 929
Pre-taxation	(34 691)	13 755
Taxation effect	–	(3 826)
Gains on realisation of available-for-sale assets recycled through the income statement	(12 891)	(4 845)
Pre-taxation	(12 891)	(5 445)
Income taxation effect	–	600
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(312)	27 631
Pre-taxation	(312)	36 075
Income taxation effect	–	(8 444)

Corporate taxation rates in the UK will be 24% for the 2013 financial year

On 21 March 2012 as part of the 2012 Budget, the UK Government has announced its intention to legislate to reduce the main rate of corporation tax to 24% with effect from 1 April 2012 and further by 1% per annum falling to 22% with effect from 1 April 2014 The reduction to 24% was subsequently enacted prior to 31 March 2012 under the provisions of the Provisional Collection of Taxes Act 1968 and the effect of this reduction is therefore reflected in the calculation of the group's UK deferred tax asset and liability

For the year ended 31 March	2012	2011
8 Earnings per share		
Earnings	£'000	£'000
Earnings attributable to shareholders	247 527	420 516
Preference dividends paid	(39 306)	(43 019)
Earnings and diluted earnings attributable to ordinary shareholders	208 221	377 497
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	831 688 923	791 147 632
Weighted average number of treasury shares	(22 133 785)	(31 307 382)
Weighted average number of shares in issue during the year	809 555 138	759 840 250
Weighted average number of shares resulting from future dilutive potential shares	46 272 969	48 050 814
Adjusted weighted number of shares potentially in issue	855 828 107	807 891 064
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	25 7	49 7
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	24 3	46 7
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	31 8	43 2

For the year ended 31 March	2012	2011
8 Earnings per share (continued)	£'000	£'000
Earnings attributable to shareholders	247 527	420 516
Impairment of goodwill	24 366	6 888
Amortisation of acquired intangibles, net of taxation	7 052	3 509
Loss on subsidiaries attributable to non-controlling interests	–	(1 641)
Non-operational costs arising from acquisition of subsidiary (including integration costs), net of taxation	16 773	–
Profit arising from associate converted to subsidiary	–	(73 465)
Net loss on sale of subsidiaries, net of taxation	–	13 524
Preference dividends paid	(39 306)	(43 019)
Additional earnings attributable to other equity holders*	(557)	1 585
Currency hedge attributable to perpetual equity instruments	1 724	–
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	257 579	327 897
Headline earnings per share – pence	26 8	37 7
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 Listings Requirements, and in terms of circular 3/2009 issued by the South African Institute of Chartered Accountants		
	£'000	£'000
Earnings attributable to shareholders	247 527	420 516
Impairment of goodwill	24 366	6 888
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	(39 306)	(43 019)
Additional earnings attributable to other equity holders	–	1 585
Property revaluation, net of taxation	(2 443)	(34 192)
Gains on available-for-sale instruments	(12 891)	(3 537)
Headline earnings attributable to ordinary shareholders**	217 253	286 659

* *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*

** *Taxation on headline earning adjustments amounted to £5 6 million (2011 £14 8 million) with no impact on earnings attributable to non-controlling interests*

For the year ended 31 March	2012 Pence per share	2012 Total £'million	2011 Pence per share	2011 Total £'million
9 Dividends				
Ordinary dividend				
Final dividend for prior year	9 0	70 558	8 0	59 341
Interim dividend for current year	8 0	63 878	8 0	64 289
Total dividend attributable to ordinary shareholders' recognised in current financial year	17 0	134 436	16 0	123 630

The directors have proposed a final dividend in respect of the financial year ended 31 March 2012 of 9 0 pence per ordinary share (31 March 2011 9 0 pence)

This will be paid as follows

- For Investec Limited shareholders, through a dividend paid by Investec Limited of 121 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 5 pence per ordinary share and through a dividend payment on the SA DAS share of 7 5 pence per ordinary share

The final dividend will be payable on 6 August 2012 to shareholders on the register at the close of business on 27 July 2012

For the year ended 31 March	2012 Pence per share^	2012 Cents per share*	2012 Total £'million	2011 Pence per share^	2011 Cents per share*	2011 Total £'million
Perpetual preference dividend						
Final dividend for prior year	7 52	660 45	14 173	7 48	757 97	15 398
Interim dividend for current year	7 52	874 47	12 576	7 52	722 82	15 988
Total dividend attributable to perpetual preference shareholders recognised in current financial year	15 04	1 534 92	26 749	15 00	1 480 79	31 386

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

* *Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc*

The directors have declared a final dividend in respect of the financial year ended 31 March 2012 of 7 52 pence (Investec plc shares traded on the JSE Limited) and 7 52 pence (Investec plc shares traded on the Channel Island Stock Exchange), 315 86 cents (Investec Limited) 338 42 cents (Investec Bank Limited), 428 67 cents (Investec plc) per perpetual preference share The final dividend will be payable to shareholders on the register at the close of business on 15 June 2012

For the year ended 31 March	2012	2011
Dividend attributable to perpetual preferred securities	12 557	11 633

The €200 000 000 (2011 €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 46

For the year ended 31 March £'000	2012	2011*
10 Miscellaneous income statement items		
Operating lease expenses recognised in operating costs expenses		
Minimum lease payments	14 645	17 880
Contingent rents	399	-
	15 044	17 880
Operating lease income recognised in income		
Minimum lease payments	59 122	36 421
	59 122	36 421

* *Restated for prior year incorrect gross up*

The majority of the operating lease expenses in the group relate to leases on property

Rental income from leases is included in 'Other operating income', mainly comprising lease of motor vehicles

For the year ended 31 March £'000		At fair value through profit or loss	
		Trading	Designated at inception
11	**Analysis of income and impairments by category of financial instrument**		
	2012		
	Net interest income	63 124	204 787
	Fee and commission income	51 612	13 711
	Fee and commission expense	(1 859)	(452)
	Investment income	–	54 187
	Trading income arising from		
	– customer flow	79 350	(8 113)
	– balance sheet management and other trading activities	20 413	(1 078)
	Other operating income	–	3 343
	Total operating income before impairment losses on loans and advances	212 640	266 385
	Impairment losses on loans and advances	–	–
	Operating income	212 640	266 385
	2011		
	Net interest income	66 773	139 039
	Fee and commission income	59 622	18 478
	Fee and commission expense	–	(2 985)
	Investment income	–	148 519
	Trading income arising from		
	– customer flow	78 516	(5 202)
	– balance sheet management and other trading activities	65 485	(17 840)
	Other operating income	–	15 332
	Total operating income before impairment losses on loans and advances	270 396	295 341
	Impairment losses on loans and advances	–	–
	Operating income	270 396	295 341

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
98 806	1 811 862	110 174	(1 601 339)	–	11 633	699 047
459	146 007	331	2 607	46 521	752 131	1 013 379
–	(10 996)	(431)	(4 767)	–	(110 640)	(129 145)
(1 013)	22 524	17 516	(7 460)	80 115	8 458	174 327
–	–	–	5 124	–	705	77 066
–	1 358	98	(612)	–	12 025	32 204
–	217	–	–	61 568	–	65 128
98 252	1 970 972	127 688	(1 606 447)	188 204	674 312	1 932 006
(10 495)	(314 286)	(337)	–	–	–	(325 118)
87 757	**1 656 686**	**127 351**	**(1 606 447)**	**188 204**	**674 312**	**1 606 888**
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)	67 639	8 371	(1 468)	19 277	13 444	254 943
–	–	–	3 133	–	–	76 447
–	13 312	(2 914)	37 153	–	(7 900)	87 296
–	87	–	–	43 380	8 374	67 173
31 797	1 973 812	93 063	(1 430 191)	89 572	631 196	1 954 986
(1 097)	(317 133)	–	–	–	–	(318 230)
30 700	**1 656 679**	**93 063**	**(1 430 191)**	**89 572**	**631 196**	**1 636 756**

At 31 March 2012 £'000	At fair value through profit or loss		Available-for-sale
	Trading	Designated at inception	
12 Analysis of financial assets and liabilities by category of financial instrument			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	7	176 313	–
Non-sovereign and non-bank cash placements	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	718 811	–	–
Sovereign debt securities	–	1 882 558	1 763 764
Bank debt securities	1 069 935	12 126	774 182
Other debt securities	20 578	104 441	150 588
Derivative financial instruments*	1 913 650	–	–
Securities arising from trading activities	640 146	–	–
Investment portfolio	–	813 820	76 882
Loans and advances to customers	–	1 225 243	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	175 523	–
Warehoused assets – Kensington warehouse funding	–	–	–
Other securitised assets	–	92 900	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	487 276	43 152	16 259
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	4 850 403	4 526 076	2 781 675
Other financial instruments at fair value through profit or loss in respect of – liabilities to customers	–	–	–
	4 850 403	4 526 076	2 781 675
Liabilities			
Deposits by banks	–	–	–
Deposits by banks – Kensington warehouse funding	–	–	–
Derivative financial instruments*	1 421 130	–	–
Other trading liabilities	612 884	–	–
Repurchase agreements and cash collateral on securities lent	582 682	–	–
Customer accounts (deposits)	–	549 814	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Liabilities arising on securitisation of other assets	–	40 057	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	563 134	42 806	–
	3 179 830	632 677	–
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	3 179 830	632 677	–
Subordinated liabilities	–	–	–
	3 179 830	632 677	–

* *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 52 on pages 362 and 363*

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
–	–	2 593 851	–	2 593 851	–	–	2 593 851
176 320	–	2 549 027	–	2 549 027	–	–	2 725 347
–	–	642 480	–	642 480	–	–	642 480
718 811	–	257 181	–	257 181	–	–	975 992
3 646 322	420 753	18	–	420 771	–	–	4 067 093
1 856 243	733 498	491 320	–	1 224 818	–	–	3 081 061
275 607	100 216	2 009	–	102 225	–	–	377 832
1 913 650	–	–	–	–	–	–	1 913 650
640 146	–	–	–	–	–	–	640 146
890 702	–	–	–	–	–	–	890 702
1 225 243	219 528	15 747 437	–	15 966 965	–	–	17 192 208
–	–	1 034 174	–	1 034 174	–	–	1 034 174
175 523	–	1 221 954	–	1 221 954	–	–	1 397 477
–	–	1 431 712	–	1 431 712	–	–	1 431 712
92 900	–	3 008 522	–	3 008 522	–	–	3 101 422
–	–	–	–	–	–	27 506	27 506
–	–	–	–	–	–	150 381	150 381
546 687	–	860 082	–	860 082	–	395 352	1 802 121
–	–	–	–	–	–	171 685	171 685
–	–	–	–	–	–	407 295	407 295
–	–	–	–	–	–	468 320	468 320
–	–	–	–	–	–	192 099	192 099
12 158 154	1 473 995	29 839 767	–	31 313 762	–	1 812 638	45 284 554
–							
–	–	–	–	–	6 265 846	–	6 265 846
12 158 154	1 473 995	29 839 767	–	31 313 762	6 265 846	1 812 638	51 550 400
–	–	–	2 132 516	2 132 516	–	–	2 132 516
–	–	–	834 912	834 912	–	–	834 912
1 421 130	–	–	–	–	–	–	1 421 130
612 884	–	–	–	–	–	–	612 884
582 682	–	–	1 281 455	1 281 455	–	–	1 864 137
549 814	–	–	24 793 957	24 793 957	–	–	25 343 771
–	–	–	2 243 948	2 243 948	–	–	2 243 948
–	–	–	1 036 674	1 036 674	–	–	1 036 674
40 057	–	–	2 361 986	2 361 986	–	–	2 402 043
–	–	–	–	–	–	209 609	209 609
–	–	–	–	–	–	102 478	102 478
605 940	–	–	474 384	474 384	–	494 830	1 575 154
3 812 507	–	–	35 159 832	35 159 832	–	806 917	39 779 256
–	–	–	–	–	6 263 913	–	6 263 913
–	–	–	–	–	1 933	–	1 933
3 812 507	–	–	35 159 832	35 159 832	6 265 846	806 917	46 045 102
–	–	–	1 492 776	1 492 776	–	–	1 492 776
3 812 507	–	–	36 652 608	36 652 608	6 265 846	806 917	47 537 878

At 31 March 2011 £'000	At fair value through profit or loss		Available-for-sale
	Trading	Designated at inception	
12 Analysis of financial assets and liabilities by category of financial instrument (continued)			
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	95 093	–
Non-sovereign and non-bank cash placements	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 058 125	150 013	–
Sovereign debt securities	5 009	2 425 430	871 669
Bank debt securities	999 686	710	1 178 990
Other debt securities	51 190	82 840	117 924
Derivative financial instruments*	1 799 204	–	–
Securities arising from trading activities	743 487	–	–
Investment portfolio	5 099	765 591	87 920
Loans and advances to customers	–	1 202 784	–
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	187 789	–
Warehoused assets – Kensington warehouse funding	–	–	–
Other securitised assets	–	171 940	–
Interests in associated undertakings	–	–	–
Deferred taxation assets	–	–	–
Other assets	275 098	35 842	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	4 936 898	5 118 032	2 256 503
Other financial instruments at fair value through profit or loss in respect of			
– liabilities to customers	–	–	–
	4 936 898	5 118 032	2 256 503
Liabilities			
Deposits by banks	–	–	–
Deposits by banks – Kensington warehouse funding	–	–	–
Derivative financial instruments*	1 486 419	–	–
Other trading liabilities	716 556	–	–
Repurchase agreements and cash collateral on securities lent	983 487	–	–
Customer accounts (deposits)	1 560	906 145	–
Debt securities in issue	–	–	–
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Liabilities arising on securitisation of other assets	–	99 914	–
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	308 321	35 473	–
	3 496 343	1 041 532	–
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–
	3 496 343	1 041 532	–
Subordinated liabilities	–	–	–
	3 496 343	1 041 532	–

* *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 52 on pages 362 and 363*

Total instruments at fair value	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related	Non-financial instruments	Total
–	–	1 769 078	–	1 769 078	–	–	1 769 078
95 093	–	1 373 612	–	1 373 612	–	–	1 468 705
–	–	535 983	–	535 983	–	–	535 983
1 208 138	–	1 259 637	–	1 259 637	–	–	2 467 775
3 302 108	229 992	–	–	229 992	–	–	3 532 100
2 179 386	670 982	155 761	–	826 743	–	–	3 006 129
251 954	15 178	–	–	15 178	–	–	267 132
1 799 204	–	–	–	–	–	–	1 799 204
743 487	–	–	–	–	–	–	743 487
858 610	–	–	–	–	–	–	858 610
1 202 784	408 043	16 081 529	–	16 489 572	–	–	17 692 356
–	–	1 065 782	–	1 065 782	–	–	1 065 782
187 789	–	878 379	–	878 379	–	–	1 066 168
–	–	1 612 181	–	1 612 181	–	–	1 612 181
171 940	–	3 686 571	–	3 686 571	–	–	3 858 511
–	–	–	–	–	–	23 481	23 481
–	–	–	–	–	–	114 838	114 838
310 940	–	649 003	–	649 003	–	486 123	1 446 066
–	–	–	–	–	–	279 801	279 801
–	–	–	–	–	–	379 527	379 527
–	–	–	–	–	–	456 608	456 608
–	–	–	–	–	–	136 452	136 452
12 311 433	1 324 195	29 067 516	–	30 391 711	–	1 876 830	44 579 974
–	–	–	–	–	6 361 296	–	6 361 296
12 311 433	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	–	–	–	–	–	–	1 486 419
716 556	–	–	–	–	–	–	716 556
983 487	–	–	616 159	616 159	–	–	1 599 646
907 705	–	–	23 533 555	23 533 555	–	–	24 441 260
–	–	–	2 145 213	2 145 213	–	–	2 145 213
–	–	–	1 052 281	1 052 281	–	–	1 052 281
99 914	–	–	3 188 669	3 188 669	–	–	3 288 583
–	–	–	–	–	–	206 957	206 957
–	–	–	–	–	–	148 750	148 750
343 794	–	–	483 516	483 516	–	583 827	1 411 137
4 537 875	–	–	33 853 828	33 853 828	–	939 534	39 331 237
–	–	–	–	–	6 358 732	–	6 358 732
–	–	–	–	–	2 564	–	2 564
4 537 875	–	–	33 853 828	33 853 828	6 361 296	939 534	45 692 533
–	–	–	1 287 635	1 287 635	–	–	1 287 635
4 537 875	–	–	35 141 463	35 141 463	6 361 296	939 534	46 980 168

13 Reclassifications of financial instruments

During the year ended 31 March 2009 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

The group has not made any further reclassifications since 31 March 2009

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

£'000	Carrying value as at 31 March 2012	Fair value as at 31 March 2012	Carrying value as at 31 March 2011	Fair value as at 31 March 2011
Trading assets reclassified to loans and receivables	50 313	39 713	55 232	32 922
	50 313	39 713	55 232	32 922

If the reclassifications had not been made, the group's income before tax in 2012 would have increased by £11 7 million (2011 a reduction of £12 4 million)

In the current year the reclassified assets have contributed £0 198 million loss through net interest and a loss of £1 4 million through impairments In the prior year, after reclassification, the assets contributed £0 167 million loss through net interest and a loss of £15 22 million through impairments

14 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 (unadjusted) prices 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
14 Fair value hierarchy (continued)				
2012				
Assets				
Loans and advances to banks	176 320	114 247	62 073	–
Reverse repurchase agreements and cash collateral on securities borrowed	718 811	264 412	454 399	–
Sovereign debt securities	3 646 322	3 344 496	301 826	–
Bank debt securities	1 856 243	247 736	1 608 507	–
Other debt securities	275 607	47 394	167 757	60 456
Derivative financial instruments	1 913 650	203 938	1 678 746	30 966
Securities arising from trading activities	640 146	577 326	62 820	–
Investment portfolio	890 702	155 241	600 429	135 032
Loans and advances to customers	1 225 243	–	1 224 655	588
Other loans and advances	175 523	–	–	175 523
Other securitised assets	92 900	7 630	27 331	57 939
Other assets	546 687	546 359	328	–
	12 158 154	5 508 779	6 188 871	460 504
Liabilities				
Derivative financial instruments	1 421 130	258 239	1 162 891	–
Other trading liabilities	612 884	612 884	–	–
Repurchase agreements and cash collateral on securities lent	582 682	582 682	–	–
Customer accounts (deposits)	549 814	–	549 814	–
Liabilities arising on securitisation of other assets	40 057	–	40 057	–
Other liabilities	605 940	521 381	84 559	–
	3 812 507	1 975 186	1 837 321	–

There were no transfers between level 1 and level 2

At 31 March £'000		Total instruments at fair value	Valuation technique applied		
			Level 1	Level 2	Level 3
14	**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	–
	Sovereign debt securities	3 302 108	3 001 497	300 611	–
	Bank debt securities	2 179 386	650 251	1 529 135	–
	Other debt securities	251 954	62 501	73 303	116 150
	Derivative financial instruments	1 799 204	63 133	1 703 841	32 230
	Securities arising from trading activities	743 487	739 500	3 987	–
	Investment portfolio	858 610	155 520	670 315	32 775
	Loans and advances to customers	1 202 784	197	1 202 004	583
	Other loans and advances	187 789	–	–	187 789
	Other securitised assets	171 940	9 378	99 734	62 828
	Other assets	310 940	310 663	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 of other assets	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

There were no transfers between level 1 and level 2

At 31 March £'000	Total level 3 financial instruments	Fair value movements through income statement	Fair value movements through comprehensive income
14 Fair value hierarchy (continued)			
The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy			
Group			
Balance as at 1 April 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
Balance at 31 March 2011	**426 992**	**358 973**	**68 019**
Total gains or losses	(31 300)	(30 053)	(1 247)
In the income statement	(31 235)	(30 053)	(1 182)
In the statement of comprehensive income	(65)	–	(65)
Purchases	158 932	157 008	1 924
Sales	(52 507)	(43 231)	(9 276)
Issues	(4 842)	(4 842)	–
Settlements	(16 933)	(16 933)	–
Transfers into level 3	26 715	26 715	–
Transfers out of level 3	(46 503)	–	(46 503)
Foreign exchange adjustments	(50)	208	(258)
Balance at 31 March 2012	**460 504**	**447 845**	**12 659**

In each year, 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 significant inputs to model valuations were no longer observable.

The following table quantifies the gains or losses included in the income statement recognised on level 3 financial instruments.

For the year ended 31 March £'000	2012	2011
Total gains or losses included in the income statement for the year		
Net interest income	4 921	11 533
Fee and commission income	1 628	(1 623)
Investment income	(46 685)	8 031
Trading income arising from customer flow	1 161	(858)
Trading income arising from balance sheet management and other trading activities	7 740	–
	(31 235)	17 083

14 Fair value hierarchy (continued)

Sensitivity of fair values to reasonably possible alternative assumptions by Level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level.

At 31 March £'000	Reflected in income statement		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
2012				
Assets				
Other debt securities	2 041	2 138	2 306	2 467
Investment portfolio	62 111	23 562	1 569	1 659
Derivative financial instruments	59 859	1 397	–	–
Loans and advances to customers	1 211	294	–	–
Other loans and advances	3 953	1 024	–	–
Other securitised assets	23 703	13 811	–	–
	152 878	42 226	3 875	4 126
2011				
Assets				
Other debt securities	2 693	7 035	1 445	2 018
Investment portfolio	11 155	2 767	2 208	2 924
Derivative financial instruments	13 386	1 506	–	–
Loans and advances to customers	1 029	583	–	–
Other loans and advances	9 139	5 137	–	–
Other securitised assets	20 256	12 689	–	–
Liabilities				
Other liabilities	523	314	–	–
	58 181	30 031	3 653	4 942

The above variations have been determined with reference to the key unobservable inputs which mainly relate to future cash flows and discount rates applied.

