Investec

2006 Annual Report

Investec plc and Investec Limited

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Reg. No. 3633621
Investec Limited
Reg. No.1925/002833/06

Auditors
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Refer to pages 145 to 148.

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Contents

Investec (comprising Investec plc and Investec Limited) is an international, specialist banking group 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.

We are organised as a network comprising five business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities. Our head office provides certain group-wide integrating functions and is also responsible for our central funding and the Trade Finance business.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist banking group. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

Mission statement

We strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values.

Values

Distinctive Performance

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

Dedicated Partnerships

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

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

Philosophies

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

IFRS[1]	31 March 2006	Pro forma 31 March 2005	% Change
Income statement and selected returns			
Earnings attributable to ordinary shareholders before goodwill impairment and non-operating items (£'000)	230 017	149 510	53.8%
Headline earnings (£'000)	222 805	147 037	51.5%
Operating profit before goodwill impairment, non-operating items and taxation (£'000)	388 767	224 124	73.5%
Operating profit: Southern Africa (% of total)	68.3%	66.9%	
Operating profit: UK, Europe, Australia and Other (% of total)	31.7%	33.1%	
Cost to income ratio	58.7%	67.4%	
Staff compensation to operating income ratio	40.1%	43.4%	
Return on average adjusted shareholders' equity	25.5%	20.0%	
Return on average adjusted tangible shareholders' equity	32.7%	28.8%	
Operating profit per employee (£'000)	91.5	48.6	88.3%
Net interest income as a percentage of operating income	26.9%	23.2%	
Non-interest income as a percentage of operating income	73.1%	76.8%	
Effective tax rate	29.2%	28.2%	

Balance sheet	31 March 2006	1 April 2005	% Change
Total capital resources (including subordinated liabilities) (£'million)	2 042	1 579	29.3%
Shareholders' equity (including preference shares and minority interests) (£'million)	1 512	1 076	40.5%
Total shareholders' equity (excluding minority interests) (£'million)	1 226	931	31.7%
Total assets (£'million)	23 901	19 917	20.0%
Loans and advances to customers (£'million)	9 605	6 408	49.9%
Loans and advances to customers as a percentage of total assets	40.2%	32.2%	
Third party assets under management (£'million)	54 443	33 855	60.8%
Capital adequacy ratio: Investec plc	17.7%	16.1%	
Capital adequacy ratio: Investec Limited	16.3%	17.9%	

IFRS[1]	31 March 2006	Pro forma 31 March 2005	% Change
Salient financial features and key statistics			
Adjusted earnings per share before goodwill impairment and non-operating items (pence)	209.5	134.6	55.6%
Headline earnings per share (pence)	203.0	132.4	53.3%
Basic earnings per share (pence)	268.9	89.2	201.5%
Diluted earnings per share (pence)	249.8	85.4	192.5%
Dividends per share (pence)	91.0	67.0	35.8%
Dividend cover (times)	2.3	2.0	
Net tangible asset value per share (pence)	744.3	495.8	50.1%
Weighted number of ordinary shares in issue (million)	109.8	111.1	(1.2%)
Total number of shares in issue (million)	118.6	118.6	
Closing share price (pence)	2 941	1 555	89.1%
Market capitalisation (£'million)	3 488	1 844	89.2%
Number of employees in the group	4 453	4 163	7.0%
Closing ZAR/£ exchange rate	10.72	11.73	(8.6%)
Ave ZAR/£ exchange rate	11.43	11.47	(0.3%)

Note:

[1] Refer to definitions on page 250.
A seven year review is provided on page 36.

Presentation of financial information

Under the contractual arrangements implementing the DLC structure, Investec plc and Investec Limited effectively form a single economic entity, in which the economic and voting rights of ordinary shareholders are equalised. In accordance with this structure, 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 results for Investec plc and Investec Limited set out in this report reflect the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS), denominated in Pounds Sterling (i.e. "Investec's consolidated results"). Unless the context indicates otherwise all income statement comparatives referred to on pages 02 to 152 relate to the pro forma results as explained on page 15.

All references in this document referring to "Investec" or "the group" relate to the combined DLC group comprising Investec plc and Investec Limited.

A message from the board to our stakeholders

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 our stakeholders. We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We also seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Furthermore, we strive 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.

The operating financial review 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 that follow on pages 07 to 152 which elaborate on the aspects highlighted in this review.

Focus and commitment result in a distinctive performance

Management and the board are delighted with the group's performance for the year reflecting our focus and commitment to producing distinctive results. Although markets assisted, we believe our strong performance is also evidence of the quality earnings base that we have developed. We are also starting to see the benefits of building a strong brand. This, together with our relentless pursuit of a sustainable growth strategy, has led to increased penetration in our core activities and geographies where we have continued to build scale and expertise.

As a result, adjusted earnings per share (before goodwill impairment and non-operating items) grew by 55.6% to 209.5 pence, from 134.6 pence with the board recommending a final dividend of 53.0 pence per ordinary share. This brings the total dividends per share for the year to 91.0 pence, up from 67.0 pence in 2005.

Achieved all our financial targets

For the past two years, we have consistently focused on five long-term financial targets which are appropriate through periods of varying market conditions. These objectives were designed to measure our performance and ensure that we deliver continuously improving returns to our shareholders. Most of our businesses performed strongly, enabling us to achieve all our stated growth and financial return objectives. We believe that meeting these targets consistently will continue to provide a degree of organisational stretch. Accordingly, we focus on business activities that are expected to earn appropriate returns on our capital and satisfy the demands of our shareholders.

Strong performance from our businesses

Our businesses achieved good results.

("Operating profit" in the text below refers to profit before goodwill impairment, non-operating items and taxation.)

Private Client Activities

Our Private Client Activities reported strong growth in operating profit of 47.2%, to £118.2 million. The Private Banking business benefited from its organic growth strategy and initiatives implemented in prior years to stimulate growth. The results were driven by solid growth in total advances and robust performances from all the division's areas of specialisation. The private client lending book rose by 43.2% to £6.2 billion and the division increased its retail deposit book by 46.3% to £4.8 billion.

Private Client Portfolio Management and Stockbroking experienced solid growth as a result of positive equity market conditions. In South Africa, the division benefited further from the acquisition of HSBC's Private Client business in South Africa, while the results of the UK Private Client business include our 47.7% associate share of Rensburg Sheppards' after tax profit.

Treasury and Specialised Finance

For Treasury and Specialised Finance, operating profit rose significantly by 44.3% to £66.9 million. Growth was underpinned by solid performance from the division's core value drivers of advising, structuring, asset creation, distribution, trading and proprietary portfolio management, with advances increasing by 50.8% to £3.0 billion. Platforms have been created for the origination and securitisation of internal and third party banking assets on a sustainable basis. The division continues to build scale, focusing on growth initiatives that include the launch of specialist funds and expanding a portfolio of quality term assets.

Investment Banking

The operating profit of our Investment Banking division increased significantly from £49.3 million to £100.9 million. Institutional Stockbroking performed well against a backdrop of buoyant equity markets, Corporate Finance benefited from a strong deal pipeline across all its geographies and the increasing size and quality of its client base. Our Direct Investments and Private Equity divisions delivered very strong growth, reflecting our increasing presence in this activity. Our integrated Investment Banking platform and increasing brand recognition continue to provide opportunities for further growth.

Asset Management

Asset Management achieved substantial growth in operating profit of 63.6%, to £59.4 million. The division's performance was boosted by favourable market conditions, growth in performance fee revenue and excellent mutual fund sales. Assets under management rose by 38.1% to £31.7 billion. The division has established a durable platform for expansion through competitive long-term investment performance, management continuity and growing brand recognition.

Property Activities

The £18.6 million operating profit of Property Activities was marginally ahead of the prior year. The division in South Africa produced solid results, driven by an increase in funds under management and principal transactions, given favourable property market conditions. These results were offset by a weaker performance from the UK business, which had benefited from exit fees earned in the previous year. In line with our organic growth strategy, we are intending to expand our property model in the UK to include property fund management. Our objective is to align the strategic focus of the UK business with that of South Africa in order to build a more comprehensive international property business.

Group Services and Other Activities

Group Services and Other Activities earned an operating profit of £24.8 million compared to the prior year loss of £6.3 million. Our Central Funding division benefited from a solid performance of its portfolio of assets and increased cash holdings arising out of the number of corporate actions undertaken during the previous two years. These results were partially offset by higher Central Services costs largely as a result of increased incentive based remuneration.

Capital management

It is critical that we maintain a well-capitalised group and remain committed to effective balance sheet and capital management. With a capital adequacy ratio of 17.7% and 16.3% in Investec plc and Investec Limited respectively, we have capital in excess of our target range. We do however recognise that as a growing business we continue to have demands on our capital and need a capital buffer to support this growth.

Sustainability is at our core

In a year of strong delivery on our financial targets, increased ethical awareness and greater corporate responsibility continue to be a priority for the group. We are still digesting some of the more significant international sustainability developments, while continually assessing our own sustainability efforts and their relevance to our culture and values. As a result, we made incremental progress in the non-financial aspects of our sustainability journey last year. This included various new initiatives relating to talent management and retention and succession planning. In the year ahead, the results of a greater group-wide focus on sustainability will become evident, when we seek to interact more broadly with employees as the next stage in the stakeholder engagement exercise we began last year.

In South Africa transformation and black economic empowerment remain high on the corporate agenda. Our approach is to utilise our own entrepreneurial expertise to foster the creation of new black entrepreneurial platforms, and continue to be one of the prime sources of empowerment financing. We also recognise the need for our own internal transformation and are bringing about greater representivity within our work place by creating black entrepreneurs within the organisation. From a reporting perspective, we submitted our first financial sector report to the Charter Council in April 2006 which included a comprehensive analysis of our positioning in this regard. Based on the Charter Council guidelines and our own internal analysis we are pleased to state that we achieved our target of an "A" rating in terms of the Financial Sector Charter.

Culture of governance

Sound corporate governance is implicit in our values and culture. We also have a strong, independent board, who, individually and collectively, make a major contribution to good governance and our other achievements.

During the year, the board was further strengthened by the appointment of Sir David Prosser on 23 March 2006. Sir David was former Chief Executive Officer of Legal & General Group PLC and Chairman of the Financial Services Skills Council. We welcome the rich and diverse leadership experience that he brings and value the contribution he is already making.

Collective effort at every level

In a year marked by opportunity and strong growth, our achievements would not have been possible without the dedication and talent of all our people. We thank the board for providing valuable advice and guidance to the management team, who have been responsible for driving strong performance.

Credit for our performance also goes to the collective effort of more than 4 400 highly motivated employees. The development of our people and the nurturing of talent within the group are essential to stimulating performance and creating proficiency. During the year, we added more talent, bringing in new professional expertise and adding scale to the businesses targeted for growth. Recruiting and retaining the best people remains a strategic imperative for the group.

Our business depends on strong and meaningful relationships with our clients and their needs are at the core of our business philosophy and actions. We appreciate the support of our clients and shareholders in the past year and thank them for the trust and confidence placed in us.

Pursuing a sustainable growth strategy

To maintain a sustainable growth strategy, excellent management discipline, a persistent focus on execution, vigilant risk management, and innovative products and service for clients will remain our priority.

We engaged in a number of strategic actions in 2005 to complement our existing businesses. These included the Rensburg Sheppards transaction, the purchase of HSBC's Private Client business in South Africa and the proposed acquisition in Australia of N.M. Rothschild & Sons (Australia) Limited post financial year end. However, an essential part of our growth strategy is investment in organic growth where we can build on and enhance our existing capabilities.

Accordingly, we will continue to concentrate on businesses with the potential to contribute significantly to our long-term performance, while investing in areas that will drive future growth. We will persist in the elimination of inefficiencies by consolidating and improving platforms. Another priority is aggressive pursuit of new opportunities for organic growth and, when appropriate, bolt-on acquisitions that will help expand our core activities.

Positive outlook

While the levels of activity and momentum have continued into the new financial year, we remain aware of the volatile operating environment to which some of our businesses are exposed. In the year ahead, we will strive to make further progress in enhancing the quality and sustainability of our earnings, while reinforcing the impact of our brand and strengthening our relationships with clients.

With this as our focus, we believe we are well positioned to respond to change and to anticipate it in ways that best serve our clients and shareholders. We look forward to the future, confident that our niche focus, distinctive offering and capability of our people will enable us to take advantage of growth opportunities as they arise.

On behalf of the board

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

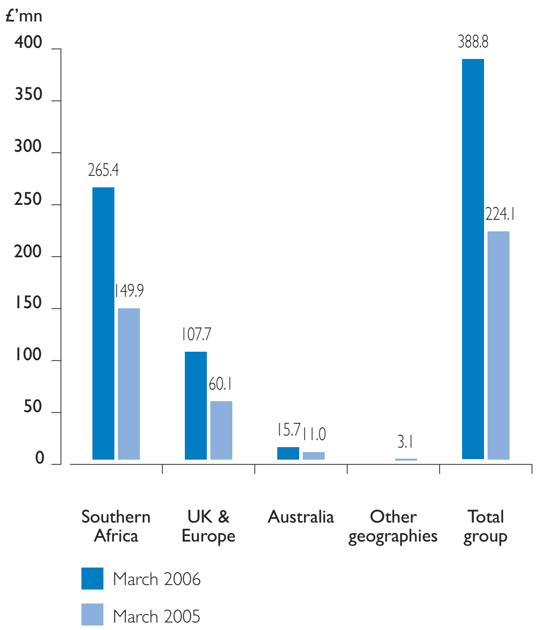
Overview

Investec delivered a solid set of results driven by strong performances from our balanced portfolio of businesses.

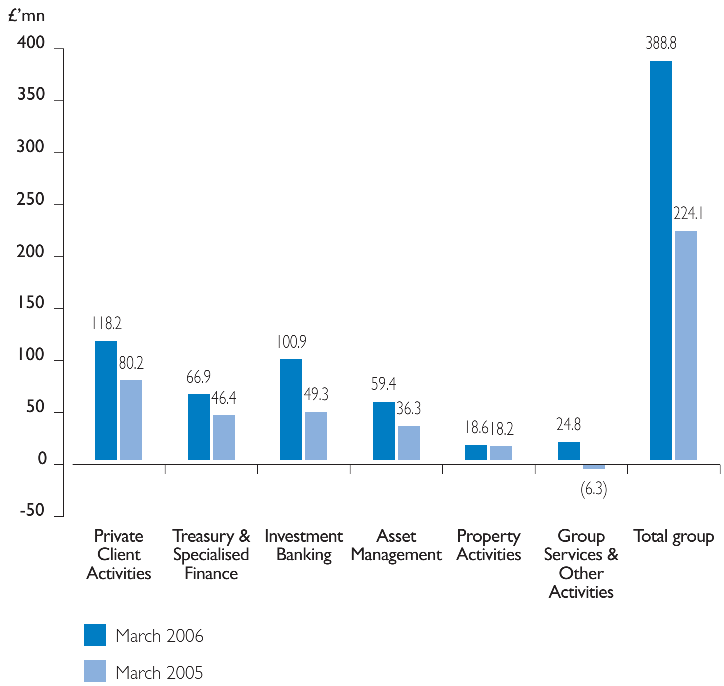
This commentary and analysis of our financial results for the year ended 31 March 2006 provides an overview of our financial performance relative to the group's pro forma results (as explained on page 15) for the year ended 31 March 2005.

Further detail on the performance of our business divisions is provided in the Divisional Review section of this report. The commentary and analysis are based on our consolidated financial results presented in accordance with IFRS denominated in Pounds Sterling. 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.

Operating profit before goodwill impairment, non-operating items and taxation by geography

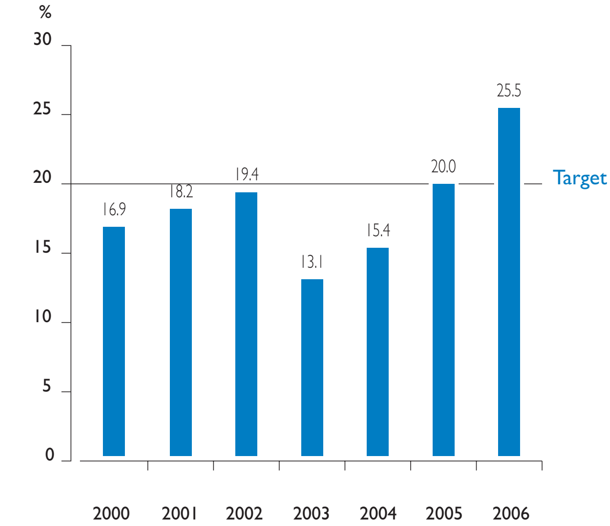


Operating profit before goodwill impairment, non-operating items and taxation by division



We have achieved our financial objectives.

ROE*



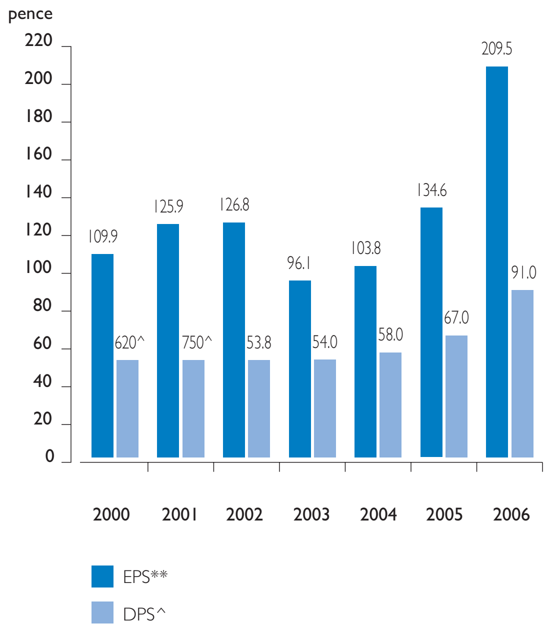
* ROE is post-tax return on adjusted average shareholders' equity (inclusive of compulsorily convertible instruments) as calculated on page 28.

Our objective is to continue to focus on increasing ROE, as opposed to nominal capital, through the efficient deployment of our capital base. We intend to generate ROE in excess of our cost of capital.

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

- **Group ROE: greater than 20% in Pounds Sterling.**

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



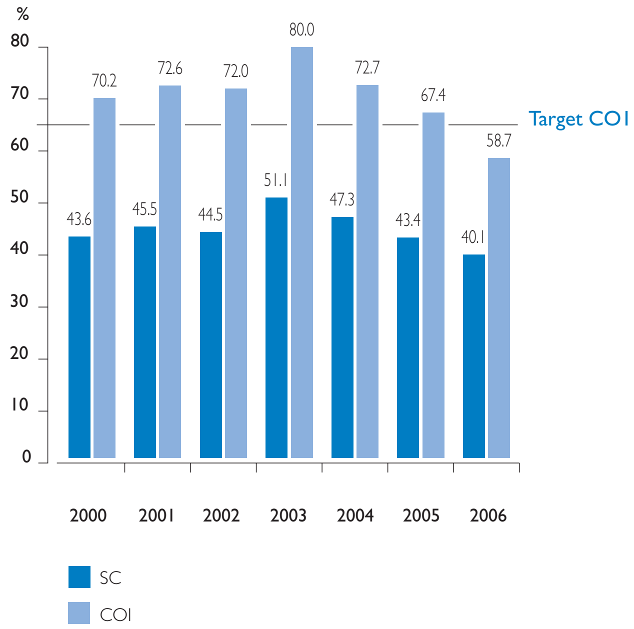
** Adjusted EPS before goodwill impairment and non-operating items as defined on page 26.

^ The dividend for 2000 and 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling.

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 and 2.3 times** based on earnings per share as defined above, denominated in Pounds Sterling. We maintain this range to allow us the ability to apply a progressive dividend policy in terms of which dividends should grow in line with earnings. Interim and final dividends will be declared and proposed in accordance with the above policy.

Refer to note on page 09.

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

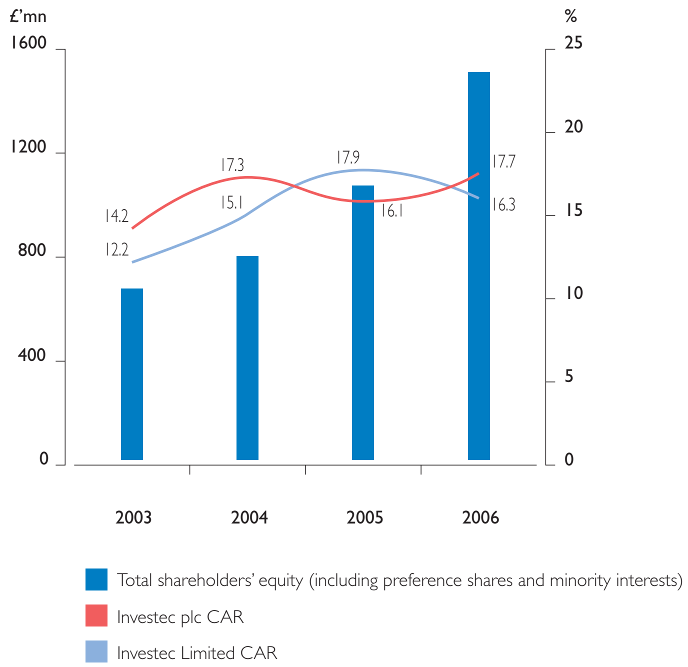


We have significantly rationalised and restructured our operations over the past few years in an effort to reduce our overall cost base. Increased emphasis continues to be placed on enhancing income growth while at the same time ensuring effective containment of costs.

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)



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 of between 13% - 16% for Investec plc and Investec Limited** and we target a minimum tier 1 ratio of 10%.

Note:

The numbers shown in the financial objectives graphs on pages 08 and 09 are for the years ended 31 March, unless stated otherwise. From 2000 to 2004 numbers are reported in terms of UK GAAP and for March 2005 and March 2006 in terms of IFRS.

An overview of Investec's key income drivers

Investec provides a wide range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia. Investec is organised into five principal business divisions: Private Client Activities, Treasury and Specialised Finance, 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 our central funding and other activities, such as our Trade Finance operations.

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

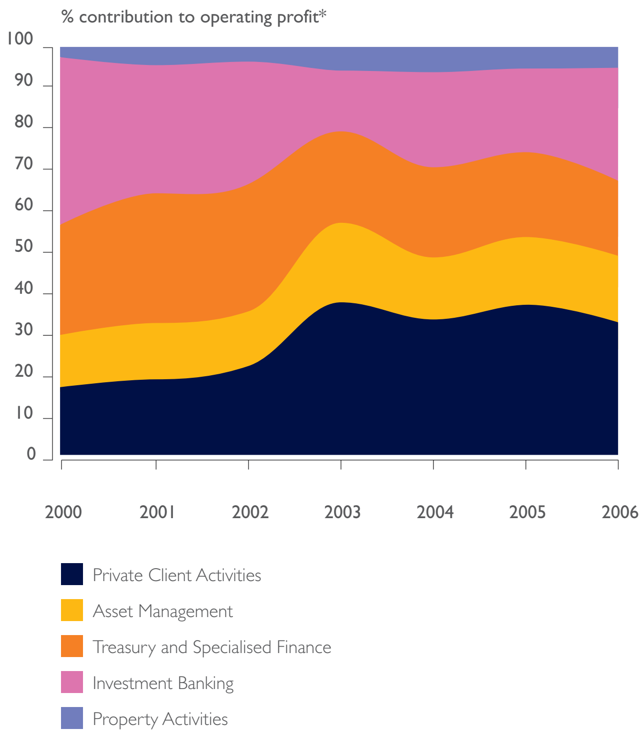
Business activity	Key income drivers	Income impacted primarily by	Income statement - reflected as
Private Client Activities			
Private Banking	• Interest earned in connection with the bank's lending activities	• Size of loan portfolio • The general state of the property market • Rate environment	• Net interest income
	• Fees earned for advisory, banking and lending services	• The demand for our specialised advisory services	• Net interest income and fees and commissions
	• Income earned in respect of growth and acquisition finance activities	• Quality of transactions and deal flow	• Fees and commissions and principal transactions
Private Client Portfolio Management and Stockbroking	• 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 clients' investment activity, which, in turn, is affected by, among other things, the performance of the stock markets in which the businesses operate and the equity investment risk appetite of our clients and market liquidity	• Fees and commissions
Treasury and Specialised Finance			
	• Trading and hedging	• Client activity • Market opportunities • Market risk factors primarily volatility and liquidity	• Principal transactions
	• Product structuring and distribution	• The level of clients' investment activity, which, in turn, is affected by, among other things, the performance of the markets in which the businesses operate and the investment risk appetite of our clients • Distribution channels • Ability to create innovative products	• Fees and commissions and principal transactions
	• Asset creation	• Rate environment • Size of loan portfolio • Credit spreads • Clients capital and infrastructural investments	• Fees and commissions • Net interest income • Principal transactions (in limited cases)

An overview of Investec's key income drivers

Business activity	Key income drivers	Income impacted primarily by	Income statement - reflected as
	• Advisory	• The demand for our specialised advisory services, which, in turn, is affected by applicable tax, regulatory and other economic factors e.g. project activity in the relevant markets	• Fees and commissions and principal transactions
Investment Banking			
Corporate Finance	• Fees resulting from the provision of capital raising and financial advisory work	• Macro- and micro- economic fundamentals • Industry-specific trends • Underlying stock market activity, particularly in our primary markets	• Fees and commissions
Institutional Research, Sales and Trading	• Brokerage commissions • Trading and market making activities	• Stock market trading volume and volatility • Client allocation of broking transactions • Our ability to source securities and execute trades on behalf of our clients	• Fees and commissions and principal transactions
Private Equity and Direct Investments	• Sale of investments and revaluation of trading investments • Dividends	• Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities	• Principal transactions
Asset Management			
	• Fees levied as a percentage of assets under management	• Movements in the value of the assets underlying client portfolios • Performance fees earned on client portfolios	• Fees and commissions
Property Activities			
	• Fees levied as a percentage of assets under management • Administration fees for managing client portfolios • Trading and development activities	• Movements in the value of assets underlying client portfolios • Efficiency and scale of administration services • Macro- and micro- economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale	• Fees and commissions • Principal transactions
Group Services and Other Activities			
• International Trade Finance • Central Funding	• These businesses earn a variety of management and banking fees, brokerage, commissions • As this division is responsible for the group's central funding requirements, this income is offset by the cost of group funding (net of return on the group's central capital)	A variety of factors including: • Interest rate environment • Rand/Dollar exchange rate, in the case of the International Trade Finance operations • Level of client activity	• All categories of income other than net operating income from associates and assurance activities

A balanced mix of businesses

- We have a much more balanced portfolio of businesses than we did in 2000.
- We will continue to balance our operational risk businesses with financial risk businesses to build a sustainable business model.



