

## Directors' report

### Business review

Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia, as well as certain other markets. Investec is organised into five principal business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities. In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as trade finance.

The operating financial review on pages 6 to 8 provides an overview of the group's strategic position, performance during the financial year and outlook for the business. It should be read in conjunction with the sections on pages 9 to 152 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 31 to the financial statements.

#### Investec plc

The ordinary shares and the special convertible preference shares were subdivided on a 5 for 1 basis on 4 September 2006.

During the year the following shares were issued:

- 5 700 000 preference shares on 22 February 2007 at 887 pence per share.
- 9 381 149 preference shares on 3 August 2006 at 859 pence per share.
- 2 613 835 ordinary shares on 22 February 2007 at 640 pence per share.
- 1 830 642 ordinary shares on 23 November 2006 at 209 pence per share.
- 800 000 ordinary shares on 23 July 2006 at 1 054 pence per share.

#### Investec Limited

The ordinary shares, class "A" variable rate compulsory convertible preference shares and the special convertible preference shares were subdivided on a 5 for 1 basis on 4 September 2006.

During the year the following shares were issued:

- 1 100 000 ordinary shares on 4 July 2006 at R164.50 per share (this occurred prior to the 5 for 1 share split).
- 2 173 785 ordinary shares on 20 November 2006 at R31.94 per share (this occurred after the 5 for 1 share split).
- 800 000 special convertible redeemable preference shares on 4 July 2006 at R0.001 per share (this occurred prior to the 5 for 1 share split).
- 1 830 642 special convertible redeemable preference shares on 20 November 2006 at R0.0002 per share (this occurred after the 5 for 1 share split).
- 2 613 835 special convertible redeemable preference shares on 19 February 2007 at R0.0002 per share (this occurred after the 5 for 1 share split).

### 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 2007.

#### Ordinary dividends

#### Investec plc

An interim dividend was declared to shareholders as follows:

- 10 pence per ordinary share to non-South African resident shareholders (2006: 7.6 pence) registered on 15 December 2006.

- to South African resident shareholders registered on 15 December 2006, a dividend paid by Investec Limited on the SA DAS share, equivalent to 5 pence per ordinary share and 5 pence per ordinary share paid by Investec plc.

The dividends were paid on 22 December 2006.

The directors have proposed a final dividend to shareholders registered on 27 July 2007, which is subject to the approval of the members of Investec plc at the Annual General Meeting which is scheduled to take place on 8 August 2007 and, if approved, will be paid on 13 August 2007.

Shareholders in Investec plc will receive a distribution of 13 pence (2006: 10.6 pence) per ordinary share.

## Investec Limited

An interim dividend of 138 cents per ordinary share (2005: 89.2 cents) was declared to shareholders registered on 15 December 2006 and was paid on 22 December 2006.

The directors have proposed a final dividend of 180 cents per ordinary share (2006: 125.4 cents) to shareholders registered on 27 July 2007 to be paid on 13 August 2007. The final dividend is subject to the approval of members of Investec Limited at the Annual General Meeting scheduled for 8 August 2007.

The holders of 3 700 000 Investec Limited shares have agreed to waive their rights to the proposed final dividend.

## Preference dividends

### Investec plc

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

Preference dividend number 1 for the period 3 August 2006 to 30 September 2006, amounting to 9.3 pence per share, was declared to members holding preference shares registered on 8 December 2006 and was paid on 11 December 2006.

Preference dividend number 2 was declared amounting to:

- 30.2 pence per share for the period 1 October 2006 to 31 March 2007 in respect of the preference shares trading on the JSE Limited ("JSE") (ISIN: GB00B19RX541).
- 6.51 pence per share in respect of the further tranche of preference shares issued on 22 February 2007 in respect of the period 22 February 2007 to 31 March 2007 (ISIN: GB00B1N73946) and trading on the Channel Islands Stock Exchange ("CISX").

Preference dividend number 2 will be paid to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on 29 June 2007 on 4 July 2007.

#### Preferred securities

The second 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 the 24 June 2005, is due on 24 June 2007 and will be paid on the next business day, the 25 June 2007.

### Investec Limited

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

Preference dividend number 4 for the period 1 April 2006 to 30 September 2006 amounting to 385 cents per share was declared to members holding preference shares registered on 8 December 2006 and was paid on 11 December 2006.

Preference dividend number 5 for the period 1 October 2006 to 31 March 2007 amounting to 428.44 cents per share was declared to members holding preference shares registered on 29 June 2006 and will be paid on 4 July 2006.

#### Redeemable cumulative preference shares

Dividends amounting to R32 452 219.18 were paid on the redeemable cumulative preference shares.

## Directors and secretaries

Details of directors and secretaries of Investec plc and Investec Limited are reflected on pages 145 to 148 and at the beginning of the Annual Report.

In accordance with the Articles of Association, Messrs SE Abrahams, GFO Alford, GR Burger, HS Herman, DE Jowell, IR Kantor, A Tapnack, PRS Thomas and FTiti retire by rotation at the forthcoming Annual General Meeting, but being eligible, offer themselves for re-election.

## Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 132 to 138.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

## Share incentive trusts

Details regarding options granted during the year are set out on pages 184 and 185.

## Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the group's Finance division, to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems. Further details on the role and responsibility of the Audit Committee are set out on page 113.

## 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 reappoint them as auditors will be proposed at the next Annual General Meeting scheduled to take place on 8 August 2007.

## Contracts

Refer to page 124 for details of contracts with directors.

## Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 228 and 229.

## Major shareholders

The largest beneficial shareholders of Investec plc and Investec Limited are reflected on page 142.

## Special resolutions

### Investec plc

At the Annual General Meeting held on 10 August 2006, 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 166 of the Companies Act, 1985.
- a renewable authority was granted to Investec plc to allot equity securities of the Company for cash without application of the pre-emption rights provided by section 89 of the UK Companies Act, 1985.
- An authority was granted to Investec plc that each ordinary share and special converting share be subdivided into 5 ordinary shares and 5 special converting shares, respectively.
- various amendments were made to the Articles of Association to reflect the changes to the share capital of Investec plc following the subdivision of the Investec plc ordinary shares and the special converting shares.

## Investec Limited

At the Annual General Meeting held on 10 August 2006, the following special resolutions were passed in terms of which:

- a renewable authority was granted to Investec Limited and its subsidiaries to acquire its own shares in terms of Section 85 and 89 of the South African Companies Act No 61 of 1973.
- authority was granted to Investec Limited that each ordinary share, each class "A" variable rate compulsory convertible non-cumulative preference share and each special convertible redeemable preference share be subdivided on a 5 for 1 basis.
- Amendments were made to the Memorandum of Association to reflect the subdivision of the above mentioned shares in the authorised share capital of the company.

## 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 165 to 173.

## 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

The group's 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. The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and motivating staff involvement in the group's performance by means of Employee Share Schemes.

## Donations

During the year, Investec plc made donations for charitable purposes, totalling £893 067 and Investec Limited made donations for charitable purposes, totalling £1 781 971. During the year the group made donations of £4 048 to political parties outside the European Union.

## Environment

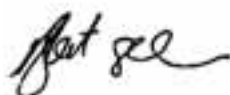
The group is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates. Further information on the group's sustainability practices can be found on pages 139 and 140 and on our website.

## Subsequent events

Refer to page 223.



**David Miller**  
Company Secretary  
Investec plc



**Benita Coetsee**  
Company Secretary  
Investec Limited

15 June 2007