At 31 March £'000	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
15 Fair value of financial instruments at amortised cost				
Assets				
Cash and balances at central banks	2 593 851	2 593 851	1 769 078	1 769 078
Loans and advances to banks	2 549 027	2 549 029	1 373 612	1 373 618
Non-sovereign and non-bank cash placements	642 480	642 425	535 983	535 983
Reverse repurchase agreements and cash collateral on securities borrowed	257 181	257 181	1 259 637	1 259 637
Sovereign debt securities	420 771	424 275	229 992	229 795
Bank debt securities	1 224 818	1 202 166	826 743	807 429
Other debt securities	102 225	103 123	15 178	363 802
Loans and advances to customers	15 966 965	15 932 526	16 489 572	16 433 356
Own originated loans and advances to customers securitised	1 034 174	1 034 274	1 065 782	1 052 103
Other loans and advances	1 221 954	1 110 438	878 379	859 970
Warehoused assets – Kensington warehouse funding	1 431 712	1 431 712	1 612 181	1 612 181
Other securitised assets	3 008 522	3 013 709	3 686 571	3 681 796
Other assets	860 082	905 565	649 003	647 197
	31 313 762	**31 200 274**	**30 391 711**	**30 625 945**
Liabilities				
Deposits by banks	2 132 516	2 137 425	1 858 893	1 860 328
Deposits by banks – Kensington warehouse funding	834 912	834 912	975 542	975 542
Repurchase agreements and cash collateral on securities lent	1 281 455	1 295 784	616 159	616 159
Customer accounts (deposits)	24 793 957	24 828 630	23 533 555	23 532 928
Debt securities in issue	2 243 948	2 247 901	2 145 213	2 452 611
Liabilities arising on securitisation of own originated loans and advances	1 036 674	1 036 674	1 052 281	1 043 942
Liabilities arising on securitisation of other assets	2 361 986	2 212 156	3 188 669	3 073 987
Other liabilities	474 384	475 990	483 516	483 517
Subordinated liabilities	1 492 776	1 465 862	1 287 635	1 286 175
	36 652 608	**36 535 334**	**35 141 463**	**35 325 189**

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

At 31 March £'000	Carrying value	Fair value adjustment		Fair value attributable to credit risk		Maximum exposure to credit risk
		Year to date	Cumulative	Year to date	Cumulative	
16 Designated at fair value loans and receivables and financial liabilities						
Loans and receivables						
2012						
Loans and advances to banks	176 313	6 305	(6 988)	–	–	176 313
Bank debt securities	12 126	71	380	–	–	12 126
Other debt securities	6 251	(1 724)	(10 850)	(1 724)	(10 889)	6 251
Loans and advances to customers	1 225 243	(1 882)	86 405	–	–	1 225 243
Other loans and advances	175 523	(885)	10 147	(257)	(2 402)	175 523
Other securitised assets	22 369	3 186	22 369	(10 250)	(19 511)	22 369
	1 617 825	5 071	101 463	(12 231)	(32 802)	1 617 825
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
Other 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

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment	
			Year to date	Cumulative
Financial liabilities				
2012				
Customer accounts (deposits)	549 814	530 274	4 832	19 540
Liabilities arising on securitisation of other assets	40 057	40 057	–	–
Other liabilities	42 806	42 806	3 888	–
	632 677	613 137	8 720	19 540
2011				
Customer accounts (deposits)	906 145	890 179	(17 141)	15 966
Liabilities arising on securitisation of other assets	99 914	99 914	–	–
Other liabilities	35 473	40 897	9 706	(5 424)
	1 041 532	1 030 990	(7 435)	10 542

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 of financial liabilities attributable to credit risk were £nil (2011 £nil)

At 31 March £'000	2012	2011
17 Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies		
South Africa	757 788	626 513
United Kingdom	1 640 388	945 810
Europe (excluding UK)	15 431	41 454
Australia	180 030	155 302
Other	214	–
Total	2 593 851	1 769 078

At 31 March £'000	2012	2011
18 Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies		
South Africa	533 904	207 555
United Kingdom	1 126 766	713 596
Europe (excluding UK)	895 156	352 865
Australia	89 253	113 341
United States of America	51 729	58 859
Other	28 539	22 489
Total	2 725 347	1 468 705

At 31 March £'000	2012	2011
19 Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	761 075	1 710 355
Cash collateral on securities borrowed	214 917	757 420
	975 992	2 467 775
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge £191 million (2011 £407 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions		
Liabilities		
Repurchase agreements	1 812 754	1 563 433
Cash collateral on securities lent	51 383	36 213
	1 864 137	1 599 646

At 31 March £'000		2012	2011
20	**Sovereign debt securities**		
	Bonds	682 878	459 568
	Debentures	177 179	480 905
	Liquid asset bills	2 262 854	2 487 344
	Commercial paper	218 292	38 411
	Treasury bills	725 890	64 127
	Unlisted equity	–	1 745
		4 067 093	3 532 100
	The country risk of the above assets lies in the following geographies		
	South Africa	2 419 822	2 682 476
	United Kingdom	611 405	580 782
	Europe (excluding UK)*	522 698	44 379
	Australia	231 824	224 463
	United States of America	281 344	–
	Total	4 067 093	3 532 100

* *Where Europe (excluding UK) includes securities held in Germany and France*

At 31 March £'000		2012	2011
21	**Bank debt securities**		
	Bonds	1 370 160	1 311 538
	Listed equities	–	710
	Floating rate notes	1 504 468	1 099 163
	Liquid asset bills	19 512	–
	Promissory notes	186 921	594 718
		3 081 061	3 006 129
	The country risk of the above assets lies in the following geographies		
	South Africa	1 214 128	1 133 470
	United Kingdom	856 267	817 822
	Europe (excluding UK)	179 017	299 342
	Australia	463 931	492 380
	United States of America	355 047	263 115
	Other	12 671	–
	Total	3 081 061	3 006 129

At 31 March £'000	2012	2011
22 Other debt securities		
Bonds	160 781	97 782
Commercial paper	16 144	–
Floating rate notes	131 511	123 000
Unlisted equities	629	–
Promissory notes	1 580	2 403
Other investments	67 187	43 947
	377 832	267 132
The risk of the above assets lies in the following geographies		
South Africa	98 239	46 299
United Kingdom	105 927	86 473
Europe (excluding UK)	52 854	39 270
Australia	81 860	79 490
United States of America	38 236	15 600
Other	716	–
Total	377 832	267 132

23 Derivative financial instruments

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

	2012			2011		
At 31 March £'000	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	4 070 224	37 974	30 185	6 762 634	61 874	94 050
Currency swaps	16 533 487	525 138	102 809	9 923 694	355 478	132 129
OTC options bought and sold	3 256 195	27 513	26 799	2 165 620	28 433	14 068
Other foreign exchange contracts	1 206 080	1 551	3 178	535 945	3 898	983
OTC derivatives	25 065 986	592 176	162 971	19 387 893	449 683	241 230
Exchange traded futures	–	–	–	53 026	–	–
	25 065 986	592 176	162 971	19 440 919	449 683	241 230

At 31 March £'000	2012 Notional principal amounts	2012 Positive fair value	2012 Negative fair value	2011 Notional principal amounts	2011 Positive fair value	2011 Negative fair value
23 Derivative financial instruments (continued)						
Interest rate derivatives						
Caps and floors	1 710 372	6 031	7 216	1 271 881	5 749	5 726
Swaps	44 833 260	729 741	738 917	77 621 240	894 175	844 393
Forward rate agreements	2 132 646	20 248	13 523	109 469 285	34 734	39 307
OTC options bought and sold	1 033 809	3 217	2 757	1 024 368	4 118	3 872
Other interest rate contracts	801 827	1 099	208	1 140 447	964	303
OTC derivatives	50 511 914	760 336	762 621	190 527 221	939 740	893 601
Exchange traded futures	–	–	494	457 954	–	113
	50 511 914	760 336	763 115	190 985 175	939 740	893 714
Equity and stock index derivatives						
OTC options bought and sold	3 094 760	113 547	74 258	2 938 832	92 611	86 509
Equity swaps and forwards	61 928	683	1 096	228 472	4 115	2 627
OTC derivatives	3 156 688	114 230	75 354	3 167 304	96 726	89 136
Exchange traded futures	2 864 703	20 943	26 210	830 416	1 614	1 024
Exchange traded options	9 891 900	154 615	211 481	2 191 193	35 607	17 889
Warrants	139 488	2 245	–	13 646	559	–
	16 052 779	292 033	313 045	6 202 559	134 506	108 049
Commodity derivatives						
OTC options bought and sold	23 413	1 485	101	71 927	6 891	4 850
Commodity swaps and forwards	452 687	186 313	177 701	438 543	187 848	228 918
OTC derivatives	476 100	187 798	177 802	510 470	194 739	233 768
Credit derivatives						
Credit linked notes	–	2	–	7 971	2	6 111
Credit swaps	543 746	13 873	4 197	56 875	7 488	3 547
	543 746	13 875	4 197	64 846	7 490	9 658
Embedded derivatives*		67 432	–		73 046	–
Gross fair values		1 913 650	1 421 130		1 799 204	1 486 419
Effect of balance sheet netting		–	–		–	–
Derivatives per balance sheet		1 913 650	1 421 130		1 799 204	1 486 419

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

At 31 March £'000	2012	2011
24 Securities arising from trading activities		
Listed equities	279 786	299 210
Bonds	147 785	74 800
Floating rate notes	10 018	–
Government securities	202 557	369 165
Other investments	–	312
	640 146	743 487

At 31 March £'000	2012	2011
25 Investment portfolio		
Listed equities	111 808	183 880
Unlisted equities*	778 894	674 730
	890 702	858 610

* *Unlisted equities includes loan instruments that are convertible into equity*

At 31 March £'000	2012	2011
26 Loans and advances to customers, Kensington warehouse loans and other loans and advances		
Gross loans and advances to customers	17 461 668	18 009 905
Impairments of loans and advances to customers	(269 460)	(317 549)
Net loans and advances to customers	17 192 208	17 692 356
Gross Kensington warehoused assets	1 559 041	1 695 954
Impairments of Kensington warehoused assets	(127 329)	(83 773)
Net Kensington warehoused assets	1 431 712	1 612 181
Gross other loans and advances to customers	1 432 867	1 097 198
Impairments of other loans and advances to customers	(35 390)	(31 030)
Net other loans and advances to customers	1 397 477	1 066 168
For further analysis on loans and advances refer to pages 115 to 130 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	286 842	163 053
Charge to the income statement	228 654	241 423
Reversals and recoveries recognised in the income statement	(2 246)	(17 233)
Utilised	(165 902)	(107 056)
Disposals	(83 597)	–
Exchange adjustment	(13 913)	6 655
Balance at end of year	249 838	286 842

At 31 March £'000	2012	2011
26 Loans and advances to customers, Kensington warehouse loans and other loans and advances (continued)		
Portfolio impairment		
Balance at beginning of year	30 707	46 343
Charge to the income statement	(10 138)	(13 957)
Exchange adjustment	(947)	(1 679)
Balance at end of year	19 622	30 707
Kensington warehouse loans		
Specific impairment		
Balance at beginning of year	20 235	37 215
Charge to the income statement	36 834	4 619
Utilised	(17 792)	(21 707)
Exchange adjustment	(2 192)	108
Balance at end of year	37 085	20 235
Portfolio impairment		
Balance at beginning of year	63 538	31 963
Charge to the income statement	29 394	30 793
Exchange adjustment	(2 688)	782
Balance at end of year	90 244	63 538
Other loans and advances		
Specific impairment		
Balance at beginning of year	25 990	11 932
Charge to the income statement	5 889	14 419
Utilised	(1 127)	(215)
Exchange adjustment	(531)	(146)
Balance at end of year	30 221	25 990
Portfolio impairment		
Balance at beginning of year	5 040	1 714
Charge to the income statement	2 911	1 277
Exchange adjustment	(2 782)	2 049
Balance at end of year	5 169	5 040
Total specific impairments	317 144	333 067
Total portfolio impairments	115 035	99 285
Total impairments	432 179	432 352
Interest income recognised on loans that have been impaired	38 263	12 641

At 31 March £'000	2012	2011
26 Loans and advances to customers, Kensington warehouse loans and other loans and advances (continued)		
Reconciliation of income statement charge		
Loans and advances	216 270	211 510
Specific impairment charged to income statement	226 408	224 190
Portfolio impairment charged to income statement	(10 138)	(12 680)
Securitised assets (refer to note 27)	33 820	35 046
Specific impairment charged to income statement	23 538	26 428
Portfolio impairment charged to income statement	10 282	8 618
Kensington warehouse loans	66 228	35 412
Specific impairment charged to income statement	36 834	4 619
Portfolio impairment charged to income statement	29 394	30 793
Other loans and advances	8 800	14 419
Specific impairment charged to income statement	5 889	14 419
Portfolio impairment charged to income statement	2 911	–
Bad debts written off directly to the income statement	–	21 843
Total income statement charge	325 118	318 230

At 31 March £'000	2012	2011
27 Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	1 035 912	1 067 414
Impairments of own originated loans and advances to customers securitised	(1 738)	(1 632)
Net own originated loans and advances to customers securitised	1 034 174	1 065 782
Other securitised assets are made up of the following categories of assets		
Other securitised assets		
Cash and cash equivalents	129 369	499 207
Loans and advances to customers	623 009	208 564
Kensington securitised assets	2 321 713	3 023 748
Other debt securities	27 331	126 992
Total other securitised assets	3 101 422	3 858 511
The associated liabilities are recorded on balance sheet in the following line items		
Liabilities arising on securitisation of own originated loans and advances	(1 036 674)	(1 052 281)
Liabilities arising on securitisation of other assets	(2 402 043)	(3 288 583)

At 31 March £'000	2012	2011
27 Securitised assets and liabilities arising on securitisation (continued)		
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments of assets that have been securitised		
Specific impairment		
Balance at beginning of year	15 969	24 604
Charge to the income statement	23 538	26 428
Utilised	(28 809)	(30 676)
Disposals	(13 031)	(3 793)
Exchange adjustment	214	(594)
Balance at end of year	**(2 119)**	**15 969**
Own originated loans and advances to customers securitised	1 201	554
Kensington loans and advances securitised	(3 320)	15 415
Portfolio impairment		
Balance at beginning of year	33 664	24 762
Charge to the income statement	10 282	8 618
Disposals	(16 843)	–
Exchange adjustment	315	284
Balance at end of year	**27 418**	**33 664**
Own originated loans and advances to customers securitised	537	1 078
Kensington loans and advances securitised	26 881	32 586
Total impairments	25 299	49 633

At 31 March £'000	2012	2011
28 Interests in associated undertakings		
Interests in associated undertakings consist of		
Net asset value	20 451	16 764
Goodwill	7 055	6 717
Investment in associated undertakings	27 506	23 481
Analysis of the movement in our share of net assets		
At beginning of year	16 764	40 386
Exchange adjustments	(1 042)	(119)
Disposals	(556)	(1 763)
Acquisitions	3 953	584
Acquisition of controlling interest	–	(23 775)
Operating income from associates	1 627	3 942
Repayment of loan to associate	–	(902)
Dividends received	(295)	(924)
Losses recognised in other comprehensive income	–	(665)
At end of year	20 451	16 764
Analysis of the movement in goodwill		
At beginning of year	6 717	63 673
Exchange adjustments	(1)	21
Acquisitions	339	–
Acquisition of controlling interest	–	(56 977)
At end of year	7 055	6 717
Associated undertakings		
Unlisted	27 506	23 481
	27 506	23 481

At 31 March £'000	2012	2011
29 Deferred taxation		
Deferred taxation assets	150 381	114 838
Deferred taxation liabilities	(102 478)	(148 750)
Net deferred taxation assets/(liabilities)	47 903	(33 912)
The net deferred taxation assets/(liabilities) arise from		
Deferred capital allowances	20 240	22 307
Income and expenditure accruals	74 470	42 023
Asset in respect of unexpired options	17 330	17 153
Unrealised fair value adjustments on financial instruments	(31 895)	(60 809)
Losses carried forward	52 801	16 483
Liability in respect of pensions surplus	(6 150)	(5 245)
Deferred tax on acquired intangibles	(40 656)	(28 921)
Revaluation of property	(23 408)	(7 328)
Debt buy-back	(22 477)	–
Other temporary differences	7 648	(29 575)
Net deferred taxation assets/(liabilities)	47 903	(33 912)
Reconciliation of net deferred taxation assets/(liabilities)		
At beginning of year	(33 912)	(2 619)
Charge to income statement – current year taxation	78 528	662
Credit/(charge) directly in other comprehensive income	–	(11 670)
Acquisitions	(3 173)	(33 856)
Disposals	–	6 605
Other	2 306	7 115
Exchange adjustments	4 154	(149)
At year end	47 903	(33 912)
Deferred taxation on available-for-sale instruments recognised directly in other comprehensive income	–	4 141
Current taxation recognised directly in equity	–	–

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 crystallisation of capital gains and the eligibility of potential losses is uncertain.

At 31 March £'000	2012	2011
30 Other assets		
Settlement debtors	1 131 379	827 296
Dealing properties	244 949	209 717
Accruals and prepayments	106 342	90 246
Pension assets (refer to note 40)	25 625	20 215
Trading initial margin	79 766	39 644
Other	214 060	258 948
	1 802 121	1 446 066

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases	Total
31 Property and equipment						
2012						
Cost						
At beginning of year	21 703	45 511	28 669	73 842	210 342	380 067
Exchange adjustments	(1 818)	(308)	(1 547)	(7 168)	–	(10 841)
Acquisition of subsidiary undertakings	–	–	1 246	1 888	–	3 134
Additions	4 702	18 851	3 185	11 661	38 852	77 251
Disposals	(3 754)	(6 553)	(5 033)	(2 271)	(144 519)*	(162 130)
At end of year	20 833	57 501	26 520	77 952	104 675	287 481
Accumulated depreciation						
At beginning of year	(640)	(22 850)	(17 598)	(43 363)	(15 815)	(100 266)
Exchange adjustments	80	378	1 220	4 715	–	6 393
Disposals	–	5 603	3 337	4 388	11 770*	25 098
Depreciation charge for year	(477)	(4 051)	(2 850)	(10 973)	(28 670)	(47 021)
At end of year	(1 037)	(20 920)	(15 891)	(45 233)	(32 715)	(115 796)
Net carrying value	19 796	36 581	10 629	32 719	71 960	171 685
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

* *Included in the disposals of operating leases are operating leases that have been converted to finance leases with a cost of £75 1 million and a related amortisation of £8 4 million*

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 4) and the depreciation of these operating leased assets has been shown separately on the face of the income statement

At 31 March £'000		2012	2011
32	**Investment properties**		
	At beginning of year	379 527	273 038
	Additions	164 287	60 184
	Disposals	(113 868)	(14 228)
	Fair value movement	22 611	54 984
	Exchange adjustment	(45 262)	5 549
	At end of year	407 295	379 527

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

At 31 March £'000		2012	2011
33	**Goodwill**		
	Cost		
	At beginning of year	630 472	438 993
	Acquisition of subsidiaries	38 287	198 847
	Disposals	–	(11 065)
	Exchange adjustments	(9 978)	3 697
	At end of year	658 781	630 472
	Accumulated impairments		
	At beginning of year	(173 864)	(164 576)
	Income statement amount	(24 366)	(6 888)
	Exchange adjustments	7 769	(2 400)
	At end of year	(190 461)	(173 864)
	Net carrying value	468 320	456 608
	Analysis of goodwill by line of business and geography		
	UK and Europe		
	Asset Management	88 045	88 045
	Wealth & Investment	233 120	197 119
	Specialist Banking	88 672	108 253
		409 837	393 417
	South Africa		
	Asset Management	10 487	14 930
	Wealth & Investment	2 850	3 320
	Specialist Banking	359	405
		13 696	18 655
	Australia		
	Specialist Banking	44 787	44 536
	Total group	468 320	456 608

33 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 and Europe

Excluding Evolution Group plc which was acquired during the year, the three most significant cash-generating units giving rise to goodwill are Investec Wealth & Investment, Investec Asset Management and Kensington

For Investec Asset Management, the recoverability of goodwill of £88 0 million has been tested with reference to both the underlying profitability (taking into account 2012 profits before taxation of £58 9 million (2011 £53 0 million) and budgets and plans for the next three years) and the value of the business as represented by funds under management of £36 2 billion (2011 £30 8 billion) These factors support the carrying value of goodwill

For Investec Wealth & Investment, goodwill of £197 1 million arising on the acquisition of Rensburg Sheppards plc in June 2010 has been tested for impairment on the basis of cash flow projections for the next three years discounted at 11 5%

Goodwill of £121 1 million arising on the acquisition of Kensington on 7 August 2008 was written down by £60 0 million at 31 March 2008 and has been written down by a further £21 5 million in the current year to £39 7 million 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 14 9% On this basis the value of goodwill is supported Future impairment of this goodwill will largely be dependent on the timing of future repayments, the level of future business generated and loan impairments

In respect of the £36 million of goodwill arising on the acquisition of EVG, we have assessed the post acquisition performance of EVG and concluded that the goodwill is not impaired

South Africa

The majority of the goodwill attributed to the South African operations relates 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

Movement in goodwill

2012

Goodwill arising from acquisitions relates to the following acquisitions in 2012 (as detailed in the note 35)

- Evolution Group plc – £36 0 million
- Investec Capital Asia Limited – £2 3 million

2011

Goodwill arising from acquisitions included £198 5 million on the acquisition of Rensburg Sheppards plc (as detailed in note 35) 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

At 31 March £'000	Acquired software	Internally generated software	Core technology	Intellectual property	Client relationships	Total
34 Intangible assets						
2012						
Cost						
At beginning of year	81 763	4 064	–	1 338	113 100	200 265
Exchange adjustments	(1 961)	(659)	–	5	23	(2 592)
Acquisition of a subsidiary undertaking	242	–	–	–	68 688	68 930
Additions	4 078	1 273	–	2 126	16	7 493
Disposals	(5 278)	–	–	–	–	(5 278)
At end of year	78 844	4 678	–	3 469	181 827	268 818
Accumulated amortisation and impairments						
At beginning of year	(54 684)	(2 806)	–	(391)	(5 932)	(63 813)
Exchange adjustments	2 424	1 371	–	–	9	3 804
Disposals	3 223	–	–	–	–	3 223
Amortisation	(7 160)	(3 243)	–	–	(9 530)	(19 933)
At end of year	(56 197)	(4 678)	–	(391)	(15 453)	(76 719)
Net carrying value	22 647	–	–	3 078	166 374	192 099
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

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010 and Evolution Group plc in December 2011

35 Acquisitions and disposals

2012

Acquisitions

Acquisition of Evolution Group plc

On 22 December 2011 Investec plc issued 53 800 540 ordinary shares at a value of 326 8 pence each as consideration for the acquisition of the entire issued ordinary share capital of Evolution Group plc (EVG)

The acquisition was carried out by way of a scheme of arrangement under section 425 of the UK Companies Act under which each EVG shareholder received 0 23124 new Investec ordinary shares for each EVG scheme share held

On 18 April 2011 Investec Bank plc acquired the entire ordinary share capital of Access Capital Limited and changed its name to Investec Capital Asia Limited (ICAL)

ICAL 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

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

	Book value of assets and liabilities			Fair value of assets and liabilities		
£'000	EVG	ICAL	Total	EVG	ICAL	Total
Loans and advances to banks	59 248	535	59 783	59 248	535	59 783
Trading securities	11 578	–	11 578	11 578	–	11 578
Investment securities	2 068	–	2 068	1 973	–	1 973
Interests in associated undertakings	77	–	77	–	–	–
Derivatives	133	–	133	133	–	133
Deferred taxation assets	17 317	–	17 317	13 807	–	13 807
Other assets	37 214	354	37 568	36 479	354	36 833
Property and equipment	3 121	13	3 134	3 121	13	3 134
Intangible assets	16 426	930	17 356	68 000	930	68 930
Goodwill*	10 661	2 286	12 947	36 001	2 286	38 287
	157 843	4 118	161 961	230 340	4 118	234 458
Current taxation liabilities	19	–	19	19	–	19
Deferred taxation liabilities	2 990	–	2 990	16 980	–	16 980
Other trading liabilities	2 481	–	2 481	2 481	–	2 481
Other liabilities	40 719	20	40 739	40 979	20	40 999
Non-controlling interests	(158)	–	(158)	(158)	–	(158)
	46 051	20	46 071	60 301	20	60 321
Net assets/fair value of net assets acquired	111 792	4098	115 890	170 039	4 098	174 137
Issue of shares				175 820	–	175 820
Less treasury shares acquired				(5 781)	–	(5 781)
Fair value of cash consideration				–	4 098	4 098
				170 039	4 098	174 137
Loans and advances to banks at acquisition						59 783
Fair value of cash consideration						(4 098)
Net cash inflow						55 685

* *The goodwill arising from the acquisition of EVG consists largely of the benefits expected to arise from the enhancement of the group's Wealth and Investment offering through the combination of EVG's subsidiary, Williams de Broë, with the group's existing wealth and investment business In the case of ICAL, the goodwill represents the benefits expected to arise from extending the group's investment banking capability to the Hong Kong market None of the goodwill arising during the year is expected to be deductable for corporation tax purposes*

For the post-acquisition period 23 December 2011 to 31 March 2012, the operating income of EVG totalled £20 732 million and losses before taxation, including integration costs, totalled £21 916 million The operating income before impairment losses on loans and advances of Investec would have been £2 000 551 million and operating profit would have totalled £283 989 million, if the acquisition of EVG had been on 1 April 2011 as opposed to 22 December 2011

35 Acquisitions and disposals (continued)

2012 (continued)

Acquisitions (continued)

£17 117 million of costs arising from the integration of acquired subsidiaries and £5 342 million of direct costs associated to the acquisition have been expensed in the income statement

Disposals

There were no significant disposals of subsidiaries during the year ended 31 March 2012

2011

Acquisitions

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 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 & Investment Limited on 31 May 2011

As a result of requirements of the new accounting rules of IFRS 3, the group was 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 UK 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 the date of acquisition, goodwill arising on the transaction and total consideration paid are disclosed in the table below

£'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
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
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 deductible for corporation tax 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*

35 Acquisitions and disposals (continued)

For the post-acquisition period 26 June 2010 to 31 March 2011, the operating income of RS totalled £88 846 million and profits before taxation and amortisation of client relationships totalled £25 551 million The operating income of Investec would have been £1 662 1 million and the operating profit would have totalled £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 Holdings Limited (Start) bringing the group 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