* Before goodwill impairment, non-operating items and taxation, and excluding Group Services and Other Activities. Trend reflects numbers as at the year ended 31 March unless stated otherwise.

Risks relating to Investec's operations

We face a number of risks that could affect our business operations. These risks are summarised briefly in the table below. For information pertaining to the management and monitoring of these risks, see the references provided.

Key risks	Managing risks - further information
• Market risk, conditions and fluctuations could adversely affect our businesses in many ways	See pages 86 to 90
• Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risks	See pages 75 to 101
• Credit risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 79 to 86
• Liquidity risk may impair our ability to fund our operations	See pages 93 to 95
• Our net interest earnings may be adversely affected by interest rate risk	See pages 91 and 92
• We may be unable to recruit, retain and motivate key personnel	See sustainability website
• Employee misconduct could cause harm that is difficult to detect	See pages 96 to 98
• Operational risk may disrupt our business or result in regulatory action	See pages 96 to 98
• We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 96 to 98
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 100 and 101
• The financial services industry in which we operate is intensely competitive	See pages 04 to 06
• Legal and regulatory risks are substantial in our businesses	See page 98
• Reputational risk	See page 99

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

Risks relating to the markets in which Investec operates

Due to the nature of our businesses, we have been and will continue to be affected by changes in a number of macro-economic fundamentals. These include the condition of worldwide financial markets, general economic cycles, levels of exchange and interest rates, and inflation, in particular in the UK, South Africa and Australia, where the group derives most of its profit as well as, to a lesser extent, the US and Europe.

Fluctuations in exchange rates

Since the end of July 2002, following the implementation of our DLC structure, our reporting currency has been Pounds Sterling.

A substantial proportion 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 in which they are domiciled, including Rands, Australian Dollars and US Dollars. These results will then be translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial statements. In the case of the income statements, the weighted average rate for the relevant period is applied and, in the case of the balance sheets, the relevant closing rate is used.

Exchange rates between local currencies and Pounds Sterling have fluctuated. The translation effect of such fluctuations in the exchange rates of the currencies of those countries in which we operate against Pounds Sterling may adversely/positively affect our results of operations and financial condition. This report notes where the impact of depreciation/appreciation of these currencies against Pounds Sterling is key to understanding the performance of our businesses.

The table below sets out the movements in relevant exchange rates against Pounds Sterling over the reporting period. These rates are indicative only and are not necessarily the rates at which the relevant currencies were converted into Pounds Sterling, for the purposes of preparation of our combined consolidated financial statements.

Currency per £1.00	31 March 2006		31 March 2005	
	Year end	Average	Year end	Average
South African Rand	10.72	11.43	11.73	11.47
Australian Dollar	2.44	2.37	2.44	2.50
Euro	1.43	1.47	1.46	1.47
US Dollar	1.73	1.78	1.89	1.85

Source: Reuters and Oanda.com.

Fluctuations in interest rates

The shape of the yield curve, the time lag between changes in interest rates applicable to assets and liabilities, and the volatility of interest rates in each of our principal geographic markets can affect our net interest income, principal transactions generated by the Interest Rate and Forex desks and fees in our Treasury division. As a matter of policy, we do not take on material unhedged, long-dated interest rate positions.

The following table sets out movements in certain interest rates affecting our businesses over the reporting period.

	31 March 2006		31 March 2005	
	Year end	Average	Year end	Average
UK Clearing Banks Base Rate	4.50%	4.58%	4.75%	4.59%
LIBOR - 3 month	4.61%	4.08%	4.98%	4.82%
South African Prime Overdraft Rate	10.50%	10.52%	11.00%	11.19%
JIBAR - 3 month	7.09%	7.05%	7.55%	7.69%
Reserve Bank of Australia cash target rate	5.50%	5.50%	5.50%	5.40%

Source: I-NET Bridge.

Macro-economic data

Key macro-economic data pertaining to the group's three principal geographies: the UK, South Africa and Australia is set out below.

UK

	31 March 2006	31 March 2005
GDP (% change over the period)	2.2%	1.9%
FTSE All Share Index	3 048.0	2 457.7
FTSE All Share Index (% change over the period)	24.0%	11.9%
Per capita GDP (£)	20 143	19 463
Per capita GDP (% change over calendar year)	1.5%	2.6%

Source: National Statistics and Datastream.

South Africa

	31 March 2006	31 March 2005
GDP (% real growth over the period)	4.5%	5.0%
JSE All Share Index	20 351.7	13 298.6
JSE All Share Index (% change over the period)	53.0%	24.4%
Per capita GDP (real value) (R)	32 166	29 684
Per capita GDP (% real growth change over calendar year)	3.5%	3.0%

Source: Statistics SA and Investec Securities.

Australia

	31 March 2006	31 March 2005
GDP (% change over the period)	3.1%	2.0%
All Ordinaries Index	5 087.2	4 100.6
All Ordinaries Index (% change over the period)	24.1%	20.0%
Per capita GDP (A$)	45 353	42 824
Per capita GDP (% change over calendar year)	1.3%	2.3%

Source: Australian Bureau of Statistics.

Transition to International Financial Reporting Standards

Overview

From 1 April 2005 we were required to prepare our combined consolidated results (comprising the results of Investec plc and Investec Limited) in accordance with International Financial Reporting Standards (IFRS). Previously these were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

Our transition to IFRS has been performed in accordance with IFRS 1 "First-Time Adoption of International Financial Reporting Standards" and other relevant standards applicable at 31 March 2006.

The following dates are applicable for the transition to IFRS:
- 1 April 2004 - date of transition to IFRS, being the start of the earliest period of comparative information.
- 31 March 2005 - twelve month comparative period to 31 March 2006.

A summary of the impact on our consolidated results of the transition to IFRS for the year ended 31 March 2005 is provided in the table below.

For the year ended 31 March 2005^	Unaudited IFRS pro forma***	Audited UK GAAP (as previously reported)	% Change
Operating profit before goodwill impairment, non-operating items and taxation (£'000)	224 124	222 388	0.8%
Earnings attributable to shareholders* (£'000)	110 888	100 524	10.3%
Adjusted** earnings attributable to ordinary shareholders (£'000)	149 510	151 146	(1.1%)
Basic EPS (pence)	89.2	81.5	9.4%
Adjusted** EPS (pence)	134.6	140.8	(4.4%)
Headline EPS (pence)	132.4	141.7	(6.6%)
Basic weighted average number of shares in issue (million)	111.1	107.4	3.4%
Total equity including minority interest as at 1 April 2005 (£'000)	1 075 611	980 451	9.7%

Notes:

* After goodwill impairment, non-operating items, taxation and minority interests.

** Before goodwill impairment and non-operating items and after taking into consideration earnings attributable to perpetual preference shareholders.

*** In accordance with the provisions of IFRS 1, we have elected not to apply the requirements of IAS 32, "Financial Instruments: Disclosure and Recognition", IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 4, "Insurance Contracts" to the comparative year. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005. To facilitate comparability, a pro forma income statement is presented which incorporates the impact of the adoption of IAS 32 and IAS 39 in the following respects:
- recognising certain fees on an effective yield basis,
- the release of general provisions on loans and advances and
- fair value adjustments on embedded derivatives.

IFRS 4 only effects the presentation of the balance sheet.

^ Per the Transition to IFRS Report (issued on 21 September 2005 and which can be found on our website) the adjustment on adoption of IAS 32 and IAS 39 increased reserves by £17.6 million. This increase has been adjusted downward by £7.4 million (after taxation effects) to £10.2 million as a result of interpretation and model enhancements relating to the recognition of certain fee income as a component of the effective yield of lending transactions and improvement to certain fair value models adopted by the group. These adjustments are isolated to Private Banking and Treasury and Specialised Finance Activities. Similarly, adjusted EPS for the year ended 31 March 2005 has been revised downward to 134.6 pence.

The most significant adjustments arising from the transition from UK GAAP to IFRS are:

- IFRS 2 - share based payments
  The inclusion of a fair value charge, for equity and cash settled options granted to employees, recognised over the vesting period.
- IFRS 3 - business combinations
  The cessation of goodwill amortisation, with the introduction of an annual impairment test.
- IFRS 4 - insurance contracts (applied from 1 April 2005)
  Recognition of reinsured assets and liabilities on a gross basis on the balance sheet.
- IAS 1 - presentation of financial statements
  Line by line consolidation of Assurance Activities.
- IAS 10 - events after balance sheet date
  Recognition of dividends only once approved and declared.
- IAS 17 - leases
  Recognition of annual fixed incremental costs on a straight line basis over the term of the lease.
- IAS 18 - revenue recognition
  In line with IAS 39 ("Financial Instruments: Recognition and Measurement") fees on lending transactions are recognised as part of the effective yield over the expected life of the transaction to the extent that they form an integral part of the effective yield.
- IAS 27 - consolidations (including special purpose vehicles)
  Alignment of UK GAAP principles with that of IFRS with regard to the consolidation of special purpose vehicles.
- IAS 32/39 - financial instruments (applied from 1 April 2005)
  The release of general provisions on loans and advances, partially offset by an increase in specific impairments and raising of collective impairments; fair value of embedded derivatives (e.g. profit shares) through the income statement. These aspects of IAS 32/39 have been included in the pro forma income statement.

An analysis of key adjustments

An assessment of the key statements and their impact on our attributable earnings, assets, liabilities and equity for the year ended 31 March 2005 is provided in the table below.

Key statement/impacts £'000	Pro forma earnings attributable to shareholders 31 March 2005	Assets 1 April 2005	Liabilities 1 April 2005	Total equity, including minorities 1 April 2005
IFRS 2 - share based payments	(8 018)	1 240	686	554
IFRS 3 - business combinations	11 218	10 943	-	10 943
IAS 10 - events after balance sheet date	-	-	(49 593)	49 593
IAS 12 - income taxes	413	7 144	(154)	7 298
IAS 17 - leases	(6 386)	4 430	11 363	(6 933)
IAS 18 - revenue recognition	(7 067)	(7 676)	9 766	(17 442)
IAS 19 - employee benefits	-	3 297	3 437	(140)
IAS 21 - effects of changes in foreign exchange rates	1 142	-	-	-
IAS 27/28/31 - consolidations	2 340	25 676	2 030	23 646
IAS 40 - investment properties	4 333	-	-	-
IFRS 4 - insurance contracts	-	1 288 406	1 288 406	-
IAS 32/39 - financial instruments	12 389	672 746	645 105	27 641
Overall impact of IFRS	**10 364**	**2 006 206**	**1 911 046**	**95 160**

Further detail on the group's transition to IFRS

On 21 September 2005 we released a stock exchange announcement and a Transition to IFRS report detailing the impact of IFRS on our previously reported UK GAAP consolidated results. This information can be found on our website.

The combined consolidated income statements and analysis that follows represents the group's actual reported results for the year ended 31 March 2006 relative to the group's pro forma restated results for the year ended 31 March 2005. The pro forma 2005 results enhance comparability against the 2006 results and differ from the 2005 results reflected on pages 158 to 164 for the reasons explained on page 15. All income statement comparatives referred to on pages 02 to 152 relate to the pro forma 2005 results.

Combined consolidated income statements

£'000	Year to 31 March 2006	Pro forma IFRS restated year to 31 March 2005
Interest receivable	934 389	758 513
Interest payable	(675 237)	(587 945)
Net interest income	**259 152**	**170 568**
Fees and commissions receivable	478 465	403 543
Fees and commissions payable	(41 591)	(25 818)
Principal transactions	246 059	140 158
Operating income from associates	6 694	14 474
Investment income on assurance activities	141 559	258 855
Premiums and reinsurance recoveries on insurance contracts	164 631	246 537
Other operating income	2 721	6 120
Other income	**998 538**	**1 043 869**
Claims and reinsurance premiums on insurance business	(293 135)	(478 894)
Total operating income net of insurance claims	**964 555**	**735 543**
Impairment losses on loans and advances	(9 160)	(15 845)
Operating income	**955 395**	**719 698**
Administrative expenses	(558 887)	(485 444)
Depreciation and impairment of property and equipment	(7 741)	(10 130)
Operating profit before goodwill impairment	**388 767**	**224 124**
Impairment of goodwill	(21 356)	(37 010)
Operating profit	**367 411**	**187 114**
Profit/(loss) on disposal or termination of group operations	73 573	(14 629)
Profit before taxation	**440 984**	**172 485**
Taxation	(111 616)	(59 226)
Profit after taxation	**329 368**	**113 259**
Earnings attributable to minority interests	14 267	2 371
Earnings attributable to shareholders	315 101	110 888
Earnings attributable to shareholders' equity	**329 368**	**113 259**
Earnings per share (pence)		
- basic	268.9	89.2
- diluted	249.8	85.4
Adjusted earnings per share (pence)		
- basic	209.5	134.6
- diluted	195.2	127.5
Headline earnings - basic (pence)	203.0	132.4
Dividends per share (pence)	91.0	67.0

Combined consolidated balance sheets

£'000	31 March 2006	1 April 2005
Assets		
Cash and balances at central banks	190 838	105 130
Loans and advances to banks	1 830 603	1 563 066
Cash equivalent advances to customers	690 236	710 721
Reverse repurchase agreements and cash collateral on securities borrowed	756 645	2 318 745
Trading securities	1 640 088	1 279 111
Derivative financial instruments	1 081 287	929 783
Investment securities	1 266 673	1 188 405
Loans and advances to customers	9 604 589	6 408 368
Interests in associated undertakings	63 099	13 219
Deferred taxation assets	60 035	52 686
Other assets	1 272 787	885 577
Property and equipment	26 916	28 729
Investment properties	163 049	202 352
Goodwill	183 560	199 313
Intangible assets	10 094	7 373
	18 840 499	15 892 578
Other financial instruments at fair value through income in respect of		
- liabilities to customers	3 628 574	2 815 137
- assets related to reinsurance contracts	1 431 876	1 209 165
	23 900 949	**19 916 880**
Liabilities		
Deposits by banks	1 879 483	780 829
Derivative financial instruments	705 764	838 578
Other trading liabilities	457 254	1 892 732
Repurchase agreements and cash collateral on securities lent	358 278	508 301
Customer accounts	8 699 165	6 458 714
Debt securities in issue	2 950 103	1 926 889
Current taxation liabilities	137 426	72 834
Deferred taxation liabilities	26 210	20 784
Other liabilities	1 582 856	1 809 207
Pension fund liabilities	2 013	10 991
	16 798 552	14 319 859
Liabilities to customers under investment contracts	2 694 539	2 664 434
Insurance liabilities, including unit-linked liabilities	934 035	145 136
Reinsured liabilities	1 431 876	1 209 165
	21 859 002	18 338 594
Subordinated liabilities (including convertible debt)	529 854	502 675
	22 388 856	**18 841 269**
Equity		
Called up share capital	165	165
Share premium	1 028 737	1 029 242
Treasury shares	(96 300)	(109 362)
Equity portion of convertible instruments	2 191	2 191
Perpetual preference shares	215 305	196 742
Other reserves	156 103	78 054
Profit and loss account	(79 709)	(266 530)
Shareholders' equity excluding minority interests	1 226 492	930 502
Minority interests	285 601	145 109
- Perpetual preferred securities issued by subsidiaries	278 459	127 058
- Other	7 142	18 051
Total shareholders' equity	**1 512 093**	**1 075 611**
Total liabilities and shareholders' equity	**23 900 949**	**19 916 880**

Salient features of the group's results in the year under review

A number of significant corporate actions have been undertaken during the year under review and the previous financial year which have a bearing on our performance and these are highlighted below:

- A subsidiary of Investec plc issued €200 million non-voting, non-cumulative, perpetual preferred securities in June 2005.
- The sale of our UK Private Client Stockbroking business, Carr Sheppards Crosthwaite Ltd (Carr Sheppards Crosthwaite) to Rensburg plc (Rensburg) on 6 May 2005. We retain a 47.7% interest in the combined entity, Rensburg Sheppards plc (Rensburg Sheppards).
- The acquisition of HSBC's Private Client business in South Africa effective 1 April 2005.
- The sale of our associate investment in Capital Alliance Holdings Limited (CAL), to Liberty Group Limited effective on 31 March 2005.
- Investec Limited issued R2.3 billion (£207.3 million) of non-redeemable, non-cumulative, non-participating preference shares in February 2005.
- The reinsurance of the group risk business conducted by Investec Employee Benefits to CAL executed on 31 December 2004.
- The sale of our 80.28% stake in Investec Bank (Israel) Limited to The First International Bank of Israel Ltd on 22 December 2004.

Income statement analysis

Further details on the key income drivers and significant variances in the various components of the group's operating income, expenses and profit can be found in the description of our principal businesses on pages 37 to 74.

Total operating income

Total operating income increased by 31.1% to £964.6 million (2005: £735.5 million). The various components of total operating income are analysed briefly below.

£'000	31 March 2006	% of total income	31 March 2005	% of total income	% Change
Net interest income	259 152	26.9%	170 568	23.2%	51.9%
Other income	705 403	73.1%	564 975	76.8%	24.9%
Net fees and commissions receivable	436 874	45.3%	377 725	51.4%	15.7%
Principal transactions	246 059	25.5%	140 158	19.0%	75.6%
Operating income from associates	6 694	0.7%	14 474	2.0%	(53.8%)
Net income on assurance activities	13 055	1.3%	26 498	3.6%	(50.7%)
Other operating income	2 721	0.3%	6 120	0.8%	(55.5%)
Total operating income net of insurance claims	**964 555**	**100.0%**	**735 543**	**100.0%**	**31.1%**

The following table sets out information on total operating income by geography for the period under review.

£'000	31 March 2006	% of total income	31 March 2005	% of total income	% Change
UK and Europe	364 687	37.8%	293 484	39.9%	24.3%
Southern Africa	549 263	57.0%	391 364	53.2%	40.3%
Australia	42 643	4.4%	29 396	4.0%	45.1%
Other geographies	7 962	0.8%	21 299	2.9%	(62.6%)
Total operating income net of insurance claims	**964 555**	**100.0%**	**735 543**	**100.0%**	**31.1%**

The following table sets out information on total operating income by division for the period under review.

£'000	31 March 2006	% of total income	31 March 2005	% of total income	% Change
Private Banking	247 508	25.6%	184 019	25.0%	34.5%
Private Client Portfolio Management and Stockbroking	37 764	3.9%	66 200	9.0%	(43.0%)
Treasury and Specialised Finance	182 132	18.9%	128 718	17.5%	41.5%
Investment Banking	183 020	19.0%	110 875	15.1%	65.1%
Asset Management	171 454	17.8%	126 255	17.2%	35.8%
Property Activities	38 528	4.0%	33 906	4.6%	13.6%
Group Services and Other Activities	104 149	10.8%	85 570	11.6%	21.7%
Total operating income net of insurance claims	**964 555**	**100.0%**	**735 543**	**100.0%**	**31.1%**

Net interest income

Net interest income represents interest earned net of interest paid in connection with our portfolio of bank accounts, deposits, lending activity and financial structured products. Net interest income increased by 51.9% to £259.2 million (2005: £170.6 million) as a result of very strong growth in loans and advances of 49.9% to £9.6 billion and increased cash holdings within the Central Funding

£'000	31 March 2006	31 March 2005	Variance	% Change
Private Banking	165 308	123 067	42 241	34.3%
Private Client Portfolio Management and Stockbroking	480	5 374	(4 894)	(91.1%)
Treasury and Specialised Finance	71 228	45 996	25 232	54.9%
Investment Banking	2 216	3 345	(1 129)	(33.8%)
Asset Management	4 050	2 842	1 208	42.5%
Property Activities	(4 002)	(3 488)	(514)	(14.7%)
Group Services and Other Activities	19 872	(6 568)	26 440	>100%
Net interest income	**259 152**	**170 568**	**88 584**	**51.9%**

Net fees and commissions receivable

Net fees and commissions receivable consist of fees receivable for the provision of asset management, investment advice, banking services, retainers, institutional stockbroking commissions and brokerage, and similar items that are likely to recur due to the repetitive nature of these activities. Also included are facility arrangement fees, corporate finance fees and similar items that are transactional in nature and therefore generate more erratic income streams, offset by fees and commissions payable which predominantly comprise brokerage payable, banking fees and other similar charges.

The growth in net fees and commissions of 15.7% to £436.9 million (2005: £377.7 million) is impacted by the sale of Carr Sheppards Crosthwaite to Rensburg. Our retained interest in Rensburg Sheppards is now accounted for as "operating income from associates". Excluding the consolidated income earned from Carr Sheppards Crosthwaite in both years results in an increase in net fees and commissions of 30.3% to £433.3 million. This result was supported by favourable market and economic conditions and increased transactional activity in our businesses.

£'000	31 March 2006	31 March 2005	Variance	% Change
Private Banking	70 675	56 289	14 386	25.6%
Private Client Portfolio Management and Stockbroking	30 264	60 165	(29 901)	(49.7%)
Treasury and Specialised Finance	55 878	45 967	9 911	21.6%
Investment Banking	82 633	59 824	22 809	38.1%
Asset Management	165 890	123 361	42 529	34.5%
Property Activities	20 586	24 471	(3 885)	(15.9%)
Group Services and Other Activities	10 948	7 648	3 300	43.1%
Net fees and commissions receivable	**436 874**	**377 725**	**59 149**	**15.7%**

Principal transactions

Principal transactions comprise: trading income, the marking-to-market of interest rate instruments, equities and other securities such as foreign exchange instruments; profit on the disposal of dealing properties; dividends received and the profit/loss on realisation of the group's trading investments.

Income from principal transactions increased 75.6% to £246.1 million (2005: £140.2 million) mainly as a result of a strong performance of the underlying assets within the Direct Investments, Private Equity, Property and Central Funding portfolios; an improved performance from our market making and financial market activities; and an increased contribution from the Growth and Acquisition Finance team within the Private Bank.

£'000	31 March 2006	31 March 2005	Variance	% Change
Private Banking	11 657	4 402	7 255	>100%
Private Client Portfolio Management and Stockbroking	631	433	198	45.7%
Treasury and Specialised Finance	55 098	37 094	18 004	48.5%
Investment Banking	97 864	47 706	50 158	>100%
Asset Management	1 514	46	1 468	>100%
Property Activities	21 387	13 360	8 027	60.1%
Group Services and Other Activities	57 908	37 117	20 791	56.0%
Principal transactions	**246 059**	**140 158**	**105 901**	**75.6%**

Operating income from associates

Operating income from associates decreased by 53.8% to £6.7 million (2005: £14.5 million). The current years figure includes Investec's 47.7% share of the reported post-tax profit of Rensburg Sheppards for the period 6 May 2005 to 31 March 2006 (tax amounted to £3.6 million). In the prior year our most significant associate investment was Capital Alliance Holdings Limited.

£'000	31 March 2006	31 March 2005	Variance	% Change
Operating income from associates	6 694	14 474	(7 780)	(53.8%)

Net income on assurance activities

The decline in net income from assurance activities is as a result of the reinsurance of the group risk business during the prior year. After administration expenses and tax, a profit of £1.0 million (2005: £6.7 million) was generated from assurance activities, which represents the residual earnings from the businesses that were retained.

