

Registration Number 4111949

Investec Finance plc
Report and Financial Statements
31 March 2013

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DIRECTORATE AND CORPORATE INFORMATION

Board of directors

G R Burger
S M Burgess
B Kantor
S Koseff
A Tapnack

Secretary

D Miller

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Company registration

Registration Number 4111949
Registered Office: 2 Gresham Street
London, EC2V 7QP

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 March 2013.

Principal activity and business review

Investec Finance plc (the 'company') is a wholly owned subsidiary of Investec Bank plc ("IBP") which is in turn a wholly-owned subsidiary of Investec plc (the 'Investec group'), which is listed on the London Stock Exchange.

The principal activity of the company is to engage in financial arrangements and transactions and to assist in financing the operations of the Investec group. The company has issued Guaranteed Subordinated notes and the proceeds have been lent to the company's immediate parent on similar terms so as to minimise liquidity risk and interest rate risk. The company will continue to operate in this capacity for the foreseeable future.

The company has a £3,000,000,000 Zebra Capital Plans Retail Structured Products Programme (the 'Programme'). In terms of the Programme, the company may from time to time issue notes (the 'Zebra Plan Notes') that are linked to the performance of one or more preference shares issued by Zebra Capital II Limited, a company incorporated in the Cayman Islands. The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by IBP on an unsubordinated basis. After each issue, applications will be made for the Notes to be admitted to listing on the Official List of the UK regulator* (see page 9 for details) and to trading on the Regulated Market of the London Stock Exchange. As a result, and within the terms of the Programme, the company is required to publicly release its results.

During the year no new Notes have been issued in terms of the Programme and the company does not expect to issue any new Notes under this Programme in the future.

Financial results and dividends

The results for the year are shown on page 6. The directors do not recommend the payment of a final dividend for the year ended 31 March 2013 (2012 - £nil).

At 31 March 2013 the company had net assets of £366,000 (31 March 2012: £364,000).

Principal risks and uncertainties

The financial risks are managed at the Investec plc group level. The company's exposure to financial risks is further discussed in note 15.

Directors and their interests

The current directors of the company are listed on page 1.

According to the register of directors' interests, no director holding office at 31 March 2013 had any beneficial interest in the shares of the company during the year or in the prior year.

Creditor payment policy

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

DIRECTORS' REPORT

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors confirm that, to the best of each person's knowledge:

- (a) the financial statements in this report, which have been prepared in accordance with UK GAAP and the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- (b) the directors' report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.

Corporate governance

As the company has only notes listed on the London Stock Exchange, detailed disclosures as required under section 7.2.1 of the Disclosure and Transparency Rules are made in the ultimate parent company's, Investec plc, financial statements and are publicly available at www.investec.com.

Directors' indemnity and Directors' & Officers' liability insurance

The company maintains a Directors' and Officers' Liability Insurance policy. In accordance with the Company's Articles of Association, the board may also indemnify a director from the assets of the company against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the company provide cover for fraudulent or dishonest actions by the directors. However, costs may be advanced to directors for their defence in investigations or legal actions.

Going concern

On the basis of current financial projections the directors have a reasonable expectation that the company 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.


Subsequent events

The directors confirm that there were no significant events occurring after the balance sheet date to the date of this report that would meet the criteria to be disclosed in the financial statements for the year ended 31 March 2013.

Annual general meeting and auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of the company. A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the next Annual General Meeting.

Signed on behalf of the board



D Miller
Secretary

26 July 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of assets, liabilities, financial position and profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the board



S M Burgess
Director

26 July 2013

Independent auditor's report to the member of Investec Finance plc

We have audited the financial statements of Investec Finance plc for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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 company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it 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 member 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' Responsibilities Statement set out on page 4, 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 (APB'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 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 Report and Financial Statements 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 company's affairs as at 31 March 2013 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.