Disposals

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 RFM

The net cash inflow on these items amounted to £80 161 million

At 31 March £'000	2012	2011
36 Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	40 622	56 706
Investec Assurance Limited	6 223 291	6 302 026
Insurance liabilities, including unit-linked liabilities – IEB	1 933	2 564
	6 265 846	6 361 296
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below		
Investments	42 450	57 287
Other assets	105	1 983
	42 555	59 270
Investments above comprise		
Interest bearing securities	19 799	36 965
Stocks, shares and unit trusts	14 829	17 471
Deposits	7 822	2 851
	42 450	57 287
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below		
Investments	6 190 037	6 151 080
Debtors and prepayments	13 364	149 428
Other assets	19 890	1 518
	6 223 291	6 302 026
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise		
Interest bearing securities	1 759 447	1 648 944
Stocks, shares and unit trusts	3 449 199	3 291 125
Deposits	981 391	1 211 011
	6 190 037	6 151 080

At 31 March £'000	2012	2011
36 Long-term assurance business attributable to policyholders (continued)		
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	7 323	64 834
Premiums and reinsurance recoveries in insurance contracts	14 556	6 110
Claims and reinsurance premiums on insurance business	(20 956)	(57 774)
Operating expenses	(9)	(1 076)
Net income before taxation	914	12 094
Taxation	(721)	(3 386)
Net income after taxation	**193**	**8 708**

At 31 March £'000	2012	2011
37 Other trading liabilities		
Short positions		
– Equities	396 669	334 194
– Gilts	216 215	382 362
	612 884	**716 556**

At 31 March £'000	2012	2011
38 Debt securities in issue		
Bonds and medium-term notes repayable		
Up to one year	–	15 590
	–	15 590
Other unlisted debt securities in issue repayable		
Not more than three months	644 033	239 478
Over three months but not more than one year	279 547	492 341
Over one year but not more than five years	1 257 485	1 268 294
Greater than five years	62 883	129 510
	2 243 948	2 129 623
	2 243 948	**2 145 213**

At 31 March £'000	2012	2011
39 Other liabilities		
Settlement liabilities	832 841	723 492
Dividend payable	5 446	3 464
Other creditors and accruals	461 590	432 561
Other non-interest bearing liabilities	275 277	251 620
	1 575 154	1 411 137

At 31 March £'000	2012	2011
40 Pension commitments		
Income statement charge		
Defined benefit obligations net income included in net interest income	(685)	(505)
Cost of defined contribution schemes included in staff costs	31 546	29 096
Net income statement charge in respect of pensions	30 861	28 591

The group operates pension schemes throughout its areas of operation The majority of the schemes are defined contribution schemes with the exception of two schemes in the United Kingdom being the Guinness Mahon Pension Fund scheme (GM scheme) and the Investec Asset Management Pension scheme (IAM scheme) Both schemes are final salary pension plans with assets held in separate trustee administered funds The schemes are closed to new members and the accrual of service ceased on 31 March 2002 The schemes have been valued at 31 March 2012 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	4 70%	5 50%
Rate of increase in salaries	3 30%	3 50%
Rate of increase in pensions in payment	2 1% – 3 2%	2 1% – 3 2%
Inflation (RPI)	3 30%	3 50%
Inflation (CPI)	2 30%	2 80%
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 66	87 4	87 4
Female aged 66	89 5	89 5
Male aged 46	89 3	89 3
Female aged 46	90 0	90 9

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

	2012		2011	
At 31 March	Value £'000	Long-term rate of return expected	Value £'000	Long-term rate of return expected
GM scheme				
Equities	26 899	7 20%	27 937	7 70%
Gilts	91 359	3 20%	79 003	4 20%
Cash	8 107	3 20%	3 619	4 20%
Total market value of assets	126 365		110 559	
IAM scheme				
Equities	10 138	7 20%	9 648	7 70%
Gilts	3 422	3 20%	3 336	4 20%
Cash	767	3 20%	503	4 20%
Total market value of assets	14 327		13 487	

At 31 March £'000	2012			2011		
	GM	IAM	Total	GM	IAM	Total
40 Pension commitments (continued)						
Recognised in the balance sheet						
Fair value of fund assets	126 365	14 327	140 692	110 559	13 487	124 046
Present value of obligations	(100 743)	(14 324)	(115 067)	(91 552)	(12 279)	(103 831)
Net asset	25 622	3	25 625	19 007	1 208	20 215
Amounts in balance sheet						
Assets	25 622	3	25 625	19 007	1 208	20 215
Liability	–	–	–	–	–	–
Net asset	25 622	3	25 625	19 007	1 208	20 215
Recognised in the income statement						
Expected return on pension scheme assets	5 338	928	6 266	5 858	835	6 693
Interest on pension obligations	(4 910)	(671)	(5 581)	(5 484)	(704)	(6 188)
Net return	428	257	685	374	131	505
Recognised in the statement of comprehensive income						
Actuarial gain/(loss) on plan assets	11 478	(801)	10 677	1 178	341	1 519
Actuarial (loss)/gain	(8 843)	(1 537)	(10 380)	11 334	1 145	12 479
Actuarial gain/(loss)	2 635	(2 338)	297	12 512	1 486	13 998
Deferred taxation	(548)	533	(15)	(3 420)	(421)	(3 841)
Actuarial gain/(loss) in statement of comprehensive income	2 087	(1 805)	282	9 092	1 065	10 157
Actual return on plan assets	16 816	127	16 943	7 036	1 176	8 212

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income is £10 8 million (£7 2 million net of deferred tax) (2012 £13 4 million (£9 3 million net of deferred tax))

At 31 March £'000	GM	IAM	Total
40 Pension commitments (continued)			
Changes in the fair value of defined benefit obligations			
Opening defined benefit obligation at 1 April 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)
Opening defined benefit obligation at 1 April 2011	91 552	12 279	103 831
Interest cost	4 910	671	5 581
Actuarial losses	8 843	1 537	10 380
Benefits paid	(4 562)	(163)	(4 725)
Closing defined benefit obligation at 31 March 2012	100 743	14 324	115 067
Changes in the fair value of plan assets			
Opening defined benefit obligation at 1 April 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)
Opening defined benefit obligation at 1 April 2011	110 559	13 487	124 046
Expected return	5 338	928	6 266
Actuarial gain/(loss)	11 478	(801)	10 677
Contributions by the employer	3 552	876	4 428
Benefits paid	(4 562)	(163)	(4 725)
Closing fair value of plan assets at 31 March 2012	126 365	14 327	140 692

The group expects to make £4 1 million of contributions to the defined benefit schemes in the 2013 financial year

At 31 March £'000	2012	2011	2010	2009	2008
History of experience gains and losses					
GM scheme					
Defined benefit obligation	(100 743)	(91 552)	(102 018)	(79 586)	(80 319)
Plan assets	126 365	110 559	104 587	89 912	97 950
Surplus	25 622	19 007	2 569	10 326	17 631
Experience adjustments on plan liabilities	(8 843)	11 334	(18 585)	1 770	11 543
Experience adjustments on plan assets	11 478	1 178	7 794	(12 838)	(2 410)
IAM scheme					
Defined benefit obligation	14 327	13 487	(12 881)	(8 907)	(9 144)
Plan assets	(14 324)	(12 279)	11 596	7 695	9 769
Surplus/(deficit)	3	1 208	(1 285)	(1 212)	625
Experience adjustments on plan liabilities	(1 537)	1 145	(3 574)	518	2 399
Experience adjustments on plan assets	(801)	341	3 004	(2 953)	(950)

At 31 March £'000	2012	2011
41 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	33 979
Guaranteed undated subordinated callable step-up notes	19 230	19 471
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes	576 826	502 126
Issued by Investec Australia Limited		
Subordinated floating rate medium-term notes	7 057	7 016
Issued by Global Ethanol Holdings Limited		
Subordinated loan notes	–	22 477
Issued by Kensington Group plc		
Callable subordinated notes	71 184	71 173
Issued by Investec Bank Limited		
– a wholly owned subsidiary of Investec Limited		
IV01 16% subordinated unsecured bonds	–	16 550
IV03 16% subordinated unsecured callable bonds	122 867	138 667
IV04 10 75% subordinated unsecured callable bonds	168 044	189 609
IV07 variable rate subordinated unsecured callable bonds	76 670	86 529
IV08 13 735% subordinated unsecured callable bonds	16 295	18 391
IV09 variable rate subordinated unsecured callable bonds	16 295	18 391
IV012 variable rate subordinated unsecured callable bonds	20 369	23 026
IV013 variable rate subordinated unsecured callable bonds	4 074	4 598
IV014 10 545% subordinated unsecured callable bonds	10 185	11 494
IV015 variable rate subordinated unsecured callable bonds	109 994	124 138
IV016 variable rate subordinated unsecured callable bonds	26 480	–
IV017 indexed rate subordinated unsecured callable bonds	138 368	–
Issued by Investec Property Fund		
Variable rate unsecured subordinated debentures	74 859	–
	1 492 776	1 287 635
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	122 867	39 027
In more than one year, but not more than two years	277 304	276 138
In more than two years, but not more than five years	323 869	181 052
In more than five years	768 736	791 418
	1 492 776	1 287 635

41 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

As at 31 March 2012 Investec Finance plc had in issue £33 793 000 of guaranteed subordinated step-up notes due in 2016 (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 6 482%, the aggregate of 3 5% and the gross redemption yield of the relevant benchmark gilt

Guaranteed undated subordinated callable step-up notes

As at 31 March 2012 Investec Finance plc had in issue £17 861 000 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

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 On 29 June 2011 Investec Bank plc issued £75 000 000 of 9 625% subordinated notes due 2022 at a premium (2022 notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 notes issued on 17 February 2011)

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 on 12 February 2015 After this date, if the issuer's call is not exercised, the interest will be the aggregate of three month BBSW plus 7 5% payable quarterly in arrears

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 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% subordinated unsecured bonds

Rnil (2011 R180 million) Investec Bank Limited locally registered unsecured subordinated bonds were due in 2012 Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16 00% per annum The bonds matured at 31 March 2012 and were settled on 2 April 2012

IV03 16% subordinated unsecured callable bonds

R1 508 million (2011 R1 508 million) Investec Bank Limited locally registered unsecured subordinated bonds are due in 2017 Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of three-month JIBAR plus 2 00% until called/maturity The bonds have subsequently been called and settled on 2 April 2012

IV04 10 75% subordinated unsecured callable bonds

R2 062 million (2011 R2 062 million) Investec Bank Limited locally registered unsecured subordinated bonds are 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 three-month JIBAR plus 2 00% payable quarterly in arrears until called/maturity

41 Subordinated liabilities (continued)

IV07 variable rate subordinated unsecured callable bonds

R941 million (2011 R941 million) Investec Bank Limited locally registered unsecured subordinated callable bonds are due in 2018 Interest is payable quarterly in arrears on 31 March, 30 June, 30 September, 31 December at a rate equal to three-month JIBAR plus 1 40% until 31 March 2013 From and including 31 March 2013 up to and excluding 31 March 2018 interest is paid at a rate equal to three-month JIBAR plus 2 00% The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013

IV08 13 735% subordinated unsecured callable bonds

R200 million (2011 R200 million) Investec Bank Limited locally 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 pay interest of 5 625% above JIBAR payable quarterly in arrears until called

IV09 variable rate subordinated unsecured callable bonds

R200 million (2011 R200 million) Investec Bank Limited locally 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 3 75% 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 5 625% above JIBAR payable quarterly in arrears until called

IV012 variable rate subordinated unsecured callable bonds

R250 million (2011 R250 million) Investec Bank Limited IV012 locally registered unsecured subordinated callable bonds are due in November 2019 Interest is payable quarterly in arrears on 26 November, 26 February, 26 May and 26 August at a rate equal to three-month JIBAR plus 3 25% until 26 November 2014 From and including 26 November 2014 up to and excluding 26 November 2019 interest is paid at a rate equal to three-month JIBAR plus 4 50% The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014

IV013 variable rate subordinated unsecured callable bonds

R50 million (2011 R50 million) Investec Bank Limited IV013 locally 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 three-month JIBAR plus 2 75% 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 three-month JIBAR plus 5 50% 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 (2011 R125 million) Investec Bank Limited IV014 locally 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 three-month JIBAR plus 5 50% 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 (2011 R1 350 million) Investec Bank Limited IV015 locally 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 three-month JIBAR plus 2 65% 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 three-month JIBAR plus 4 00% The maturity date is 22 September 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 September 2017

IV016 variable rate subordinated unsecured callable bonds

R325 million (2011 Rnil) Investec Bank Limited IV016 locally registered unsecured subordinated callable bonds are due in December 2021 Interest is payable quarterly in arrears on 6 December, 6 March, 6 June and 6 September at a rate equal to three-month JIBAR plus 2 75% until 31 December 2021 The maturity date is 31 December 2021, but the company has the option to call the bonds upon regulatory capital disqualification or from 6 December 2016

41 Subordinated liabilities (continued)

IV017 indexed rate subordinated unsecured callable bonds

R1 698 million (2011 Rnil) Investec Bank Limited IV017 locally registered unsecured subordinated callable bonds are due in January 2022 Interest is payable semi-annually on 31 January and 31 July at a rate of 2 75% and is inflation-linked The maturity date is 31 January 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2017

Investec Property Fund Limited debentures

R1 838 million (2011 Rnil) Investec Property Fund locally (RSA) registered unsecured subordinated debentures are due at the 25th anniversary of the date of allotment and issue of the debentures Interest payable on the debenture in each linked unit will be at least 999 times the dividend payable on each share The debentures are redeemable at the instance of the debenture holders (by way of a special resolution) at the 25th anniversary of the date of allotment and issue (1 April 2011) of the debentures

R919 million of the subordinated debentures are held by group companies and are therefore eliminated

Subordinated loan notes

The group disposed of its interest in Global Ethanol Holdings on 28 March 2012 At that date the £19 902 million of loan notes due to parties outside of the Investec group and the equal and opposite amount included in non-controlling interests were both removed from Investec's balance sheet

At 31 March	2012	2011
42 Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning of year	537 176 089	471 113 064
Issued during the year	61 163 523	66 063 025
At end of year	598 339 612	537 176 089
Nominal value of ordinary shares	£'000	£'000
At beginning of year	108	94
Issued during the year	12	14
At end of year	120	108
Number of special converting shares	Number	Number
At beginning of year	272 836 668	269 766 932
Issued during the year	3 183 553	3 069 736
At end of year	276 020 221	272 836 668
Nominal value of special converting shares	£'000	£'000
At beginning of year	54	54
Issued during the year	1	*
At end of year	55	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	2012	2011
42 Ordinary share capital (continued)		
Investec Limited		
Authorised		
The authorised share capital of Investec Limited is R1 268 002 (2011 R1 268 002), comprising 450 000 000 (2011 450 000 000) ordinary shares of R0 0002 each, 40 000 000 (2011 40 000 000) Class 'A' variable rate compulsorily convertible non-cumulative preference shares of R0 0002 each, 50 000 (2011 50 000) variable rate redeemable cumulative preference shares of R0 60 cents each, 100 000 000 (2011 100 000 000) non-redeemable non-cumulative non-participating preference shares of R0 01 each, 1 (2011 1) Dividend Access (South African Resident) redeemable preference share of R1, 1 (2011 1) Dividend Access (Non-South African Resident) redeemable preference share of R1, 700 000 000 (2011 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	272 836 668	269 766 932
Issued during the year	3 183 553	3 069 736
At end of year	276 020 221	272 836 668
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	537 176 089	471 113 064
Issued during the year	61 163 523	66 063 025
At end of year	598 339 612	537 176 089
Nominal value of special converting shares	£'000	£'000
At beginning and 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	226	214
Less held by Investec Limited	(2)	(2)
Less held by Investec plc	(3)	(4)
Total called up share capital	221	208

* *Less than £1 000*

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, the 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

42 Ordinary share capital (continued)

Staff share scheme

The group operates a share option and a share purchase scheme for employees The number of ordinary shares conditionally allocated to employees is disclosed in note 6

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

At 31 March Number	2012	2011
Opening balance	88 017 939	67 032 559
Issued during the year	17 797 428	38 141 226
Exercised	(12 956 577)	(13 700 863)
Lapsed	(4 358 067)	(3 454 983)
Closing balance	88 500 723	88 017 939

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 directors' and staff interest in the incentive schemes is detailed on page 262

At 31 March £'000	2012	2011
43 Perpetual preference shares of Investec plc and Investec Limited companies		
Perpetual preference share capital	153	153
Perpetual preference share premium (refer to note 44)	384 077	394 207
	384 230	394 360
Issued by Investec Limited		
28 719 858 (2011 28 719 858) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums		
– Preference share capital	2	2
– Preference share premium	234 628	264 800

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 date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively

At 31 March £'000	2012	2011
43 Perpetual preference shares of Investec plc and Investec Limited companies (continued)		
Issued by Investec plc		
9 381 149 (2011 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 (2011 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		
Issued by Investec plc – Rand denominated		
1 859 900 (2011 nil) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0 001 each, issued at a premium of ZAR99 999 per share on 29 June 2011		
– Preference share capital	*	–
– Preference share premium	16 601	–
416 040 (2011 nil) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0 001 each, issued at a premium of ZAR99 999 per share on 11 August 2011		
– Preference share capital	*	–
– Preference share premium	3 441	–
Rand denominated preference shareholders will receive a dividend if declared based on the coupon rate (being equivalent to South African prime rate multiplied by 95%) 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 Rand preference dividend has been declared		
If declared Rand 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		
	384 230	394 360

* *Less than £1 000*

At 31 March £'000	2012	2011
44 Share premium		
Share premium account Investec plc	1 258 729	1 079 010
Share premium account Investec Limited	814 213	768 850
Perpetual preference share premium	384 077	394 207
	2 457 019	2 242 067

At 31 March	2012	2011
45 Treasury shares		
	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	72 820	42 713
	Number	Number
Investec plc ordinary shares held by subsidiaries	7 181 053	4 930 675
Investec Limited ordinary shares held by subsidiaries	16 579 211	23 178 288
Investec plc and Investec Limited shares held by subsidiaries	23 760 264	28 108 963
Reconciliation of treasury shares	Number	Number
At beginning of year	28 108 963	33 283 249
Purchase of own shares by subsidiary companies	22 035 567	24 754 970
Shares disposed of by subsidiaries	(26 384 266)	(29 929 256)
At end of year	23 760 264	28 108 963
Market value of treasury shares	£'000	£'000
Investec plc	27 432	23 569
Investec Limited	63 333	110 792
	90 765	134 361

At 31 March £'000	2012	2011
46 Non-controlling interests		
Non-controlling interests in partially held subsidiaries	4 338	(4 468)
Perpetual preferred securities issued by subsidiaries	291 769	317 997
	296 107	313 529
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries	166 762	176 917
€200 000 000 (2011 €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 three-month Eurozone 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 subsidiary	125 007	141 080
15 447 630 (2011 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums		
Preference shareholders will be entitled to receive dividends if declared, at a rate of 75% of prime on R100 being the deemed value of the issue price of the preference share 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 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		
	291 769	317 997

At 31 March £'000	2012 Total future minimum payments	2012 Present value	2011* Total future minimum payments	2011* Present value
47 Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in				
Less than 1 year	193 553	159 925	161 345	141 966
1 – 5 years	379 151	331 458	317 671	268 504
Later than 5 years	25 648	19 695	13 396	7 486
	598 352	511 078	492 412	417 956
Unearned finance income	87 274		74 456	

* *Restated for prior year incorrect gross up*

At 31 March 2012, unguaranteed residual values accruing to the benefit of Investec were £36 8 million (2011 £37 9 million) Finance leases in the group mainly relate to leases on property and motor vehicles

For the year ended 31 March £'000	2012	2011
48 Notes to cash flow statement		
Reconciliation of operating profit to net operating cash flows		
Net income before taxation adjusted for non-cash items is derived as follows		
Net income before taxation	291 235	466 378
Adjustment for non-cash items included in net income before taxation		
Impairment of goodwill	24 366	6 888
Amortisation of intangible assets	9 530	6 341
Profit arising from associated converted to subsidiary	–	(73 465)
Net loss on sale of subsidiaries	–	17 302
Depreciation and impairment of property, equipment and intangibles	57 424	46 606
Impairment of loans and advances	325 118	318 230
Operating loss from associates	(1 626)	(3 942)
Dividends received from associates	295	923
Share-based payment charges	69 796	69 518
Operating profit adjusted for non-cash items	776 138	854 779
Increase in operating assets		
Loans and advances to banks	(716 343)	1 360 184
Reverse repurchase agreements and cash collateral on securities borrowed	1 379 056	(1 554 795)
Sovereign debt securities	(878 699)	(910 689)
Bank debt securities	(281 091)	(795 311)
Other debt securities	(124 103)	(138 489)
Derivative financial instruments	(267 628)	(168 073)
Securities arising from trading activities	87 583	(102 320)
Investment portfolio	(103 771)	(70 462)
Loans and advances to customers	(1 219 204)	(1 195 361)
Securitised assets	696 188	456 120
Other assets	(385 486)	(95 588)
Investment properties	(73 116)	(98 099)
Assurance assets	(651 668)	(824 573)
	(2 538 282)	(4 137 456)
Increase in operating liabilities		
Deposits by banks	253 259	(775 590)
Derivative financial instruments	41 706	268 476
Other trading liabilities	(68 121)	205 394
Repurchase agreements and cash collateral on securities lent	395 844	477 494
Customer accounts	2 594 466	2 098 670
Debt securities in issue	160 978	(114 953)
Securitised liabilities	(818 609)	(418 018)
Other liabilities	181 854	123 161
Assurance liabilities	651 668	824 573
	3 393 045	2 689 207

At 31 March £'000	2012	2011
49 Commitments		
Undrawn facilities	2 905 902	3 002 404
Other commitments	2 070	72 665
	2 907 972	3 075 069
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	45 599	45 398
1 – 5 years	184 022	165 461
Later than 5 years	224 937	260 067
	454 558	470 926
At 31 March 2012, 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 payments under non-cancellable operating leases		
Less than 1 year	27 922	134 491
1 – 5 years	15 416	124 544
Later than 5 years	–	1 519
	43 338	260 554

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

At 31 March £'000	Carrying amount		Related liability	
	2012	2011	2012	2011
Pledged assets				
Loans and advances to customers	14 868	8 250	14 026	8 250
Other loans and advances to customers	292	–	292	–
Loans and advances to banks	226 870	227 576	226 870	227 576
Sovereign debt securities	317 776	22 232	317 776	22 232
Bank debt securities	56 601	47 811	56 601	47 811
Other debt securities	12 520	51 142	12 520	51 142
Trading book securities arising from customer flows	328 654	414 586	328 654	414 586
Investment portfolio	690	–	690	–
Reverse repurchase agreements and cash collateral on derivative securities borrowed	329 756	20 965	521 697	11 143
Derivatives	255 716	–	–	–
	1 543 743	792 562	1 479 126	782 740

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		2012	2011
50	**Contingent liabilities**		
	Guarantees and assets pledged as collateral security		
	– Guarantees and irrevocable letters of credit	779 027	869 008
		779 027	869 008

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), the UK's statutory fund of last resort, 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) as at 31 December of the year preceding the scheme year During the year ended 31 March 2011 the group also settled interim levies from the FSCS following the failure of Keydata Investment Services Limited (Keydata) and other intermediaries

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 the FSCS determines otherwise The interest rate to be applied for the period 1 April 2012 on which levies for the scheme year 2012/2013 has recently been announced to increase from LIBOR plus 30 basis points to LIBOR plus 100 points

Investec Bank plc is a participating member of the FSCS and the bank has accrued £2 48 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 2012 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 present there remains a significant degree of uncertainty over the level of future FSCS levies, which will depend upon the cost to the FSCS of compensating investors for the failure of other entities in the financial services sector The FSCS has raised the possibility that the failure of CF Arch Cru and MF Global may result in compensation being paid, but at present the FSCS has been unable to quantify the risk or extent of such further levies until more information regarding the losses and the likely number of eligible claimants becomes available

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

Specifically, a claim has been made in the Royal Court of Guernsey against Investec Trust (Guernsey) Limited, a subsidiary of Investec plc, for breach of equitable duty for skill and care with a related claim for liability for the debts of a client trust The outcome of these claims cannot reasonably be estimated at this time but Investec does not expect the ultimate resolution of the proceedings to have a material adverse effect on the financial position of the group