£'000	31 March 2006	31 March 2005	Variance	% Change
Investment income on assurance activities	141 559	258 855	(117 296)	(45.3%)
Premiums and reinsurance recoveries on insurance contracts	164 631	246 537	(81 906)	(33.2%)
Claims and reinsurance premiums on insurance business	(293 135)	(478 894)	185 759	(38.8%)
Net income on assurance activities	**13 055**	**26 498**	**(13 443)**	**(50.7%)**

Impairment losses on loans and advances

The decrease in impairment losses on loans and advances of 42.2% to £9.2 million (2005: £15.8 million) reflects an improvement in impairments in the Private Banking and Central Funding divisions, partially offset by an increase in specific impairments in the Treasury and Specialised Finance division.

The percentage of gross non-performing loans (NPLs) to loans and advances improved from 0.88% to 0.75%. Total impairment coverage remains highly satisfactory both as a percentage of gross NPLs and net NPLs (gross NPLs net of security), at 56.9% and 146.4% respectively. Further information on our asset quality is provided on pages 82 and 83.

£'000	31 March 2006	31 March 2005	Variance	% Change
Private Banking	1 745	(7 333)	9 078	>100%
Treasury and Specialised Finance	(12 342)	445	(12 787)	(>100%)
Investment Banking	722	(709)	1 431	>100%
Asset Management	(16)	-	(16)	(100%)
Property Activities	-	46	(46)	(100%)
Group Services and Other Activities	731	(8 294)	9 025	>100%
Impairment losses on loans and advances	**(9 160)**	**(15 845)**	**6 685**	**42.2%**

Administrative expenses

Total administrative expenses increased by 15.1% to £558.9 million (2005: £485.4 million). If the costs of Carr Sheppards Crosthwaite and the Israeli operations are excluded in both years:

- Total costs have increased by 28.0% to £556.0 million.
- Variable remuneration increased by 64.9% to £156.3 million due to increased profitability.
- Other operating expenses (excluding variable remuneration) increased by 17.7% to £399.7 million largely as a result of an increase in headcount in certain of the businesses in line with our growth initiatives and the introduction of a long-term incentive plan (charge of £11.5 million) for a group of senior employees in June 2005.

We achieved our target of operating expenses to total operating income of less than 65% with the ratio improving from 67.4% to 58.7%, principally as a result of the strong growth in operating income of 31.1%.

£'000	31 March 2006	% of total expenses	31 March 2005	% of total expenses	% Change
Staff costs (including directors' remuneration)	(386 393)	69.1%	(319 267)	65.8%	21.0%
- fixed	(229 506)	41.0%	(211 956)	43.7%	8.3%
- variable	(156 887)	28.1%	(107 311)	22.1%	46.2%
Business expenses	(83 345)	14.9%	(85 955)	17.7%	(3.0%)
Equipment (excluding depreciation)	(27 311)	4.9%	(22 949)	4.7%	19.0%
Premises (excluding depreciation)	(39 132)	7.0%	(38 764)	8.0%	0.9%
Marketing expenses	(22 706)	4.1%	(18 509)	3.8%	22.7%
Administrative expenses as reported	**(558 887)**	**100.0%**	**(485 444)**	**100.0%**	**15.1%**

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

£'000	31 March 2006	% of total expenses	31 March 2005	% of total expenses	% Change
UK and Europe	(248 053)	44.4%	(229 059)	47.2%	8.3%
Southern Africa	(277 482)	49.6%	(221 520)	45.6%	25.3%
Australia	(25 376)	4.6%	(17 876)	3.7%	42.0%
Other geographies	(7 976)	1.4%	(16 989)	3.5%	(53.1%)
Administrative expenses as reported	**(558 887)**	**100.0%**	**(485 444)**	**100.0%**	**15.1%**

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

£'000	31 March 2006	% of total expenses	31 March 2005	% of total expenses	% Change
Private Banking	(145 044)	26.0%	(107 164)	22.1%	35.3%
Private Client Portfolio Management and Stockbroking	(21 014)	3.8%	(51 862)	10.7%	(59.5%)
Treasury and Specialised Finance	(102 549)	18.3%	(82 002)	16.9%	25.1%
Investment Banking	(82 669)	14.8%	(60 559)	12.5%	36.5%
Asset Management	(111 163)	19.9%	(88 981)	18.3%	24.9%
Property Activities	(19 823)	3.5%	(15 627)	3.2%	26.9%
Group Services and Other Activities	(76 625)	13.7%	(79 249)	16.3%	(3.3%)
Administrative expenses as reported	**(558 887)**	**100.0%**	**(485 444)**	**100.0%**	**15.1%**

Operating profit before goodwill impairment, non-operating items and taxation

As a result of the foregoing factors, Investec's operating profit before goodwill impairment, non-operating items and taxation increased by 73.5% to £388.8 million (2005: £224.1 million).

The following tables set out information on operating profit before goodwill impairment, non-operating items and taxation by geography and by division for the period under review.

For the year to 31 March 2006

£'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group	% Change	% of Total
Private Banking	61 533	31 981	8 009	-	101 523	52.7%	26.0%
Private Client Portfolio Management and Stockbroking	7 399*	9 243	-	-	16 642	20.6%	4.3%
Treasury and Specialised Finance	22 507	43 560	849	-	66 916	44.3%	17.2%
Investment Banking	29 631	65 887	5 412	-	100 930	>100%	26.0%
Asset Management	10 609	48 767	-	-	59 376	63.6%	15.3%
Property Activities	2 023	16 575	-	-	18 598	2.1%	4.8%
Group Services and Other Activities	(25 966)	49 397	1 473	(122)	24 782	>100%	6.4%
Total group	**107 736**	**265 410**	**15 743**	**(122)**	**388 767**	73.5%	100.0%
% Change	79.3%	77.0%	43.7%	>100%	73.5%		
% of Total	27.7%	68.3%	4.0%	0.0%	100.0%		

* This number is net of tax of £3.6 million.

Pro forma IFRS restated for the year to 31 March 2005

£'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group	% of Total
Private Banking	35 282	24 815	4 341	2 052	66 490	29.7%
Private Client Portfolio Management and Stockbroking	8 408	5 396	-	-	13 804	6.2%
Treasury and Specialised Finance	14 051	31 335	1 193	(210)	46 369	20.7%
Investment Banking	16 632	26 975	3 514	2 165	49 286	22.0%
Asset Management	4 859	31 259	-	185	36 303	16.1%
Property Activities	5 113	13 095	-	-	18 208	8.1%
Group Services and Other Activities	(24 267)	17 055	1 909	(1 033)	(6 336)	(2.8%)
Total group	**60 078**	**149 930**	**10 957**	**3 159**	**224 124**	100.0%
% of Total	26.8%	66.9%	4.9%	1.4%	100.0%	

A detailed description of the performance of our principal divisions as well as our Group Services and Other Activities division can be found on pages 37 to 74. Additional segmental information for the year ended 31 March 2006 relative to the pro forma results for the year ended 31 March 2005 can be found on our website.

Goodwill impairments

The charge for goodwill impairment decreased from £37.0 million to £21.4 million. The current charge largely relates to impairment of goodwill attributable to property management contracts with respect to a portfolio of properties sold, and the Institutional Asset Management business in South Africa (relating to the loss of assets resulting from corporate actions). The prior year included an amount of £5 million relating to negative goodwill arising from a structured finance transaction offset by goodwill impairments largely relating to acquisitions made in the UK and South Africa.

£'000	31 March 2006	31 March 2005	Variance	% Change
Private Banking	-	(2 569)	2 569	(100%)
Private Client Portfolio Management and Stockbroking	-	(985)	985	(100%)
Treasury and Specialised Finance	-	5 023	(5 023)	(100%)
Investment Banking	-	(2 170)	2 170	(100%)
Asset Management	(14 157)	(28 709)	14 552	(50.7%)
Property Activities	(7 199)	(2 783)	(4 416)	>100%
Group Services and Other Activities	-	(4 817)	4 817	(100%)
Goodwill impairments	**(21 356)**	**(37 010)**	**15 654**	**(42.3%)**

Non-operating items

Non-operating items of £73.6 million principally includes a profit of £79.5 million arising out of the effective 52.3% sale of Carr Sheppards Crosthwaite to Rensburg offset by Investec's £3 million share of integration costs relating to the transaction.

£'000	31 March 2006	31 March 2005	Variance	% Change
Non-operating items	73 573	(14 629)	88 202	>100%

Taxation

The operational effective tax rate of the group increased from 28.2% to 29.2%, and from 25.9% to 26.5% if the impact of the gross up on assurance activities is excluded in both years.

£'000	31 March 2006	31 March 2005	Variance	% Change
UK and Europe	(28 387)	(12 375)	(16 012)	>100%
Southern Africa	(78 378)	(42 270)	(36 108)	85.4%
Australia	(4 851)	(3 118)	(1 733)	55.6%
Other geographies	-	(1 463)	1 463	(100%)
Taxation	**(111 616)**	**(59 226)**	**(52 390)**	**88.5%**

Earnings attributable to minority interests

Earnings attributable to minority interests increased from £2.4 million to £14.3 million largely as a result of:

- An increase in the value of a portfolio of investment properties in which minorities have a 23.1% holding.
- A loss arising on the translation of the preferred securities issued by a subsidiary of Investec plc from Euros into Pounds Sterling. In accordance with IFRS these preferred securities are reflected on the balance sheet as part of minority interests. The transaction is hedged and income arising on the hedge is reflected in operating profit before goodwill impairment.

Earnings attributable to ordinary shareholders

As a result of the foregoing factors, earnings attributable to ordinary shareholders increased from £110.9 million to £315.1 million.

Dividends and earnings per share

	Year to 31 March 2006	Pro forma IFRS restated year to 31 March 2005
Ordinary dividends - pence per share		
Interim	38.0	30.0
Final	53.0	37.0
	91.0	**67.0**
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 period.	**268.9**	**89.2**
	£'000	**£'000**
Earnings attributable to shareholders equity	315 101	110 888
Preference dividends paid	(19 940)	(11 742)
Earnings attributable to ordinary shareholders	**295 161**	**99 146**
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 period.	**249.8**	**85.4**
Weighted total average number of shares in issue during the year	118 633 273	118 633 273
Weighted average number of treasury shares	(8 865 490)	(7 540 405)
	109 767 783	**111 092 868**
Weighted average number of shares resulting from future dilutive potential shares	5 884 874	4 975 253
Weighted average number of shares resulting from future dilutive convertible instruments	3 573 994	3 573 994
Adjusted weighted number of shares potentially in issue	**119 226 651**	**119 642 115**

	Year to 31 March 2006	Pro forma IFRS restated year to 31 March 2005
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 and after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the period.	**209.5**	**134.6**
	£'000	**£'000**
Earnings attributable to shareholders equity	315 101	110 888
Impairment of goodwill	21 356	37 010
(Profit)/loss on disposal or termination of group operations	(73 573)	14 629
Preference dividends paid	(19 940)	(11 742)
Additional earnings attributable to other equity holders	(12 927)	(1 275)
Adjusted earnings attributable to ordinary shareholders before goodwill impairment and non-operating items	**230 017**	**149 510**
Headline earnings per share - pence Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings."	**203.0**	**132.4**
	£'000	**£'000**
Earnings attributable to shareholders equity	315 101	110 888
Impairment of goodwill	21 356	37 010
(Profit)/loss on disposal or termination of group operations	(73 573)	14 629
Preference dividends paid	(19 940)	(11 742)
Other headline adjustments	(20 139)	(3 748)
Headline earnings attributable to ordinary shareholders	**222 805**	**147 037**

Balance sheet analysis

Since 1 April 2005 total capital resources (including total equity and subordinated liabilities) increased by 29.3% to £2.0 billion largely as a result of the issue of €200 million (£132 million) preferred securities by a subsidiary of Investec plc in June 2005, the gain on the sale of Carr Sheppards Crosthwaite and increased operating earnings.

On balance sheet assets grew by 20.0% from £19.9 billion to £23.9 billion with strong growth in loans and advances to customers partially offset by the closure of the Stock Lending matched book in the UK (reflected in the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed).

Summarised combined consolidated statements of changes in total shareholders' equity

£'000	Year to 31 March 2006	Year to 31 March 2005
Balance at the beginning of the year	**1 065 412**	**869 123**
As previously reported	967 256	766 373
Changes in accounting policies arising from adoption of IFRS		
- Minority interests included within reconciliation of reserves	13 195	39 029
- IFRS 2 - share based payments	554	(272)
- IFRS 3 - business combinations	10 943	-
- IAS 10 - events after balance sheet date	49 593	38 474
- IAS 12 - income taxes	7 298	81
- IAS 17 - leases	(6 933)	(594)
- IAS 19 - employee benefits	(140)	(140)
- IAS 27/28/31 - consolidations, associates and joint ventures	23 646	26 172
- IAS 32 & 39 - financial instruments (adopted from 1 April 2005)	10 199	-
Foreign currency adjustments	52 564	(15 263)
Retained profit for the year attributable to ordinary shareholders	315 101	105 567
Retained profit for the year attributable to minority interests	14 267	2 371
Share based payments adjustments	19 221	8 849
Fair value movements on available for sale assets	8 480	-
Dividends paid to ordinary shareholders	(84 435)	(55 398)
Dividends paid to minority shareholders	(19 940)	(11 738)
Issue of perpetual preference shares	-	207 313
Share issue expenses	(556)	(838)
Re-issue of treasury shares	13 113	2 146
Purchase of treasury shares	-	(16 159)
Transfer from pension fund deficit	2 035	2 370
Issue of equity instruments of subsidiaries	132 520	-
Movement on minorities on disposals and acquisitions	(15 888)	(32 931)
Balance at the end of the year	**1 512 093**	**1 065 412**

ROE - an assessment of economic capital utilised

In order to assess the return on economic capital utilised, the group believes that certain adjustments should be made to the income statement analysis and balance sheet analysis as reflected under IFRS.The group believes that these adjustments are necessary as they reflect the actual utilisation of capital and return thereon, notwithstanding accounting conventions.

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

- A notional return on capital (net of the cost of subordinated debt and preference shares) which is managed and borne in the centre is allocated from Group Services and Other Activities to the business segments based on their total capital utilisation.
- Shareholders' equity is increased to reflect permanent capital which is reflected under subordinated debt.

£'000	31 March 2006	Restated 1 April 2005	Average	Restated 31 March 2004	Average
Calculation of average shareholders' equity					
Shareholders' equity per balance sheet (excluding preference shares)	1 011 187	733 760	872 474	691 522	712 641
Add: Convertible debt included in subordinated liabilities	28 016	28 355	28 185	41 705	35 030
Adjusted shareholders' equity	**1 039 203**	**762 115**	**900 659**	**733 227**	**747 671**
Goodwill and intangible assets (excluding software)	(189 700)	(203 900)	(196 800)	(251 508)	(227 704)
Adjusted tangible shareholders' equity	**849 503**	**558 215**	**703 859**	**481 719**	**519 967**

	31 March 2006	31 March 2005
Operating profit before goodwill impairment and non-operating items	388 767	224 124
Minority interests	(14 267)	(2 371)
Preference dividends	(32 867)	(13 017)
Operating profit before taxation	**341 633**	**208 736**
Tax on ordinary activities	(111 616)	(59 226)
Operating profit after taxation	**230 017**	**149 510**
Pre-tax return on average adjusted shareholders' equity	37.9%	27.9%
Post-tax return on average adjusted shareholders' equity	25.5%	20.0%
Pre-tax return on average adjusted tangible shareholders' equity	48.5%	40.1%
Post-tax return on average adjusted tangible shareholders' equity	32.7%	28.8%

ROE by geography

£'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
Total operating profit	107 736	265 410	15 743	(122)	388 767
Tax on ordinary activities	(28 387)	(78 378)	(4 851)	-	(111 616)
Minority interests	(6 893)	(7 374)	-	-	(14 267)
Preference dividends	(7 541)	(25 326)	-	-	(32 867)
Profit on ordinary activities after taxation - 31 March 2006	**64 915**	**154 332**	**10 892**	**(122)**	**230 017**
Profit on ordinary activities after taxation - 31 March 2005	47 450	93 081	7 839	1 140	149 510
Adjusted shareholders' equity at 31 March 2006	**516 401**	**436 086**	**86 727**	**(11)**	**1 039 203**
Goodwill and intangible assets (excluding software)	125 480	52 627	11 593	-	189 700
Adjusted tangible shareholders' equity at 31 March 2006	**390 921**	**383 459**	**75 134**	**(11)**	**849 503**
Adjusted shareholders' equity at 1 April 2005	**411 614**	**285 139**	**64 612**	**750**	**762 115**
Goodwill and intangible assets (excluding software)	129 187	63 125	11 588	-	203 900
Adjusted tangible shareholders' equity at 1 April 2005	**282 427**	**222 014**	**53 024**	**750**	**558 215**
Adjusted average shareholders' equity - 31 March 2006^	461 564	360 613	78 442	40	900 659
Adjusted average shareholders' equity at 1 April 2005	393 345	262 599	59 818	31 909	747 671
Post tax return on average shareholders' equity - 31 March 2006	**14.1%**	**42.8%**	**13.9%**	**(305.0%)**	**25.5%**
Post tax return on average shareholders' equity - 1 April 2005	12.1%	35.4%	13.1%	3.6%	20.0%

^ This number is not necessarily a straight line average as these numbers are calculated on a monthly basis using actual capital utilised.

ROE by division

£'000	PB*	PCSB*	TSF*	IB*	AM*	PA*	GSO*	Total group
Total operating profit	101 523	16 642	66 916	100 930	59 376	18 598	24 782	388 767
Notional return on regulatory capital	32 010	2 474	23 823	3 904	966	967	(64 144)	-
Notional cost of statutory capital	(2 869)	(827)	(1 846)	(3)	(5 684)	(804)	12 033	-
Cost of subordinated debt	(13 071)	(1 254)	(9 874)	(1 556)	(438)	(388)	26 581	-
Minority interest	-	-	-	-	-	-	(14 267)	(14 267)
Cost of preference shares	(6 888)	(473)	(5 443)	(951)	(211)	(236)	(18 665)	(32 867)
Absorption of additional residual costs **	(7 947)	(1 897)	(7 314)	(10 610)	(2 656)	(2 774)	33 198	-
Adjusted earnings/(losses) - 31 March 2006	**102 758**	**14 665**	**66 262**	**91 714**	**51 353**	**15 363**	**(482)**	**341 633**
Adjusted earnings/(losses) - 31 March 2005	66 694	11 662	45 551	43 255	31 844	16 687	(6 957)	208 736
Adjusted shareholders' equity at 31 March 2006	**372 651**	**37 122**	**293 542**	**63 875**	**140 042**	**17 124**	**114 847**	**1 039 203**
Goodwill and intangible assets (excluding software)	17 536	3 371	13 787	17 704	128 160	9 142	-	189 700
Adjusted tangible shareholders' equity at 31 March 2006	**355 115**	**33 751**	**279 755**	**46 171**	**11 882**	**7 982**	**114 847**	**849 503**
Adjusted shareholders' equity at 1 April 2005	**270 540**	**20 744**	**190 380**	**27 493**	**140 577**	**18 967**	**93 414**	**762 115**
Goodwill and intangible assets (excluding software)	18 047	4 298	11 301	22 200	133 831	14 223	-	203 900
Adjusted tangible shareholders' equity at 1 April 2005	**252 493**	**16 446**	**179 079**	**5 293**	**6 746**	**4 744**	**93 414**	**558 215**
Adjusted average shareholders' equity - 31 March 2006^	351 205	35 921	242 905	53 380	141 361	19 993	55 894	900 659
Adjusted average shareholders' equity - 1 April 2005	252 538	19 924	171 037	36 990	155 625	19 022	92 535	747 671
Pre-tax return on adjusted average shareholders' equity - 31 March 2006	**29.3%**	**40.8%**	**27.3%**	**171.8%**	**36.3%**	**76.8%**	**(0.9%)**	**37.9%**
Pre-tax return on adjusted average shareholders' equity - 1 April 2005	26.4%	58.5%	26.6%	116.9%	20.5%	87.7%	(7.5%)	27.9%

* Where: PB= Private Banking PCSB=Private Client Portfolio Management and Stockbroking TSF=Treasury and Specialised Finance IB = Investment Banking AM=Asset Management PA= Property Activities GSO=Group Services and Other Activities

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

^ This number is not necessarily a straight line average as these numbers are calculated on a monthly basis using actual capital utilised.

Net tangible asset value per share

In calculating net tangible asset value per share we assume that all previously issued Compulsory Convertible Debentures (CCD's) are treated as equity. Under IFRS however, a portion of these CCD's are treated as debt and not included in shareholders' equity. As a result, adjustments must be made to the shareholder base which would more appropriately reflect their permanent capital nature.

£'000	31 March 2006	1 April 2005	Notes
Shareholders' equity	1 226 492	930 502	
Less: perpetual preference shares issued by Investec Limited	(215 305)	(196 742)	
Convertible debt included in subordinated liabilities	28 016	28 355	
Less: goodwill and intangible assets (excluding software)	(189 700)	(203 900)	
Net asset value	**849 503**	**558 215**	
Number of shares in issue	118.6	118.6	
CCD's	3.6	3.6	Relates to the convertible debt mentioned above.
Treasury shares	(8.1)	(9.6)	
Number of shares in issue in this calculation (million)	**114.1**	**112.6**	
Net tangible asset value per share (pence)	**744.3**	**495.8**	

Third party assets under management

The tables below set out third party assets under management over the reporting period.

£'million	31 March 2006	1 April 2005
South Africa Private Client Securities	7 844	3 579
Rensburg Sheppards plc/Carr Sheppards Crosthwaite*	13 100	6 107
South Africa Property Activities	1 846	1 256
Investec Asset Management: Southern Africa	19 833	13 669
Investec Asset Management: UK and international	11 820	9 244
Total third party assets under management	**54 443**	**33 855**

* Refer to note on page 32.

Third party assets under management (continued)

£'million	UK, Europe and Other	Southern Africa	Total group
31 March 2006			
Private Clients	13 100	7 844	20 944
Discretionary	*	1 338	*
Non-discretionary	*	6 506	*
Institutional	5 694	14 088	19 782
Retail	6 126	5 745	11 871
Property activities	-	1 846	1 846
Total third party assets under management	**24 920**	**29 523**	**54 443**
1 April 2005			
Private Clients	6 107*	3 579	9 686
Discretionary	4 029	633	4 662
Non-discretionary	2 078	2 946	5 024
Institutional	5 564	10 147	15 711
Retail	3 680	3 522	7 202
Property activities	-	1 256	1 256
Total third party assets under management	**15 351**	**18 504**	**33 855**

* The numbers as at 1 April 2005 reflect the funds managed by Carr Sheppards Crosthwaite only.
The numbers as at 31 March 2006 reflect the funds under management as reported by Rensburg Sheppards (a further breakdown of these numbers is not provided).

Capital adequacy

Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank (UK) Limited (IBUK) and Investec Bank Limited (IBL) are the main banking subsidiaries of Investec plc and Investec Limited, respectively. Investec plc and Investec Limited are well capitalised and capital adequacy ratios exceed the minimum regulatory requirements.

The group aims to maintain a capital adequacy ratio for Investec plc and Investec Limited of 13-16%, and targets a Tier 1 ratio of 10%.

31 March 2006	IBL R'million	Investec Limited R'million	IBUK £'million	Investec plc £'million
Net qualifying capital	11 035	12 134	725	762
Risk-weighted assets	68 517	74 560	3 815	4 312
Capital adequacy ratio	16.1%	16.3%	19.0%	17.7%
Tier 1 ratio	10.0%	11.1%	14.4%	11.6%

1 April 2005	IBL R'million	Investec Limited R'million	IBUK £'million	Investec plc £'million
Net qualifying capital	10 429	10 374	554	544
Risk-weighted assets	54 273	58 048	3 084	3 383
Capital adequacy ratio	19.2%	17.9%	18.0%	16.1%
Tier 1 ratio	11.4%	10.9%	16.5%	10.3%

Note:
The above ratios are determined under South African Reserve Bank regulations in respect of IBL (solo) and Investec Limited (consolidated) and Financial Services Authority requirements in respect of IBUK (consolidated) and Investec plc (consolidated).

Additional information

Number of employees

The tables below show the number of employees by division and geography over the three year period to 31 March 2006.