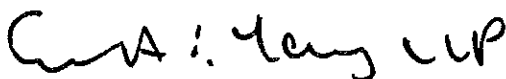
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared 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 matters where the Companies Act 2006 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael-John Albert
Senior statutory auditor
For and on behalf of Ernst & Young LLP, Statutory Auditor

London
29 July 2013

Investec Finance plc

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2013

	Notes	2013 £000	2012 £000
Interest receivable from parent undertaking		5,111	10,066
Interest payable	4	(5,109)	(10,055)
Other operating income	5	-	2,166
Other operating expense	6	-	(2,166)
Profit on ordinary activities before taxation		2	11
Taxation	8	-	-
Profit on ordinary activities after taxation		2	11

The above activities are derived from continuing operations.

There are no recognised gains or losses in the current or prior 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 for current or prior year and the results on an unmodified historical cost basis.

The accompanying notes form an integral part of these financial statements.

Investec Finance plc

BALANCE SHEET

at 31 March 2013

	Notes	2013 £000	2012 £000
Current assets			
Debtors:			
Amounts falling due within one year	9	502	478
Amounts falling due after one year	9	54,332	50,642
Amounts falling due after one year – subordinated loans	10	51,827	51,827
Net current assets		106,661	102,947
Creditors: Amounts falling due after more than one year	11	(106,295)	(102,583)
Net assets		366	364
Capital and reserves			
Called up share capital	12	50	50
Profit and loss account	13	316	314
Equity shareholder's funds	14	366	364

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 6 to 14 were approved by the board on 26 July 2013 and signed on its behalf by:



S M Burgess
Director

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2013

1. ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with applicable United Kingdom law and Generally Accepted Accounting Practice and on a going concern basis. With the exception of equity derivatives and embedded derivative financial instruments that have been measured at market value, the financial statements have been prepared under the historical cost convention.

Cash flow statement

The company is exempt from the requirements to prepare a cash flow statement under Financial Reporting Standard 1 (Revised), as a consolidated cash flow statement is included in the publicly available consolidated financial statements of its ultimate holding company, Investec plc.

Revenue recognition

Interest income is recognised in the profit and loss account using the effective interest rate method. Issue costs incurred on borrowing transactions are included in the effective interest rate calculation to the extent that they form an integral part of the effective interest rate. Interest payable to or receivable from the parent undertakings is recognised on an accruals basis.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Related party transactions

The directors have taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties which are wholly owned members of Investec plc group.

Debt instruments and associated finance costs

Guaranteed subordinated step-up notes are initially recognised at fair value and are carried in the balance sheet at amortised cost applying the effective interest rate method.

Financial liabilities

Financial liabilities are classified as non-trading and are recorded at amortised cost applying the effective interest rate method.

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.

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.

Foreign currency transactions

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 rates ruling at the time of the transaction. 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 profit and loss account.

Loans, receivables and subordinated loans to parent undertaking

Loans, receivables and subordinated loans to the parent undertaking are carried in the balance sheet at amortised cost applying the effective interest rate method.

Disclosure of financial instruments

The directors have taken advantage of the disclosure exemptions available to subsidiary undertakings in Financial Reporting Standard 29.

UK regulator*

For the year ended 31 March 2013, Investec group was regulated by the UK Financial Services Authority ("FSA"). However, on 1 April 2013 the FSA was abolished and the majority of its functions transferred to two new regulators: the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA"). On the same date, the Bank of England ("BoE") took over the FSA's responsibilities for financial market infrastructures and a Financial Policy Committee ("FPC") was established on a statutory basis in the UK. Accordingly, all references to the UK regulator in this annual report are to the FCA and PRA.

2. SEGMENTAL INFORMATION

All of the company's business relates to engaging in financial arrangements and transactions and assisting in financing the operations of the Investec plc group and is carried out in the United Kingdom.

3. EMOLUMENTS OF DIRECTORS

The directors were employed and remunerated as directors or executives of Investec plc and its subsidiaries ("the Investec plc group") in respect of their services to the group as a whole and their remuneration has been paid by other group companies. It is estimated that the remuneration for their services to the company in the year ended totalled £25,000 (2012 - £28,333).