For the year ended 31 March £'000	2012	2011
51 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	21 451	16 323
Increase in loans	26 110	15 466
Repayment of loans	(13 469)	(10 338)
At end of year	34 092	21 451
Guarantees		
At beginning of year	–	495
Additional guarantees granted	367	–
Guarantees cancelled	–	(495)
At end of year	367	–
Deposits		
At beginning of year	(49 606)	(40 000)
Increase in deposits	(24 615)	(30 198)
Decrease in deposits	27 564	20 592
At end of year	(46 657)	(49 606)
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		
Refer to pages 235 to 262 in the directors' remuneration report relating to remuneration for key management personnel		
Transactions with other related parties		
Various members of key management personnel are members of the boards of directors of other companies At 31 March 2012, Investec Bank Limited group had the following loans outstanding from these related parties	251	2 009
Amounts due from associates	14 659	11 893
Fees and commission income from associates	329	292

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

Investec plc and Investec Limited provides certain banking and financial services to associates and joint ventures, including loans, overdrafts, interest and non-interest bearing deposits and current accounts All of these transactions 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

52 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 Specialist Bank. 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 dependent 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 a 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
2012						
Assets	Interest rate swap	26 169	9 269	913	(7 917)	(1 562)
	Cross currency swap	144 205	238 005	(120 106)	(238 005)	120 106
Liabilities	Interest rate swap	(7 845)	(5 863)	135	6 247	546
		162 529	241 411	(119 058)	(239 675)	119 090
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

52 Hedges (continued)

Cash flow hedges

The group is exposed to variability in cash flows 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 other comprehensive income and transferred to the income statement when the cash flow occurs and affect the 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 affect income statement
2012			
Assets	Interest rate swap	4 089	1 to 5 years
	Cross currency swap	51 850	3 months to 5 years
Liabilities	Interest rate swap	(11 899)	1 to 5 years
		44 040	
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	

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
2012	10 412
2011	14 545

The ineffective portion recognised in the income statement was £780 743 (2011 £nil)

At 31 March £'000		Demand	Up to one month
53	**Liquidity analysis of financial liabilities based on undiscounted cash flows**		
	2012		
	Liabilities		
	Deposits by banks	335 593	518 431
	Deposits by banks – Kensington warehouse funding	–	10 982
	Derivative financial instruments	1 238 681	1 052
	Derivative financial instruments – held for trading	1 235 880	–
	Derivative financial instruments – held for hedging risk	2 801	1 052
	Repurchase agreements and cash collateral on securities lent	633 973	493 389
	Customer accounts (deposits)	5 963 715	3 429 096
	Debt securities in issue	–	288 979
	Liabilities arising on securitisation of own originated loans and advances	1 667	23 758
	Liabilities arising on securitisation of other assets	–	20 379
	Other liabilities	1 027 795	564 402
	Subordinated liabilities	–	121 525
	Total on balance sheet liabilities	9 201 424	5 471 993
	Contingent liabilities	137 712	124 387
	Commitments	–	60 456
	Total liabilities	9 339 136	5 656 836
	2011		
	Liabilities		
	Deposits by banks	335 522	296 832
	Deposits by banks – Kensington warehouse funding	–	9 386
	Derivative financial instruments	1 323 464	454
	Derivative financial instruments – held for trading	1 206 381	–
	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 (deposits)	5 495 926	4 104 916
	Debt securities in issue	1 289	127 290
	Liabilities arising on securitisation of own originated loans and advances	1 083	87 100
	Liabilities arising on securitisation of other assets	–	12 796
	Other liabilities	1 073 319	619 249
		9 332 636	5 717 932
	Subordinated liabilities	–	–
	Total on balance sheet liabilities	9 332 636	5 717 932
	Contingent liabilities	344 820	161 871
	Commitments	–	64 000
	Total liabilities	9 677 456	5 943 803

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 159 to 161

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
141 863	172 980	59 103	934 685	5 496	2 168 151
299 402	10 681	20 353	451 633	75 310	868 361
11 949	4 087	19 317	175 517	46 326	1 496 929
–	–	–	–	–	1 235 880
11 949	4 087	19 317	175 517	46 326	261 049
–	5 012	–	578 475	167 453	1 878 302
6 130 785	4 343 518	2 346 539	3 183 059	180 061	25 576 773
175 636	123 055	195 856	1 590 277	540 034	2 913 837
132 801	64 061	378 421	723 171	96 913	1 420 792
122 584	61 776	118 074	882 269	1 555 493	2 760 575
273 322	90 201	101 153	90 174	48 175	2 195 222
669	900	13 310	644 544	815 776	1 596 724
7 289 011	**4 876 271**	**3 252 126**	**9 253 804**	**3 531 037**	**42 875 666**
69 938	32 609	58 929	560 109	313 351	1 297 035
13 688	22 814	283 377	872 782	1 307 869	2 560 986
7 372 637	**4 931 694**	**3 594 432**	**10 686 695**	**5 152 257**	**46 733 687**
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
104 510	295 497	72 655	541 705	10 863	1 113 413
194 621	91 278	173 764	1 307 533	1 831 694	3 611 686
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	40 942 893
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**	**42 826 358**
38 685	61 279	244 964	575 331	249 922	1 676 872
13 609	27 678	262 529	1 075 586	1 157 885	2 601 287
6 722 730	**5 507 006**	**4 715 222**	**8 963 517**	**5 574 783**	**47 104 517**

At 31 March	Principal activity	Country of incorporation	Interest 2012 %	Interest 2011 %
54 Principal subsidiaries and associated companies – Investec plc				
Income statement				
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 plc	Finance broker	England and Wales	81 3%	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%	100 0%
Investec Wealth & Investment Limited	Stockbroking and portfolio management	England and Wales	100 0%	100 0%
St James's Park Mortgage Funding Limited	Financial services	England and Wales	100 0%	100 0%
Start Mortgages Limited	Financial services	Ireland	100 0%	100 0%
Investec Expenen Pty Limited	Financial services	Australia	100 0%	100 0%
Guinness Mahon & Co Limited	Investment holding	England and Wales	100 0%	100 0%
Evolution Group plc	Investment holding	England and Wales	100 0%	–
Evolution Securities Limited	Investment banking	England and Wales	100 0%	–
Williams de Broe Limited	Stockbroking and portfolio management	England and Wales	100 0%	–
Investec Capital Asia Limited	Investment banking	Hong Kong	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

At 31 March	Principal activity	Country of incorporation	Interest 2012 %	Interest 2011 %
54 Principal subsidiaries and associated companies – Investec plc (continued)				
Principal associated companies				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35 0%	33 18%

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

Residential Mortgage Securities 19 plc
Residential Mortgage Securities 20 plc
Residential Mortgage Securities 21 plc
Residential Mortgage Securities 22 plc
Kensington Mortgage Securities plc
Gemgato 2012-1 plc
Glacier Securities Limited 2010-2 series
Money Partners Securities 1 plc
Money Partners Securities 2 plc
Money Partners Securities 3 plc
Money Partners Securities 4 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 % 2012	Interest % 2011
55 Principal subsidiaries and associated companies – Investec Limited				
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Limited	Investment holding	South Africa	100 0%	100 0%
Investec Assurance Limited	Insurance company	South Africa	100 0%	100 0%
Investec Bank Limited	Registered bank	South Africa	100 0%	100 0%
Investec Employee Benefits Holdings (Pty) Limited	Investment holding	South Africa	100 0%	100 0%
Investec International (Gibraltar) Limited	Investment holding	Gibraltar	100 0%	100 0%
Investec Securities Limited	Registered stockbroker	South Africa	100 0%	100 0%
Fedsure International Limited	Investment holding	South Africa	100 0%	100 0%
Investec Property Group Holdings (Pty) Limited	Investment holding	South Africa	100 0%	100 0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	50 01%	–
Indirect subsidiaries of Investec Limited				
Investec Asset Management (Pty) Limited	Asset management	South Africa	100 0%	100 0%
Investec Insurance Brokers (Pty) Limited	Insurance broking	South Africa	100 0%	100 0%
Investec International Holdings (Pty) Limited	Investment holding	South Africa	100 0%	100 0%
Investec Fund Managers SA (RF) (Pty) Limited	Unit trust management	South Africa	100 0%	100 0%
Investec Bank (Mauritius) Limited	Banking institution	Mauritius	100 0%	100 0%
Investec Property (Pty) Limited	Property trading	South Africa	100 0%	100 0%
Reichmans Holdings (Pty) Limited	Trade financing	South Africa	100 0%	100 0%
Investec Employee Benefits Limited	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 Limited		South Africa		
Securitisation entities				
Private Mortgages 1 (Pty) Limited		South Africa		
Private Mortgages 2 (Pty) Limited		South Africa		
Private Mortgages 3 (Pty) Limited		South Africa		
Private Residential Mortgages (Pty) Limited		South Africa		
Private Commercial Mortgages (Pty) Limited		South Africa		
Grayston Conduit 1 (Pty) Limited		South Africa		

The following subsidiaries are not consolidated for regulatory purposes

- Investec Assurance Limited
- Investec Employee Benefits Holdings (Pty) Limited and its subsidiaries

There are no subsidiaries which are consolidated for regulatory but not for accounting purposes

56 Reclassifications

Income statement reclassifications

The previously reported principal transaction income line item has been split into the following line items

- Investment income income, other than margin, from securities held for the purpose of generating interest yield, dividends and capital appreciation
- Client flow trading income income from trading activities arising from facilitating client activities
- Income from balance sheet management and other trading activities includes proprietary trading income and other gains and losses as well as income earned from the balance sheet management desk

With the continued reduction in insurance activity, it is deemed appropriate to move the associated line items to other operating income

For the year ended 31 March 2011 £'000	New format	As previously reported	Reclassifi-cations
Interest income	2 238 783	2 238 783	–
Interest expense	(1 557 314)	(1 557 314)	–
Net interest income	681 469	681 469	–
Fee and commission income	896 300	896 300	–
Fee and commission expense	(108 642)	(108 642)	–
Principal transactions	–	418 686	(418 686)
Investment income	254 943	–	254 943
Trading income arising from			
– customer flow	76 447	–	76 447
– balance sheet management and other trading activities	87 296	–	87 296
Investment income on assurance activities	–	64 834	(64 834)
Premiums and reinsurance recoveries on insurance contracts	–	6 110	(6 110)
Other operating income	67 173	54 003	13 170
Claims and reinsurance premiums on insurance business	–	(57 774)	57 774
Total operating income before impairment losses on loans and advances	1 954 986	1 954 986	–

Commentary on combined consolidated balance sheet reclassifications

The main driver behind the revision to the balance sheet is to enable a better understanding of Investec's exposures and to minimise reconciliation points to the detailed risk disclosures in the annual report

It is noted that there are no measurement changes nor are there any changes to total assets, liabilities, equity and the cash flow statement

Each category of reclassification is noted below

- Cash equivalent corporate paper
  Cash equivalent advances to customers has been renamed to 'non-sovereign and non-bank cash placements' These balances represent short-term placements in corporates that run an in-house treasury function
- Loans and securitisation
  To better align the balance sheet with the Group's risk management disclosures, loans and advances and securitised assets that form part of our 'core' lending activities has been separated from assets that are in warehoused facilities and structured credit investments arising out of our securitisation and principal finance activities This has resulted in a need to split loans and advances and securitised assets into two balance sheet categories for each Securitised liabilities has been split into two line items to enable the relationship with securitised assets to be clearly identified

56 Reclassifications (continued)

Balance sheet reclassifications (continued)

- Securities reclassification
  The group's previous balance sheet split securities (other than lending related) into two key line items being trading and investment securities. This classification was driven by the accounting rule sets that mainly distinguish between instruments fair valued through profit and loss, those carried at amortised cost (held to maturity) and those fair valued through equity (available-for-sale). The group is of the view that disclosure of the nature of exposures on the balance sheet, distinguishing between instruments held to manage balance sheet liquidity, as principal exposure and balance sheet instruments arising from trading desk activities provides more meaningful disclosure on the face of the balance sheet. The line item 'Securities arising from trading activities' includes all instruments (other than derivative instruments) that are held on balance sheet in relation to trading activities.

At 31 March 2011 £'000	New format	As previously reported	Total reclassification	Cash equivalent corporate paper	Loans and securitisation	Securities reclassification
Total assets reclassified						
Cash equivalent advances to customers	–	535 983	(535 983)	(535 983)	–	–
Non-sovereign and non-bank cash placements	535 983	–	535 983	535 983	–	–
Sovereign debt securities	3 532 100	–	3 532 100	–	–	3 532 100
Bank debt securities	3 006 129	–	3 006 129	–	–	3 006 129
Other debt securities	267 132	–	267 132	–	–	267 132
Trading securities	–	5 114 322	(5 114 322)	–	–	(5 114 322)
Securities arising from trading activities	743 487	–	743 487	–	–	743 487
Investment securities	–	3 328 609	(3 328 609)	–	–	(3 328 609)
Loans and advances to customers	17 692 356	18 758 524	(1 066 168)	–	(1 066 168)	–
Securitised assets	–	4 924 293	(4 924 293)	–	(4 924 293)	–
Own originated loans and advances to customers securitised	1 065 782	–	1 065 782	–	1 065 782	–
Other loans and advances	1 066 168	–	1 066 168	–	1 066 168	–
Other securitised assets	3 858 511	–	3 858 511	–	3 858 511	–
Investment portfolio	858 610	–	858 610	–	–	858 610
Other assets	1 446 066	1 410 593	35 473	–	–	35 473
	34 072 324	34 072 324	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	4 340 864	(4 340 864)	–	(4 340 864)	–
Liabilities arising on securitisation of own originated loans and advances	1 052 281	–	1 052 281	–	1 052 281	–
Liabilities arising on securitisation of other assets	3 288 583	–	3 288 583	–	3 288 583	–
	4 340 864	4 340 864	–	–	–	–

56 Reclassifications (continued)

Balance sheet reclassifications (continued)

At 31 March 2010 £'000	New format	As previously reported	Total reclassification	Cash equivalent corporate paper	Loans and securitisation	Securities reclassification
Total assets reclassified						
Cash equivalent advances to customers	–	581 117	(581 117)	(581 117)	–	–
Non-sovereign and non-bank cash placements	581 117	–	581 117	581 117	–	–
Sovereign debt securities	2 533 377	–	2 533 377	–	–	2 533 377
Bank debt securities	2 142 117	–	2 142 117	–	–	2 142 117
Other debt securities	118 945	–	118 945	–	–	118 945
Trading securities	–	4 221 645	(4 221 645)	–	–	(4 221 645)
Securities arising from trading activities	626 535	–	626 535	–	–	626 535
Investment securities	–	1 996 073	(1 996 073)	–	–	(1 996 073)
Loans and advances to customers	16 720 495	17 414 691	(694 196)	–	(694 196)	–
Securitised assets	–	5 334 453	(5 334 453)	–	(5 334 453)	–
Own originated loans and advances to customers securitised	1 170 302	–	1 170 302	–	1 170 302	–
Other loans and advances	694 196	–	694 196	–	694 196	–
Other securitised assets	4 164 151	–	4 164 151	–	4 164 151	–
Investment portfolio	768 896	–	768 896	–	–	768 896
Other assets	1 268 472	1 240 624	27 848	–	–	27 848
	30 788 603	30 788 603	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	4 714 556	(4 714 556)	–	(4 714 556)	–
Liabilities arising on securitisation of own originated loans and advances	1 212 906	–	1 212 906	–	1 212 906	–
Liabilities arising on securitisation of other assets	3 501 650	–	3 501 650	–	3 501 650	–
	4 714 556	4 714 556	–	–	–	–

Balance sheet

At 31 March £'000	Notes	2012	2011
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 790 348	1 584 528
Current assets			
Amounts owed by group undertakings		559 549	535 564
Tax		23 753	26 597
Other debtors		21	21
Prepayments and accrued income		199	116
Cash at bank and in hand			
– balances with subsidiary undertaking		–	9 093
– balances with other banks		833	968
		584 355	572 359
		2 374 703	2 156 887
Current liabilities			
Bank loans	c		
– with subsidiary undertaking		1 502	–
– with other banks		130 532	–
Amounts owed to group undertakings		769 033	779 709
Other liabilities		1 063	1 025
Accruals and deferred income		3 680	6 585
		905 810	787 319
Non-current liabilities			
Bank loans			
– with other banks	c	–	132 943
		–	132 943
Capital and reserves			
Called up share capital	d	175	162
Perpetual preference shares	d	151	151
Share premium account	d	1 107 651	1 058 993
Capital reserve	d	356 292	180 483
Retained income	d	4 624	(3 164)
Total equity		1 468 893	1 236 625
Total equity and liabilities		2 374 703	2 156 887

Approved and authorised for issue by the board of directors on 13 June 2012 and signed on its behalf by

Stephen Koseff
Chief executive officer

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 Sterling at exchange rates ruling at the balance sheet date All foreign currency transactions are translated into 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 from subsidiaries are recognised when paid Interest is recognised on an accrual basis

Taxation

Corporate tax is provided on taxable profits at the current rate

Company's own profit and loss account

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

Cash flow statement

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

Financial instruments Disclosures

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

Related party transactions

Transactions, arrangements and agreements involving directors and others are disclosed in note 51 to the group financial statements

b Investments in subsidiary undertakings

£'000	2012	2011
At beginning of year	1 584 528	1 302 646
Additions	381 640	548 122
Disposals	(175 820)	(266 240)
At end of year	1 790 348	1 584 528

Details of the principal subsidiaries and associated companies are set out in note 54 of the group financial statements

On 30 June 2011, the company subscribed to 3 000 000 ordinary shares at £10 each of Investec 1 Limited at a cost of £30 million

On 22 December 2011, the company issued 53 800 540 shares at £3 268 each in consideration for the purchase of Evolution Group plc (EVG) at a cost of £175 8 million EVG made a loss after taxation and non-controlling interests of £8 9 million in the period 1 April 2011 to 22 December 2011 and a loss after taxation and non-controlling interests of £2 0 million in the year ended 31 December 2010

On 4 January 2012, Evolution Group plc was sold to Investec 1 Limited for £175 8 million settled with an issue of 17 582 000 Investec 1 Limited's ordinary shares of 0 1 pence each at a cost of £10 per share

Notes to Investec plc parent company accounts (continued)

c Bank loans

The company drew down Euro denominated loans of €105 million on 7 March 2011 These loans bear interest at fixed margins above three-month EURIBOR and are repayable on 14 August 2012 The company drew down US Dollar denominated loans of $70 million on 7 March 2011 These two loans of $35 million each bear interest at fixed margins above three-month UK LIBOR and are repayable on 25 August 2012 and 3 September 2012

d Statement of changes in equity

£'000	Called up share capital	Perpetual preference shares	Share premium account	Capital reserve	Retained income	Total equity
At 1 April 2011	162	151	1 058 993	180 483	(3 164)	1 236 625
Issue of ordinary shares	13	–	28 627	175 809	–	204 449
Issue expenses	–	–	(607)	–	–	(607)
Issue of preference shares	–	–	20 638	–	–	20 638
Share-based payment adjustment	–	–	–	–	(286)	(286)
Profit for the year	–	–	–	–	49 217	49 217
Dividends paid to preference shareholders	–	–	–	–	(2 652)	(2 652)
Dividends paid to ordinary shareholders	–	–	–	–	(38 491)	(38 491)
At 31 March 2012	175	151	1 107 651	356 292	4 624	1 468 893

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 £49 217 000 (2011 £42 706 000)

Treasury shares

	2012	2011
Treasury shares held by Investec plc		
Number of Investec plc ordinary shares held by Investec plc	Number	Number
At 1 April	–	500 000
Purchase of own shares by Investec plc	–	75 000
Sale of own shares by Investec plc	–	(575 000)
At 31 March	–	–
	£'000	£'000
Market value of treasury shares	–	–

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

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

Audit fees

Details of the company's audit fees are set out in note 5 of the group financial statements

Dividends

Details of the company's dividends are set out in note 9 of the group financial statements

Share capital

Details of the company's ordinary share capital are set out in note 42 of the group financial statements Details of the perpetual preference shares are set out in note 43 of the group financial statements

Income statement

For the year ended 31 March R'million	2012	2011
Interest income	192	100
Interest expense	(25)	(27)
Net interest income	167	73
Fee and commission income	–	2
Investment income	2 740	1 617
Operating income	2 907	1 692
Operating costs	(26)	(38)
Profit before taxation	2 881	1 654
Taxation	(20)	(18)
Profit after taxation	2 861	1 636

Statement of comprehensive income

For the year ended 31 March R'million	2012	2011
Profit after taxation	2 861	1 636
Total comprehensive income	2 861	1 636

Investec Limited parent company accounts

Balance sheet

At 31 March R'million	Notes	2012	2011	2010
Assets				
Loans and advances to banks		28	27	27
Investment portfolio		41	97	288
Loans and advances to customers		–	1	1
Other assets		149	1	1
Deferred taxation assets		–	–	18
Investment in subsidiaries	b	13 568	11 854	10 747
		13 786	11 980	11 082
Liabilities				
Debt securities in issue		400	400	400
Current taxation liabilities		247	227	186
Other liabilities		56	59	72
		703	686	658
Equity				
Ordinary share capital	c	1	1	1
Share premium		9 401	9 208	8 942
Other reserves		62	62	62
Retained income		3 619	2 023	1 419
Total equity		13 083	11 294	10 424
Total liabilities and shareholders' equity		13 786	11 980	11 082

Investec Limited parent company accounts

Statement of changes in equity

For the year ended 31 March R'million	Share capital	Share premium	Capital reserve account	Retained income	Total equity
At 1 April 2010	1	8 942	62	1 419	10 424
Total comprehensive income	–	–	–	1 636	1 636
Issue of ordinary shares	–	266	–	–	266
Share-based payment 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
Total comprehensive income	–	–	–	2 861	2 861
Issue of ordinary shares	–	193	–	–	193
Share-based payment adjustments	–	–	–	127	127
Dividends paid to ordinary shareholders	–	–	–	(1 210)	(1 210)
Dividends paid to perpetual preference shareholders	–	–	–	(182)	(182)
At 31 March 2012	1	9 401	62	3 619	13 083

Cash flow statements

For the ended 31 March R'million	2012	2011
Cash flows from operating activities		
Cash generated by operating activities	3 008	1 691
Taxation received	–	41
Decrease in operating liabilities	(3)	(13)
(Increase)/decrease in income earning assets	(91)	241
Net cash inflow from operating activities	2 914	1 960
Cash flows from financing activities		
Proceeds on issue of shares, net of related costs	193	266
Dividends paid	(1 392)	(1 119)
Net increase in subsidiaries and loans to group companies	(1 714)	(1 107)
Net cash outflow from financing activities	(2 913)	(1 960)
Net increase in cash and cash equivalents	1	–
Cash and cash equivalents at beginning of year	27	27
Cash and cash equivalents at end of year	28	27
Cash and cash equivalents is defined as including		
On demand loans and advances to banks	28	27
Cash and cash equivalents at the end of the year	28	27

Cash and cash equivalents is defined as including cash and balances at central banks, on demand loans and advances to banks and non-sovereign non-bank cash placements (all of which have a maturity profile of less than three months)

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 284 to 295 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

b Investment in subsidiaries

R'million	2012	2011
At beginning of year	11 854	10 747
Increase in investment in subsidiary	2 442	1 302
Decrease in loans to subsidiaries	(728)	(195)
At end of year	13 568	11 854

A list of the company's principal subsidiaries is detailed in note 55 of the group accounts on page 368

c The company's called up share capital is detailed in note 42 of the group accounts on pages 351 to 353

d The company's perpetual preference shares are detailed in note 43 of the group accounts on pages 353 to 354

Definitions

Adjusted shareholders' equity	Refer to calculation on page 50
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 115
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 310 and 311
Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items	Refer to pages 310 and 311
Effective operational tax rate	Tax on profit on ordinary activities (excluding exceptional items) divided by operating profit
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 50
Non-operating items	Reflects profits and/or losses on termination or disposal of group operations and acquisitions made
Operating profit	Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation This amount is before goodwill, acquired intangibles and non-operating items
Operating profit per employee	Refer to calculation on pages 53 and 54
Recurring income	Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income
Return on average adjusted shareholders' equity	Refer to calculation on page 50
Return on average adjusted tangible shareholders' equity	Refer to calculation on page 50
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 & 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 310