	31 March 2006	31 March 2005	31 March 2004
By division			
Private Banking			
UK and Europe	415	374	334
Southern Africa	1 118	855	719
Australia	65	51	43
USA	-	-	-
Israel	^	^	54
Total	**1 598**	**1 280**	**1 150**
Private Client Portfolio Management and Stockbroking			
UK and Europe	*	293	346
Southern Africa	167	122	126
Australia	-	-	-
USA	-	-	-
Israel	-	-	-
Total	**167**	**415**	**472**
Private Client Activities total			
UK and Europe	415	667	680
Southern Africa	1 285	977	845
Australia	65	51	43
USA	-	-	-
Israel	^	^	54
Total	**1 765**	**1 695**	**1 622**
Treasury and Specialised Finance			
UK and Europe	208	155	134
Southern Africa	303	275	258
Australia	19	15	8
USA	-	-	-
Israel	^	^	34
Total	**530**	**445**	**434**
Investment Banking			
UK, Europe and Hong Kong	124	115	114
Southern Africa	124	105	101
Australia	34	25	21
USA	5	-	-
Israel	^	^	39
Total	**287**	**245**	**275**
Asset Management			
UK and Europe	207	190	257
Southern Africa	583	533	517
Australia	-	-	-
USA	-	-	-
Israel	^	^	10
Total	**790**	**723**	**784**

^ The sale of Investec Bank (Israel) was concluded in mid-December 2004.

* The sale of Carr Sheppards Crosthwaite to Rensburg was concluded in May 2005.

Number of employees (continued)

	31 March 2006	31 March 2005	31 March 2004
By division			
Property Activities			
UK and Europe	3	5	6
Southern Africa	255	220	204
Australia	-	-	-
USA	-	-	-
Israel	^	^	-
Total	**258**	**225**	**210**
Group Service and Other Activities			
UK and Europe	209	176	240
Southern Africa	564	538	702
Australia	50	49	40
USA	**	67	75
Israel	^	^	76
Total	**823**	**830**	**1 133**
Total number of employees	**4 453**	**4 163**	**4 458**
By geography			
UK and Europe	1 166	1 308	1 431
Southern Africa	3 114	2 648	2 627
Australia	168	140	112
USA	5	67	75
Israel	^	^	213
Total number of employees	**4 453**	**4 163**	**4 458**

^ The sale of Investec Bank (Israel) was concluded in mid-December 2004.

* The sale of Carr Sheppards Crosthwaite to Rensburg was concluded in May 2005.

** The remaining US business was sold during the financial year.

Operating profit (before goodwill impairment, non-operating items and taxation and excluding income from associates) per employee

By division	PB*	PCSB*	TSF*	IB*	AM*	PA*	GSO*	Total group
Number of employees - 31 March 2006	1 598	167	530	287	790	258	823	4 453
Number of employees - 31 March 2005	1 280	415	445	245	723	225	830	4 163
Number of employees - 31 March 2004	1 150	472	434	275	784	210	1 133	4 458
Average employees - year 2006	1 439	157**	488	266	757	242	827	4 176
Average employees - year 2005	1 215	444	440	260	754	218	982	4 313
Operating profit^ - 31 March 2006 (£'000)	101 523	10 385	66 991	100 623	59 376	18 598	24 577	382 073
Operating profit^ - 31 March 2005 (£'000)	66 490	13 353	46 673	49 286	36 297	18 208	(20 657)	209 650
Profit per employee^^ - 31 March 2006 (£'000)	**70.6**	**66.1**	**137.3**	**378.3**	**78.4**	**76.9**	**29.7**	**91.5**
Profit/(loss) per employee^^ - 31 March 2005 (£'000)	54.7	30.1	106.1	189.6	48.1	83.5	(21.0)	48.6

By geography	UK & Europe	Southern Africa	Australia	Other geographies	Total group
Number of employees - 31 March 2006	1 166	3 114	168	5	4 453
Number of employees - 31 March 2005	1 308	2 648	140	67	4 163
Number of employees - 31 March 2004	1 431	2 627	112	288	4 458
Average number of employees - year 2006	1 105**	2 881	154	36	4 176
Average number of employees - year 2005	1 370	2 639	126	178	4 313
Operating profit^ - 31 March 2006 (£'000)	100 834	265 410	15 950	(121)	382 073
Operating profit^ - 31 March 2005 (£'000)	60 008	135 614	11 038	2 990	209 650
Profit/(loss) per employee^^ - 31 March 2006 (£'000)	**91.3**	**92.1**	**103.6**	**(3.4)**	**91.5**
Profit per employee^^ - 31 March 2005 (£'000)	43.8	51.4	87.6	16.8	48.6

* Where: PC=Private Client Activities TSF=Treasury and Specialised Finance IB = Investment Banking AM=Asset Management PA=Property Activities GSO=Group Services and Other Activities

** Adjusted for the sale of Carr Sheppards Crosthwaite to Rensburg.

^ Excluding operating income from associates.

^^ Based on average number of employees for the year.

Seven year review

Salient features*

For the year ended 31 March**	2006	2005	2004	2003	2002	2001	2000
Income statement and selected returns							
Earnings attributable to ordinary shareholders before goodwill and non-operating items (£'000)	230 017	149 510	106 203	89 668	127 613	100 906	87 246
Headline earnings (£'000)	222 805	147 037	105 873	83 595	115 777	100 906	87 246
Operating profit before goodwill, non-operating items and taxation (£'000)	388 767	224 124	132 260	85 762	158 567	133 196	123 474
Operating profit: Southern Africa (% of total)	68.3%	66.9%	58.6%	81.0%	51.6%	25.6%	15.4%
Operating profit: UK, Europe, Australia and Other (% of total)	31.7%	33.1%	41.4%	19.0%	48.4%	74.4%	84.6%
Cost to income ratio	58.7%	67.4%	72.7%	80.0%	72.0%	72.6%	70.2%
Staff compensation to operating income ratio	40.1%	43.4%	47.3%	51.1%	44.5%	45.5%	43.6%
Return on average adjusted shareholders' equity	25.5%	20.0%	15.4%	13.1%	19.4%	18.2%	16.9%
Net-interest income as a percentage of operating income	26.9%	23.2%	18.8%	21.3%	26.5%	28.9%	24.6%
Non-interest income as a percentage of operating income	73.1%	76.8%	81.2%	78.7%	73.5%	71.1%	75.4%
Effective tax rate	29.2%	28.2%	21.0%	6.3%	18.0%	22.6%	29.2%
Balance sheet							
Total capital resources (including subordinated liabilities) (£'million)	2 042	1 579	1 303	958	958	842	639
Shareholders' equity (including preference shares and minority interests) (£'million)	1 512	1 076	805	679	768	603	555
Total assets (£'million)	23 901	19 917	15 319	14 914	16 957	15 984	16 030
Loans and advances (£'million)	9 605	6 408	4 846	3 909	3 314	3 299	3 083
Loans and advances as a percentage of total assets	40.2%	32.2%	31.6%	26.2%	19.5%	20.6%	19.2%
Third party assets under management (£'million)	54 443	33 855	47 763	40 559	44 219	43 977	45 853
Capital adequacy ratio: Investec plc	17.7%	16.1%	17.3%	14.2%	^	^	^
Capital adequacy ratio: Investec Limited	16.3%	17.9%	15.1%	12.2%	^	^	^
Salient financial features and key statistics							
Adjusted earnings per share before goodwill and non-operating items (pence)	209.5	134.6	103.8	96.1	139.8	125.9	109.9
Headline earnings per share (pence)	203.0	132.4	103.5	89.6	126.8	125.9	109.9
Basic earnings per share (pence)	268.9	89.2	60.0	(67.2)	14.8	99.2	90.2
Diluted earnings per share (pence)	249.8	85.4	59.6	(67.2)	13.9	96.4	89.6
Dividends per share (pence)	91.0	67.0	58.0	54.0	53.8	68.7^^	61.4^^
Dividend cover (times)	2.3	2.0	1.8	1.8	2.6	1.8	1.8
Net tangible asset value per share (pence)	744.3	495.8	414.8	374.9	373.8	^	^
Weighted number of ordinary shares in issue (million)	109.8	111.1	102.3	93.3	91.3	80.2	79.4
Total number of shares in issue (million)	118.6	118.6	118.6	113.0	92.2	81.0	80.6
Closing share price (pence)	2 941	1 555	1 089	615	805	1 729	2 487
Market capitalisation (£'million)	3 488	1 844	1 292	695	742	1 400	2 005
Number of employees in the group	4 453	4 163	4 458	4 874	5 529	4 836	4 441
Average ZAR/£ exchange rate	11.43	11.47	12.02	15.04	13.65	10.82	9.93

* Refer to definitions on page 250.

** From 2000 to 2004 numbers are reported in terms of UK GAAP and for March 2005 and March 2006 in terms of IFRS.

^ Calculation not comparable.

^^ The dividend for 2000 and 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling. The Rand dividend per share for 2000 and 2001 was 620 cents and 750 cents, respectively.

Integrated global management structure

Global Roles

Chief Executive Officer - Stephen Koseff
Managing Director - Bernard Kantor

Executive Director - Alan Tapnack
Group Risk and Finance Director - Glynn Burger

Geographic Business Leaders

	UK	South Africa	Australia	SE Asia
	Bradley Fried	Andy Leith Glynn Burger David Lawrence	Geoff Levy Brian Schwartz	Richard Forlee

Divisional Business Leaders

- **Private Banking** Steven Heilbron
- **Private Client Stockbroking** Henry Blumenthal - SA
- **Treasury and Specialised Finance** David van der Walt
- **Investment Banking** Bradley Fried and Andy Leith
- **Asset Management** Hendrik du Toit
- **Property Activities** Sam Hackner

Support Structures

Banking and Institutions - David Lawrence
Chief Integrating Officer - Allen Zimbler
Corporate Governance and Compliance - Bradley Tapnack
Finance and Operations - Rayanne Jacobson
IT - Ingrid David and Simon Shapiro
Marketing - Raymond van Niekerk
Risk Management - Ciaran Whelan
Secretarial and Staff Share Schemes - Les Penfold

Group operating structure

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.

Private Client Activities	Treasury and Specialised Finance	Investment Banking	Asset Management	Property Activities
• Private Banking • Private Client Portfolio Management and Stockbroking	• Advising • Structuring • Asset creation • Distribution • Trading	• Corporate Finance • Institutional Research, Sales and Trading • Direct Investments • Private Equity	• Institutional • Retail	• Fund Management • Listed Funds • Trading and Development • Property Management
• Australia • Southern Africa • UK and Europe	• Australia • Southern Africa • UK and Europe	• Australia • Hong Kong • Southern Africa • UK and Europe	• Hong Kong • Southern Africa • UK and Europe	• Southern Africa • UK and Europe

Group Services and Other Activities

- Central Services
- Central Funding
- International Trade Finance

Scope of activities

Private Client Activities comprise two businesses: Private Banking and Private Client Portfolio Management and Stockbroking.

Private Banking

Activities	- Banking and Treasury - Growth and Acquisition Finance - Investment Management and Advisory services - Specialised Lending - Structured Property Finance - Trust and Fiduciary services
Target market	- Ultra high net worth individuals - High income professionals - Active wealthy entrepreneurs Including property developers and investors, self-employed entrepreneurs, MBO and MBI candidates and sophisticated investors.

Private Client Portfolio Management and Stockbroking

Activity	- Investment Portfolio Management and Stockbroking
Target market	**Private Client Securities, South Africa:** High net worth individuals **Rensburg Sheppards, UK:** Transaction concluded in May 2005, see page 45.

Strategic focus

Private Banking

Our strategy is underpinned by the philosophy of "out thinking" rather than "out muscling" competitors. We position ourselves as the "investment bank for private clients", offering specialist financial services to high income and high net worth individuals, entrepreneurs, property developers and investors.

Private Client Portfolio Management and Stockbroking

UK and Europe

Refer to page 45 for details of the sale of Carr Sheppards Crosthwaite to Rensburg in May 2005.

South Africa

Mission: To be the premier South African portfolio management and stockbroking house.

We differentiate ourselves by:
- Continually demonstrating superior portfolio management returns to clients.
- Introducing new discretionary and non-discretionary products and services.
- Offering clients additional value through products developed within the broader Investec group.
- Enhancing client focus with teams offering specialised solutions to clients.
- Leveraging cross-sell opportunities within the Investec group.

Management structure

Private Banking

Global Head of Private Banking	Steven Heilbron

UK and Europe

Regional Head	Steven Heilbron
Structured Property Finance	Paul Stevens
Specialised Lending	David Drewienka
Growth and Acquisition Finance	Leon Blitz
	Avron Epstein
Banking and Treasury	Linda McBain
Private Client Lending	Elan Mansur
	Nicky Walden
Investment Management	Robert Gottlieb
	Kim Hillier
Trust and Fiduciary	Ian Burns
	Robert Clifford
Finance and Operations	Chris Forsyth
IT	Alan Bletcher
Marketing	Antonia Kerr
Channel Islands	Mort Mirghavameddin
Ireland	Michael Cullen
Switzerland	Paul Hunt

South Africa

Regional Head	Paul Hanley
Johannesburg region	Wessel Oosthuysen
Cape Town region	Michael Barr
Durban region	Colin Franks
Port Elizabeth region	Andy Vogel
Pretoria region	Wouter de Vos
Banking	Wayne Preston
Treasury	Les Scott
Compliance	Wendy Parker
Credit Risk	Michael Leisegang
Finance	Lianne D'Agnese
Human Resources	Natalie Wessels
IT	Denton Muil
Marketing	Carol-Ann van der Merwe
Risk Management	Tim Till

Australia

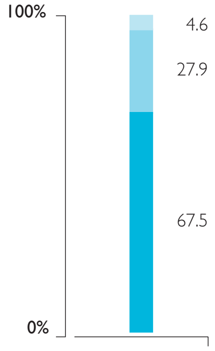
Property Investment Banking	Tim Johansen
	Brendan O'Sullivan
Growth and Acquisition Finance	Mark Joffe
	Michael Sacks
Private Client Distribution	Ivan Katz
Wealth Management	Robert Lipman
Finance	Kelley-Ann Axiom
IT	Angelica Stein
Marketing	Ngaire Threlfall
Operations	Steven Munitz

Private Client Portfolio Management and Stockbroking

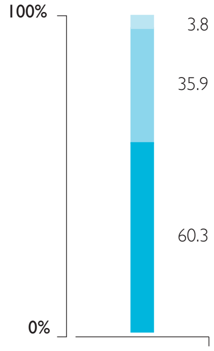
Head of Private Client Securities, South Africa	Henry Blumenthal
Investment process	Donald Glyn
	Peter Armitage
Johannesburg region	Paul Deuchar
	Raymond Goss
Cape Town region	Jonathan Bloch
	Stephen Glanz
	Angus Robertson
Durban region	Craig Hudson
Pietermaritzburg region	Andrew Smythe
Port Elizabeth region	Andy Vogel
Pretoria region	Len Olivier
Finance and Operations	Andrew Birrell
Administration	Ockert Olivier
Operational Risk	Alex Harding
Product Support	Carla Harding

Contribution analysis

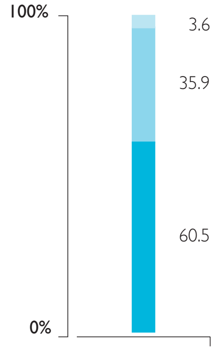
Operating profit*



Employees



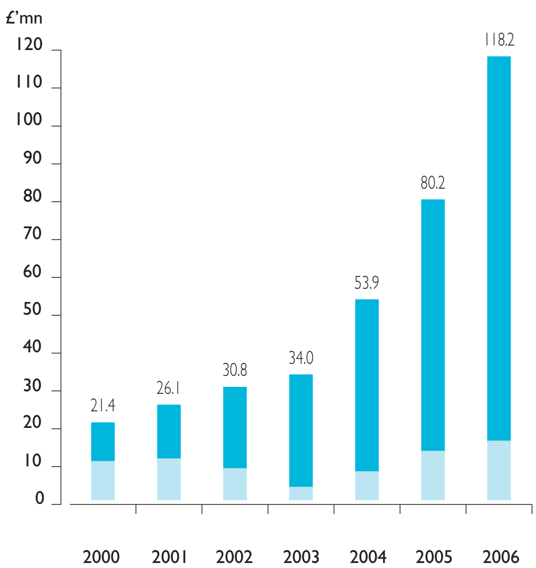
Adjusted shareholders' equity**



Private Client Portfolio Management and Stockbroking
Private Banking
Remainder of Investec group

* Before goodwill impairment, non-operating items and taxation and excluding Group Services and Other Activities.
** As calculated on page 30.

Operating profit^ - track record



Private Client Portfolio Management and Stockbroking
Private Banking

^ Trend reflects numbers as at the year ended 31 March unless stated otherwise. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill impairment, non-operating items and taxation.

Overview and financial analysis

- Operating profit increased by 52.7% to £101.5 million, contributing 27.9% to group profit.
- Excellent growth was achieved in all key geographies.
- Since 1 April 2005:
  - The lending book grew by 43.2% to £6.2 billion.
  - The deposit book increased by 46.3% to £4.8 billion.
  - Funds under advice increased by 75.9% to £1.9 billion.

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	165 308	123 067	42 241	34.3%
Net fees and commissions receivable	70 675	56 289	14 386	25.6%
Principal transactions	11 657	4 402	7 255	>100%
Other operating income and operating income from associates	(132)	261	(393)	(>100%)
Impairment losses on loans and advances	1 745	(7 333)	9 078	>100%
Admin expenses and depreciation	(147 730)	(110 196)	(37 534)	34.1%
Operating profit before goodwill impairment, non-operating items and taxation	**101 523**	**66 490**	**35 033**	**52.7%**
UK and Europe	61 533	35 282	26 251	74.4%
Southern Africa	31 981	24 815	7 166	28.9%
Australia	8 009	4 341	3 668	84.5%
Other geographies	-	2 052	(2 052)	(100%)
Operating profit before goodwill impairment, non-operating items and taxation	**101 523**	**66 490**	**35 033**	**52.7%**
Adjusted shareholders' equity*	372 651	270 540	102 111	37.7%
ROE (pre-tax)*	29.3%	26.4%		
Cost to income ratio	59.7%	59.9%		
Operating profit per employee (£'000)*	70.6	54.7		29.1%
Number of employees	1 598	1 280		24.8%

* As calculated on pages 30 and 35.

The variance in operating profit can be explained as follows:

- The solid increase in net interest income has been driven by:
  - Very strong growth in loans and advances and deposits.
  - A strong increase in arrangement and exit fees associated with a 54.1% increase in lending turnover.
- The impact of IAS 18 has resulted in R345 million (£30.0 million) (2005: R201 million (£17.5 million)) of lending fees in the South African business being deferred for recognition as margin, 75% of which will be recognised as income by 31 March 2008.
- Net fees and commissions receivable principally include fees in relation to trust and fiduciary services, investment management, banking and treasury activities as well as profit share fees arising out of lending transactions. The growth in net fees and commissions has been driven by strong activity levels in the majority of these areas of specialisation.
- Principal transactions include the revaluations and realisations of equity and warrant positions held (these are associated with our lending activities and the manner in which certain of our deals are structured).The increase in principal transactions reflects the increasing contribution made by the Growth and Acquisition Finance business.
- Impairment losses on loans and advances have decreased primarily due to the recovery of £5.6 million of specific impairments previously held against two loans and an improvement in the non-performing book in South Africa.
- The increase in expenses is mainly as a result of an increase in variable remuneration in line with growth in profitability, an increase in personnel costs given an increase in average headcount and investment in product development and IT infrastructure.

Loans and deposits

£'million As at	UK & Europe 31 March 2006	 1 April 2005	Southern Africa 31 March 2006	 1 April 2005	Australia 31 March 2006	 1 April 2005	Total 31 March 2006	 1 April 2005	% Change
Residential	818	614	908	703	11	6	1 737	1 323	31.3%
Securitised assets	-	-	423	199	-	-	423	199	>100%
Commercial	721	595	1 559	869	319	265	2 599	1 729	50.3%
Cash-backed lending	117	114	-	-	-	-	117	114	2.6%
Other Private Bank loans	325	204	925	733	51	26	1 301	963	35.2%
Total gross loans and advances	**1 981**	**1 527**	**3 815**	**2 504**	**381**	**297**	**6 177**	**4 328**	**42.7%**
Specific impairments	2	4	9	16	1	-	12	20	(40.0%)
Portfolio impairments	1	1	6	5	-	-	7	6	16.7%
Net loans and advances	**1 978**	**1 522**	**3 800**	**2 483**	**380**	**297**	**6 158**	**4 302**	**43.2%**
Asset quality									
Gross non-performing loans (NPLs)	20	18	18	25	12	-	50	43	16.3%
Collateral value	18	14	9	9	11	-	38	23	65.2%
Specific impairments	2	4	9	16	1	-	12	20	(40.0%)
Net exposure	-	-	-	-	-	-	-	-	
Gross NPLs as a % of loans and advances	1.0%	1.2%	0.5%	1.0%	3.2%	-	0.4%	1.0%	
Total deposits	**2 921**	**2 047**	**1 650**	**1 035**	**202**	**182**	**4 773**	**3 264**	**46.3%**

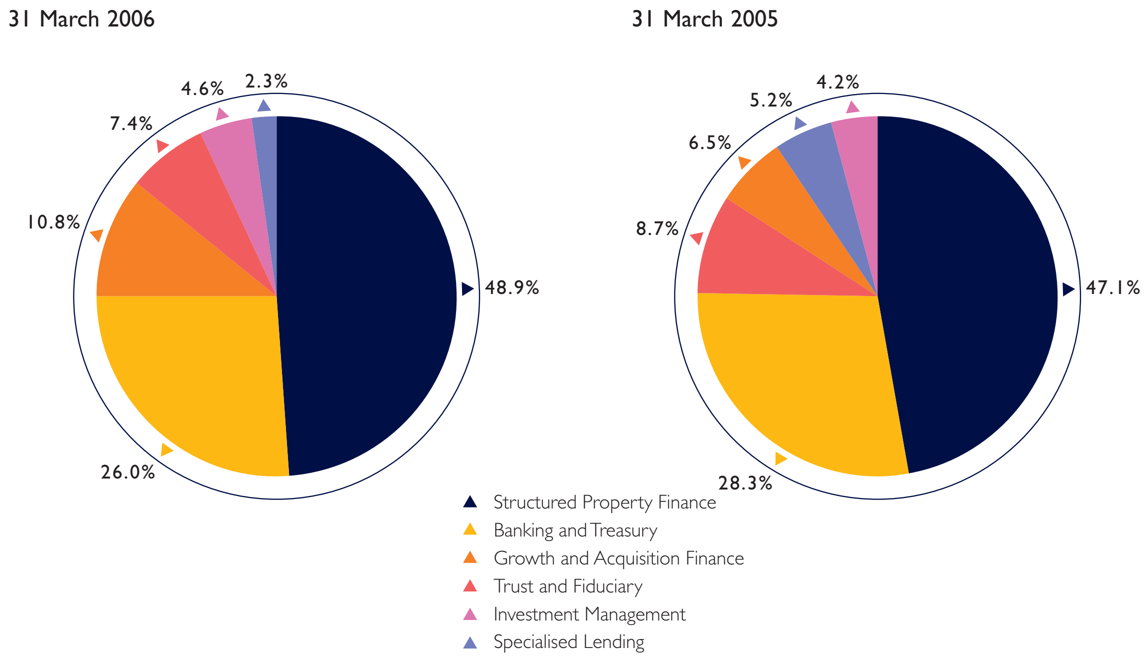
	31 March 2006	1 April 2005 £'million	% Change	31 March 2006	1 April 2005 Home currency 'million	% Change
UK and Europe	1 978	1 522	30.0%	£1 978	£1 522	30.0%
Southern Africa	3 800	2 483	53.1%	R40 749	R29 128	39.9%
Australia	380	297	27.9%	A$928	A$724	28.2%
Net loans and advances	**6 158**	**4 302**	**43.2%**			

	31 March 2006	1 April 2005 £'million	% Change	31 March 2006	1 April 2005 Home currency 'million	% Change
UK and Europe	2 921	2 047	42.7%	£2 921	£2 047	42.7%
Southern Africa	1 650	1 035	59.4%	R17 687	R12 141	45.7%
Australia	202	182	11.5%	A$495	A$446	11.0%
Total deposits	**4 773**	**3 264**	**46.3%**			

Funds under advice

	31 March 2006	1 April 2005 £'million	% Change	31 March 2006	1 April 2005 Home currency 'million	% Change
UK and Europe	642	362	77.3%	£642	£362	77.3%
Southern Africa	1 006	532	89.1%	R10 784	R6 249	72.6%
Australia	240	179	34.0%	A$586	A$436	34.4%
Total funds under advice	**1 888**	**1 073**	**75.9%**			

Analysis of total income by area of specialisation



Developments

UK and Europe

- The Structured Property Finance team concluded a number of significant transactions in Europe and expanded its distribution capability in London, Manchester and Ireland.
- The Banking business launched a range of mortgage offerings for private clients with bespoke mortgage requirements. These included an innovative multi-currency offering.
- The Growth and Acquisition Finance business was a key contributor to bottom line and its portfolio of deals was significantly enhanced. It was named "Alternative Debt Provider of the Year" in the Real Deals Private Equity Awards in London (2005 calendar year).
- The Investment Management business is validating the investment made over the last few years and has won a number of significant private client mandates. It was recognised through its nomination for "Best Private Bank Internationally for Innovative Products and Services" in The Private Banker International Awards 2005, alongside Goldman Sachs and Credit Suisse.
- The Guernsey based bank continues to successfully penetrate the Channel Islands market for deposit raising and is a key provider of liquidity for the Private Bank in Europe.
- The Trust and Fiduciary business acquired Quorum Management Limited in Jersey during November 2005 to bolster the scale of its existing operations.
- A boutique property fund administration business was launched successfully in Guernsey.