4. INTEREST PAYABLE

	2013	2012
	£000	£000
Subordinated step-up notes	2,190	2,197
Subordinated callable step-up notes	1,116	1,120
Amortisation of bond costs	22	22
Debt securities in issue – less than one year	-	21
Deposit element of Zebra plan notes	1,781	4,152
Inter-group loan from parent undertaking	-	2,543
	5,109	10,055

Investec Finance plc

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2013

5. OTHER OPERATING INCOME

	2013	2012
	£000	£000
Gain on discharge of inter-group loan by parent undertaking	-	1,747
Fee income received from parent undertaking	-	419
	<u>-</u>	<u>2,166</u>

Gains and losses resulting from changes in the fair value of derivatives offset each other and hence there is no visible input in the profit and loss account.

6. OTHER OPERATING EXPENSE

	2013	2012
	£000	£000
Loss on sale of 2022 notes	-	(2,166)

7. ADMINISTRATION EXPENSES

In the current year, the auditors' remuneration of £16,113 (2012 - £13,320) in respect of the audit of the company's financial statements has been borne by another group company. Statutory information for other services provided by the company's auditors is given in the consolidated financial statements of its ultimate parent company which are publicly available. There are no non-audit services provided to the company during the year and in the prior year.

The company has no employees in the current year or prior year.

8. TAXATION

The effective rate for the year is the same as the standard rate of UK corporation tax:

	2013	2012
	£000	£000
Tax on profit on ordinary activities at UK rate of 24% (2012: 26%)	-	3
Non-taxable profit	-	(454)
Non-deductible expenses	-	563
Losses surrendered from fellow group companies for nil payment	-	(112)
Taxation charge / (credit)	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2013

9. DEBTORS: EXCLUDING SUBORDINATED LOANS

	2013	2012
	£000	£000
Amounts falling due within one year		
Amounts owed by parent undertaking	501	477
Other assets	1	1
	<u>502</u>	<u>478</u>
Amounts falling after one year		
Loan amount owed by parent undertaking	43,718	45,225
Fair value of equity derivatives	10,614	5,417
	<u>54,332</u>	<u>50,642</u>

Amounts owed by the parent undertaking, due within one year, primarily represents cash deposited by the company with its parent undertaking.

Amounts falling due after one year represent the proceeds of the issue of the Zebra Plan Notes and the positive fair value of the equity derivatives purchased from the parent undertaking to match the risks of the embedded equity derivatives within the Zebra Plan products. The matching contracts will mature between 5 August 2013 and 27 October 2014 and earn the same results as paid on the Zebra Plan Notes.

10. DEBTORS: AMOUNTS DUE AFTER ONE YEAR – SUBORDINATED LOANS

	2013	2012
	£000	£000
Subordinated loans to parent undertaking		
Guaranteed Subordinated Step-up Notes	33,979	33,979
Guaranteed Undated Subordinated Callable Step-up Notes	17,848	17,848
	<u>51,827</u>	<u>51,827</u>

The net proceeds of two issues of Step-up Notes by the company have been lent to the immediate parent undertaking, Investec Bank plc on a subordinated basis.

Guaranteed Subordinated Step-up Notes

The term of the first loan is 1 March 2016 but the Notes will be redeemed in line with any early redemption of the 2016 Notes. As from 1 March 2011 the interest rate on the loan has been reset at 6.482 per cent in line with the interest rate payable on the 2016 Notes. Interest is paid annually.

Guaranteed Undated Subordinated Callable Step-up Notes

The second loan is undated but it may be redeemed by the issuer at any time after 23 January 2017. The interest rate on the loan is fixed at 6.4578 per cent until 23 January 2017 and the interest is paid semi-annually. After 23 January 2017 the interest rate will be reset in line with the interest rate on the guaranteed undated subordinated step-up notes callable 2017.