Notice of annual general meeting of Investec plc

Notice of annual general meeting of Investec plc

(Incorporated in England and Wales)
(Registration number 3633621)
Share code INVP | ISIN GB00B17BBQ50

Investec

Specialist Bank and
Asset Manager

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, 2 August 2012, 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 Olivia Catherine Dickson 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 Hendrik Jacobus du Toit 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 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

9 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

10 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

11 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

12 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

13 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

14 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

15 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

16 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

For brief biographical details of the directors proposed to be re-elected, please refer to pages 208 to 210 of the 2012 annual report of Investec plc and 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

17 To approve the dual listed companies (DLC) remuneration report for the year ended 31 March 2012

This resolution is a non-binding advisory vote For the full remuneration report please refer to pages 235 to 262 of the 2012 annual report of Investec plc and Investec Limited

In terms of the King III Code, Investec Limited's remuneration policy should be tabled every year for a non-binding advisory vote at the annual general meeting to enable the shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors

18 To approve the dual listed companies (DLC) report by the chairman of the audit committee for the year ended 31 March 2012

This resolution is a non-binding advisory vote For the full audit committee report, please refer to pages 214 to 216 of the 2012 annual report of Investec plc and Investec Limited

In terms of the King III Code, the chairman of the audit committee should report to shareholders at the annual general meeting on its statutory duties

19 To authorise any director or the company secretaries of Investec plc and Investec Limited 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

20 To present the consolidated audited financial statements of Investec Limited for the year ended 31 March 2012, together with the reports of the auditors and directors of Investec Limited

21 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 2011

22 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 2011

23 Subject to the passing of resolution No 38, 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 2012 of an amount equal to that recommended by the directors of Investec Limited

24 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), upon the recommendation of the current audit committee, as joint auditors of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2013

25 To re-appoint KPMG Inc of 85 Empire Road, Parktown 2193, South Africa (Private Bag 9, Parkview 2122, South Africa), upon the recommendation of the current audit committee, as joint auditors of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2013

In terms of section 90(1) of the Act, each year at its AGM, the company must appoint an auditor who complies with the requirements of section 90(2) of the Act Following a detailed review, which included an assessment of its independence, the current audit committee of the company has recommended that Ernst & Young Inc and KPMG Inc be re-appointed as the joint auditors of the company

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

26 Ordinary resolution Authorising the directors to issue up to 5% of the unissued ordinary shares

Resolved that

- as required in terms of Article 12 of the existing Memorandum of Incorporation of Investec Limited, the clause in the new Memorandum of Incorporation be adopted in terms of special resolution No 4 and the subsequent registration thereof and subject to the provisions of section 41 of the South African Companies Act, No 71 of 2008, the South African Banks Act, No 94 of 1990 and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue up to a total of 8 698 989 (eight million six hundred and ninety eight thousand nine hundred and eighty nine) ordinary shares of R0 0002 each, being 5% (five percent) of the unissued ordinary shares in the authorised share capital of Investec Limited as at the date of this notice (for which purposes any shares approved to be issued by the company in terms of any share plan or incentive scheme for the benefit of employees shall be excluded), such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

27 Ordinary resolution Authorising the directors to issue up to 5% of the unissued class 'A' variable rate compulsorily convertible non-cumulative preference shares

Resolved that

- as required, in terms of Article 12 of the existing Memorandum of Incorporation of Investec Limited, the corresponding clause in the new Memorandum of Incorporation be adopted in terms of special resolution No 4 and the subsequent registration thereof and subject to the provisions of section 41 of the South African Companies Act, No 71 of 2008, the South African Banks Act, No 94 of 1990 and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue up to 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 percent) of the unissued class 'A' preference shares in the authorised share capital of Investec Limited, as at the date of this notice (for which purposes any shares approved to be issued by the company in terms of any share plan or incentive scheme for the benefit of employees shall be excluded), such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

In respect of both resolutions No 26 and 27 and in terms of the company's Memorandum of Incorporation, read with the JSE Listings Requirements, the shareholders of the company may authorise the directors to, *inter alia*, issue any unissued ordinary shares and class 'A' variable rate compulsorily convertible non-cumulative preference shares, as the directors in their discretion think fit

The existing authority granted by the shareholders at the previous annual general meeting is proposed to be renewed at this annual general meeting The authority will be subject to the provisions of the Act and the JSE Listings Requirements The aggregate number of ordinary shares capable of being allotted and issued in terms of this resolution, other than in terms of the company's shares or other employee incentive schemes, shall be limited to 5% (five percent) of the number of ordinary shares and class 'A' variable rate compulsorily convertible non-cumulative preference shares in issue as at the date of this notice of annual general meeting

28 Ordinary resolution Authorising the directors to issue 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 (remaining unissued shares)

Resolved that

- as required in terms of Article 12 of the existing Memorandum of Incorporation of Investec Limited, the corresponding clause in the new Memorandum of Incorporation to be adopted in terms of special resolution No 4 and the subsequent registration thereof and subject to the provisions of section 41 of the South African Companies Act, No 71 of 2008, the South African Banks Act, No 94 of 1990 and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue all the remaining 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, such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

These preference shares, if issued are non-dilutive to ordinary shareholders

29 Ordinary resolution, but with a 75% majority as per the listings requirements of the JSE 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 26, the provisions of the listings requirements of the JSE Limited (the JSE Listings Requirements), the South African Banks Act, No 94 of 1990, and the South African Companies Act, No 71 of 2008, each as presently constituted and as amended from time to time, the directors of Investec Limited be and they are hereby authorised by way of a general authority to allot and issue up to 8 698 989 (eight million six hundred and ninety eight thousand nine hundred and eighty nine) ordinary shares of R0 0002 each for cash subject to the following specific limitations as required by the JSE Listings Requirements

  (i) this authority shall not extend beyond the date of the next annual general meeting of Investec Limited to be held in 2013 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 2 August 2012, whichever period is shorter

  (ii) a 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 percent) 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 percent) of the number of ordinary shares in issue (or such other percentage permitted from time to time by the JSE for issues for cash) including the class 'A' variable rate compulsorily convertible non-cumulative preference shares and any other 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 percent) (or such other percentage as specified by the JSE Listings Requirements) of the weighted average trade price of the ordinary shares in question as determined over the 30 (thirty) business days prior to the date on which the price of the issue is determined or agreed to by the directors of Investec Limited

  (v) the ordinary shares must be issued to 'public shareholders', as defined in the JSE Listings Requirements, and not to 'related parties'

  (vi) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue

The directors are seeking an authority to allot and issue up to 5% (five percent) of the number of unissued ordinary shares for cash, which effectively represents 3 15% (three point one five percent) of the number of ordinary shares in issue as at the date of this notice of meeting which is significantly lower than the maximum 15% (fifteen percent) permitted in terms of the JSE Listings Requirements

If resolution No 29 and special resolution No 6 are both passed and subject to the limits specified in those respective resolutions, the directors will have authority to allot and issue up to 5% (five percent) of the total issued ordinary share capital of Investec plc and up to 5% (five percent) 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 29 to be given effect, a 75% (seventy five percent) 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 29

The directors consider it advantageous to renew the authority to enable the company to take advantage of any business opportunity that may arise in future

30 Ordinary resolution, but with a 75% majority as per the Listings Requirements of the JSE 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 27, the provisions of the listings requirements of the JSE Limited (the JSE Listings Requirements), the South African Banks Act, No 94 of 1990, and the South African Companies Act, No 71 of 2008 (the Act), each as presently constituted and as amended from time to time, the directors of Investec Limited be and they are hereby authorised by way of a general authority to allot and issue up to 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 percent) of the unissued class 'A' preference shares in the authorised share capital of Investec Limited for cash, subject to the following specific limitations as required by the JSE Listings Requirements

(i) this authority shall not extend beyond the date of the next annual general meeting of Investec Limited to be held in 2013 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 2 August 2012, whichever period is shorter

(ii) a 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 percent) of the number of class 'A' preference shares in issue (or such other percentage permitted from time to time by the JSE for issues for cash)

(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 percent) (or such other percentage as specified by the JSE Listings Requirements) of the weighted average trade price of the class 'A' preference shares in question as determined over the 30 (thirty) business days prior to the date on which the price of the issue is determined or agreed by the directors of Investec Limited

(v) the class 'A' preference shares must be issued to 'public shareholders', as defined in the JSE Listings Requirements, and not to 'related parties'

(vi) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue

If resolution No 30 is passed, the directors will have authority to allot and issue up to 2 000 000 (two million) class 'A' preference shares for cash (including the extinction of a liability, obligation or commitment, restraint, or settlement of expenses) other than by way of rights issue in respect of Investec Limited, being equivalent to 5% (five percent) of the unissued class 'A' preference shares

In terms of the JSE Listings Requirements, in order for resolution No 30 to be given effect, a 75% (seventy five percent) 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

In terms of ordinary resolution Numbers 29 and 30, the shareholders authorised the directors to allot and issue a portion of the authorised but unissued shares, as the directors in their discretion think fit

The authority will be subject to the provisions of the Act and JSE Listings Requirements The aggregate number of ordinary and class 'A' variable rate compulsorily convertible non-cumulative preference shares capable of being allotted and issued for cash are limited as set out in the resolutions

The directors consider it advantageous to renew the authority to enable the company to take advantage of any business opportunity that may arise in future

31 Special resolution No 1 Directors' authority to acquire ordinary shares and perpetual preference shares

Resolved that

- in terms of Article 9 of the existing Memorandum of Incorporation of Investec Limited, the corresponding clause in the new Memorandum of Incorporation to be adopted in terms of special resolution No 4 and the subsequent registration thereof and with effect from 2 August 2012, Investec Limited hereby approves, as a general approval provided for in the South African Companies Act, No 71 of 2008 (the Act), the acquisition by Investec Limited (the company) 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, the Act and the listings requirements of the JSE Limited (the JSE and the JSE Listings Requirements), each as presently constituted and as amended from time to time, 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 2013, 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 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 percent) threshold is reached and for each 3% (three percent) in aggregate acquired thereafter

  (iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty percent) of Investec Limited's issued ordinary share capital or Investec Limited's issued perpetual preference share capital, as the case might be, as at the date of passing of this special resolution No 1

(v) the number of ordinary shares or perpetual preference shares, as the case may be, acquired by subsidiaries of Investec Limited shall not exceed 10% (ten percent) in the aggregate in the number of issued ordinary shares and issued perpetual preference shares in Investec Limited at all relevant times

(vi) 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 percent) 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

(vii) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any acquisition on Investec Limited's behalf

(viii) a resolution is passed by the board of directors that it has authorised the acquisition, that Investec Limited and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group

(ix) Investec Limited and/or its subsidiaries may not acquire 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

(x) authorisation thereto is given by the company's Memorandum of Incorporation

(xi) if the company enters into derivative transactions that may or will result in the repurchase of shares in terms of this general authority, such transaction will be subject to the requirements in paragraphs (ii), (iii), (iv), (vii), (ix) and (x) above, and the following requirements

- the strike price of any put option, written by the company, less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in paragraph (vi) above,
- the strike price and any call option may be greater than the maximum price in paragraph (vi) at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% (ten percent) 'out of the money', and
- the strike price of the forward agreement may be greater than the maximum price in paragraph (vi) but limited to the fair value of a forward agreement calculated from a spot price not greater than the maximum price in paragraph (vi)

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 or perpetual preference shares of Investec Limited which are in issue from time to time subject to the 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 percent) 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 percent) 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 2 August 2012

- 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 2 August 2012
- the consolidated assets of Investec Limited and its subsidiaries, fairly valued in accordance with Generally 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 2 August 2012
- 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 2 August 2012
- 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 2 August 2012

Litigation statement

In terms of section 11 26 of the JSE Listings Requirements, the directors, whose names appear on pages 208 to 210 of the 2012 annual report, of Investec plc and Investec Limited, 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 208 to 210 of the 2012 annual report of Investec plc and Investec Limited, 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 2012 annual report, of Investec plc and Investec Limited, 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 2012 annual report of Investec plc and Investec Limited, is provided in terms of the JSE Listings Requirements for purposes of the general authority

- Directors and management – annual report pages 208 to 210
- Major beneficial shareholders – annual report page 229
- Directors' interests in ordinary shares – annual report page 256
- Share capital of Investec Limited – annual report pages 352 and 353

32 Special resolution No 2 Financial assistance

Resolved that

- to the extent required by the South African Companies Act, No 71 of 2008 (the Act), the board of directors of Investec Limited (the company) may, subject to compliance with the requirements of Investec Limited's Memorandum of Incorporation, if any, the Act, the South African Banks Act, No 94 of 1990, 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 juristic person 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 juristic person, or for the purchase of any securities of Investec Limited or a related or inter-related company or juristic person, and/or

  (ii) any of the present or future directors or prescribed officers of Investec Limited or of a related or inter-related company or juristic person (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 juristic person, or for the purchase of any securities of Investec Limited or a related or inter-related company or juristic person, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Act, such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

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 Act

Notwithstanding the title of section 45 of the 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 juristic persons, including, *inter alia*, its subsidiaries, for any purpose Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to related or inter-related companies or juristic persons, 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 juristic persons, to or for the purchase of any securities of the company or a related or inter-related company or juristic persons

Both sections 44 and 45 of the 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 (as contemplated in the Act), and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company

As part of the normal conduct of the business of the group, the company, where necessary, usually provides guarantees and other support undertakings to third parties which enter into financing agreements with its local and foreign subsidiaries and joint ventures or partnerships in which the company or members of the group have an interest This is particularly so where funding is raised by conduct of their operations In the circumstances and in order to, *inter alia*, ensure that the company and its subsidiaries and other related and inter-related companies and juristic persons continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements, it is necessary to obtain the approval of the shareholders as set out in this special resolution In terms of the company's Memorandum of Incorporation and the Companies Act, No 61 of 1973, as amended, the company was not precluded from providing the aforementioned financial assistance, prior to the advent of the Act The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Act

Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or juristic person, and/or to a member of a related or inter-related company or juristic person, to subscribe for options or securities of the company or another company related or inter-related to it Under the Act, the company will however require the special resolution referred to above to be adopted

It is therefore imperative that the company obtains the approval of shareholders in terms of special resolution No 2 so that it is able to effectively organise its internal financial administration

33 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 Act), payment of the remuneration for the directors of Investec Limited for their services as directors be approved as follows

  (i) for the period 1 April 2012 to 31 March 2013 as set out on page 249 of the 2012 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 percent) per annum per amount set out as aforesaid

The reason and effect of special resolution No 3 is to enable the company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to directors for their service as directors may be paid only in accordance with a special resolution approved by shareholders The role of non-executive directors is under increasing focus of late with greater accountability and risk attached to the position As Investec Limited is a global company and thus require directors of international stature, its remuneration practices should take account of international as well as local norms in determining the appropriate remuneration for its directors

For more information on the directors' remuneration, please refer to pages 235 to 262 of the 2012 annual report of Investec plc and Investec Limited

34 Special resolution No 4 Amendment to the existing Memorandum of Incorporation

Resolved that

- subject to the holders of the non-redeemable, non-cumulative, non-participating preference shares in the capital of Investec Limited passing a special resolution, at a separate class meeting of such holders, approving this amendment, Article 152 of the existing Memorandum of Incorporation of Investec Limited be amended in terms of and pursuant to the provisions of section 16(5)(b) of the Companies Act, No 71 of 2008, as amended, as follows

  (a) the deletion of the existing Article 152 1 8 and the replacement thereof with the following new Article 152 1 8

  "152 1 8 'preference dividend' rate means, in respect of any preference dividend payable by the company on any preference dividend payment date

  152 1 8A to the extent to which the company has STC credit which equals or exceeds the whole or any part of such preference dividend, then that portion of the preference dividend in respect of which the company has STC credit shall be calculated in accordance with Article 152 2 4 at a rate that will not exceed 70% (seventy percent) of the prime rate, or

  152 1 8B to the extent to which the company does not have STC credit which equals such preference dividend, then that portion of the preference dividend in respect of which the company has insufficient STC credit shall be calculated in accordance with Article 152 2 4 at a rate that will not exceed 77 77% (seventy seven point seven seven percent) of the prime rate,

  in each case with the prime rate being used as a rate of reference,"

(b) by the insertion of the following new Article 152 1 9A immediately after Article 152 1 9

"152 1 9A 'STC credit' means an amount determined in terms of section 64J(2) of the Income Tax Act ",

(c) by the deletion of the existing Article 152 2 7 in its entirety,

these amendments to Article 152 to be incorporated into the new Memorandum of Incorporation to be adopted in terms of special resolution No 5

The reason and effect of this special resolution No 4 is to allow for the gross-up of the dividend rate payable to the holders of the non-redeemable, non-cumulative, non-participating preference shares of Investec Limited following the implementation of dividend tax which came into effect in South Africa on 1 April 2012

35 Special resolution No 5 Adoption of new Memorandum of Incorporation

Resolved that

- Subject to the passing of special resolution No 4, the existing Memorandum of Incorporation (formerly Investec Limited's Memorandum and Articles of Association) is abrogated in its entirety and replaced with a new Memorandum of Incorporation, a draft of which has been tabled at the annual general meeting and initialled by the chairman of the annual general meeting for purposes of identification, with effect from the date of filing thereof at the Companies and Intellectual Property Commission, incorporating the amendments to the rights, privileges, restrictions and conditions attaching to the authorised and issued non-redeemable, non-cumulative, non-participating preference shares in the share capital of Investec Limited as set out in special resolution No 4, or
- in the event of special resolution No 4 not being passed, the existing Memorandum of Incorporation (formerly Investec Limited's Memorandum and Articles of Association) is abrogated in its entirety and replaced with a new Memorandum of Incorporation, a draft of which has been tabled at the annual general meeting and initialled by the chairman of the annual general meeting for purposes of identification, with effect from the date of filing thereof at the Companies and Intellectual Property Commission, containing the current rights, privileges, restrictions and conditions attaching to the authorised and issued non-redeemable, non-cumulative, non-participating preference shares in the share capital of Investec Limited

The salient features of Investec Limited's new Memorandum of Incorporation are on pages 409 to 417 hereafter

Shareholders are advised of the fact that the Companies Act, No 71 of 2008, as amended, affords relief to holders of a class of shares where a company's Memorandum of Incorporation is amended by altering the preferences, rights, limitations, or other terms of such class of shares in any manner material and adverse to the rights or interests of the holders thereof, provided that the holders take appropriate action as prescribed in section 37(8) and 164 of the Act, in order to enable shareholders to make an assessment of whether they consider their rights or interests to be affected as aforesaid The full document (Investec Limited's new Memorandum of Incorporation), along with Investec Limited's existing Memorandum of Incorporation (formerly Investec Limited's Memorandum and Articles of Association), are available for inspection on the company's website at www investec com and at the office of the company secretary at the registered office of Investec Limited at 100 Grayston Drive, Sandown, Sandton 2196 as from 29 June 2012 and will continue to be so available until the close of Investec plc and Investec Limited's annual general meeting to be convened on 2 August 2012 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting

The Act abolishes the distinction between the Memorandum of Association and the Articles of Association and provides that there will only be one constitutional document for a company, namely the Memorandum of Incorporation (MOI) The company proposes to adopt a new MOI, in substitution for its Memorandum of Association and the Articles of Association which in the course of law became its MOI, upon the advent of the Act, but is required to be brought in harmony with the Act and changes to the JSE Listings Requirements

Ordinary business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec plc

36 To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2012, together with the reports of the directors of Investec plc and of the auditors of Investec plc

37 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 2011

38 Subject to the passing of resolution No 23 to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2012 of an amount equal to that recommended by the directors of Investec plc

39 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 2013 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

40 Ordinary resolution 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 granted for the period ending on the date of the annual general meeting of Investec plc to be held in 2013 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) £39 889 in respect of Investec plc ordinary shares of £0 0002 each (ordinary shares)

  (ii) £34 796 in respect of Investec plc special converting shares of £0 0002 each (special converting shares)

  (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 4 August 2011 expires on the date of the annual general meeting of Investec plc convened for 2 August 2012 and the directors of Investec plc recommend that this authority be renewed

Resolution No 40 will, if passed, authorise the directors of Investec plc to allot Investec plc shares up to a maximum nominal amount of £1 074 685 (one million seventy four thousand six hundred and eighty five Pounds Sterling) as set out in the table below

	Number of shares	Relative part of section 551 Amount	Total
Ordinary shares[1]	199 446 537	£39 889	–
Special converting shares[2]	173 979 779	£34 796	£1 074 685[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 No's 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 13 June 2012 (the latest practicable date prior to publication of this notice), Investec plc holds 0 (zero) treasury shares for voting right purposes

41 Special resolution No 6 Directors' authority to allot ordinary shares for cash

Resolved that

- subject to the passing of resolution No 40, the power conferred on the directors of Investec plc by paragraph 12 4 of Article 12 of Investec plc's Articles of Association be granted for the period referred to in resolution No 40 and for such period the section 571 Amount shall be £5 983 (five thousand nine hundred and eighty three Pounds Sterling)

The purpose of special resolution No 6 is to provide the directors of Investec plc with the authority 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 £5 983 (five thousand nine hundred and eighty three Pounds Sterling) which represents approximately 5% (five percent) of the total issued ordinary share capital of Investec plc as at 13 June 2012 (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 2013 or, if earlier, 15 (fifteen) months after the passing of this special resolution No 6

If resolution No 29 and special resolution no 6 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five percent) of the total issued ordinary share capital of Investec plc and up to 5% (five percent) 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 date of the next annual general meeting of Investec plc to be held in 2013 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec plc convened for 2 August 2012, whichever period is shorter

(ii) a 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 percent) 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 percent) of the number of ordinary shares in issue, (or such other percentage permitted from time to time by the JSE for issues for cash) and any 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 percent) of the weighted average trade price of the ordinary shares in question as determined over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc

(v) the ordinary shares must be issued to 'public shareholders,' as defined in the JSE Listings Requirements, and not to 'related parties'

(vi) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue

In order for special resolution No 6 to be given effect, a 75% (seventy five percent) 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

42 Special resolution No 7 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 59 833 961 (fifty nine million eight hundred and thirty three thousand and nine hundred and sixty one) ordinary shares of £0 0002 each

  (ii) the minimum price which may be paid for each ordinary share is the 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 percent) 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

  (iv) is authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2013, 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 7 is to grant a general authority, subject to the specified limits, to Investec plc to acquire ordinary shares of Investec plc

As of 13 June 2012 (the latest practicable date prior to publication of this notice), there were options outstanding over 45 790 444 (forty five million seven hundred and ninety thousand four hundred and forty four) ordinary shares, representing 7 7% (seven point seven percent) of Investec plc's issued ordinary share capital at that date If the authority to buy back shares under this special resolution No 7 was exercised in full, the total number of options to subscribe for ordinary shares would represent 8 5% (eight point five percent) 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 7 to be given effect, a 75% (seventy five percent) 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 7

43 Special resolution No 8 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 1 735 709 (one million seven hundred and thirty five thousand seven hundred and nine)

(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 percent) 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

(iv) this authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2013, or if earlier, 15 (fifteen) months from the date on which this special resolution No 8 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 8 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 8 to be given effect, a 75% (seventy five percent) 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 8

44 Ordinary resolution 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

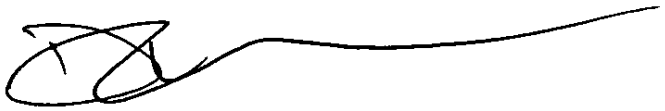
In each case during the period commencing on the date of this resolution and ending on the date of the annual general meeting of Investec plc to be held in 2013, provided that the maximum amounts referred to in (i) and (ii) may consist of sums in any currency converted into Pounds Sterling at such rate 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

Notice of annual general meeting of Investec plc (continued)

The reason for ordinary resolution No 44 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



D Miller
Company secretary

London
13 June 2012

Registered office
Investec plc
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

(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 convened for 2 August 2012 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 13 June 2012 (the latest practicable date prior to publication of this notice) Investec plc's issued capital consists of 598 339 612 (five hundred ninety eight million three hundred thirty nine thousand six hundred and twelve) ordinary shares of £0 0002 each Investec plc holds 0 (zero) ordinary shares in treasury for voting right purposes and therefore the total number of voting rights in Investec plc are 598 339 612 (five hundred ninety eight million three hundred thirty nine thousand six hundred and twelve)