South Africa

- The Banking division launched the first full internet based mobile banking service in South Africa. This enables clients to view accounts and make payments and inter-account transfers using their mobile phones, thereby completing the daily banking value proposition.
- The treasury cash aggregation product launched during the year was significantly enhanced. A number of off-balance sheet securitisation vehicles were also established in support of funding initiatives.
- The significant ongoing increase in headcount in support of the South African growth strategy bore fruit. This was reflected in a 39.9% growth in advances, 45.7% growth in deposits and 72.6% increase in funds under advice.
- The Growth and Acquisition Finance team completed 24 transactions, providing R758 million of funding for black economic empowerment initiatives.

Australia

- The Growth and Acquisition Finance team was bolstered with new specialist skills.
- The Structured Property Finance team diversified its proposition and partnered with its clients in a number of principle investments.
- The business successfully distributed A$135 million special investment opportunities created by the bank to its high net worth investor base.

Outlook

- The earnings outlook across all geographies is positive, with strong deal pipelines.
- There are planned growth strategies in each jurisdiction which include the expansion of distribution capability together with new strategic initiatives.

Overview and financial analysis

- Operating profit increased by 20.6% to £16.6 million, contributing 4.6% to group profit.
- Both Rensburg Sheppards in the UK and Private Client Securities in South Africa benefited from favourable operating environments.
- Total private client funds under management in South Africa grew in excess of 100% to £7.8 billion (R84.1 billion) since 1 April 2005.
- Rensburg Sheppards reported funds under management of £13.1 billion.

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	480	5 374	(4 894)	(91.1%)
Net fees and commissions receivable	30 264	60 165	(29 901)	(49.7%)
Principal transactions	631	433	198	45.7%
Other operating income and operating income from associates	6 389	228	6 161	>100%
Admin expenses and depreciation	(21 122)	(52 396)	31 274	(59.7%)
Operating profit before goodwill impairment, non-operating items and taxation	**16 642**	**13 804**	**2 838**	**20.6%**
UK and Europe	7 399	8 408	(1 009)	(12.0%)
Southern Africa	9 243	5 396	3 847	71.3%
Operating profit before goodwill impairment, non-operating items and taxation	**16 642**	**13 804**	**2 838**	**20.6%**
Adjusted shareholders' equity*	37 122	20 744	16 378	79.0%
ROE (pre-tax)*	40.8%	58.5%		
Cost to income ratio	55.9%	79.1%		
Operating profit per employee (£'000)*	66.1	30.1		>100%
Number of employees	167	415		(59.8%)

* As calculated on pages 30 and 35.

The variance in operating profit can be explained as follows:

- The South African Private Client business has benefited from positive equity market conditions and the acquisition of HSBC's Private Client business in South Africa (effective 1 April 2005).
- Investec's UK Private Client Stockbroking business, Carr Sheppards Crosthwaite was sold to Rensburg on 6 May 2005. We retain a 47.7% interest in the combined entity, Rensburg Sheppards. Prior to 6 May 2005 the results of Carr Sheppards Crosthwaite have been consolidated into the group's results. Post 6 May 2005 the results of the combined entity Rensburg Sheppards have been equity accounted and are included in the line item "operating income from associates" (the £6.4 million income reflected above is post tax of £3.6 million).

Developments

UK and Europe

- As mentioned previously, Carr Sheppards Crosthwaite (CSC) was sold to Rensburg in May 2005. The net gain on the sale, included in non-operating items, is £79.5 million.

£'million		
Sale of 100% of CSC		
* 22.7 million Rensburg shares at £4.99	113.3	
* subordinated loan	60.0	
Total purchase consideration	173.3	
Apportionment - gain equals 52.3% of total:		**90.6**
Deduct: 52.3% CSC net assets		**(11.1)**
Net assets	12.1	
Goodwill	9.1	
	21.2	
		79.5

Notes:
As at 31 March 2006, the Rensburg Sheppards share price was £8.05.

Rensburg Sheppards released its results for the 16 months ended 31 March 2006 on 17 May 2006. Salient features of the results, extracted directly from the announcement released by the company include:

- "It is pleasing to report such good progress even during the major integration of Carr Sheppards Crosthwaite. I look forward to the year ahead with considerable optimism…
- Profit before tax, amortisation of both goodwill and the Employee Benefit Trust ('EBT') prepayment and exceptional items* for the 16 months ended 31 March 2006 of £29.3 million (12 months ended 30 November 2004: £8.8 million).
- Basic earnings per share before amortisation of both goodwill and the EBT prepayment and exceptional items* for the 16 months ended 31 March 2006 of 55.6p (12 months ended 30 November 2004: 27.9p).
- In respect of the acquisition of Carr Sheppards Crosthwaite, we continue to expect to achieve annualised pre-tax cost synergies of approximately £5.5 million per annum by the year ending 31 March 2008.
- Group funds under management at 31 March 2006 of £13.1 billion (30 November 2004: £4.2 billion).

* Amortisation of both goodwill and the EBT prepayment and exceptional items before taxation amount to a net charge of £19.6 million (12 months ended 30 November 2004: £0.4 million)."

For further information please contact Rensburg Sheppards directly (www.rensburg.co.uk)

South Africa

- Revenue increased substantially over the prior year, assisted by robust market conditions and the successful integration of HSBC.
- Managed client portfolios again benefited from superior returns.

Funds under management as at	31 March 2006*	1 April 2005 R'million	% Change	31 March 2006*	1 April 2005 £'million	% Change
Discretionary	14 339	7 428	93.0%	1 338	633	>100%
Non-discretionary	69 748	34 557	>100%	6 506	2 946	>100%
Total	**84 087**	**41 985**	**>100%**	**7 844**	**3 579**	**>100%**

R'million	31 March 2006*	1 April 2005
Net flows at cost over the year		
Discretionary	2 799	859
Non-discretionary	13 957	3 111
Total	**16 756**	**3 970**

* Includes HSBC funds acquired of R13.4 billion (R2.1 billion discretionary and R11.3 billion non-discretionary).

Outlook

South Africa

- Revenue will be geared to stock market conditions in the new financial year.
- Portfolio management fees will benefit form the higher base effect compared to last year.
- A number of new products will be launched during the new financial year.

Scope of activities

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

Strategic focus

Our objectives include:

- Continuing to remain a focused and specialised business, targeting markets and products where we can be distinctive and competitive.
- Seeking through strong discipline, centred on clients and delivery of structured products:
  - Asset creation opportunities
  - Product structuring and distribution opportunities
  - Trading, hedging and proprietary market opportunities
  - Advisory mandates
- Creating platforms for the origination and securitisation of internal and third party originated banking assets on a sustainable basis.
- Developing our market leading position, focusing on growth initiatives and growing a portfolio of quality term assets.
- Continuing to concentrate on systems, processes and automation, particularly in the trading businesses, to ensure maximum competitive advantage and long-term cost savings.
- Taking advantage of opportunities to use our specialist skills to launch specialist funds. A number of initiatives are under way which should ensure annuity fees in time.
- Investing in the future and targeting growth.

Management structure

Global Head of Treasury and Specialised Finance	David van der Walt

UK and Europe

Regional Head	David van der Walt
Interest Rates	John Barbour
Foreign Exchange	Phillip Wells
Equity Derivatives	Mark Roessgen
Treasury: Balance Sheet	John Barbour
Financial Products	Ruth Leas
	Michael Schewitz
Structured and Asset Finance	Alistair Crowther
Project Finance (UK and International)	Maurice Hochschild
Commodities and Resource Finance	George Rogers
Principal Finance	Andy Clapham
Operations (UK and International)	Kevin McKenna
Regional Head: Ireland	Michael Cullen
Corporate Treasury: Ireland	Aisling Dodgson
Equity Derivatives and Finance: Ireland	Loman Gallagher
Operations: Ireland	Alan Byrne

South Africa

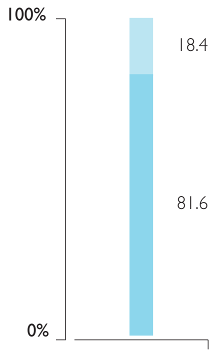
Regional Head	Richard Wainwright
Interest Rates	Brett Hopkins
Foreign Exchange	Grant Barrow
Equity Derivatives (South Africa and International)	Milton Samios
Treasury: Balance Sheet	Clive Sindelman
Corporate Treasury	Gary Gorman
Financial Products	Mark Currie
Structured and Asset Finance	David Kuming
	Anton Millar
Project Finance	Michael Meeser
Commodities and Resource Finance	Dharmesh Kaylan
Operations	Stuart Spencer
Mauritius	Craig McKenzie

Australia

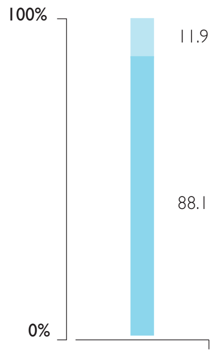
Regional Head	Jose de Nobrega
Treasury: Balance Sheet	Peter Binetter
Commodities and Resource Finance (Australia and International)	Jose de Nobrega

Contribution analysis

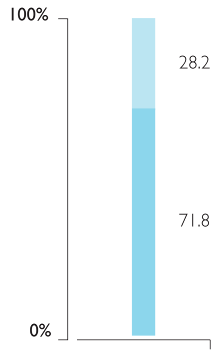
Operating profit*



Employees



Adjusted shareholders' equity**

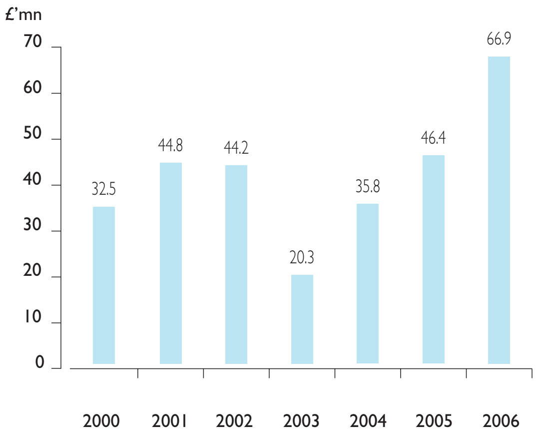


Treasury and Specialised Finance
Remainder of Investec group

* Before goodwill impairment, non-operating items and taxation and excluding Group Services and Other Activities.

** As calculated on page 30.

Operating profit^ - track record



^ Trend reflects numbers as at the year ended 31 March unless stated otherwise. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill impairment, non-operating items and taxation.

Overview and financial analysis

- Strong growth continued as operating profit increased by 44.3% to £66.9 million, contributing 18.4% to group profit.
- Growth was underpinned by contributions from all our core value drivers: advising, structuring, asset creation, distribution, trading and proprietary portfolio management.
- The lending book grew by 50.8% to £3.0 billion since 1 April 2005.

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	71 228	45 996	25 232	54.9%
Net fees and commissions receivable	55 878	45 967	9 911	21.6%
Principal transactions	55 098	37 094	18 004	48.5%
Other operating income and operating income from associates	(72)	(339)	267	78.8%
Impairment losses on loans and advances	(12 342)	445	(12 787)	(>100%)
Admin expenses and depreciation	(102 874)	(82 794)	(20 080)	24.3%
Operating profit before goodwill impairment, non-operating items and taxation	**66 916**	**46 369**	**20 547**	**44.3%**
UK and Europe	22 507	14 051	8 456	60.2%
Southern Africa	43 560	31 335	12 225	39.0%
Australia	849	1 193	(344)	(28.8%)
Other geographies	-	(210)	210	100%
Operating profit before goodwill impairment, non-operating items and taxation	**66 916**	**46 369**	**20 547**	**44.3%**
Adjusted shareholders' equity*	293 542	190 380	103 162	54.2%
ROE (pre-tax)*	27.3%	26.6%		
Cost to income ratio	56.5%	64.3%		
Operating profit per employee (£'000)*	137.3	106.1		29.4%
Number of employees	530	445		19.1%

* As calculated on pages 30 and 35.

Note:
The breakdown of profit between Financial Market Activities and Banking Activities as previously provided is no longer considered relevant as the Financial Market Activities support customer flow in the Banking Activities and the businesses are therefore integrated.

The variance in operating profit can be explained as follows:

- Net interest income has benefited from an increase in advances and average margin, and a stable interest rate environment.
- The increase in net fees and commissions receivable is attributable to a solid performance from the advisory and structuring businesses with a number of mandates closed successfully in the year in Project Finance, Resource Finance, Structured Finance and Financial Products.
- Principal transactions reflect a significantly improved trading performance in South Africa, particularly from the Equity Derivatives desk which has benefited from its "back to basics" approach coupled with an increase in volumes, volatilities and the return of the retail investor. Furthermore, the establishment of the Structured Derivatives Sales team has contributed to the overall performance in South Africa. In the UK we continue to invest in the trading infrastructure and the newly formed Principle Finance team presents us with a new business opportunity.
- The increase in impairment losses on loans and advances reflects an increase in specific impairments in relation to certain project finance and leasing exposures.
- Expenses have increased largely due to an increase in headcount (staff have been hired to progress various new initiatives) and an increase in variable remuneration in line with strong growth in profitability.

Loans

£'million As at	UK & Europe 31 March 2006	 1 April 2005	Southern Africa 31 March 2006	 1 April 2005	Australia 31 March 2006	 1 April 2005	Total 31 March 2006	 1 April 2005	% Change
Loans	942	743	1 862	1 213	25	27	2 829	1 983	42.6%
Assets to be securitised/warehouse assets	172	-	-	-	-	-	172	-	100%
Total gross loans and advances	**1 114**	**743**	**1 862**	**1 213**	**25**	**27**	**3 001**	**1 983**	**51.3%**
Specific impairments	5	-	8	2	1	-	14	2	>100%
Portfolio impairments	-	-	2	1	-	-	2	1	100%
Net loans and advances	**1 109**	**743**	**1 852**	**1 210**	**24**	**27**	**2 985**	**1 980**	**50.8%**
Asset quality									
Gross non-performing loans (NPLs)	5	-	8	2	1	-	14	2	>100%
Specific impairments	5	-	8	2	1	-	14	2	>100%
Net exposure	-	-	-	-	-	-	-	-	
Gross NPLs as a % of loans and advances	0.5%	-	0.4%	0.2%	4.2%	-	0.5%	0.1%	

Loans as at	31 March 2006	1 April 2005 £'million	% Change	31 March 2006	1 April 2005 Home currency 'million	% Change
UK and Europe	1 109	743	49.3%	£1 109	£743	49.3%
Loans	937	743	26.1%	£937	£743	26.1%
Assets to be securitised/warehouse assets	172	-	>100%	£172	-	>100%
South Africa	1 852	1 210	53.1%	R19 855	R14 970	32.6%
Australia	24	27	(11.1%)	A$58	A$65	(10.8%)
Net loans and advances	**2 985**	**1 980**	**50.8%**			

Developments

UK and Europe

- We successfully recruited a Principle Finance team to target the UK and European securitisation markets. This team will seek to create platforms for the securitisation of internal and third party originated banking assets. We placed our first collateralised loan obligation of acquisition finance assets in March 2006.
- Activity continued in the aircraft finance market and we were awarded the Jane's Transport Aircraft Leasing Deal of the Year 2005 - Asia.
- The Acquisition Finance business continued to show good growth. The team recruited from Citigroup (medium ticket leasing) has been operational for nine months and performed well over the period. A small ticket leasing team was acquired from the Bank of Scotland and became operational in March 2006.
- The Project and Infrastructure business earned advisory fees on a number of successfully closed PFI projects. Fees were also earned on renewable energy transactions and investments we made into some of these projects showed significant value uplift during the period.
- The Resource Finance team had a positive year with good fee income and earnings from direct equity investments. The integrated Commodities desk achieved a return to profitability with a renewed mandate better suited to our risk appetite.
- The Equity Finance business in Ireland continued to perform strongly and successfully diversified its product range and client base.
- The Equity Derivatives business was remodelled and much of the year was spent developing sophisticated, cross exchange trading platforms which will be launched in the new year.

South Africa

- The "back to basics" approach adopted in the Equity Derivatives division enabled us to take advantage of increasing volatility and renewed retail interest in the buoyant equity market.
- The newly created Derivative Sales and Structuring team had a successful year and remains a key focus going forward.
- The Structured Finance business achieved record payout levels during the year, with good activity and profitability across all focused lines of business. It continues to focus on debt capital markets as this is believed to be a significant growth area in South Africa.
- The Foreign Exchange desk had a difficult year, with limited trading and structuring opportunities.

Australia

- The Viridis Clean Energy Fund was successfully listed and we continue to source clean energy mandates.
- A structured finance and financial product capability was established.
- A strategic focus on commodity and resource finance was created and appropriately resourced.

Outlook

- The deal pipeline and general momentum are positive.
- Line of sight income remains good.
- Activity levels in the trading businesses should increase as we leverage the underlying infrastructure and increase market activities.
- The establishment of platforms to provide securitisable assets is under way and presents a significant new business opportunity.
- The recently announced acquisition of Rothschilds in Australia provides an annuity base and a level of scale which will allow further business growth.
- Market conditions favour strong growth.

Scope of activities

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

Activities	- Corporate Finance - Institutional Research, Sales and Trading - Direct Investments - Private Equity
Target market	- Listed and unlisted companies - Fund managers - Government - Parastatals

Strategic focus

Mission: To be a premier international investment bank distinguished by our leadership in chosen niches, our people and their approach, and our bond with our clients.

Our primary objectives are to secure our current positionings and to continue building our operations, with a strong focus on enhancing overall profitability.

UK and Europe

Our strategic objectives are to:
- Become a pre-eminent full service mid-market investment bank.
- Complete the final phases of our sector build out.
- Leverage our highly rated product and service offering internationally, specifically in the US and Europe.
- Offer additional corporate services such as private equity and debt advisory.
- Increase the current use of capital to reinforce our mid-market offering.

South Africa

Corporate Finance
Our strategy is to:
- Take advantage of our leading position in the South African market.
- Improve the size and profile of our client base with a focus on servicing existing clients and undertaking new client initiatives.
- Identify appropriate investment banking transactions, mergers and acquisitions and IPO opportunities.
- Continue with strategy relating to black economic empowerment.
- Improve cross-border activity.

Institutional Research, Sales and Trading
Our strategic objectives are to:
- Reinforce the South African specialist broker service offering.
- Enhance the mid-market research and service offering through greater coverage and use of capital.
- Expand product into the UK, US and European markets.
- Continue to diversify the revenue stream by moving into related areas such as prime broking and algorithmic trading.
- Use the team's intellectual capital across the group.

Direct Investments and Private Equity
Our purpose is to:
- Focus on quality, not quantity of investments, in selected industries.
- Identify and pursue transactions with the potential for significant value unlocking in the short to medium term.
- Target platform investments that can be significantly grown through the implementation of an agreed strategy that operates in industries that will benefit strongly from economic growth in South Africa.
- Co-invest with experienced executives and non-executives with a proven track record, strategic investors and empowerment partnerships built on trust.

- Concentrate on closer co-operation with BEE platform investee companies.
- Convert our current transaction pipeline.

Australia

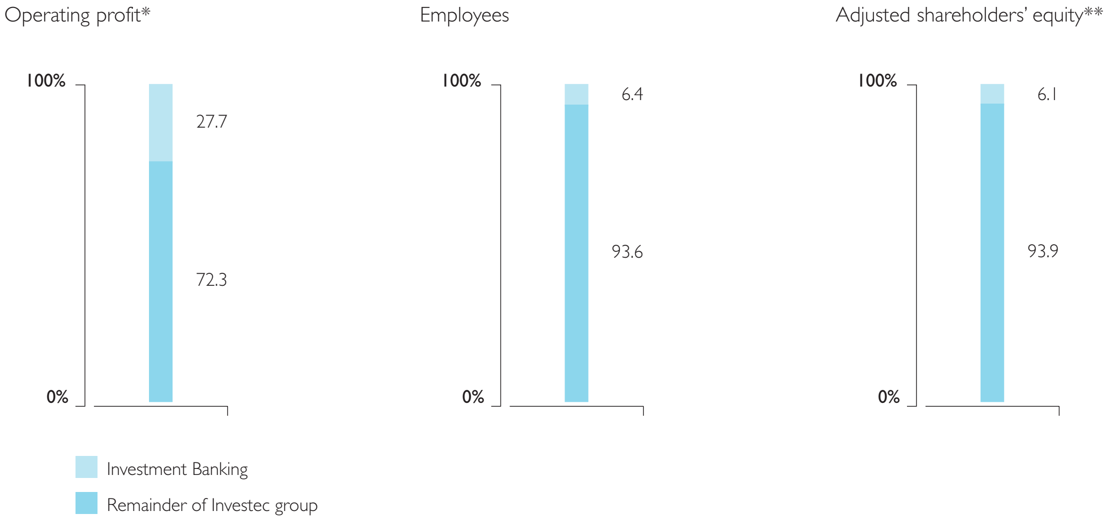
Our strategy is to:

- Build on our existing business model from trusted client relationships and strong networks.
- Continue combining direct investment and private equity opportunities (where appropriate).
- Continue diversifying revenue streams.
- Continue to take advantage of cross-divisional and cross-border transaction opportunities.

Management structure

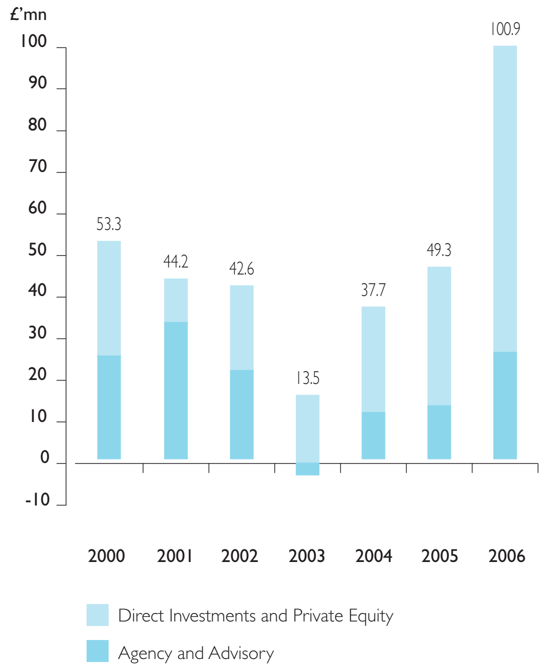
Joint Global Heads of Investment Banking	Bradley Fried
	Andy Leith
UK and Europe	
Regional Head	Bradley Fried
Joint Heads Investec Investment Banking and Securities	David Currie and Craig Tate
	Erik Anderson
	Keith Anderson
	Andrew Feinstein
	Christian Maher
	Clive Murray
	Andrew Marsh
IT and Operations	Trevor Gatfield
Finance	Ray Milner
Ireland	Michael Cullen
South Africa	
Regional Head	Andy Leith
Corporate Finance	Kevin Kerr
	Hugo Steyn
Head Investec Securities Institutional Stockbroking	Craig Tate
	Kevin Brady
Finance and Operations	Andrew Birrell
	Ockert Olivier
Direct Investments	Khumo Shuenyane
Private Equity	Thomas Prins
Finance	Caroline Thompson
Australia	
Regional Head	Geoff Levy
Corporate Finance	Stephen Chipkin
Direct Investments	Geoff Levy
Private Equity	John Murphy
Hong Kong	
Regional Head	Richard Forlee

Contribution analysis



* Before goodwill impairment, non-operating items and taxation and excluding Group Services and Other Activities.
** As calculated on page 30.

Operating profit^ - track record



^ Trend reflects numbers as at the year ended 31 March unless stated otherwise. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill impairment, non-operating items and taxation.

Overview and financial analysis

- Operating profit increased significantly to £100.9 million, contributing 27.7% to group profit.