The terms of the step-up notes, which are guaranteed by Investec Bank plc, are detailed in note 11.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2013

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £000	2012 £000
Guaranteed subordinated step-up notes	33,979	33,979
Guaranteed undated subordinated callable step-up notes	17,984	17,961
Valuation of structured notes issued	54,332	50,643
	<u>106,295</u>	<u>102,583</u>

Guaranteed subordinated step-up notes

As at 31 March 2013 the company had in issue £33,793,000 of guaranteed subordinated step-up notes due 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 UK regulator. On 1 March 2011 the interest rate was reset at 6.482 per cent to become the aggregate of 3.5 per cent and the gross redemption yield of the relevant benchmark gilt.

Guaranteed undated subordinated callable step-up notes

As at 31 March 2013 the company had in issue £17,861,000 of 6.25 per cent guaranteed undated subordinated step-up notes callable 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 UK regulator*. On 23 January 2017 the interest rate will be reset to become three month LIBOR plus 2.11 per cent payable quarterly in arrears.

Valuation of structured notes issued

The amounts due under the Zebra Plan Notes are linked to the performance of preference shares issued by Zebra Capital II Limited. The notes will mature between 5 August 2013 and 27 October 2014. At the year-end the amounts due under the notes disclosed above includes movements in the fair value of the embedded equity derivatives. As at 31 March 2013 the negative fair value of these derivatives was £10,613,887 (March 2012: £5,416,889). The company has matched this risk by entering into matching contracts with its parent. Included in amounts owed by parent undertaking after one year in note 9 above is a positive fair value of embedded derivatives of £10,613,887 (March 2012: £5,416,889).

Investec Finance plc

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2013

12. CALLED UP SHARE CAPITAL

	2013 £000	2012 £000
Authorised:		
100,000 (2012 - 100,000) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
50,000 (2012 - 50,000) ordinary shares of £1 each	<u>50</u>	<u>50</u>

13. RESERVES

	2013 £000	2012 £000
Profit and loss account		
At beginning of year	314	303
Profit for the year	<u>2</u>	<u>11</u>
At end of year	<u>316</u>	<u>314</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2013 £000	2012 £000
Opening shareholder's funds	364	353
Profit for the year	<u>2</u>	<u>11</u>
Closing shareholder's funds	<u>366</u>	<u>364</u>

15. RISK MANAGEMENT

As a wholly-owned subsidiary of Investec plc, the company falls under the Investec plc Group's Risk Management Framework which is set out in the combined Investec plc and Investec Limited 2013 financial statements, Risk Management and Corporate Governance report. The company's function is to raise finance for the Investec group and its policy is to on-lend the proceeds of any financial indebtedness to its immediate parent, Investec Bank plc, on back to back terms that minimise any liquidity, currency or interest rate risk.

Credit risk

As all net funds raised by the company are on-lent to Investec Bank plc, the company is therefore dependent on repayment of principal and interest from Investec Bank plc for the purposes of meeting its financial obligations. Its financial obligations in respect of the Guaranteed Undated Subordinated Callable Step-up Notes, Guaranteed Subordinated Step-up Notes and Zebra Capital Plans Retail Structured Products Notes are guaranteed by Investec Bank plc.

Liquidity risk

Loans to Investec Bank plc are matched in terms of maturity and interest payment dates to those of the related borrowing so as to eliminate any liquidity risk.

Foreign currency risk

Loans to Investec Bank plc are denominated in the same currency as the related borrowing so as to ensure that the company is not exposed to foreign currency risk.

Market risk

Any market risk with respect to the performance of the Zebra Capital Plans Retail Structured Products Preference Share Linked Notes is matched with Investec Bank plc. Equity derivative financial instruments written have been matched with equity derivatives purchased from Investec Bank plc providing the same terms and conditions and as such mitigating any risk.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2013

15. RISK MANAGEMENT (continued)

Capital Management

The company manages and monitors its capital on an ongoing basis and with consideration for the ongoing commitments of the entity.

16. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Investec Bank plc.

The company'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 and Investec Bank plc are available to the public at 2 Gresham Street, London, EC2V 7QP. Investec Bank plc is the smallest group and Investec plc is the largest group in which the results of the company are consolidated.