10 As of 13 June 2012 (the latest practicable date prior to publication of this notice) Investec Limited's issued capital consists of 276 020 221 (two hundred seventy six million twenty thousand two hundred and twenty one) ordinary shares of R0 0002 each Investec Limited holds 20 226 772 (twenty million two hundred twenty six thousand seven hundred and seventy two) ordinary shares in treasury and therefore the total number of voting rights in Investec Limited is 255 793 449 (two hundred and fifty five million seven hundred and ninety three thousand four hundred and forty nine)

Notice of annual general meeting of Investec plc (continued)

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 13 June 2012 (the latest practicable date prior to publication of this notice) the combined total number of voting rights of Investec plc and Investec Limited is 854 133 061 (eight hundred and fifty four million one hundred and thirty three thousand and sixty one)

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 11 00 (UK time) on 31 July 2012 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

18 Copies of Investec Limited's existing and new Memorandum of Incorporation are available for inspection at Investec plc and Investec Limited's registered office during business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the close of Investec plc and Investec Limited's annual general meeting convened for 2 August 2012 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting

Notice of annual general meeting of Investec Limited

Notice of annual general meeting of Investec Limited

(Registration number 1925/002833/06)
Share code INL | ISIN ZAE000081949

Investec

Specialist Bank and Asset Manager

Notice is hereby given that the annual general meeting of Investec Limited will be held at 12 00 (South African time) on Thursday, 2 August 2012, at the registered office of Investec Limited at 100 Grayston Drive, Sandown, Sandton 2196, to

- deal with such business as may lawfully be dealt with at the meeting,
- consider, and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder

Kindly note that in terms of section 63(1) of the Companies Act No 71 of 2008 , as amended (the Act), meeting participants (including proxies) will be required to provide reasonable satisfactory identification before being entitled to participate in or vote at the annual general meeting Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports

Record dates, proxies and voting

- In terms of section 59(1)(a) and (b) of the Act, the board of the company has set the record date for the purpose of determining which shareholders are entitled to
  - Receive notice of the annual general meeting (being the date on which a shareholder must be registered in the company's securities register in order to receive notice of the annual general meeting) as Friday, 29 June 2012, and
  - Participate in and vote at the annual general meeting (being the date on which the shareholder must be registered in the company's securities register in order to participate in and vote at the annual general meeting) as Friday, 27 July 2012
- Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration, and who are entitled to attend, participate in and vote at the annual general meeting, are entitled to appoint a proxy to attend, speak and vote in their stead
- A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll
- It is requested that proxy forms be forwarded so as to reach the transfer secretaries in South Africa by no later than 48 (forty-eight) hours before the commencement of the annual general meeting
- Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration, and who are entitled to attend, participate in and vote at the annual general meeting, and who do not deliver proxy forms to the transfer secretaries in South Africa by the relevant time, will nevertheless be entitled to lodge the form of proxy in respect of the annual general meeting immediately prior to the exercising of the shareholders' rights at the annual general meeting, in accordance with the instructions therein, with the chairman of the annual general meeting
- Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own-name' registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker
  - To furnish them with their voting instructions, or
  - In the event that they wish to attend the annual general meeting, to obtain the necessary letter of representation to do so
- On a poll
  (a) each ordinary share in Investec Limited (other than those subject to voting restrictions) will have 1 (one) vote
  (b) the shareholder 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 shareholder 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

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 Olivia Catherine Dickson 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 Hendrik Jacobus du Toit 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 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

9 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

10 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

11 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

12 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

13 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

14 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

15 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

16 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

For brief biographical details of the directors proposed to be re-elected, please refer to pages 208 to 210 of the 2012 annual report of Investec plc and 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

17 To approve the dual listed companies (DLC) remuneration report for the year ended 31 March 2012

This resolution is a non-binding advisory vote For the full remuneration report, please refer to pages 235 to 262 of the 2012 annual report of Investec plc and Investec Limited

In terms of the King III Code, a company's remuneration policy should be tabled every year for a non-binding advisory vote at the annual general meeting to enable the shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors

18 To approve the dual listed companies (DLC) report by the chairman of the audit committee for the year ended 31 March 2012

This resolution is a non-binding advisory vote For the full audit committee report, please refer to pages 214 to 216 of the 2012 annual report of Investec plc and Investec Limited

In terms of the King III Code, the chairman of the audit committee should report to shareholders at the annual general meeting on its statutory duties

19 To authorise any director or the company secretaries of Investec plc and Investec Limited 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

20 To present the consolidated audited financial statements of Investec Limited for the year ended 31 March 2012, together with the reports of the auditors and directors of Investec Limited

21 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 2011

22 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 2011

23 Subject to the passing of resolution No 38, 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 2012 of an amount equal to that recommended by the directors of Investec Limited

24 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), upon the recommendation of the current audit committee, as joint auditors of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2013

25 To re-appoint KPMG Inc of 85 Empire Road, Parktown 2193 South Africa (Private Bag 9, Parkview 2122 South Africa), upon the recommendation of the current audit committee, as joint auditors of Investec Limited to hold office until the conclusion of the annual general meeting of Investec Limited to be held in 2013

In terms of section 90(1) of the Act, each year at its AGM, the company must appoint an auditor who complies with the requirements of section 90(2) of the Act Following a detailed review, which included an assessment of its independence, the current audit committee of the company has recommended that Ernst & Young Inc and KPMG Inc be re-appointed as the joint auditors of the company

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

26 Ordinary resolution Authorising the directors to issue up to 5% of the unissued ordinary shares

Resolved that

- as required in terms of Article 12 of the existing Memorandum of Incorporation of Investec Limited, the corresponding clause in the new Memorandum of Incorporation be adopted in terms of special resolution No 4 and the subsequent registration thereof and subject to the provisions of section 41 of the South African Companies Act, No 71 of 2008, the South African Banks Act, No 94 of 1990 and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue up to a total of 8 698 989 (eight million six hundred and ninety eight thousand nine hundred and eighty nine) ordinary shares of R0 0002 each, being 5% (five percent) of the unissued ordinary shares in the authorised share capital of Investec Limited as at the date of this notice (for which purposes any shares approved to be issued by the company in terms of any share plan or incentive scheme for the benefit of employees shall be excluded), such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

27 Ordinary resolution Authorising the directors to issue up to 5% of the unissued class 'A' variable rate compulsorily convertible non-cumulative preference shares

Resolved that

- as required in terms of Article 12 of the existing Memorandum of Incorporation of Investec Limited, the corresponding clause in the new Memorandum of Incorporation be adopted in terms of special resolution No 4 and the subsequent registration thereof and subject to the provisions of section 41 of the South African Companies Act, No 71 of 2008, the South African Banks Act, No 94 of 1990 and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue 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 percent) of the unissued

class 'A' preference shares in the authorised share capital of Investec Limited, as at the date of this notice (for which purposes any shares approved to be issued by the company in terms of any share plan or incentive scheme for the benefit of employees shall be excluded), such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

In respect of both resolutions No 26 and 27 and in terms of the company's Memorandum of Incorporation, read with the JSE Listings Requirements, the shareholders of the company may authorise the directors to, *inter alia*, issue any unissued ordinary shares and class 'A' variable rate compulsorily convertible non-cumulative preference shares, as the directors in their discretion think fit

The existing authority granted by the shareholders at the previous annual general meeting is proposed to be renewed at this annual general meeting The authority will be subject to the provisions of the Act and the JSE Listings Requirements The aggregate number of ordinary shares capable of being allotted and issued in terms of this resolution, other than in terms of the company's shares or other employee incentive schemes, shall be limited to 5% (five percent) of the number of ordinary shares and class 'A' variable rate compulsorily convertible non-cumulative preference shares in issue as at the date of this notice of annual general meeting

28 Ordinary resolution Authorising the directors to issue 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 (remaining unissued shares)

Resolved that

- as required in terms of Article 12 of the existing Memorandum of Incorporation of Investec Limited, the corresponding clause in the new Memorandum of Incorporation to be adopted in terms of special resolution No 4 and the subsequent registration thereof and subject to section 41 of the South African Companies Act, No 71 of 2008, the South African Banks Act, No 94 of 1990 and the listings requirements of the JSE Limited, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue all the remaining 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, such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

These preference shares, if issued are non-dilutive to ordinary shareholders

29 Ordinary resolution, but with a 75% majority as per the listings requirements of the JSE 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 26, the provisions of the listings requirements of the JSE Limited (the JSE Listings Requirements), the South African Banks Act, No 94 of 1990, and the South African Companies Act No 71 of 2008, each as presently constituted and as amended from time to time, the directors of Investec Limited be and they are hereby authorised by way of a general authority to allot and issue up to 8 698 989 (eight million six hundred and ninety eight thousand nine hundred and eighty nine) ordinary shares of R0 0002 each for cash subject to the following specific limitations as required by the JSE Listings Requirements

  (i) this authority shall not extend beyond the date of the next annual general meeting of Investec Limited to be held in 2013 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 2 August 2012, whichever period is shorter

  (ii) a 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 percent) 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 percent) of the number of ordinary shares in issue (or such other percentage permitted from time to time by the JSE for issues for cash) including the class 'A' variable rate compulsorily convertible non-cumulative preference shares and any other 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 percent) (or such other percentage as specified by the JSE Listings Requirements) of the weighted average trade price of the ordinary shares in question as determined over the 30 (thirty) business days prior to the date on which the price of the issue is determined or agreed to by the directors of Investec Limited

  (v) the ordinary shares must be issued to 'public shareholders', as defined in the JSE Listings Requirements, and not to 'related parties'

  (vi) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue

The directors are seeking an authority to allot and issue up to 5% (five percent) of the number of unissued ordinary shares for cash, which effectively represents 3 15% (three point one five percent) of the number of ordinary shares in issue as at the date of this notice of meeting which is significantly lower than the maximum 15% (fifteen percent) permitted in terms of the JSE Listings Requirements

If resolution No 29 and resolution No 41 are both passed and subject to the limits specified in those respective resolutions, the directors will have authority to allot and issue up to 5% (five percent) of the total issued ordinary share capital of Investec plc and up to 5% (five percent) 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 29 to be given effect, a 75% (seventy five percent) 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 29

The directors consider it advantageous to renew the authority to enable the company to take advantage of any business opportunity that may arise in future

30 Ordinary resolution, but with a 75% majority as per the Listings Requirements of the JSE 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 27, the provisions of the listings requirements of the JSE Limited (the JSE Listings Requirements), the South African Banks Act, No 94 of 1990, and the South African Companies Act, No 71 of 2008 (the Act), each as presently constituted and as amended from time to time, the directors of Investec Limited be and they are hereby authorised by way of a general authority to allot and issue up to 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 percent) of the unissued class 'A' preference shares in the authorised share capital of Investec Limited for cash, subject to the following specific limitations as required by the JSE Listings Requirements

  (i) this authority shall not extend beyond the date of the next annual general meeting of Investec Limited to be held in 2013 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec Limited convened for 2 August 2012, whichever period is shorter

  (ii) a 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 percent) of the number of class 'A' preference shares in issue (or such other percentage permitted from time to time by the JSE for issues for cash)

  (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 percent) (or such other percentage as specified by the JSE Listings Requirements) of the weighted average trade price of the class 'A' preference shares in question as determined over the 30 (thirty) business days prior to the date on which the price of the issue is determined or agreed by the directors of Investec Limited

  (v) the class 'A' preference shares must be issued to 'public shareholders', as defined in the JSE Listings Requirements, and not to 'related parties'

  (vi) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue

If resolution No 30 is passed, the directors will have authority to allot and issue up to 2 000 000 (two million) class 'A' preference shares for cash (including the extinction of a liability, obligation or commitment, restraint, or settlement of expenses), other than by way of rights issue in respect of Investec Limited, being equivalent to 5% (five percent) of the unissued class 'A' preference shares

In terms of the JSE Listings Requirements, in order for resolution No 30 to be given effect, a 75% (seventy five percent) 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

In terms of ordinary resolution Numbers 29 and 30, the shareholders authorised the directors to allot and issue a portion of the authorised but unissued shares, as the directors in their discretion think fit

The authority will be subject to the provisions of the Act and JSE Listings Requirements The aggregate number of ordinary and class 'A' variable rate compulsorily convertible non-cumulative preference shares capable of being allotted and issued for cash are limited as set out in the resolutions

The directors consider it advantageous to renew the authority to enable the company to take advantage of any business opportunity that may arise in future

31 Special resolution No 1 Directors' authority to acquire ordinary shares and perpetual preference shares

Resolved that

- in terms of Article 9 of the existing Memorandum of Incorporation of Investec Limited, the corresponding clause in the new Memorandum of Incorporation to be adopted in terms of special resolution No 4 and the subsequent registration thereof and with effect from 2 August 2012, Investec Limited hereby approves, as a general approval provided for in the South African Companies Act, No 71 of 2008 (the Act), the acquisition by Investec Limited (the company) 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, the Act and the listings requirements of the JSE Limited (the JSE and the JSE Listings Requirements), each as presently constituted and as amended from time to time, 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 2013, 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 percent) threshold is reached and for each 3% (three percent) in aggregate acquired thereafter

  (iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty percent) of Investec Limited's issued ordinary share capital or Investec Limited's issued perpetual preference share capital, as the case might be, as at the date of passing of this special resolution No 1

  (v) the number of ordinary shares or perpetual preference shares, as the case may be, acquired by subsidiaries of Investec Limited shall not exceed 10% (ten percent) in the aggregate in the number of issued ordinary shares and issued perpetual preference shares in Investec Limited at all relevant times

  (vi) 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 percent) 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

  (vii) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any acquisition on Investec Limited's behalf

  (viii) a resolution is passed by the board of directors that it has authorised the acquisition, that Investec Limited and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group

  (ix) Investec Limited and/or its subsidiaries may not acquire 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

  (x) authorisation thereto is given by the company's Memorandum of Incorporation

  (xi) if the company enters into derivative transactions that may or will result in the repurchase of shares in terms of this general authority, such transaction will be subject to the requirements in paragraphs (ii), (iii), (iv), (vii), (ix) and (x) above, and the following requirements

  - the strike price of any put option, written by the company, less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in paragraph (vi) above,
  - the strike price and any call option may be greater than the maximum price in paragraph (vi) at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% (ten percent) 'out of the money', and

- the strike price of the forward agreement may be greater than the maximum price in paragraph (vi) but limited to the fair value of a forward agreement calculated from a spot price not greater than the maximum price in paragraph (vi)

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 or perpetual preference shares of Investec Limited which are in issue from time to time subject to the 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 percent) 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 percent) 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 2 August 2012

- 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 2 August 2012
- the consolidated assets of Investec Limited and its subsidiaries, fairly valued in accordance with Generally 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 2 August 2012
- 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 2 August 2012
- 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 2 August 2012

Litigation statement

In terms of section 11 26 of the JSE Listings Requirements, the directors, whose names appear on pages 208 to 210 of the 2012 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 208 to 210 of the 2012 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 2012 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 2012 annual report, is provided in terms of the JSE Listings Requirements for purposes of the general authority

- Directors and management – annual report pages 208 to 210
- Major beneficial shareholders – annual report page 229
- Directors' interests in ordinary shares – annual report page 256
- Share capital of Investec Limited – annual report pages 352 and 353

32 Special resolution No 2 Financial assistance

Resolved that

- to the extent required by the South African Companies Act No 71 of 2008 (the Act), the board of directors of Investec Limited (the company) may, subject to compliance with the requirements of Investec Limited's Memorandum of Incorporation, if any, the Act, the South African Banks Act, No 94 of 1990, 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 juristic person 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 juristic person, or for the purchase of any securities of Investec Limited or a related or inter-related company or juristic person, and/or

(ii) any of the present or future directors or prescribed officers of Investec Limited or of a related or inter-related company or juristic person (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 juristic person, or for the purchase of any securities of Investec Limited or a related or inter-related company or juristic person, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Act, such authority to endure until the next annual general meeting of Investec Limited to be held in 2013

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 Act

Notwithstanding the title of section 45 of the 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 juristic persons, including, *inter alia*, its subsidiaries, for any purpose Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to related or inter-related companies or juristic persons, 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 juristic persons, or for the purchase of any securities of the company or a related or inter-related company or juristic persons

Both sections 44 and 45 of the 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 (as contemplated in the Act), and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company

As part of the normal conduct of the business of the group, the company, where necessary, usually provides guarantees and other support undertakings to third parties which enter into financing agreements with its local and foreign subsidiaries and joint ventures or partnerships in which the company or members of the group have an interest This is particularly so where funding is raised by conduct of their operations In the circumstances and in order to, *inter alia*, ensure that the company and its subsidiaries and other related and inter-related companies and juristic persons continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements, it is necessary to obtain the approval of the shareholders as set out in this special resolution In terms of the company's Memorandum of Incorporation and the Companies Act, No 61 of 1973, as amended, the company was not precluded from providing the aforementioned financial assistance, prior to the advent of the Act The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Act

Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or juristic person, and/or to a member of a related or inter-related company or juristic person, to subscribe for options or securities of the company or another company related or inter-related to it Under the Act, the company will however require the special resolution referred to above to be adopted

It is therefore imperative that the company obtains the approval of shareholders in terms of special resolution No 2 so that it is able to effectively organise its internal financial administration

33 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 Act), payment of the remuneration for the directors of Investec Limited for their services as directors be approved as follows

  (i) for the period 1 April 2012 to 31 March 2013 as set out on page 249 of the 2012 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 percent) per annum per amount set out as aforesaid

The reason and effect of special resolution No 3 is to enable the company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to directors for their service as directors may be paid only in accordance with a special

resolution approved by shareholders The role of non-executive directors is under increasing focus of late with greater accountability and risk attached to the position As Investec Limited is a global company and thus require directors of international stature, its remuneration practices should take account of international as well as local norms in determining the appropriate remuneration for its directors

For more information on the directors' remuneration, please refer to pages 235 to 262 of the 2012 annual report of Investec plc and Investec Limited

34 Special resolution No 4 Amendment to the existing Memorandum of Incorporation

Resolved that

- subject to the holders of the non-redeemable, non-cumulative, non-participating preference shares in the capital of Investec Limited passing a special resolution, at a separate class meeting of such holders, approving this amendment, Article 152 of the existing Memorandum of Incorporation of Investec Limited be amended in terms of and pursuant to the provisions of section 16(5)(b) of the Companies Act No 71 of 2008, as amended, as follows

  (a) the deletion of the existing Article 152 1 8 and the replacement thereof with the following new Article 152 1 8

  "152 1 8 'preference dividend' rate means, in respect of any preference dividend payable by the company on any preference dividend payment date

  152 1 8A to the extent to which the company has STC credit which equals or exceeds the whole or any part of such preference dividend, then that portion of the preference dividend in respect of which the company has STC credit shall be calculated in accordance with Article 152 2 4 at a rate that will not exceed 70% (seventy percent) of the prime rate, or

  152 1 8B to the extent to which the company does not have STC credit which equals such preference dividend, then that portion of the preference dividend in respect of which the company has insufficient STC credit shall be calculated in accordance with Article 152 2 4 at a rate that will not exceed 77 77% (seventy seven point seven seven percent) of the prime rate,

  in each case with the prime rate being used as a rate of reference,"

  (b) by the insertion of the following new Article 152 1 9A immediately after Article 152 1 9

  "152 1 9A 'STC credit' means an amount determined in terms of section 64J(2) of the Income Tax Act ",

  (c) by the deletion of the existing Article 152 2 7 in its entirety,

  these amendments to Article 152 to be incorporated into the new Memorandum of Incorporation to be adopted in terms of special resolution No 5

The reason and effect of this special resolution No 4 is to allow for the gross-up of the dividend rate payable to the holders of the non-redeemable, non-cumulative, non-participating preference shares of Investec Limited following the implementation of dividend tax which came into effect in South Africa on 1 April 2012

35 Special resolution No 5 Adoption of new Memorandum of Incorporation

Resolved that

- Subject to the passing of special resolution No 4, the existing Memorandum of Incorporation (formerly Investec Limited's Memorandum and Articles of Association) is abrogated in its entirety and replaced with a new Memorandum of Incorporation, a draft of which has been tabled at the annual general meeting and initialled by the chairman of the annual general meeting for purposes of identification, with effect from the date of filing thereof at the Companies and Intellectual Property Commission, incorporating the amendments to the rights, privileges, restrictions and conditions attaching to the authorised and issued non-redeemable, non-cumulative, non-participating preference shares in the share capital of Investec Limited as set out in special resolution No 4, or
- in the event of special resolution No 4 not being passed, the existing Memorandum of Incorporation (formerly Investec Limited's Memorandum and Articles of Association) is abrogated in its entirety and replaced with a new Memorandum of Incorporation, a draft of which has been tabled at the annual general meeting and initialled by the chairman of the annual general meeting for purposes of identification, with effect from the date of filing thereof at the Companies and Intellectual Property Commission, containing the current rights, privileges, restrictions and conditions attaching to the authorised and issued non-redeemable, non-cumulative, non-participating preference shares in the share capital of Investec Limited

The salient features of Investec Limited's new Memorandum of Incorporation are on pages 409 to 417 hereafter

Shareholders are advised of the fact that the Companies Act, No 71 of 2008, as amended affords relief to holders of a class of shares where a company's Memorandum of Incorporation is amended by altering the preferences, rights, limitations, or other terms of such class

of shares in any manner material and adverse to the rights or interests of the holders thereof, provided that the holders take appropriate action as prescribed in section 37(8) and 164 of the Act, in order to enable shareholders to make an assessment of whether they consider their rights or interests to be affected as aforesaid The full document (Investec Limited's new Memorandum of Incorporation), along with Investec Limited's existing Memorandum of Incorporation (formerly Investec Limited's Memorandum and Articles of Association), are available for inspection on the company's website at www investec com and at the office of the company secretary at the registered office of Investec Limited at 100 Grayston Drive, Sandown, Sandton 2196 as from 29 June 2012 and will continue to be so available until the close of Investec plc and Investec Limited's annual general meeting to be convened on 2 August 2012 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting

The Act abolishes the distinction between the Memorandum of Association and the Articles of Association and provides that there will only be one constitutional document for a company, namely the Memorandum of Incorporation (MOI) The company proposes to adopt a new MOI, in substitution for its Memorandum of Association and the Articles of Association which in the course of law became its MOI, upon the advent of the Act, but is required to be brought in harmony with the Act and changes to the JSE Listings Requirements

Ordinary business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec plc

36 To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2012, together with the reports of the directors of Investec plc and of the auditors of Investec plc

37 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 2011

38 Subject to the passing of resolution No 23, to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2012 of an amount equal to that recommended by the directors of Investec plc

39 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 2013 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

40 Ordinary resolution 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 granted for the period ending on the date of the annual general meeting of Investec plc to be held in 2013 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) £39 889 in respect of Investec plc ordinary shares of £0 0002 each (ordinary shares)
  - (ii) £34 796 in respect of Investec plc special converting shares of £0 0002 each (special converting shares)
  - (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 4 August 2011 expires on the date of the annual general meeting of Investec plc convened for 2 August 2012 and the directors of Investec plc recommend that this authority be renewed

Resolution No 40 will, if passed, authorise the directors of Investec plc to allot Investec plc shares up to a maximum nominal amount of £1 074 685 (one million seventy four thousand six hundred and eighty five Pounds Sterling) as set out in the table below

	Number of shares	Relative part of section 551 Amount	Total
Ordinary shares[1]	199 446 537	£39 889	–
Special converting shares[2]	173 979 779	£34 796	£1 074 685[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 No's 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 13 June 2012 (the latest practicable date prior to publication of this notice), Investec plc holds 0 (zero) treasury shares for voting right purposes

41 Ordinary resolution with a 75% majority Directors' authority to allot ordinary shares for cash

Resolved that

- subject to the passing of resolution No 40, the power conferred on the directors of Investec plc by paragraph 12 4 of Article 12 of Investec plc's Articles of Association be granted for the period referred to in resolution No 40 and for such period the section 571 Amount shall be £5 983 (five thousand nine hundred and eighty three Pounds Sterling)