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	2 216	3 345	(1 129)	(33.8%)
Net fees and commissions receivable	82 633	59 824	22 809	38.1%
Principal transactions	97 864	47 706	50 158	>100%
Other operating income and operating income from associates	307	-	307	100%
Impairment losses on loans and advances	722	(709)	1 431	>100%
Admin expenses and depreciation	(82 812)	(60 880)	(21 932)	36.0%
Operating profit before goodwill impairment, non-operating items and taxation	**100 930**	**49 286**	**51 644**	**>100%**
Corporate Finance	11 608	7 986	3 622	45.4%
Institutional Research, Sales and Trading	14 982	4 609	10 373	>100%
Direct Investments	34 218	16 568	17 650	>100%
Private Equity	40 122	20 123	19 999	99.4%
Operating profit before goodwill impairment, non-operating items and taxation	**100 930**	**49 286**	**51 644**	**>100%**
UK, Europe and Hong Kong	29 631	16 632	12 999	78.2%
Southern Africa	65 887	26 975	38 912	>100%
Australia	5 412	3 514	1 898	54.0%
Other geographies	-	2 165	(2 165)	(100%)
Operating profit before goodwill impairment, non-operating items and taxation	**100 930**	**49 286**	**51 644**	**>100%**
Adjusted shareholders' equity*	63 875	27 493	36 382	>100%
ROE (pre-tax)*	171.8%	116.9%		
Cost to income ratio	45.2%	54.9%		
Operating profit per employee (£'000)*	378.3	189.6		99.5%
Number of employees	287	245		17.1%

* As calculated on pages 30 and 35.

The variance in operating profit can be explained as follows:

- The Corporate Finance operations benefited from a strong deal pipeline across all geographies.
- The Institutional Stockbroking operations performed very well against a backdrop of favourable equity markets.
- The Direct Investments and Private Equity divisions continue to benefit from the strong performance of their underlying portfolios and increased presence in these activities.
- The increase in expenses largely relates to an increase in variable remuneration given increased profitability.

Developments

Corporate Finance and Institutional Research, Sales and Trading

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	43	1 641	(1 598)	(97.4%)
Net fees and commissions receivable	79 768	56 497	23 271	41.2%
Principal transactions	10 095	4 035	6 060	>100%
Impairment losses on loans and advances	(44)	-	(44)	(100%)
Admin expenses and depreciation	(63 272)	(49 578)	(13 694)	27.6%
Operating profit before goodwill impairment and non-operating items	**26 590**	**12 595**	**13 995**	**>100%**

Corporate Finance

UK and Europe

- We benefited from a high level of merger and acquisition (M&A) activity and an active IPO market.
- Seven IPOs were concluded during the period, the most significant being Land of Leather (a furniture retailer) and Aurora Russia (a vehicle that invests in Russian financial services companies).
- We completed 14 M&A transactions with a value of £1.9 billion (2005:19 transactions with a value of £1.1 billion).
- We completed 21 fundraisings during the year, raising in aggregate £634 million (2005:12 transactions raising £376 million). This included a £200 million fundraising for Melrose's acquisition of McKechnie and Dynacast.
- We were involved in two syndicated transactions that raised £151 million.
- We continue to build the quality and size of the corporate client list, gaining 24 new brokerships with the total number of quoted clients now at 84. Average market capitalisation of these clients is £257 million.

South Africa

- We maintained our strong positioning with a good level of activity.
- Our focus was on M&A, corporate restructuring activities and black economic empowerment transactions.
- We retained all our major clients and gained several new mandates during the period, particularly for black economic empowerment transactions.
- Corporate finance transactions during the period increased to 119 (2005: 88), with a similar value to the prior year of R31.2 billion (2005: R32.4 billion).
- Sponsor broker deals completed during the period increased to 128 (2005: 94), with the value increasing to R28.6 billion (2005: R25.8 billion).
- The Corporate Finance division was ranked first in volume of M&A transactions and general corporate finance in the Dealmakers Magazine Survey for Corporate Finance (2005 calendar year).
- The Sponsor division was ranked first in the volume of M&A transactions and second in general corporate finance by volume in the Dealmakers Magazine Survey for Sponsors (2005 calendar year).
- The Corporate Finance and Sponsor divisions were also ranked first in volume of M&A transactions in the Ernst & Young review for M&A (2005 calendar year).

Australia

- There is increasing awareness and recognition of the Investec brand.
- We advised on 20 transactions (2005: 18) valued at approximately A$6.5 billion (2005: A$26.7 billion).
- We continued to take advantage of cross-border opportunities within the broader group.
- Dedicated Property Advisory and Resources teams were added to expand on our capabilities.

Institutional Research, Sales and Trading

This was the first year that we ran the South African and UK Securities operations as a fully integrated and unified business. The alignment of the businesses has enabled us to serve our clients far more effectively – as we have integrated our offering, optimised the use of our risk capital, created leverage across sales and research (especially on dual listed stocks) and better facilitated South African and UK product distribution into the US and Europe.

UK and Europe

- Strong secondary commissions were recorded during the period as a result of:
  - Increasing market share on the back of an improving research ranking and service delivery.
  - Improved market levels and market volumes.
  - A greater focus on hedge fund clients.
  - An expanded specialist sector offering.
- The recent Starmine awards emphasised the quality of research where, as a specialist house, Investec Securities scored joint fifth place across all UK brokers.

South Africa

- Strong agency performance was driven by healthy market conditions.
- Excellent progress was made on the development of the international franchise (US and UK).
- There was healthy progress in diversifying revenue streams (for example prime broking and algorithmic trading).
- The mid-market offering was enhanced.
- In the Institutional Investor survey for 2006 our South African offering was rated number 2 in the UK and, after only one year, 7th in the US.

Direct Investments and Private Equity

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	2 173	1 704	469	27.5%
Net fees and commissions receivable	2 865	3 327	(462)	(13.9%)
Principal transactions	87 769	43 671	44 098	>100%
Other operating income and operating income from associates	307	-	307	100%
Impairment losses on loans and advances	766	(709)	1 475	>100%
Admin expenses and depreciation	(19 540)	(11 302)	(8 238)	72.9%
Operating profit before goodwill impairment and non-operating items	**74 340**	**36 691**	**37 649**	**>100%**

Value of investments on balance sheet at 31 March 2006

£'million	Listed	Unlisted	Advances	Total
South Africa Direct Investments	24	35	6	65
South Africa Private Equity	-	77	9	86
UK Private Equity	11	7	-	18
Australia	5	3	-	8
Hong Kong	10	-	-	10
	50	**122**	**15**	**187**

Value of investments on balance sheet at 31 March 2005

£'million	Listed	Unlisted	Advances	Total
South Africa Direct Investments	25	14	8	47
South Africa Private Equity	-	25	6	31
UK Private Equity	-	10	-	10
Australia	-	1	-	1
	25	**50**	**14**	**89**

Further analysis of operating profit at 31 March 2006

£'million	Realised	Unrealised	Dividends	Interest and other	Income	Funding costs	Net income	Expenses	Net profit
South Africa Direct Investments	2.3	31.6	0.5	1.9	36.3	(3.0)	33.3	(7.0)	26.3
South Africa Private Equity	13.4	17.5	6.0	0.7	37.6	(1.3)	36.3	(5.8)	30.5
Australia	-	0.8	-	2.9	3.7	-	3.7	(1.1)	2.6
UK Private Equity	10.3	-	-	0.6	10.9	-	10.9	(3.1)	7.8
Hong Kong Direct Investments	-	9.6	-	-	9.6	-	9.6	(2.5)	7.1
Total	**26.0**	**59.5**	**6.5**	**6.1**	**98.1**	**(4.3)**	**93.8**	**(19.5)**	**74.3**

Further analysis of operating profit at 31 March 2005

£'million	Realised	Unrealised	Dividends	Interest and other	Income	Funding costs	Net income	Expenses	Net profit
South Africa Direct Investments	6.1	15.1	1.4	0.9	23.5	(5.1)	**18.4**	(2.8)	**15.6**
South Africa Private Equity	0.4	6.9	5.3	-	12.6	(1.4)	**11.2**	(3.3)	**7.9**
Australia	-	1.0	-	1.2	2.2	-	**2.2**	(1.1)	**1.1**
UK Private Equity	14.0	-	-	2.2	16.2	-	**16.2**	(4.1)	**12.1**
Total	**20.5**	**23.0**	**6.7**	**4.3**	**54.5**	**(6.5)**	**48.0**	**(11.3)**	**36.7**

UK, Europe and Hong Kong

- We benefited from the sale of investments in the underlying funds of the Private Equity portfolio.
- We are developing a Direct Investments business in Hong Kong driven by Richard Forlee.

South Africa

- The Private Equity and Direct Investments portfolios increased significantly, driven by a good performance from the underlying investments, further investment acquisitions and a number of realisations during the period under review.
- The Private Equity portfolio increased to an aggregate value of R922 million (2005: R366 million), while the Direct Investments portfolio at year end was approximately R697 million (2005: R550 million).

Australia

- The investment portfolio continued to perform strongly, with four new investments made over the past year.
- The strong IPO and takeover markets provided some attractive exit opportunities.
- Direct Investments profits were driven primarily by good performance from underlying investments and an increase in the market value of the portfolio.

Outlook

Corporate Finance

- Black economic empowerment and M&A transactions are expected to continue to drive activity in South Africa.
- We continue to build our corporate client base in the UK and have pitched and won a number of brokerships with larger corporates.
- Continuing sound levels of M&A activity within the Australian market together with increased brand awareness provide a solid platform for ongoing growth.
- The pipeline looks positive across all areas.

Institutional Research, Sales and Trading

- Investec Securities remains well positioned to capitalise on healthy market conditions. International leverage from revenue stream diversification will add to future franchise strength.
- The UK business continues to strengthen its broking franchise with the introduction of three new sectors (Speciality and Other Financials, Biotech and Building and Construction) and the expansion of product into the US and Europe.

Direct Investments and Private Equity

- The outlook for Private Equity remains positive based on good performance of the portfolio companies and the quality pipeline in place. We continue to look for value creation opportunities.
- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and building quality black economic empowerment platforms.

Scope of activities

We offer a comprehensive range of portfolio management services and products to institutional and retail clients.

UK	- Rapidly growing comprehensive OEIC range - Recognised player in pension fund market - Leading public sector liquidity management provider
Southern Africa	- Market leader of unit trust funds and portfolio products - One of the largest third party institutional managers
Offshore	- Growing offshore funds provider to Asia, Europe, UK, Southern Africa and other offshore markets

Strategic focus

Mission: To exceed client expectations of investment performance and service.

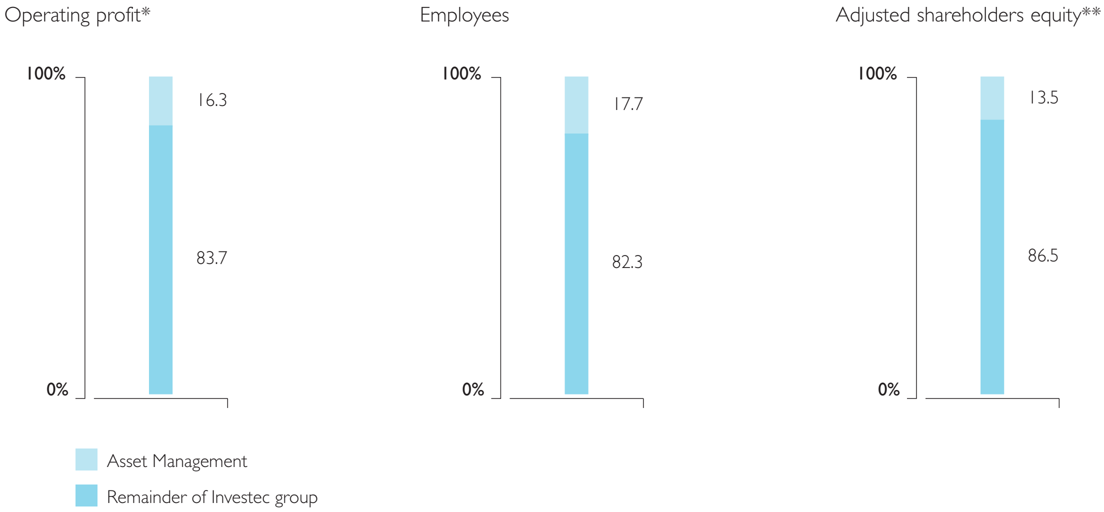
We intend to achieve this by:

- Delivering sound investment performance across all propositions.
- Providing exceptional client service.
- Being at the forefront of product innovation.
- Driving transformation in South Africa and diversity worldwide.

Management structure

Global Head of Asset Management	Hendrik du Toit
Chief Operating Officer	Kim McFarland
MD, South Africa	John Green
Deputy MD, South Africa	Thabo Khojane
Investments (South Africa)	John McNab
Equities (South Africa)	Gail Daniel
Fixed Income (South Africa)	Andre Roux
Communications	Jeremy Gardiner
Retail (UK and Europe)	David Aird
Institutional (UK)	Mark Samuelson
Investments (UK)	Domenico Ferrini
Fixed Income (UK)	John Stopford
Multi-Asset	Philip Saunders

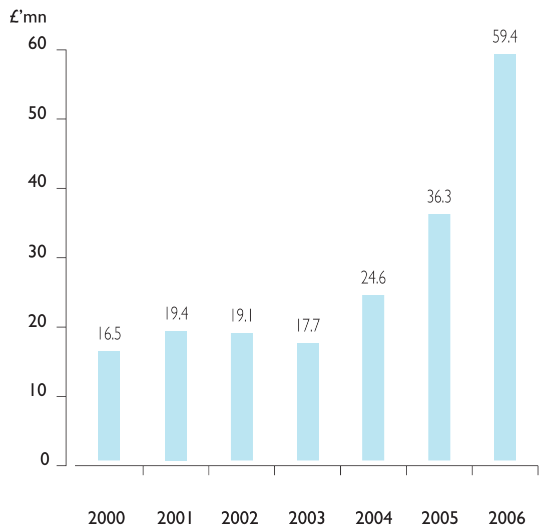
Contribution analysis



* Before goodwill impairment, non-operating items and taxation and excluding Group Services and Other Activities.

** As calculated on page 30.

Operating profit^ - track record



^ Trend reflects numbers as at the year ended 31 March unless stated otherwise. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill impairment, non-operating items and taxation.

Overview and financial analysis

- Operating profit increased by 63.6% to £59.4 million, contributing 16.3% to group profit.
- Assets under management increased by 38.1% to £31.7 billion (R339.4 billion) since 31 March 2005.
- Although overall net inflows for the total business amount to a modest £442.9 million, the higher fee earning mutual funds business delivered record net inflows of £1.7 billion.

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	4 050	2 842	1 208	42.5%
Net fees and commissions receivable	165 890	123 361	42 529	34.5%
Other income	1 514	52	1 462	>100%
Impairment losses on loans and advances	(16)	-	(16)	(100%)
Admin expenses and depreciation	(112 062)	(89 952)	(22 110)	24.6%
Operating profit before goodwill impairment, non-operating items and taxation	**59 376**	**36 303**	**23 073**	**63.6%**
UK and international	10 609	4 859	5 750	>100%
Southern Africa	48 767	31 259	17 508	56.0%
Other geographies	-	185	(185)	(100%)
Operating profit before goodwill impairment, non-operating items and taxation	**59 376**	**36 303**	**23 073**	**63.6%**
Adjusted shareholders' equity*	140 042	140 577	(535)	(0.4%)
ROE (pre-tax)*	36.3%	20.5%		
Cost to income ratio	65.4%	71.2%		
Operating profit per employee (£'000)*	78.4	48.1		63.0%
Number of employees	790	723		9.3%

* As calculated on pages 30 and 35.

The variance in operating profit can be explained as follows:

UK and international

- Operating profit growth of 118.3% to £10.6 million.
- The significant growth of the business was underpinned by favourable conditions for financial markets and substantial net inflows into our mutual funds.
- Assets under management increased to £11.8 billion on the back of net inflows in excess of £1 billion for the reporting period.

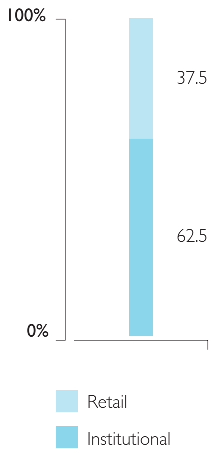
Southern Africa

- Operating profit growth of 56.0% to £48.8 million (R552.2 million).
- The increase in revenue is primarily attributable to the increase in asset levels and benchmark beating investment performance of the specialist propositions which translated to substantial growth in performance fees. Performance fees for the financial year grew to £18.8 million (R209.9 million), up from £8.0 million (R91.4 million) in the previous year.
- The retail book had net inflows of R3.7 billion. The institutional book benefited from the take-on of the assets from the Alliance Capital acquisition (R9.2 billion)^ but was impacted by client portfolio restructures and rebalances of R4.6 billion and continued structural outflows from the ex-Fedsure book of R5.5 billion.
- The increase in expenses is largely due to an increase in variable remuneration in line with the strong growth in profitability and an increase in headcount to drive future growth opportunities of the business.

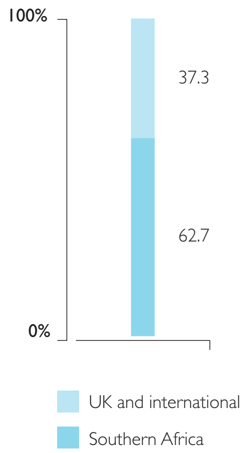
^ Assets from Alliance Capital acquisition excluded from flows.

Assets under management*

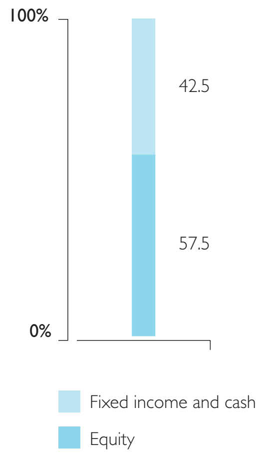
Business type



Geographic



Asset class



Movement in assets under management

£'million	Total	UK and international	Southern Africa
31 March 2005	**22 913**	**9 244**	**13 669**
Net flows	443	1 044	(601)
New clients/funds	2 374	582	1 792
Disinvestments/closed funds	(2 907)	(680)	(2 227)
Existing client/fund net flows	976	1 142	(166)
Acquisition	848	-	848
Market movement	7 449	1 532	5 917
31 March 2006	**31 653**	**11 820**	**19 833**

£'million	Total	Institutional	Retail
31 March 2005	**22 913**	**15 711**	**7 202**
Net flows	443	(1 257)	1 700
New clients/funds	2 374	2 295	79
Disinvestments/closed funds	(2 907)	(2 857)	(50)
Existing client/fund net flows	976	(695)	1 671
Acquisition	848	848	-
Market movement	7 449	4 480	2 969
31 March 2006	**31 653**	**19 782**	**11 871**

Sales (gross inflows)

Clients £'million	31 March 2006	31 March 2005
Institutional	2 540	3 396
Retail	6 811	4 097
	9 351	**7 493**

Products £'million	31 March 2006	31 March 2005
Fixed interest and cash	3 628	4 221
Equity	4 625	2 275
Balanced	1 098	997
	9 351	**7 493**

* Managed basis

Developments

UK and international

- There was strong investment performance across equity propositions and steady improvement of fixed income propositions. The positive momentum was used to continue to add capable people to our investment team.
  - 85% of mutual funds by value and 63% of mutual funds by numbers are in the first or second quartile over three years.
  - 82% of institutional propositions over three years outperformed their benchmarks.
- The institutional business achieved "buy" status from a number of key investment consultants.
- There was accelerated growth in the UK onshore mutual funds book from £1.5 billion to £2.7 billion, an increase of 76.3%.
- Retail market share continued to grow.
- The Standard & Poor's Best Small Group Award (over one year) in Germany bodes well for enhanced cross-border sales and further penetration into Europe.
- Record net inflows into the offshore funds were boosted by strong sales from Taiwan, Hong Kong and Switzerland.

Investec Asset Management (IAM) in the UK mutual fund industry

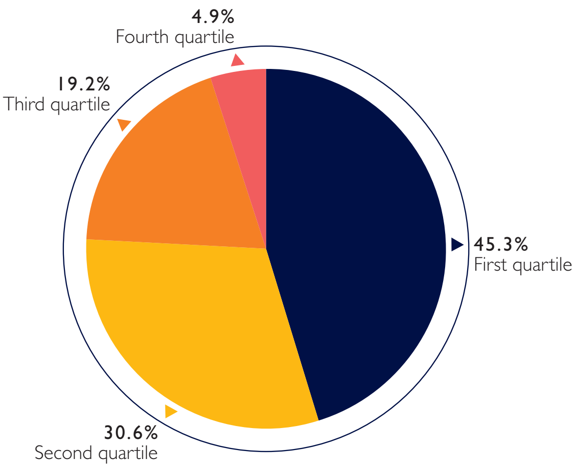
£'million	31 March 2006	31 March 2005	31 March 2004
IAM assets under management	3 231	2 020	1 128
Total industry size	382 670	282 283	246 040
Market share	0.8%	0.7%	0.5%
Size ranking in industry	37th of 118	43rd of 118	52nd of 127
Industry net retail sales	11 818	3 729	8 855
IAM % of industry net retail sales	6.8%	7.3%	3.2%
Industry gross retail sales	45 693	30 823	29 766
IAM % of industry gross retail sales	2.9%	1.8%	1.5%

Sourced from data from the Investment Management Association.
Sales for the 12-month period

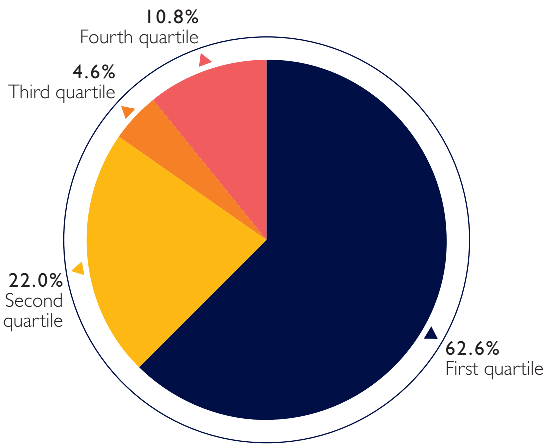
UK and global retail investment performance

By value of funds

One year



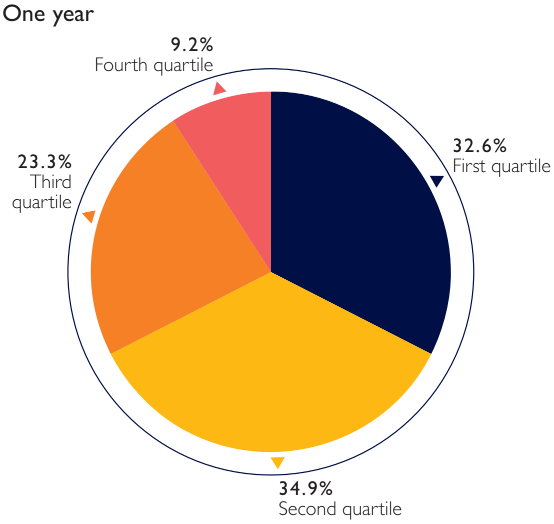
Three years

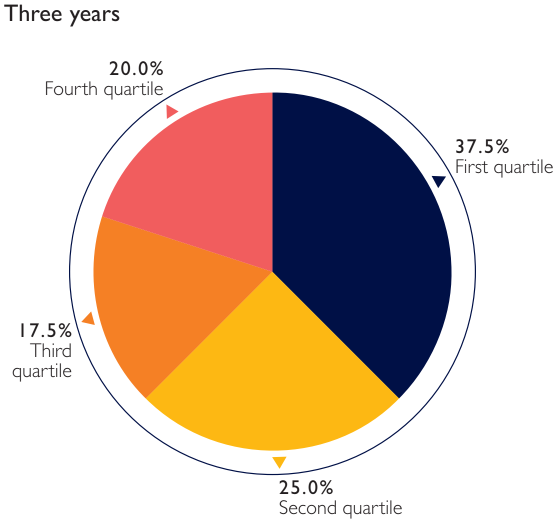


Calculated from Lipper data.
Excludes cash, cash plus and liquidity funds.

UK and global retail investment performance

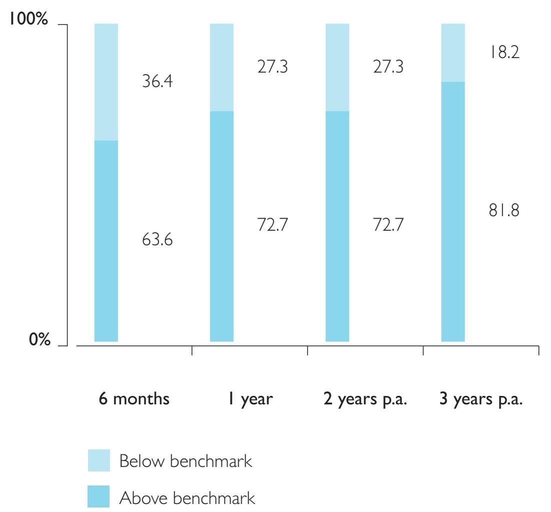
By number of funds





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

UK and global institutional investment performance



Calculated from Standard & Poor's Micropal, WM Spectrum, Lipper Hindsight data.

Southern Africa

- There was good specialist equity investment performance and steady improvement in fixed income investment performance. The investment team was bolstered by additional appointments, with a positive effect on balanced investment performance.
- Outstanding retail investment performance was endorsed by industry awards:
  - Best Larger Group (over one, three and five years) and Best Overall Group, Standard & Poor's Fund Awards 2006.
  - First place overall in the PlexCrown Survey March 2006 (measuring risk adjusted performance across full range).
  - ACI/Personal Finance Raging Bull Award for the top-performing fund over 10 years.
- The successful conversion of high alpha propositions to performance based mandates created a new axis for revenue generation. This had a minimal impact on base levels but will result in an increased variability in revenue.
- Strong net retail sales were boosted by the implementation of a retail fund manager team and new sales channels.
- The successful acquisition of Alliance Capital Management (Pty) Limited in South Africa consolidated our leadership in the market for growth style specialist equity portfolios.
- The launch of our Africa manufacturing capability and subsequent initial asset raising was successful. This initiative provides a unique calling card to many of the world's leading institutional investors.
- A solid foundation for the domestic hedge fund range was established.

Investec Asset Management (IAM) in the South African unit trust industry

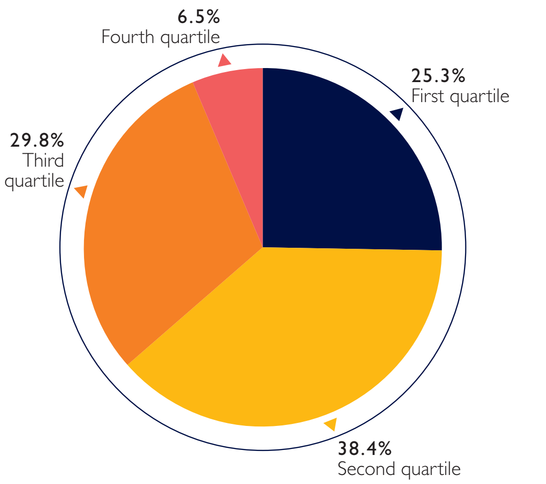
R'million	31 March 2006	31 March 2005	31 March 2004
IAM assets under management	40 867	27 166	23 542
Total industry size	485 410	339 812	243 539
Market share	8.4%	8.0%	9.7%
Size ranking in industry	3rd of 28	3rd of 26	4th of 28
Industry gross sales	393 186	295 891	205 559
IAM % of gross industry sales	9.0%	8.7%	12.2%

Sourced from data from the Association of Collective Investments.
Sales for the 12-month period.

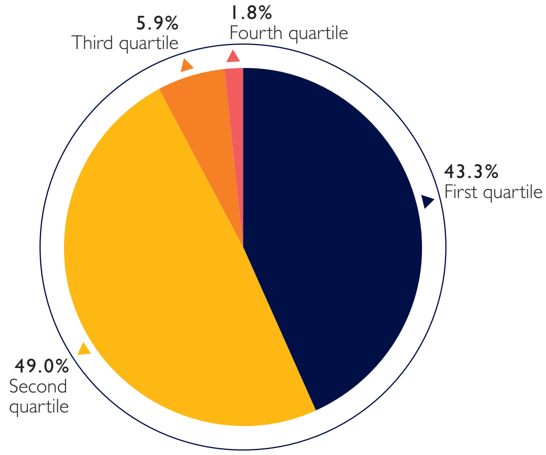
South African retail investment performance

By value of funds

One year

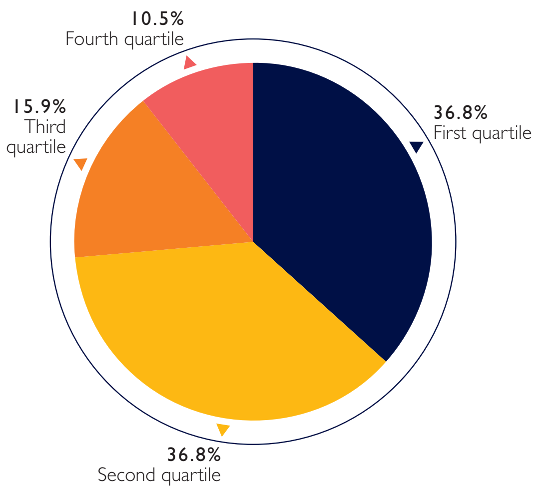


Three years

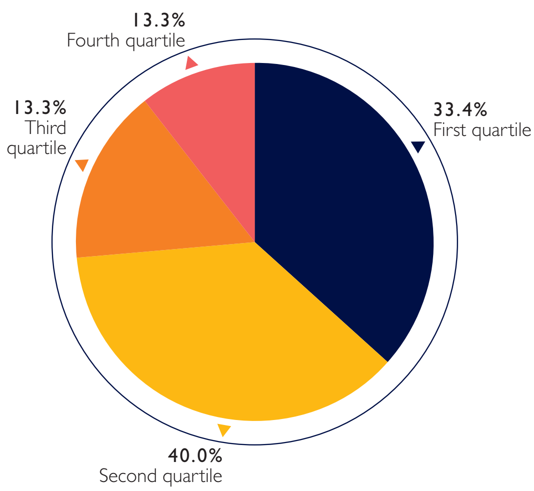


By number of funds

One year

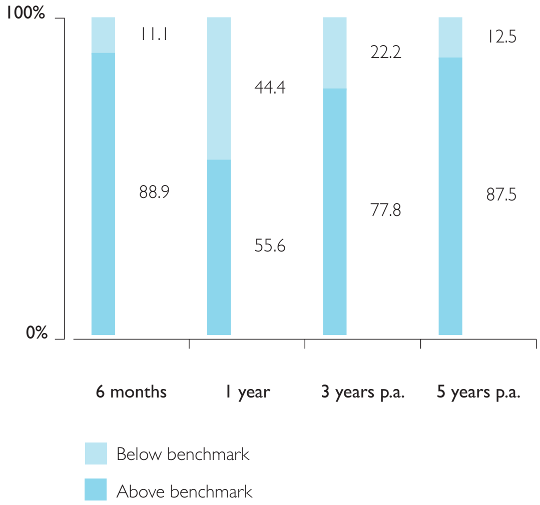


Three years



Calculated from Standard & Poor's Datastream data.

South African institutional investment performance



Calculated from Alexander Forbes data.

Outlook

- There is a positive momentum across the business.
- Continuously improving brand recognition, good investment performance and a highly experienced team provide a durable platform from which to target significant and sustainable growth, and to face the future challenges of the asset management industry.

Scope of activities

- Property Fund Management
- Property Administration
- Property Projects (development and trading)
- Listed Property Portfolio Management

Strategic focus

UK and Europe

- We are intending to expand our property model in the UK to include property fund management and to align the strategic focus of the UK business with that of South Africa in order to build a more holistic global property business.

South Africa

Property Fund Management
Our strategy is to:
- Continue to grow third party assets under management.
- Focus on the strategic acquisition of individual properties or portfolios.

Property Administration
Our strategic objective is integrally linked to the growth strategy of Property Fund Management.

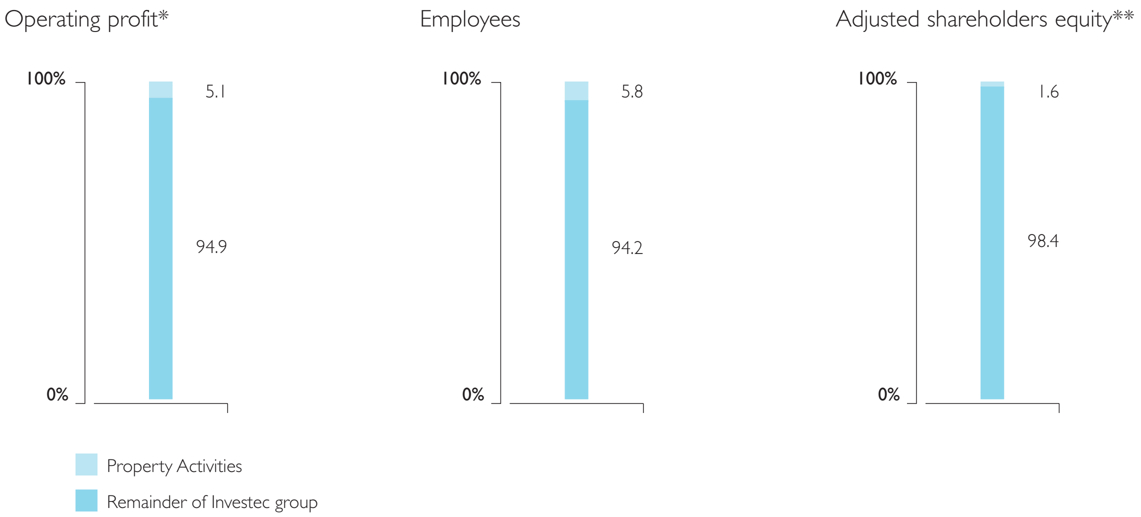
Property Projects
Our strategy is to:
- Source development and trading opportunities where we can create value and focus on maximum capital profit within agreed risk parameters.

Listed Property Portfolio Management
Our objective is to:
- Increase assets under management to R6 billion or 10% of the listed property sector, whichever is greater.

Management structure

Global Head of Property Activities	Sam Hackner
UK and Europe	
Regional Head	Paul Stevens
	Mike Donovan
	Will Scoular
South Africa	
Regional Head	Sam Leon
Fund Management	Norbert Sasse
Property Administration	Andrew Cox
Property Projects	Robin Magid
Listed Property Portfolio Management	Angelique de Rauville
Finance	Dave Donald

Contribution analysis



* Before goodwill impairment, non-operating items and taxation and excluding Group Services and Other Activities.
** As calculated on page 30.

Operating profit^ - track record

^ Trend reflects numbers as at the year ended 31 March unless stated otherwise. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill impairment, non-operating items and taxation.

Overview and financial analysis

- Operating profit increased to £18.6 million, contributing 5.1% to group profit.

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income	(4 002)	(3 488)	(514)	(14.7%)
Net fees and commissions receivable	20 586	24 471	(3 885)	(15.9%)
Other income	21 944	12 923	9 021	69.8%
Impairment losses on loans and advances	-	46	(46)	100%
Admin expenses and depreciation	(19 930)	(15 744)	(4 186)	26.6%
Operating profit before goodwill impairment, non-operating items and taxation	**18 598**	**18 208**	**390**	**2.1%**
UK and Europe	2 023	5 113	(3 090)	(60.4%)
Southern Africa	16 575	13 095	3 480	26.6%
Operating profit before goodwill impairment, non-operating items and taxation	**18 598**	**18 208**	**390**	**2.1%**
Adjusted shareholders' equity*	17 124	18 967	(1 843)	(9.7%)
ROE (pre-tax)*	76.8%	87.7%		
Cost to income ratio	51.7%	46.4%		
Operating profit per employee (£'000)*	76.9	83.5		(7.9%)
Number of employees	258	225		14.7%

* As calculated on pages 30 and 35.

The variance in operating profit can be explained as follows:

- The South African division posted solid results largely due to:
  - Favourable equity and property market conditions.
  - A 34.4% increase in funds under management from R14.7 billion (£1.3 billion) to R19.8 billion (£1.8 billion).
  - Realised gains on the sale of properties.
  - Revaluation of investment properties ((2006: £6.4 million); (2005: £6.0 million) net of funding costs).
    This portfolio of investment properties is managed by the Property division in South Africa. Previously the income in this regard was recorded in the Central Funding division. On reflection we believe that it is more appropriate and more accurate to reflect this income in the earnings of the Property division (the prior year numbers have been restated).
- The UK division earned several exit fees in the prior year.
- The increase in costs is largely as a result of an increase in variable remuneration given increased profitability and an increase in headcount in the South African division.

Outlook

UK and Europe

- Refer to strategic focus above.

South Africa

- We expect to be able to continue to capitalise on the buoyant property market, due primarily to our dominant positioning in the listed sector.
- We have a good pipeline of development and trading opportunities.

Group Services includes the Central Services and Central Funding functions, while Other Activities predominantly includes the International Trade Finance business and Assurance Activities.

Scope of activities

Central Services	- Corporate Affairs - Corporate Social Investment - Economics Research - Facilities - Finance and Operations - Head Office - Human Resources - Information and Business Intelligence Centres - Information Technology	- International Financial Institutions - Investor Relations - Legal - Marketing - Organisation Development - Regulatory, Internal Audit and Compliance - Risk Management - Secretarial and Staff Share Schemes - Tax
Other Activities	**International Trade Finance (ReichmansCapital)** - Trade, asset and debtor finance	

Management structure

Banking and Institutions
David Lawrence

Chief Integrating Officer
Allen Zimbler

Corporate Affairs
Carole Mason (SA)

Corporate Governance, Internal Audit and Compliance
Bradley Tapnack

Corporate Social Investment
Setlogane Manchidi (SA)

Facilities
Craig Gunnell

Finance and Operations
Rayanne Jacobson

Human Resources
Allen Zimbler (UK)
Tracey Rowe (SA)

Information and Business Intelligence Centres
Bruce Braude (UK)
Amanda Ritchie (SA)
Stacey-Lee Yates (SA)

Information Technology
Ingrid David
Simon Shapiro

International Financial Institutions
Helmut Bahrs

Investor Relations
Ursula Nobrega

Legal
David Nurek

Marketing
Raymond van Niekerk

Organisational Development
Caryn Solomon (UK)
Rene Dembo (SA)

Risk Management
Ciaran Whelan

Secretarial and Staff Share Schemes
Les Penfold

Tax
Pankaj Shah (UK)
Justin Cowley (SA)

ReichmansCapital
Robin Jacobson
Howard Tradonsky
John Wilks

Overview and financial analysis

- Operating profit of £24.8 million compared to a prior year loss of £6.3 million supported by a solid performance by the Central Funding division.

£'000	31 March 2006	31 March 2005	Variance	% Change
International Trade Finance	4 505	4 685	(180)	(3.8%)
USA continuing businesses	(120)	(1 022)	902	88.3%
UK Traded Endowments	(47)	(813)	766	94.2%
Assurance Activities	11 518	11 553	(35)	(0.3%)
	15 856	14 403	1 453	10.1%
Central Funding	66 777	19 309	47 468	>100%
Central Services	(57 851)	(40 048)	(17 803)	(44.5%)
Operating profit/(loss) before goodwill impairment, non-operating items and taxation	**24 782**	**(6 336)**	**31 118**	**>100%**

£'000 - 31 March 2006	UK & Europe	Southern Africa	Australia	Other	Total group
International Trade Finance	2 192	2 313	-	-	4 505
USA continuing businesses	-	-	-	(120)	(120)
UK Traded Endowments	-	(47)	-	-	(47)
Assurance Activities	-	11 518	-	-	11 518
Central Funding	(5 616)	67 020	5 375	(2)	66 777
Central Services	(22 542)	(31 407)	(3 902)	-	(57 851)
Operating profit/(loss) before goodwill impairment, non-operating items and taxation	**(25 966)**	**49 397**	**1 473**	**(122)**	**24 782**

£'000 - 31 March 2005	UK & Europe	Southern Africa	Australia	Other	Total group
International Trade Finance	1 635	3 050	-	-	4 685
USA continuing businesses	-	-	-	(1 022)	(1 022)
UK Traded Endowments	-	(813)	-	-	(813)
Assurance Activities	-	11 553	-	-	11 553
Central Funding	(12 491)	26 980	4 831	(11)	19 309
Central Services	(13 411)	(23 715)	(2 922)	-	(40 048)
Operating profit/(loss) before goodwill impairment and non-operating items	**(24 267)**	**17 055**	**1 909**	**(1 033)**	**(6 336)**

Developments

International Trade Finance

The positive macro-economic environment and stable Rand continues to support the operating fundamentals of the business.

USA continuing business and UK Traded Endowments

The businesses have been sold or closed during the year under review.

Assurance Activities

A post-tax profit of £1.0 million (2005: £6.7 million) was generated from Assurance Activities, which represents the residual earnings from the businesses that were retained.

Central Services Costs

- We have a policy of allocating costs that are housed in the centre that are in effect performing a function for the divisions of the group.
- There are certain costs that are strategic in nature which have not been allocated for pure segmental disclosure amounting to £57.9 million (2005: £40.0 million). However, a portion thereof (£33.2 million) is allocated to the operating divisions for purposes of determining return on adjusted capital per business segment. Refer to page 30 for further details.

Central services costs have increased from £40.0 million to £57.9 million largely as a result of:

- An increase in variable remuneration given increased profitability (an increase of £9.9 million).
- The introduction of a long-term incentive plan in June 2005 for a group of senior employees.
- An increase in headcount in the Central Services areas due to a large number of regulatory issues underway.
- A shortfall in the recovery of costs in the UK due to the sale of Carr Sheppards Crosthwaite.
- An increase in infrastructural costs relating to certain projects underway to improve efficiency which should result in long term cost savings.

Central Funding

- We have a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained.
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements the group faces at the relevant point in time.
- The funds raised are applied towards the making of acquisitions, the funding of central services and debt obligations and the purchase of corporate assets and investments not allocated to the five operating divisions.

£'000	31 March 2006	31 March 2005	Variance	% Change
Net interest income (excluding interest on sub-debt and debentures)	63 992	41 049	22 943	55.9%
Principal transactions	53 989	32 402	21 587	66.6%
Operating income from associates	-	14 223	(14 223)	(100%)
Other income	5 035	9 437	(4 402)	(46.6%)
	123 016	97 111	25 905	26.7%
Interest paid on sub-debt and debentures	(52 911)	(55 159)	2 248	(4.1%)
Impairment losses on loans and advances	1 771	(8 694)	10 465	>100%
Admin expenses and depreciation	(5 099)	(13 949)	8 850	(63.4%)
Operating profit before goodwill impairment, non-operating items and taxation	**66 777**	**19 309**	**47 468**	**>100%**

The variance in operating profit can be explained as follows:

- Net interest income in the South African and UK divisions were positively impacted by the following transactions:
  - Investec Limited issued R2.3 billion non-redeemable, non-cumulative, non-participating preference shares in February 2005. The cost of the preference dividends of approximately 7% is reflected as part of dividends payable.
  - The sale of Capital Alliance Holdings Limited (CAL) to Liberty Group Limited (31 March 2005) and the reinsurance of the group risk business conducted by Investec Employee Benefits to CAL (31 December 2004) generating net cash proceeds of approximately R1.3 billion.
  - The £60 million loan to Rensburg arising from the sale of Carr Sheppards Crosthwaite to Rensburg accruing interest at approximately 7.0% from 6 May 2005.
  - A subsidiary of Investec plc issued €200 million (£132 million) preferred securities on 24 June 2005. The dividends of approximately 7.0% are accounted for as part of dividends payable.
- The growth in income from principal transactions reflects the solid performance of the assets within the division's portfolio particularly:
  - Equity and listed property holdings revaluations and realisations.
  - Income of approximately £23 million relating to a portfolio of properties which is in the process of being sold (expected to be completed in the first half of the 2007 financial year).
- Operating income from associates has declined as a result of the sale of our associate investment in CAL, to Liberty Group Limited effective on 31 March 2005.
- Impairment losses on loans and advances decreased largely as a result of a large impairment made in the prior year.

Risk and governance

Philosophy and approach

The group recognises that the effectiveness of the risk management function is fundamental to its business. Taking international best practice into account, we follow a comprehensive risk management process, which involves identifying, understanding and managing the risks associated with each of our businesses.

A culture of risk awareness, control and compliance is embedded in our day-to-day activities.

An independent function, Group Risk Management (part of Group Services) independently monitors, manages and reports on our risk as mandated by the board through the Board Risk Review Committee. Business units are ultimately responsible for managing risks that will 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 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 and South Africa 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. However, no bank can completely or accurately predict or fully assure the effectiveness of its policies and procedures for managing risk.

Group Risk Management's objectives

Group Risk Management's objectives are to:

- Be the custodian of our risk management culture.
- 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.
- Facilitate various risk committees, as mandated by the board.

Integrated global risk management structure

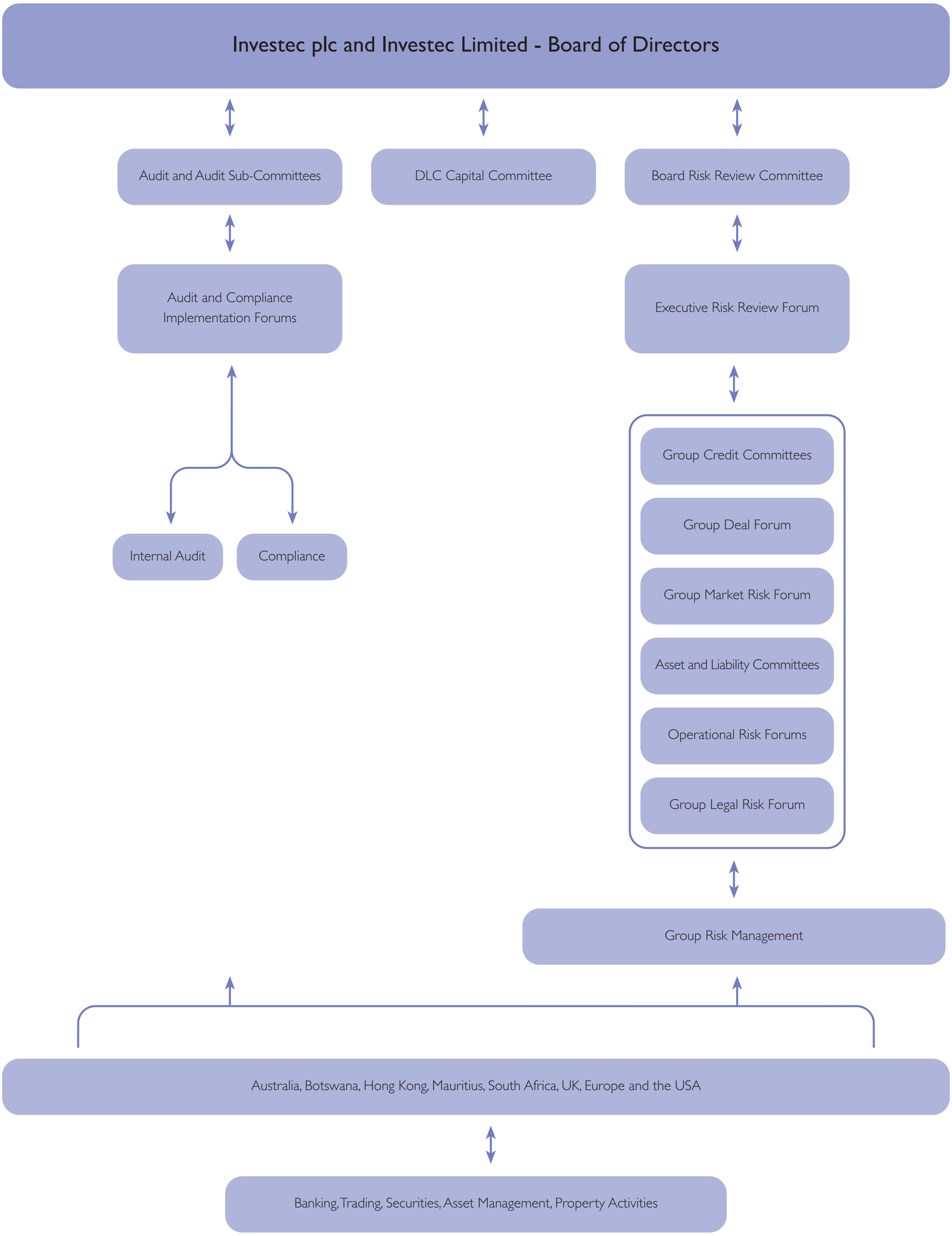
Group Risk and Finance Director - Glynn Burger

Global Head of Risk - Ciaran Whelan

Divisional and geographic roles	Global	UK and Europe	South Africa	Australia
Credit Risk	-	Ian Wohlman	Justin Cowley Gary Laughton	Ian Wohlman
Market Risk	Mark Trollip	Boaz Schechter	Mark Trollip	Adam Rapeport
Asset and Liability Management	Cyril Daleski	Wendy Robinson	Cyril Daleski	Anthony Rubin
Operational Risk	Colin Fiddes	Bharat Thakker	Colin Fiddes	Gavin Brandenburger
Legal Risk	David Nurek	Lauren Ekon	David Nurek	Marie-Lyse Eliatamby
Internal Audit	Bradley Tapnack	Brigid Schrieder	Noel Sumner	Gavin Brandenburger
Compliance	Bradley Tapnack	Geoff Cook	Mark Thompsett	Belinda Dorfan

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 shown in the diagram and described more fully below. These committees and forums operate together with Group Risk Management and are mandated by the board.