The purpose of resolution No 41 is to provide the directors of Investec plc with the authority 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 £5 983 (five thousand nine hundred and eighty three Pounds Sterling) which represents approximately 5% (five percent) of the total issued ordinary share capital of Investec plc as at 13 June 2012 (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 2013 or, if earlier, 15 (fifteen) months after the passing of this resolution No 41

If resolution No 29 and resolution No 41 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five percent) of the total issued ordinary share capital of Investec plc and up to 5% (five percent) 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 date of the next annual general meeting of Investec plc to be held in 2013 or the date of the expiry of 15 (fifteen) months from the date of the annual general meeting of Investec plc convened for 2 August 2012, whichever period is shorter

(ii) a 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 percent) 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 percent) of the number of ordinary shares in issue, (or such other percentage permitted from time to time by the JSE for issues of cash), and any other 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 percent) of the weighted average trade price of the ordinary shares in question as determined over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc

(v) the ordinary shares must be issued to 'public shareholders,' as defined in the JSE Listings Requirements, and not to 'related parties'

(vi) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue

In order for resolution No 41 to be given effect, a 75% (seventy five percent) 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 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 59 833 961 (fifty nine million eight hundred and thirty three thousand and nine hundred and sixty one) ordinary shares of £0 0002 each

  (ii) the minimum price which may be paid for each ordinary share is the 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 percent) 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

  (iv) this authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2013, 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 42 is to grant a general authority, subject to the specified limits, to Investec plc to acquire ordinary shares of Investec plc

As of 13 June 2012 (the latest practicable date prior to publication of this notice), there were options outstanding over 45 790 444 (forty five million seven hundred and ninety thousand four hundred and forty four) ordinary shares, representing 7 7% (seven point seven percent) of Investec plc's issued ordinary share capital at that date If the authority to buy back shares under this ordinary resolution No 42 was exercised in full, the total number of options to subscribe for ordinary shares would represent 8 5% (eight point five percent) 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 42 to be given effect, a 75% (seventy five percent) 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 42

43 Ordinary resolution with a 75% majority 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 1 735 709 (one million seven hundred and thirty five thousand seven hundred and nine)

(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 percent) 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

(iv) this authority shall expire at the conclusion of the annual general meeting of Investec plc to be held in 2013, or if earlier, 15 (fifteen) months from the date on which this resolution No 43 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 43 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 43 to be given effect, a 75% (seventy five percent) 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 43

44 Ordinary resolution 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 2013, 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 44 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



B Coetsee
Company secretary

Sandton
13 June 2012

Registered office
c/o Company secretarial
Investec Limited
100 Grayston Drive
Sandown 2196

PO Box 785700
Sandton 2146

Notice of annual general meeting of Investec Limited (continued)

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 shareholder 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 shareholder 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

(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 It is requested that 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) 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 securities register at 12 00 (South African time) on Friday, 27 July 2012 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 convened for 2 August 2012 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 13 June 2012 (the latest practicable date prior to publication of this notice) Investec plc's issued ordinary share capital consists of 598 339 612 (five hundred ninety eight million three hundred thirty nine thousand six hundred and twelve) ordinary shares of £0 0002 each Investec plc holds 0 (zero) ordinary shares in treasury for voting right purposes and therefore the total number of voting rights in Investec plc is 598 339 612 (five hundred ninety eight million three hundred thirty nine thousand six hundred and twelve)

10 As of 13 June 2012 (the latest practicable date prior to publication of this notice) Investec Limited's issued ordinary share capital consists of 276 020 221 (two hundred seventy six million twenty thousand two hundred and twenty one) ordinary shares of R0 0002 each Investec Limited holds 20 226 772 (twenty million two hundred and twenty six thousand seven hundred and seventy two) ordinary shares in treasury and therefore the total number of voting rights in Investec Limited is 255 793 449 (two hundred and fifty five million seven hundred and ninety three thousand four hundred and forty nine)

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 13 June 2012 (the latest practicable date prior to publication of this notice) the combined total number of voting rights of Investec plc and Investec Limited is 854 133 061 (eight hundred and fifty four million one hundred and thirty three thousand and sixty one)

12 Copies of Investec Limited's existing and new Memorandum of Incorporation 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 convened for 2 August 2012 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting

13 A copy of this notice can be found at www investec com

Salient features of the new Investec Limited Memorandum of Incorporation

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Authorised securities Clause 3	The company is authorised to issue the numbers and classes of shares as set out in Annexure A to the MOI All securities of a class shall rank pari passu in all respects All new shares shall be subject to the provisions of the Statutes, the JSE Listings Requirements and the MOI with reference to allotment, transfer, transmission and otherwise
Income and capital rights Clause 5	The rights attaching to the shares as regards participation in the profits of the Company are set out, among others, in clause 5 of the MOI, which include, among others, the following (a) Prior to the Conversion Date (i e for so long as the dual listed company structure continues to be in force) To the extent that the profits available for distribution are resolved to be distributed among the Holders of the Limited Ordinary Shares, the SA DAS share and the SA DAN share, it shall be distributed in such a manner as would ensure that the distributions made, when taken together with any Initial Action or Matching Action, as the case may be, are such that Company will have complied with its obligations under clause 3 of the Sharing Agreement, The Limited Special Converting Shares shall have no right to receive any dividends or other distributions (b) On and from the Conversion Date (i e after the dual listed company structure has ceased to be in force) The profits available for distribution and resolved to be distributed shall be distributed among the Holders of Limited Ordinary Shares save as regards any distribution payable by reference to a record date prior to the Conversion Date which shall not be payable to the Holders of Limited Special Converting Shares which have converted in accordance with clause 4, The SA DAN Share and SA DAS Share shall have no right to receive any dividends or other distributions On a winding-up of the Company, the assets of the Company remaining after payment of all amounts payable to the creditors of the Company and prior ranking statutory entitlements shall be distributed (a) first to the Holders of any shares in the Company's capital ranking in priority to the Limited Ordinary Shares, the SA DAS share and the SA DAN share, in accordance with the terms and conditions attaching to those shares, (b) subject to the above, to the Holders of the SA DAS share and the SA DAN share subject, in each case, to a maximum of the par value of such shares, and subject to the above, to the Holders of Limited Ordinary Shares
Redemption of redeemable shares Clause 6	The Company shall have the right, subject to written notice being given to the Holders of the relevant securities in accordance with clause 6 of the MOI, to redeem (a) at any time prior to the Conversion Date, any or all of the Limited Special Converting Shares in issue if, in the opinion of the Board, such redemption is necessary or expedient in order to maintain the Limited Equivalent Number, and (b) at any time on or after the Conversion Date, the SA DAN Share and the SA DAS Share The Company shall, subject to the provisions of the Act, pay for each Redeemable Share redeemed under clause 6 1 of the MOI an amount equal to the nominal value Paid up thereon Payment for redemption of Redeemable Shares shall be made by such means as the Company may in its absolute discretion decide
Consolidation, subdivision and cancellation Clause 8	Subject to certain provisions of the MOI and the provisions of the Statutes, and the requisite prior approval of the Registrar of Banks, the Company may, by special resolution of the Holders of Limited Ordinary Shares approving the amendment of the MOI (a) Consolidate and divide all or any part of its share capital, (b) Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, (c) Subdivide shares, or any of them, into shares of a smaller amount than is fixed by the MOI, (d) Convert any of its shares, whether issued or not, into shares of another class

Salient features of the new Investec Limited Memorandum of Incorporation (continued)

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Purchase of own securities Clause 9	Subject to the provisions of the Statutes, the JSE Listings Requirements and certain provisions of the MOI, and without prejudice to any relevant special rights attached to any class of securities, the Company and/or any of its Subsidiaries and/or Associated Companies may purchase, or may enter into a contract under which it will or may purchase, any of the Company's securities of any class in any way and at any price
Reduction of capital Clause 10	Subject to the provisions of the Act and the approval of the Registrar of Banks, if applicable, and to any rights conferred on the Holders of any class of shares, the Company may, by a resolution of the Board (a) reduce its share capital or any reserves, however described in any way with or without making equivalent or part distribution to some or all of the Holders of shares in the Company, and (b) make any distribution to the shareholders of the Company as contemplated by section 46 of the Act, whether of the kind referred to in clause 10 1 of the MOI (paragraph (a) above) or not
Restrictions attaching to shares on issue Clause 11	No shares of a listed class may be issued other than as fully paid Authorised but unissued equity securities of a particular class may be offered to the existing Holders of that class by way of a rights offer pro rata to the voting power of that Holder's voting rights of that class of equity securities immediately before the offer was made with a reasonable time allowed to subscribe, except if the equity securities are to be issued (i) for cash, for an acquisition of assets (including another company) or for the purposes of an amalgamation or merger, pursuant to the authority in clause 12 having been granted, (ii) in a capitalisation issue or (iii) in terms of option or conversion rights
Directors' power to allot and issue Clause 12	The Company may in General Meeting authorise the Directors to allot and issue all or any of the Company's authorised shares, with or without conferring a right of renunciation, granting options over or otherwise disposing of them to such persons, at such times and on such terms and conditions as they think proper, subject to the provisions of the Statutes and the JSE Listings Requirements relating to authority, pre-emption rights or otherwise
Trust interests not recognised Clause 15	Except as recognised by law, the Company shall not recognise any person as holding any security upon any trust, and, except as otherwise provided by the MOI or by law, the Company shall not be bound or compelled to recognise any equitable, contingent, future or partial interest in any security, or any other right in respect of any security, except an absolute right to the entirety thereof by the Holder
Variation of rights Clauses 34 – 35	No special rights, privileges, interests and/or conditions attached to any class of shares may (unless otherwise provided by the terms of allotment and issue of the shares of that class) be varied in any manner adverse to the Holders of that class of shares or in a manner adverse to another class of shares, unless a special resolution has been passed by the Holders of that adversely affected class of shares with the support of at least 75% of the voting rights at a separate meeting of that class or, with the consent in writing of at least 75% of the issued shares of that adversely affected class The necessary quorum shall be the Holders of that class present in person or represented by proxy and holding at least 25% of the voting rights that are entitled to be exercised in respect of the resolution required to be passed for the variation of the relevant special rights, privileges and/or conditions, but so that at any adjourned meeting any Holders of shares of the class present in person or by proxy and entitled to vote shall be a quorum Prior to the Conversion Date, any Class Rights Action of the Company shall be deemed to be a variation of the rights of the Limited Special Converting Shares and shall accordingly only be effective with the consent in writing of the Holder(s) of the Limited Special Converting Shares and without such consent shall not be done or caused or permitted to be done The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by (a) the creation or allotment and issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto or (b) a purchase of the Company's own securities as contemplated in clause 9 of the MOI

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Untraced Holders Clause 46	The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the securities of a Holder or the securities to which a person is entitled to by virtue of transmission on death or insolvency or otherwise by operation of law if and provided that (a) during the period of six years prior to the date of the publication of the advertisements referred to in clause 46 1(b) of the MOI (paragraph (b) below), or, if published on different dates, the first thereof, at least three dividends in respect of the securities in question have become payable and all dividend warrants and cheques which have been sent in the manner authorised by the MOI have remained uncashed, and (b) the Company shall as soon as practicable on expiry of such period of six years have inserted advertisements in both a national daily newspaper and in a newspaper circulating in the area in which the last known address of the Holder or the address at which service of notices may be effected under the MOI is located giving notice of its intention to sell the said securities, and (c) during the period of three months following the publication of such advertisements, the Company shall have received no indication either of the whereabouts or of the existence of such Holder or person The net proceeds of sale shall belong to the Company which shall be obliged to account to the former Holder or other person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former Holder or other person in the books of the Company as a creditor for such amount which shall be a permanent debt of the Company No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds of sale, which may be employed in the business of the Company or invested in such investments, other than securities of the Company or its holding company if any, as the Directors may from time to time think fit
General meetings Clauses 47 – 60	An AGM shall be held once in every year, at such time within a period of not more than six months from the day following the company's financial year end and not more than fifteen months after the holding of the last preceding AGM, at a place as may be determined by the Directors No General Meetings that are convened in terms of the JSE Listings Requirements may be held by means of a written resolution as is contemplated in section 60 of the Act Unless otherwise agreed with the JSE, no resolution may be proposed to be considered by shareholders in terms of section 20(2) and (6) of the Act if such a resolution would lead to the ratification of an act that is contrary to the JSE Listings Requirements Any General Meeting shall be called by at least fifteen Business Days' notice in writing Delivered by the Company to all Holders entitled to vote or otherwise entitled to receive notice and to the JSE An announcement shall also be made on the Securities Exchange News Service of the JSE For the purposes of determining which persons are entitled to attend or vote at a meeting and how many votes such person may cast, the Company shall specify in the notice of the meeting, the record date by which a person must be entered on the Register in order to have the right to participate in and vote at the meeting The quorum necessary for the commencement and continuation of a General Meeting shall be sufficient persons present in person or represented by proxy at the meeting to exercise, in aggregate, at least 25% of all the voting rights entitled to be exercised in respect of one matter on the agenda, but the General Meeting may not begin nor continue unless in addition at least three persons entitled to vote are present in person or represented by proxy at the meeting A matter to be decided at the General Meeting may not begin to be considered unless those who fulfilled such quorum requirements continue to be present
Voting rights and procedures under the Sharing Agreement Clauses 61 – 62	Clauses 61 to 62 of the MOI set out the voting rights and procedures in respect of Class Right Actions and Joint Electorate Actions under the DLC Structure Sharing Agreement made between the Company and Investec plc, as amended from time to time, which governs the dual listed company structure

Salient features of the new Investec Limited Memorandum of Incorporation (continued)

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Votes attaching to shares Clause 63	Subject to clause 50 4 of the MOI, the provisions of section 41(1) of the Banks Act and to any special rights or restrictions as to voting attached by or in accordance with the MOI to any class of shares, on a show of hands every Holder being an individual who is present in person or by proxy and entitled to vote shall have one vote and on a poll, every Holder who is present in person or by proxy (except the Holder of the Limited Special Converting Shares) and entitled to vote shall have one vote for each fully paid share of which he is the Holder The Holder of the Limited Special Converting Shares shall, on a poll, have the number of votes as set out in clause 63 2 of the MOI, which depend on whether the resolutions are in respect of Joint Electorate Actions, procedural resolutions or other decisions Holders of the SA DAS Share and the SA DAN Share shall, by virtue of their holding respectively of the SA DAS Share and the SA DAN Share, have the right to receive notice of any General Meeting and to attend but not to vote at a General Meeting except in the event of the limited circumstances contemplated in clause 63 3 of the MOI prevailing Where any share is allotted or issued or registered in the name of a person in contravention of the provisions of the Banks Act (Contravening Shares), the voting rights attached to the Contravening Shares shall, from the date on which such shares became Contravening Shares be incapable of being exercised and shall not carry any right to any distributions until such time as the Registrar of Banks or the Minister of Finance, as the case may be, has approved the acquisition or registration of the Contravening Shares The total voting rights of the Holders of all securities, other than the Limited Ordinary Shares, the Limited Special Converting Shares and any special shares created for the purpose of Black Economic Empowerment, may not exceed twenty four comma nine nine per cent of the total voting rights of all persons entitled to vote at such a meeting If a resolution is proposed to meet the requirements of the JSE, notwithstanding that the Holders of securities not listed on the JSE shall be entitled to vote thereon as a matter of law, their votes shall not be taken into account for the purposes of determining whether or not the requirements of the JSE have been attained The Company shall not permit shares to be voted upon by the holder of a beneficial interest who does not hold a proxy form from the Holder, notwithstanding any agreement permitting the holder of the beneficial interest to vote the shares to the exclusion of the Holder between the Holder and the holder of the beneficial interest
Shareholding limits Clause 69	Except as a result of a Permitted Acquisition (as described in clause 69 2 of the MOI), a person must not acquire Ordinary Shares or voting control over Ordinary Shares if such acquisition would result in such person being able to exercise (i) 30 per cent or more of the voting rights of the Company without regard to the voting rights attached to the Limited Special Converting Shares, or (ii) 30 per cent or more of the voting rights of the Company having regard to the votes capable of being cast on the Limited Special Converting Shares on a Joint Electorate Action, or (iii) 30 per cent or more of the voting rights of the PLC without regard to the voting rights attached to the PLC Special Voting Share, or (iv) 30 per cent or more of the voting rights of PLC having regard to the votes capable of being cast on the PLC Special Voting Share on a Joint Electorate Action Where any person makes an acquisition, other than a Permitted Acquisition, which triggers any of the Limits (a) that person, and any other Holder acting in concert with that person (each a 'Defaulting Holder'), shall be in breach of the MOI, and (b) any Limited Ordinary Shares held by such Defaulting Holder(s) (or over which voting control is exercised) which cause the relevant Limit to be equalled or exceeded shall be designated as 'Excess Shares' for the purposes of this clause 69 Excess Shares shall be dealt with as contemplated in clause 69 4 of the MOI
Proxies and corporate representatives Clauses 70 – 75	A Holder entitled to attend a General Meeting may appoint a proxy or proxies to attend and vote on his behalf A proxy need not be a Holder Unless the form of proxy provides otherwise, a proxy may vote or abstain at his discretion

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Election of Directors and filling of vacancies Clauses 76 and 90	The minimum number of Directors shall be four and the maximum number shall be twenty The Company may by ordinary resolution approved in accordance with Clause 62 of the MOI elect any person to be a Director or additional Director The Directors shall have the power to appoint any person to fill a casual vacancy Any person so appointed by the Directors shall hold office only until the Company's next AGM and shall then be eligible for re-election
Remuneration of Directors Clauses 78 to 81	The Directors shall be entitled to such remuneration for their services as Directors as may have been determined from time to time by special resolution, authorising the basis for such compensation, within the previous two years The amount of remuneration shall from time to time be proposed for shareholder approval by a disinterested quorum of Directors, provided that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to a proportion of remuneration related to the period during which he has held office Subject to the Statutes and the JSE Listings Requirements, any Director who holds any executive office with the Company or PLC, including for this purpose the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity, or who is employed as a director or employee of a company controlled by, or itself a Subsidiary or Associated Company of, the Company, or who otherwise performs services in relation to the business of the Combined Group which are outside the scope of the ordinary duties of a director, may, subject to clause 78, be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits, including, without limitation, costs associated with residing overseas, as a disinterested quorum of Directors may reasonably determine The Company may repay to any Director and member of a Board committee all such reasonable expenses as determined by a disinterested quorum of Directors, as he may incur in attending and returning from meetings of the Board, meetings of any committees appointed pursuant to clause 104 or General Meetings or otherwise in connection with the business of the Company or PLC Directors are authorised to pay gratuities, pensions and other benefits to any person, or to any scheme or fund, in respect of a Director or previous Director
Retirement of Directors by rotation Clauses 85 – 87	At each AGM, any Director who was elected or last re-elected a Director at or before the AGM held in the third calendar year before the current year, shall retire by rotation In addition to Directors so retiring and to Directors whose term of office ceases in terms of Clause 90, such further Directors, if any, shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of meeting (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) Each Director (other than the Chairman or any director holding executive office) shall retire at each AGM following the 9th anniversary of the date on which he/she was first elected The Directors to retire shall include firstly, any Director who wishes to retire and not offer himself up for re-election, and then those of the Directors who have been longest in office since their last election/re-election A retiring Director shall be eligible for re-election
Vacation of office as Director Clauses 91 and 92	The office of a Director shall be vacated, among others, if he/she becomes prohibited or disqualified from acting as a director, resigns by written notice, becomes insolvent, is declared by a court to have a mental disorder or ceases to be a director of Investec plc The Company may, in accordance with and subject to the Statutes, by ordinary resolution, remove a Director before the expiration of his period of office without prejudice to any claim such Director may have to damages for breach of contract
Proceedings of Directors Clauses 95 – 99	The necessary quorum for a Directors' meeting may be fixed by the Directors and unless so fixed shall be four The Directors may elect from their number a Chairman or Joint Chairmen and a Deputy Chairman or two or more Deputy Chairmen and determine the period for which each is to hold office Questions arising at a Directors' meeting shall be determined by a majority of votes In the case of an equality of votes the chairman of the meeting shall have a second or casting vote A written resolution, of which each Director has received notice of the matter to be decided, signed by the majority of the Directors entitled to vote thereon, being not less than a quorum for meetings of Directors, shall be as valid and effectual as a resolution passed at a Directors' meeting

Salient features of the new Investec Limited Memorandum of Incorporation (continued)

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Personal financial interests of Directors, prescribed officers and members of Board committees Clause 101	Subject to the provisions of the Statutes, and provided that he has disclosed to the Directors the nature and extent of any interest of his, a Director may, notwithstanding his office, have personal financial interests of the sort specified in the MOI The MOI also provides, in accordance with s75 of the Act, that the duty to disclose personal financial interests applies to a director, an alternate director, a prescribed officer, and a member of a Board committee The MOI sets out the circumstances under which such persons are to disclose personal financial interests, as well as the procedures to be followed when such disclosures are made, which were established in accordance with the provisions of the Act
Committees of the Directors Clauses 104 and 105	The Directors may delegate any of their powers to a committee of the Board Such committee shall, unless the Directors otherwise resolve, have the power to sub-delegate to sub-committees any of the powers delegated to it Each committee shall consist of two or more Directors, and other persons, who may be co-opted if necessary The meetings and proceedings of committee meetings shall be governed *mutatis mutandis* by the provisions of the MOI regulating the meetings and proceedings of Directors
General powers of Directors Clause 106	The Directors shall, subject to any regulations of the MOI, the provisions of the Statutes and such regulations as may be prescribed by ordinary resolution or special resolution of the Company, manage the business and affairs of the Company and may exercise all such powers of the Company as are not required by the Act or the MOI to be exercised by the Company in General Meeting The general powers of the Directors shall not be limited or restricted by any special authority or power given to the Directors by any other clause in the MOI
Powers and obligations in relation to the DLC Agreements Clause 107	Clause 107 of the MOI sets out the powers and obligations of the Directors in relation to the implementation of the DLC Agreements and any further or other agreements or arrangements contemplated by or relating to such agreements Such powers and obligations include, among others, it being permissible for the Directors, in addition to their duties to the Company, to have regard to the interests of Investec plc and both the holders of PLC Ordinary Shares and Limited Ordinary Shares as if the Company and Investec plc were a single unified entity and for that purpose the Directors shall in exercising their powers take into account the interests of the holders of PLC Ordinary Shares In the absence of fraud or negligence, neither the Company nor any Holder(s) shall have the right to bring any proceedings or claims against any Director(s) which arise out of or in connection with anything done in good faith by any Director(s) or the Board pursuant to the DLC Obligations
Borrowing powers and restrictions Clause 112	Subject to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to indemnify, to guarantee, to mortgage or charge its undertaking, property, assets (present and future) or any part or parts thereof and to issue any debentures whether secured, unsecured or subordinated and whether convertible into shares of any class or not and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party
Alternate directors Clause 113	Any Director may at any time appoint any person, including another Director, to be his alternate Director and may in like manner at any time terminate such appointment Such appointment, unless previously approved by the Directors or unless the appointee is another Director, shall, subject to the Statutes, have effect only upon and subject to both the approval of the Directors as aforesaid and his appointment by the same person as an alternate director of Investec plc becoming effective An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent, *mutatis mutandis*, as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part, if any, of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct
Secretary Clause 114	Subject to the Statutes, the Secretary shall be appointed by the Directors on such terms and for such period as they may think fit Any Secretary so appointed may at any time be removed from office by the Directors, but without prejudice to any claim for damages for breach of any contract of service between him and the Company
Establishment of reserves Clause 117	The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided The Directors may also without placing the same to reserve carry forward any profits

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Business bought as from past date Clause 118	Subject to the Statutes, where any asset, business or property is bought by the Company as from a past date the profits and losses thereof as from such date may at the discretion of the Directors in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the Company Subject as aforesaid, if any shares or securities are purchased cum dividend or interest, such dividend or interest may at the discretion of the Directors be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof
Dividends Clauses 119 - 130	Subject, among others, to the Statutes, the Directors may declare and authorise the distribution of final, fixed and interim dividends by the Company, and the Company may, by ordinary resolution, declare final dividends for distribution thereby, and may direct the payment of a distribution, in whole or in part, *in specie*, provided, among others, that the Board has authorised the distribution Where any difficulty arises in regard to a distribution in specie, the Directors may settle the same as they think expedient and in particular may fix the value for distribution of such specific assets or any part thereof, may determine that cash shall be Paid to any Holders upon the basis of the value so fixed in order to adjust the rights of Holders and may vest any assets in trustees No dividend shall be paid otherwise than out of profits available for distribution or the Company's distributable reserves Dividends or other moneys payable on or in respect of a share shall not bear interest as against the Company The Company shall hold all unclaimed dividends or other moneys payable on or in respect of a share in a separate account and any dividend unclaimed after a period of six years from the date on which such dividend was declared or became due for payment shall be forfeited and cease to remain owing by the Company
Capitalisation of profits and reserves Clause 131	Subject to certain provisions of the MOI and the provisions of the Act, the Directors may resolve to capitalise any sum standing to the credit of the Company's reserve accounts however described, including without limitation, any share premium account, capital redemption reserve or other undistributable reserve, or any sum standing to the credit of the profit and loss account, by (i) appropriating such sum pro rata to such Holders (including any class thereof) as the Directors may decide, and (ii) applying such sum on behalf of such Holders in paying up in full unissued shares of any class subject to any special rights previously conferred on any shares or class of shares for the time being issued
Scrip dividends Clause 132	Subject to certain provisions of the MOI, the Directors may offer the Holders of Limited Ordinary Shares the right to receive an allotment of a new Limited Ordinary Shares credited as fully Paid in lieu of any dividend In relation to any particular proposed dividend the Directors may in their absolute discretion decide (i) that shareholders shall not be entitled to make any election in respect thereof and that any election previously made shall not extend to such dividend, or (ii) at any time prior to the allotment of the Limited Ordinary Shares which would otherwise be allotted in lieu thereof, that all elections to take shares in lieu of such dividend shall be treated as not applying to that dividend, and if so the dividend shall be Paid in cash as if no elections had been made in respect of it
Accounting Records Clauses 133 and 114	A copy of every balance sheet and profit and loss account, or summary thereof, which is to be laid before a General Meeting of the Company, including every document required by law to be comprised therein or attached or annexed thereto, shall not less than fifteen Business Days before the date of the meeting be Delivered to every Holder of securities of the Company, to the Registrar of Banks and to every beneficial owner who has elected to receive such documents or any other person who is entitled to receive notices of meetings from the Company under the provisions of the Statutes or of the MOI To the extent permitted by Statute, such documents may be sent by electronic communication The Company shall notify the beneficial owners of securities of the publication of any annual financial statements of the Company, setting out the steps required to obtain a copy thereof If such a beneficial owner demands a copy of the annual financial statements, the Company shall make same available to such person free of charge
Auditors Clauses 135 and 136	Subject to the Statutes, all acts done by persons acting as the Company's Auditors shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in such persons' appointment or that the persons were not qualified for appointment or subsequently became disqualified

Salient features of the new Investec Limited Memorandum of Incorporation (continued)

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Notices Clauses 137 – 145	Subject to certain provisions of the MOI, any notice or document may be served on or delivered to any Holder or beneficial owner, by the Company, either personally or by sending it by pre-paid post, or by delivering it to such address supplied by him Such notice or document and any information sent or supplied by the Company in hard copy form, or in electronic form, and which is properly addressed shall be deemed to be delivered to the intended recipient on the date and at the time determined in accordance with Table CR3 in the regulations promulgated under the Act The accidental failure to send, or the non-receipt by any person entitled to, any notice of or other document relating to any meeting or other proceeding shall not invalidate any action taken at the relevant meeting or other proceeding A Holder who notifies the Company of an e-mail address or fax number for the purpose of his receiving electronic communications from the Company shall be deemed to have agreed to receive notices and documents via electronic communication from the Company at his e-mail address or fax number
Distribution of assets *in specie* on winding up of the Company Clause 147	If the Company shall be liquidated, the liquidator may, with the authority of a special resolution, divide among the Holders *in specie* or kind the whole or any part of the assets of the Company, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Holders or different classes of Holders The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Holders as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Holder shall be compelled to accept any shares or other property in respect of which there is a liability
Indemnity Clause 149	Subject to the Statutes, every Director, alternate Director, a prescribed officer, member of a Board or statutory committee, secretary and other officer of the Company shall be indemnified by the Company out of its own assets or funds against and/or exempted by the Company from all costs, charges, losses, expenses and liabilities incurred by him in the discharge of his duties and/or the exercise and/or otherwise in relation to or in connection with his duties, powers or office Subject to the Statutes, the Directors may purchase and maintain insurance for the benefit of any current or previous Director, alternate Director, a prescribed officer, member of a Board or statutory committee and other officer of any Relevant Company or any person who is or was a trustee of any pension fund or employees' share scheme in which employees of any Relevant Company are interested
Amendments to MOI Clause 151	Subject to the provisions of the Statutes, the board is empowered to correct any errors in the MOI substantiated as such from objective evidence or which are self evident and to comply with the requirements of the Act when the terms and conditions of issue of preference shares are determined, as provided for in clauses 153 and 154, and any other amendments to the MOI may only be made if approved by the Company in General Meeting by a special resolution of the Holders of Limited Ordinary Shares
Rules Clause 152	The Board shall not have the capacity to make, amend or repeal any rules relating to the governance of the Company in respect of matters that are not addressed in the Act or in the MOI
Preference shares Clauses 153 – 155	Clauses 153 to 155 of the MOI set out, among others, certain rights, preferences and/or limitations (as the case may be) of the variable rate cumulative redeemable preference shares, the class 'A' variable rate compulsory convertible non-cumulative preference shares and the non-redeemable, non-cumulative, non-participating preference shares in the capital of the Company
Odd-lot Offers Clause 156	Subject to the Company's shareholders passing an ordinary resolution to this effect, the Company may at any time make an Odd-lot Offer on such terms as the Directors shall determine If, upon the implementation of any Odd-lot Offer in accordance with the JSE Listings Requirements, or any similar procedure, there are Holders who hold less than 100 Limited Ordinary Shares in the Company or Holders who hold less than 100 Limited Ordinary Shares on behalf of a person who owns the beneficial interest in such shares (Odd-lots), then unless such Holders either elected to retain their Odd-lots or to sell their Odd-lots in accordance with the terms of the Odd-lot Offer, such Holders shall be deemed to have agreed to sell their Odd-lots and the Directors shall with the approval of any ordinary resolution of shareholders passed at any General Meeting of the Company, be entitled to cause the Odd-lots of such Holders to be sold on behalf of such Holders on such basis as the Directors may determine and the Company shall account to such Holders for the proceeds attributable to them pursuant to the sale of such Odd-lots All unclaimed proceeds of sale of Odd-lots shall belong to the Company which shall be obliged to account to the former Holder or other person entitled to the proceeds of sale for an amount equal to such proceeds and shall enter the name of such former Holder or other person in the books of the Company as a creditor for such amount which shall be a permanent debt of the Company No trust shall be created in respect of the debt, no interest shall be payable in respect thereof and the Company shall not be required to account for any money earned on the net proceeds of sale, which may be employed in the business of the Company or invested in such investments, other than shares of the Company or its holding company if any, as the Directors may from time to time think fit

Theme/Clause	Content of new Memorandum of Incorporation (MOI)
Authorised Shares Annexure A	Annexure A of the MOI sets out, among others, the authorised share capital of the Company, being (a) 450 000 000 ordinary shares with a par value of R0 0002 each, (b) 40 000 000 class 'A' variable rate compulsorily convertible non-cumulative preference shares with a par value of R0 0002 each, (c) 50 000 variable rate redeemable cumulative preference shares with a par value of 60 cents, (d) 100 000 000 non-redeemable non-cumulative non-participating preference shares with a par value of R0 01 each, (e) 1 dividend access (South African Resident) redeemable preference share with a par value of R1 00 each, (f) 1 dividend access (Non-South African Resident) redeemable preference share with a par value of R1 00 each, and (g) 700 000 000 special convertible redeemable preference shares with a par value of R0 0002 each

The new MOI should be read in its entirety for a full appreciation of the contents thereof

Notice of class meeting of Investec Limited

Notice of class meeting of Investec Limited

(Registration number 1925/002833/06)
Share code INPR | ISIN ZAE000063814

Investec

Specialist Bank and Asset Manager

Notice is hereby given that a class meeting of holders of non-redeemable, non-cumulative, non-participating preference shares (the Investec Perpetual Preference Shares) in Investec Limited will be held at 09 30 at the registered office of Investec Limited, Ground Floor, 100 Grayston Drive, Sandown, Sandton 2196 on Thursday, 2 August 2012 to consider and, if deemed fit, pass, with or without modifications, the resolution below, to be passed as if it were a special resolution

Kindly note that in terms of section 63(1) of the Companies Act No 71 of 2008, as amended (the Act), meeting participants (including proxies) will be required to provide reasonable satisfactory identification before being entitled to participate in or vote at a shareholders' meeting Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports

The purpose of this meeting is to obtain approval relating to the resolution set forth in this notice The resolution is proposed to approve the amendment of the Memorandum of Incorporation regarding the rights of the Investec Perpetual Preference Shares Any such amendment to the Memorandum of Incorporation is not meant to harmonise the provisions of the Memorandum of Incorporation with the provisions of the Companies Act, No 71 of 2008, as amended, but simply to amend the Memorandum of Incorporation as regards the preference dividends payable to the holders of the Investec Perpetual Preference Shares

Record dates, proxies and voting

- In terms of section 59(1)(a) and (b) of the Act, the board of the company has set the record date for the purpose of determining which holders of the Investec Perpetual Preference Shares (shareholders) are entitled to
  - Receive notice of the class meeting (being the date on which a shareholder must be registered in the company's securities register in order to receive notice of the class meeting) as Friday, 29 June 2012, and
  - Participate in and vote at the class meeting (being the date on which the shareholder must be registered in the company's securities register in order to participate in and vote at the class meeting) as Friday, 27 July 2012
- Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration, and who are entitled to attend, participate in and vote at the class meeting, are entitled to appoint a proxy to attend, speak and vote in their stead
- A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll
- It is requested that proxy forms be forwarded so as to reach the transfer secretaries in South Africa by no later than 48 (forty-eight) hours before the commencement of the class meeting
- Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration, and who are entitled to attend, participate in and vote at the class meeting, and who do not deliver proxy forms to the transfer secretaries in South Africa by the relevant time, will nevertheless be entitled to lodge the form of proxy in respect of the class meeting immediately prior to the exercising of the shareholders' rights at the class meeting in accordance with the instructions therein, with the chairman of the class meeting
- Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own-name' registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker
  - To furnish them with their voting instructions, or
  - In the event that they wish to attend the class meeting, to obtain the necessary letter of representation to do so
- On a poll, every shareholder who is present in person or represented by a proxy shall have one vote for each fully paid up share for which he is the holder
- The resolution must be passed in the same manner as a special resolution of the company
- The class meeting is a meeting at which only holders of the Investec perpetual preference shares in the company are entitled to vote on the resolution, to be passed as if it were a special resolution

Resolution to be passed as if it was a special resolution

1 Resolution No 1 Amendment to the existing Memorandum of Incorporation

Resolved that

- Article 152 of the existing Memorandum of Incorporation of Investec Limited be amended in terms of and pursuant to the provisions of section 16(5)(b) of the Companies Act No 71 of 2008, as amended, as follows

  (a) the deletion of the existing Article 152 1 8 and the replacement thereof with the following new Article 152 1 8

  "152 1 8 'preference dividend rate' means, in respect of any preference dividend payable by the company on any preference dividend payment date

  152 1 8A to the extent to which the company has STC credit which equals or exceeds the whole or any part of such preference dividend, then that portion of the preference dividend in respect of which the company has STC credit shall be calculated in accordance with article 152 2 4 at a rate that will not exceed 70% (seventy percent) of the prime rate, or

  152 1 8B to the extent to which the company does not have STC credit which equals such preference dividend, then that portion of the preference dividend in respect of which the company has insufficient STC credit shall be calculated in accordance with article 152 2 4 at a rate that will not exceed 77 77% (seventy seven point seven seven percent) of the prime rate, in each case with the prime rate being used as a rate of reference,"

  (b) by the insertion of the following new Article 152 1 9A immediately after Article 152 1 9

  "152 1 9A 'STC credit' means an amount determined in terms of section 64J(2) of the Income Tax Act "

  (c) by the deletion of the existing Article 152 2 7 in its entirety

  The reason and effect of this resolution No 1 is to allow for the gross-up of the dividend rate payable to the holders of the non-redeemable, non-cumulative, non-participating preference shares of Investec Limited following the implementation of dividend tax which came into effect in South Africa on 1 April 2012

  The directors of Investec Limited consider that the proposed resolution in the notice of the class meeting of holders of the non-redeemable, non-cumulative, non-participating preference shares (perpetual preference share) is in the best interests of Investec Limited and its holders of perpetual preference shares and recommend that you vote in favour hereof

By order of the board

B Coetsee
Company secretary

Sandton
13 June 2012

Registered office
c/o Company secretarial
Investec Limited
100 Grayston Drive
Sandown 2196

PO Box 785700
Sandton 2146

Notice of class meeting of Investec Limited (continued)

Notes

1 On a poll, every shareholder who is present in person or represented by a proxy shall have one vote for each fully paid up share for which he is the holder

2 A shareholder who is entitled to attend and vote at the class 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 Limited

3 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

4 It is requested that 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), 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

5 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 on 27 July 2012 or, if the meeting is adjourned, 48 (forty eight) hours before the time fixed for the adjourned meeting, as the case may be

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 A copy of this notice can be found at www investec com

Corporate information

Investec plc and Investec Limited

Secretary and registered office

Investec plc

David Miller
2 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4000
Facsimile (44) 20 7597 4491

Investec Limited

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

Internet address

www.investec.com

Registration number

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

Auditors

Ernst & Young LLP
Ernst & Young Inc

Transfer secretaries in the UK

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
Telephone (44) 870 707 1077

Transfer secretaries in South Africa

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

Directorate

Executive directors

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

Non-executive directors

Sir David Prosser (joint chairman)
Fani Titi (joint chairman)
Sam E Abrahams
George FO Alford (senior independent NED)
Cheryl A Carolus
Perry KO Crosthwaite
Olivia C Dickson
Bradley Fried
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Peter RS Thomas

Investec offices – contact details

Refer to pages 422 and 423

For queries regarding information in this document

Investor Relations

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(44) 20 7597 5546
e-mail investorrelations@investec.com
Internet address
www.investec.com/en_za/#home/investor_relations.html

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Facsimile (61) 7 3018 8108
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Channel Islands, St Peter Port

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St Peter Port Guernsey
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Harbour City Tsimshatsui Kowloon
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Ridgeside Office Park
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  - Institutional Securities
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Facsimile (27 44) 382 4954

South Africa, Mbombela (formerly Nelspruit)

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Facsimile (27 13) 756 0990

South Africa, Pietermaritzburg

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South Africa, Port Elizabeth

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Port Elizabeth 6045
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Facsimile (27 12) 427 8310

South Africa, Stellenbosch

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Facsimile (44 207) 597 4070

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Facsimile (44 161) 819 7901

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Investec Asset Management Connecticut

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Stanford Connecticut 06901
Telephone (1 203) 324 0010
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Notes

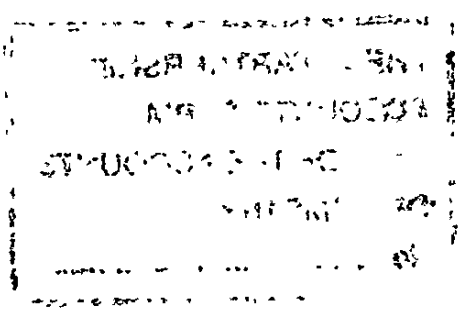
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Investec Tier 1 (UK) LP

Annual Report and Audited Financial Statements

31 March 2012





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MANAGEMENT AND ADMINISTRATION

General Partner and Manager
Investec plc
2 Gresham Street
London EC2V 7QP

Initial Limited Partner
BT Globenet Nominees Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB

Priority Limited Partner
Investec Holding Company Limited
2 Gresham Street
London EC2V 7QP

Administrator
The Law Debenture Trust Corporation p l c
Fifth Floor, 100 Wood Street
London EC2V 7EX

Legal advisors to the Partnership
Linklaters
One Silk Street
London EC2Y 8HQ

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

THE MANAGER'S REPORT

We are pleased to present the partnership report and financial statements for the year ended 31 March 2012

Principal activity and business review

The partnership was established by Investec plc on 20 June 2005 The principal activity of the partnership is to engage in financial arrangements and transactions and to assist in financing the operations of the Investec group The partnership's main source of income is interest on its perpetual subordinated loan to Investec plc The partnership has issued Preferred Security notes and the proceeds have been lent to Investec plc on similar terms so as to minimise liquidity risk, currency risk and interest rate risk The partnership will continue to operate in this capacity for the foreseeable future

Financial results

The financial statements of the partnership are set out on pages 6 to 11 The allocation of profit and losses is in accordance with the Partnership Agreement ("the agreement") (see Note 8) The profit for the year ended 31 March 2012 was € 14,150,000 (2011 € 14,150,000)

The partnership paid a dividend of €14,150,000 on the preferred securities on the 24 June 2011

Principal risks and uncertainties

The financial risks are managed at the Investec plc group level Any liquidity risk, interest rate risk or foreign currency risk is eliminated as the terms and currency of the preferred securities are matched with the terms and currency of the perpetual subordinated notes purchased from Investec plc As such, all material principal risks and uncertainties are mitigated

Going concern

On the basis of current financial projections the manager has a reasonable expectation that the partnership has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements

Auditors

Ernst & Young LLP will be proposed for reappointment by the manager

Approved by the manager and signed on its behalf by

Bernard Kantor

Date 19 June 2012

STATEMENT OF THE MANAGER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Investec Tier 1 (UK) LP limited partnership agreement dated 20 June 2005, (the "agreement"), which constitutes Investec Tier 1 (UK) LP (the "partnership") requires the manager (under the supervision and authority of the general partner) to prepare financial statements for the partnership for each financial period in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the manager must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period In preparing those financial statements the manager is expected to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business

The manager is responsible for keeping proper accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy, at any time, the financial position of the partnership and to ensure that the financial statements comply with the agreement and are in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and under the historical cost convention and in accordance with applicable accounting standards and on a going concern basis The manager also has general responsibility for taking steps to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC TIER 1 (UK) LIMITED PARTNERSHIP

We have audited the financial statements of Investec Tier 1 (UK) Limited Partnership for the year ended 31 March 2012 which comprise the Profit and Loss Account, Balance Sheet, Partners' Accounts and the related notes 1 to 10 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the partnership, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applicable to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 Our audit work has been undertaken so that we might state to the partnership those matters we are required to state to them in an auditors' 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 partnership, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of manager and auditor

As explained more fully in the Manager's Responsibilities Statement set out on page three, the Manager is 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 qualifying partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the manager, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Manager's 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 qualifying partnership's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Michael-John Albert, (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

21 June 2012

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2012

	Notes	2012 €000	2011 €000
Income	3	14,150	14,150
Expenses	4	-	-
Profit for the year available for distribution	8	14,150	14,150

The above activities are continuing

There are no recognised gains or losses in either year other than those stated in the profit and loss account

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis

The accompanying notes form part of these financial statements

BALANCE SHEET

at 31 March 2012

	Notes	2012 €000	2011 €000
FIXED ASSETS			
Perpetual Subordinated Notes	5	200,000	200,000
CURRENT ASSETS			
Debtors	6	10,865	10,865
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year		-	-
NET CURRENT ASSETS		10,865	10,865
NET ASSETS		210,865	210,865
FINANCED BY			
Preferred Securities	7	200,000	200,000
Partners' Interests		10,865	10,865
		210,865	210,865

Approved by the manager

Bernard Kantor
For and on behalf of Investec plc

Date 19 June 2012

The accompanying notes are an integral part of these financial statements

PARTNERS' ACCOUNTS

for the year ended 31 March 2012

	Limited Partners €000	General Partner €000	Total €000
Partners' capital			
At 1 April 2011	10,855	10	10,865
Preferred Securities dividend paid	(14,150)	-	(14,150)
Profit for the year	14,150	-	14,150
At 31 March 2012	10,855	10	10,865

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2012

1. ORGANISATION AND BUSINESS

Investec Tier 1 (UK) LP ("the partnership") was constituted under the Limited Partnership Act, 1907 (the "act") on 20 June 2005 as a limited partnership under English law by a limited partnership agreement dated 20 June 2005 (the "agreement")

Investec plc (the "general partner"), is the general partner and founder partner of the partnership

Objective

The objective of the partnership is to raise and provide finance and financial support to the general partner and its group

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the partnership are as follows

Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and under the historical cost convention and in accordance with applicable accounting standards and on a going concern basis

Income

Income is recognised on an accrual basis using the effective interest rate method

Cash flow statement

The partnership is exempt from the requirements to prepare a cash flow statement under Financial Reporting Standard 1, because a consolidated cash flow statement is included in the publicly available consolidated financial statements of its general partner, Investec plc

Taxation

There is no tax charge for the partnership, as each partner is responsible for discharging his or her liability to income tax arising there from

Debt instruments

The perpetual subordinated notes are initially recognised at fair value and are carried in the balance sheet at amortised cost applying the effective interest rate method

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the partnership will 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 on a portfolio of similar, homogeneous assets The impairment is credited against the carrying value of financial assets The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate 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

Disclosure of financial instruments

The partners have taken advantage of the disclosure exemptions available to subsidiary undertakings in Financial Reporting Standard 29

3 INCOME

	2012 €000	2011 €000
Interest on Perpetual Subordinated Notes	14,150	14,150

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2012

4. EXPENSES

In the current and prior year, the auditors' remuneration has been borne by another group company The partnership had no employees during the year (2011 – no employees)

5 PERPETUAL SUBORDINATED NOTES

On 24 June 2005 Investec plc issued €200,000,000 Fixed/Floating Rate Perpetual Subordinated Notes The notes have no final maturity and the issuer may at its option redeem all of the Notes on 24 June 2015 or any subsequent quarter end These notes were purchased by the partnership

6 DEBTORS

	2012 €000	2011 €000
Accrued interest on Perpetual Subordinated Notes	10,855	10,855
Other debtors	10	10
	10,865	10,865

7 PREFERRED SECURITIES

On 24 June 2005 the partnership issued €200,000,000 Fixed/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ("preferred securities"), listed on Euronext, Amsterdam 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 three month euro-zone interbank offered rate Until the tenth anniversary of the issue, the dividend on the preferred securities will be a 7 075 per cent The annual dividend is due on 24 June or next business day 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 guarantor

Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the guarantor if Investec plc's capital ratios fall below the minimum level permitted by the Regulator

8 ALLOCATION OF PROFITS AND LOSSES

Subject to the act, and subject to the terms of the agreement, the issuer's income shall be allocated on each distribution payment date or on any date determined by the general partner as follows

(a) first, to the priority limited partner for its own account if distributions are not payable in full on any distribution payment date, provided that if any distributions are payable in part on such distribution payment date, income up to the amount of such partial distribution shall be allocated first to the limited partners with the remainder to the priority limited partner for its own account,

(b) secondly, to the limited partners as holders of the preferred securities for the payment of distributions, and

(c) thirdly, all remaining sums exclusively to the general partner for its own account

Income of the issuer paid in accordance with (a) or (b) above shall be allocated pro rata among the holders until the amount so allocated to each holder equals the amount of distributions payable to that holder as determined in accordance with the terms of the preferred securities

The issuer's losses for any distribution period (other than losses caused by a depreciation in the market or capital value of any of the partnership assets) shall be allocated to the general partner in so far as they reflect expenses, debts, liabilities and obligations for which the general partner has assumed responsibility under the terms of the agreement

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2012

9. RELATED PARTY TRANSACTIONS

The manager has taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties which are members of Investec plc Group

10 ULTIMATE PARENT UNDERTAKING

The partnership's immediate parent undertaking is Investec plc

The partnership's ultimate parent undertaking and controlling party is Investec plc, a company incorporated in the United Kingdom and registered in England and Wales The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2V 7QP This is the smallest and largest group in which the results of the company are consolidated