Committee	Function
Board Risk Review Committee	
Members: executive and non-executive directors (senior management by invitation) Chairman: Stephen Koseff (CEO) Frequency: monthly	• The roles and responsibilities of the Board Risk Review Committee are described on page 115.
Executive Risk Review Forum	
Members: executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: weekly	• The roles and responsibilities of the Executive Risk Review Forum are described on page 115.
Group Credit Committee	
Members: executive and non-executive directors; senior management Chairman: Glynn Burger (Group Risk and Finance director) Frequency: weekly	• 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. • Sets the level of our maximum acceptable counterparty, geographic, asset, concentration and industry exposures. • Reviews and approves changes to credit policy and methodologies, including: - Large exposure policy - dealing with the control of concentration risk and exposure measurement methodology. - Provisioning policy - dealing with the classification of past due amounts and minimum acceptable provisions. - Excess management policy - dealing with classification of excesses and prescribed escalation procedures. - Long dated exposure by counterparty and instrument type. - Property valuation policy - specifies the framework for valuation of physical security.
Group Deal Forum	
Members: executive and non-executive directors; senior management Chairman: Glynn Burger (Group Risk and Finance director) Frequency: weekly	• Considers, approves and mitigates the risks inherent in any acquisition, disposal, new product or other non-standard transactions that we are considering.
Group Market Risk Forum	
Members: Global heads of risk, market risk and the trading desks; senior management; members of the market risk teams; other members of Group Risk Management Chairman: Mark Trollip (Global Head of Market Risk) Frequency: weekly	• Manages market risk by identifying and quantifying risks on the basis of current and future expectations and ensuring that trading occurs within defined parameters. • Reviews market risk limits. • Considers new business initiatives with a market risk element.

Committee	Function
Asset and Liability Committee	
Members: executive and non-executive directors; senior management; economist; treasurer; business heads; Head of Asset and Liability Management Chairman: Glynn Burger (Group Risk and Finance director) Frequency: monthly (or ad hoc if required)	• Sets and reviews our funding and liquidity policy and non-trading interest rate risk policy and reviews regional strategies, taking market conditions into account. • Directs the implementation of the methodology, techniques, models and covering risk factors, and expected economic conditions, including stress tests. • Manages the risk/reward relationship that exists between liquidity and interest rate risk on an ongoing basis. • Maintains liquidity contingency plans.
Operational Risk Forums	
Members (UK): Chief Risk Officer; Head of Operational Risk; senior management. Members (South Africa): Head of Operational Risk; operational risk teams; business unit embedded risk managers. Chairman: Bharat Thakker (UK) and Colin Fiddes (South Africa) Frequency: Quarterly (UK) and semi-annually (South Africa)	• Promotes sound operational risk management practices. • Considers operational risk reports covering significant risk events, information security, outsourcing and business continuity. • Considers and recommends the upgrading of operational risk management techniques in line with sound operational risk management practices.
Group Legal Risk Forum	
Members: executive directors; senior management; 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.
DLC Capital Committee	
Members: executive and non-executive directors; senior management Chairman: Stephen Koseff (CEO) Frequency: every six weeks	• The roles and responsibilities of the DLC Capital Committee are described on page 116.
DLC Audit Committee	
Members: non-executive directors Chairman: Sam Abrahams (non-executive director) Frequency: minimum of three times a year	• The roles and responsibilities of the Audit Committee are described on page 112. • The Internal Audit, Compliance and Operational Risk departments report to the Audit Committee.

Risk policy and procedures

In our ordinary course of business, we are exposed to various risks, including credit, market, interest rate and liquidity, operational, legal and reputational risks.

Below is an overview of these types of risks and related developments that occurred during the period under review.

Credit risk management

Credit risk description

Credit risk is the potential loss to the group as a result of a counterparty being unable or unwilling to meet its obligations. Credit risk arises from two types of transactions:

- Lending transactions and positions in debt instruments (the risk that a counterparty to a transaction will be unable or unwilling to repay capital and interest on advances and loans granted to it as they fall due).
- Derivative transactions giving rise to settlement and replacement risk. Settlement risk is the risk that the settlement of a transaction does not take place as expected, with Investec effecting required settlements as they fall due but not receiving settlements to which they are entitled. As markets evolve, safe settlement mechanisms such as Continuous Linked Settlement and exchange settlement serve to reduce the level of settlement risk in the banking system. Replacement risk is the risk that a derivative instrument needs to be replaced following default by the original counterparty and that such replacement is done at a cost which equates to the mark-to-market of the trade at the date of replacement.

The nature and degree of credit risk vary depending on the type of business transactions entered into.

Credit risk governance structure

To manage, measure and mitigate credit risk, we have independent credit committees in each geography where we assume credit risk. These committees operate under board approved delegated limits, policies and procedures. A centralised decision making structure with decentralised limits is the basis on which applications for credit are assessed. Decentralised limits tend to be relatively low to ensure a high degree of centralised involvement in all areas where credit risk is incurred (all deals with a value of >£10 million, R150 million or A$10 million are referred to the Global Credit Forum). All decisions to enter into a transaction are based on unanimous consent.

In addition to the Credit Committees, the following specialist forums assist in managing, measuring and monitoring credit risk:

- Intensive Care Committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision.
- Watch List Committee, which oversees 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.
- Country Risk Forum, which considers and manages risk associated with the countries in which we assume credit exposure.

Management and measurement of credit risk

We use the following fundamental principles to manage credit risk:

- A clear definition of our target market.
- A quantitative and qualitative assessment of the creditworthiness of our counterparties.
- Appropriate credit granting criteria.
- An analysis of all related risks, including concentration risk (concentration risk includes asset class, industry, counterparty, and geographical concentration).
- Prudential limits.
- Regular monitoring of existing and potential exposures once facilities have been approved.
- A high level of executive involvement in and non-executive awareness of decision making and review.

Regular reporting of the credit risk within our activities is made to management, the executives and the board. The board regularly reviews the appetite for credit risk, which is documented in policy statements and implemented by the Group Credit division.

Credit 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 Bank and Treasury and Specialised Finance activities. Some settlement risk is assumed in the Investment Banking division, but is to approved market counterparties.

Private Bank

The Private Bank has businesses in the UK, including a branch in Ireland, the Channel Islands, and Switzerland. Credit risk arises from our Structured Property Finance, Specialised Lending, and Growth and Acquisition Finance activities.

The Structured Property Lending area provides senior debt, mezzanine and equity funding for property transactions covering the residential and commercial markets. Our exposure to the property market is well diversified with no individual concentration risk. Our properties are well located residential or good quality commercial assets with recognised tenant covenant. Our property assets are located in the UK, with limited exposure to retail properties in Germany and Switzerland which are anchored by major European retail covenants. Client quality and expertise are at the core of our credit philosophy, ensuring a low probability of default. Furthermore, robust debt service cover ratios and reasonable loan to values ensure a low level of expected loss, which is supported by low historical actual losses.

Where a more commercial view is taken on debt structure and leverage, significantly increased returns are expected. All facilities are reviewed at least annually and property values are monitored by our appointed panel of valuation firms. Committees review and monitor our mezzanine and equity property funding exposure on a quarterly basis.

Growth and Acquisition Finance provides successful entrepreneurs, management teams, private equity houses and UK based mid-market companies implementing acquisition and organic growth strategies with mezzanine or composite debt funding. Deal sizes typically range between £8 million and £20 million. Credit risk is assessed against the debt service coverage and robustness of the cash generation for the business both historically and against forecasts. Other factors include the quality of the management team and the amortisation profile of the debt package.

Specialised Lending provides bespoke credit facilities and hedging solutions to high net worth individuals and financially sophisticated clients. This involves securities lending against holders of listed equities and transaction facilitation, where we work with clients, law firms and trust companies to facilitate financial planning and structuring for their clients.

Treasury and Specialised Finance

The bulk of Treasury and Specialised Finance activities are conducted from London.

The Treasury and Specialised Finance division, as part of the daily management of liquidity, places funds with banks and other financial institutions. These banks and financial institutions are highly rated and usually of a systemic nature.

Trading for customers is undertaken in interest rates, foreign exchange, commodities and equities. This may give rise to counterparty failure. Positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of default.

The Acquisition Finance business focuses on senior debt facilities in the leveraged market to scale businesses operating in mature markets with leading and defendable market shares.

Credit exposures also arise through project finance, resource finance, asset finance, corporate lending and structured transactions. There are pre-approved limits specifying the maximum exposure for each counterparty, to ensure there is no concentration risk.

Most facilities are secured on the assets of the underlying corporate.

Credit risk in South Africa

Credit risk is assumed mainly through our Private Bank, Treasury and Specialised Finance and Asset Finance activities (ReichmansCapital).

Private Bank

Our lending product offered through our structured property and growth and acquisition finance activities supports the needs 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 would 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. The combination of low probability of default clients (due to niche focus) and low and decreasing loan to value ratios results in a low level of expected loss, which has been borne out by historical experience of actual losses.

Residential mortgages and commercial property make up the bulk of our lending exposure. Exposure to commercial, retail and industrial properties are generally at conservative loan to value ratios. Income producing assets are generally substantially let with good quality anchor tenants.

Exposure to the South African property market is well spread among the regions in which we mainly operate (Pretoria, Johannesburg, Cape Town, Durban and Port Elizabeth). This risk is mitigated by reviewing all properties offered as security prior to advancing funds. Our internal valuers or a bank approved panel of external valuers also regularly review commercial property values. Furthermore, serviceability of a loan advanced against property is a primary consideration in the credit assessment process and not only asset value. Clients have used and are increasingly making use of fixed rate funding, which should serve to mitigate potential upward shifts in interest rates and increased interest rate volatility.

We constantly monitor property exposures by stress testing the property portfolio. This is undertaken by assuming a sharp fall in property values assessing resultant loan to value ratios, the inability of the borrower to service or repay from independent means and interest rate shocks resulting in rental income falling below interest expenses.

Treasury and Specialised Finance

Investec Corporate Treasury provides money market and foreign exchange products to corporates and investors. We are an active market maker in the spot and forward US Dollar/Rand inter-bank markets. Trading transactions giving rise to issuer, settlement and replacement risk in a continued low interest rate, strong local currency and volatile oil and commodity price environment were among the primary areas of potential credit risk in the year under review. Scenario analyses were performed regularly for clients whose exposures exhibited a material level of volatility as a result of these factors.

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

Typical assets that are funded include property, plant and equipment, infrastructure and movable assets. Specific 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. Extensive knowledge of Africa (which represents the bulk of the exposure in this business unit), good technical and financial skills, and strong adherence to prudent country risk limits ensure that concentration risks are well managed. Exposures are monitored continuously and assets provided as security in support of borrowing facilities are generally easily realisable. 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 resources being financed. Transactions are structured so that scenarios resulting in increased level of exposure coincide with increased profitability of the entity being financed and thus a relatively stable expected loss.

ReichmansCapital

ReichmansCapital is an asset finance business which operates on a premium margin business model for small and medium sized corporates. The business is a relatively small component of the overall credit risk we accept.

Credit risk in Mauritius

Investec Bank (Mauritius) Limited offers various banking services and its primary business activities are corporate lending, property finance and structured finance, servicing corporate and private clients. Prudential limits have been set and are monitored daily to ensure that should excesses occur, they are identified timeously and remedial action is taken promptly, if necessary.

Investec Bank (Mauritius) Limited is an autonomous subsidiary of Investec Bank Limited. It has a decentralised credit approval and management process in compliance with our group credit philosophy, policy and procedures, as well as the Central Bank of Mauritius' regulatory framework.

Credit 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 Australian Prudential Regulatory Authority.

Credit risk is assumed through lending to target private and corporate clients, project and resource finance and the placement of surplus liquidity with highly rated domestic banks and financial institutions.

Asset quality analysis - credit risk classification and provisioning policy

It is our policy that each operating company makes provision for specific impairments and calculates the appropriate level of portfolio impairments promptly when required and on a consistent basis, in accordance with established group guidelines. In our financial statements, credit losses and impairments are reported in accordance with IFRS.

The information provided below reflects the guidelines and definitions that we have applied for the purpose of assessing the asset quality of our credit exposures (see page 82). These definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in Basel II in that it focuses on the concept of incurred loss whereas Basel II centres on the concept of expected loss.

Specific impairments

The specific impairment represents a quantification of the amount, in respect of individually identified credit assets, by which the ultimate recovery of capital and accrued interest is assessed as being impaired. Specific impairments are generally a result of idiosyncratic factors.

Specific impairments are evaluated on a case-by-case basis for all non-performing exposures. In determining specific impairments, the following factors are considered:

- The business unit's exposure to the customer.
- Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business.
- Likely dividend available 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.
- Deduction of any recovery related costs.

Portfolio impairments

The portfolio impairment supplements the specific impairment defined above and provides cover for exposures which are impaired at the balance sheet date but 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 credit risky assets where a loss trigger event has occurred.

Past due

An exposure is past due if interest due and/or principal repayments are due and have not been paid with reference to the underlying contractual obligation. This is irrespective of the interest payment terms, i.e. whether monthly, quarterly, semi-annually or annually.

Arrears
An analysis of all past due accounts is performed and these are then adjusted for "technical arrears" to arrive at arrears subject to additional management and reporting requirements. "Technical arrears" are all items where accounts are past due but a willingness and ability to make settlements in line with contractual requirements exists and settlements have subsequently occurred (within 30 days of the reporting date). These are generally administrative in nature and are not included in the arrears statistics on page 83.

Arrears which are not managed as part of the managed book (explained below) are managed at an operational unit level.

Managed book
Exposures in arrears are continually scrutinised. Based on this scrutiny, if it becomes evident that the exposure requires additional supervision and attention, it will be included in the managed book and fall under the scrutiny of the Watch List Committee. Some items within the managed book will qualify for a specific impairment but not all items in this book are considered impaired.

Legal arrears
Loans within the managed book which have been given to the legal department for legal action to be instituted are separately categorised as subject to legal action (legal arrears).

Default (non-performing)
An exposure is considered to be in default where interest due and/or principal repayments are overdue by more than 90 days, irrespective of the sufficiency of security coverage. Qualitative criteria indicating a well-defined weakness that is reasonably expected to lead to loss will also result in an exposure being classified as defaulted. All loans in the managed book which are in arrears are classified as non-performing.

Write-offs
Exposures (or a portion of an exposure) will be written off in the event of the recovery being remote or improbable and where there will be no further proceeds from realisation of the security provided for such exposures.

Restructuring and re-ageing
Non-distressed restructuring occurs as a function of normal business activities and does not materially affect the risk profile of a transaction. These restructures may require an element of credit review, but the restructuring of a transaction that does not exhibit greater risk characteristics will continue to be monitored as part of the overall portfolio.

Distressed restructuring and changes which materially alter the risk versus reward position of an exposure are required to be approved by a credit committee with a suitable mandate. Restructured exposures are typically only re-aged once and on condition that following the restructure, no portion of the outstanding balance is past due. This re-aged loan will then no longer form part of the managed book, and will be migrated to the performing book.

Asset quality and impairments

£'million	31 March 2006	1 April 2005
Total loans and advances to customers (gross of impairments)	9 646	6 445
Managed book	(107)	(113)
Net loans and advances to customers	**9 539**	**6 332**
Specific impairments	31	28
Portfolio impairments	10	9
Total impairments^	**41**	**37**
Gross non-performing loans	72	57
Less: security	(44)	(35)
Net non-performing loans	**28**	**22**
Adequacy of impairments		
Specific impairments as a % of loans and advances to customers	0.32%	0.43%
Portfolio impairments as a % of net loans and advances to customers	0.10%	0.14%
Total impairments as a % of loans and advances to customers	0.43%	0.57%
Total impairments as a % of gross non-performing loans	56.94%	64.91%
Total impairments as a % of net non-performing loans	146.43%	168.18%
Specific impairments as a % of gross non-performing loans	43.06%	49.12%
Specific impairments as a % of net non-performing loans	110.71%	127.27%
Gross non-performing loans as a % of loans and advances to customers	0.75%	0.88%

^ A reconciliation of the changes in allowances for loan impairments is included on page 191.

Asset quality by geography

£'million	Loans and advances	Portfolio impairments	Specific impairments	Total impairments	Gross NPLs	Security held against NPLs	Net NPLs
31 March 2006							
UK and Europe	3 238	1	7	8	25	19	6
Southern Africa	6 004	9	23	32	34	17	17
Australia	404	-	1	1	13	8	5
Total group	**9 646**	**10**	**31**	**41**	**72**	**44**	**28**
1 April 2005							
UK and Europe	2 181	1	4	5	22	17	5
South Africa	3 941	8	23	31	34	18	16
Australia	323	-	1	1	1	-	1
Total group	**6 445**	**9**	**28**	**37**	**57**	**35**	**22**

Age analysis of loans and advances to customers

£'million 31 March 2006	Current plus <30 days in arrears	>30 and <90 days in arrears	>90 and <365 days in arrears	>365 days in arrears	Total
UK and Europe	3 226	4	7	1	3 238
Southern Africa	5 947	29	27	1	6 004
Australia	378	13	13	-	404
Total group	**9 551**	**46**	**47**	**2**	**9 646**

Analysis of security held against non-performing loans

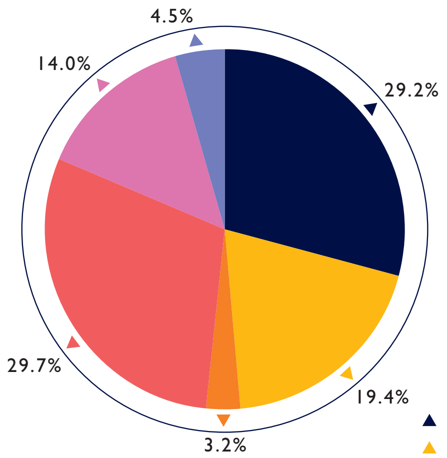
£'million 31 March 2006	UK and Europe	Southern Africa	Australia	Total
Agricultural land and equipment	-	2	-	2
Commercial equipment	-	2	-	2
Commercial property	-	3	3	6
Residential property	19	9	5	33
Unlisted shares	-	1	-	1
Total security in respect of NPLs	**19**	**17**	**8**	**44**

Where: NPLs are non-performing loans.

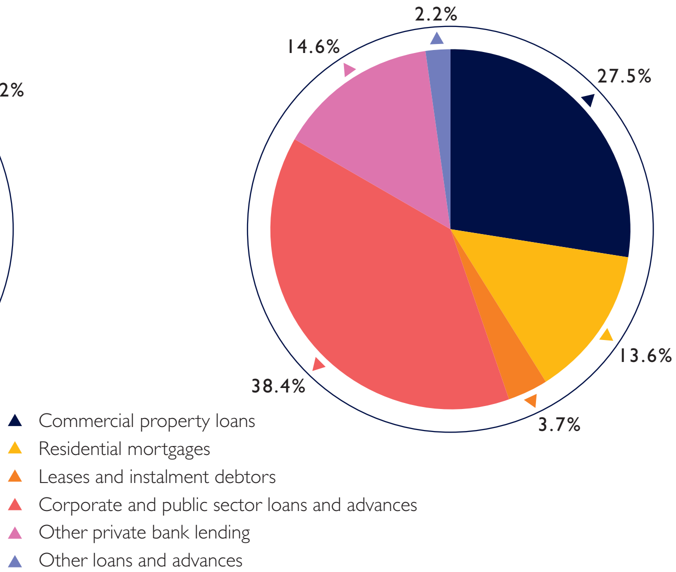
Loans and advances to customers by loan type

At 31 March £'000	2006	2005
Category analysis		
Commercial property loans	2 816 243	2 057 203
Residential mortgages	1 872 477	1 018 936
Leases and instalment debtors	306 933	279 810
Corporate and public sector loans and advances	2 864 206	2 877 686
Other private bank lending	1 352 121	1 094 387
Other loans and advances	433 735	164 814
	9 645 715	7 492 836
Specific impairment	(31 056)	(21 657)
Portfolio impairment	(10 070)	(68 719)
	9 604 589	**7 402 460**

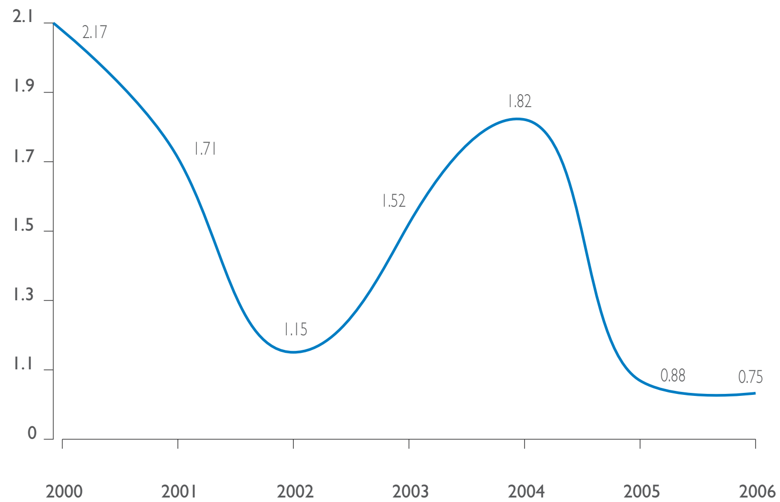
Loans and advances to customers by loan type: 31 March 2006



Loans and advances to customers by loan type: 31 March 2005



Gross non-performing loans as a % of loans and advances to customers



Securitisations

The primary motivations for our securitisation activities (in the primary and secondary markets) 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.

For accounting purposes, the full amount of the securitisation assets are reflected on the face of the balance sheet where Investec plc, Investec Limited or any of their subsidiaries retain an effective equity stake in the special purpose securitisation vehicle, whether or not the risk on the assets has been transferred to third parties. Where the majority of risks and rewards have been transferred to third parties, only the retained portion is reflected on the balance sheet. The table below reflects securitised assets which were originated on the balance sheet of an Investec group entity and subsequently transferred to a securitisation vehicle and the full amount of the securitisation is reflected on the face of the group's balance sheet. Investments in asset backed securities where the underlying assets were not originated by the group and for which no obligation by way of a liquidity facility exists have not been included in the analysis below.

As at 31 March 2006
£'million

First loss tranches	5
Second loss tranches	5
Investment in securitisation paper	9
Investment in securitisations	19
Liquidity facilities	75
Total value of securitised assets retained by an Investec group entity	94
Total value of securitised assets held by third parties	329
Total value of securitised assets subject to the liquidity facility*	**423**

* These assets relate to the South African Private Bank residential mortgages book.

Credit risk mitigation

The bulk of collateral taken by the group within the Private Bank division, which makes up a substantial portion of our on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property underpinned by strong third party leases. Residential property is also generally of a high quality reflecting our clients' appetite for investments in desirable locations. In the period 1 April 2005 to 31 March 2006, there was ongoing strong growth in the value of commercial and residential real estate in all our key operating jurisdictions (UK, South Africa and Australia). This will result in increases in valuation of security and consequently decreasing loan to value ratios. Other common forms of collateral in the retail asset class are motor vehicles, shares and share portfolios.

The bulk of collateral received is considered to be liquid as a result of strict liquidity policies for financial collateral and the strength and relative liquidity of real estate markets, particularly in areas where client investment is concentrated.

The bulk of credit mitigation within our Treasury activities 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 we have signed netting agreements for which 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 will be stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

We are implementing a group-wide centralised security register. The current practice is to record security value and nature in source systems when received and revalue the security on an annual basis or as required by the credit committee. The credit administration system includes functionality to prevent the release of security without approval from an authorised credit forum.

Credit risk year in review

Basel II

From a credit risk perspective there has been significant investment in people and technology in order to re-engineer existing credit process in such a way as to meet additional requirements of the jurisdictional regulators which are in the process of being aligned to the International Convergence of Capital Measurement and Capital Standards issued by the Bank of International Settlements. This re-engineering of credit processes is being conducted within the context of Investec's core credit philosophy.

UK and Europe

The loan portfolio increased by 48.4% to £3.2 billion largely driven by solid growth in our Structured Property Lending and Acquisition Finance businesses.

House price growth in the UK slowed to low levels during 2005, consistent with expectations of a soft landing and dampening fears of a property crash. Growth is generally anticipated to be in line with incomes during the next three years, with markets in prime central London showing the healthiest increases in the £1 million plus bracket. Good quality investment property remains strong, with a number of funds underweight in this asset class. Low interest rates helped the market but the threat of interest rate increases contributed to a slow down.

Against this background, the spread of our exposures in our Private Banking division to high net worth and market professional individuals who can afford rate rises and have equity at risk gives comfort.

While leverage in the leveraged buy-out market continues to increase our Acquisition Finance business remains highly selective in terms of the transactions it undertakes. The book is well diversified and credit quality is solid. There is good appetite in the secondary market for these assets which presents us with securitisation opportunities.

The quality of the overall loan portfolio in the UK and Europe remains satisfactory with the percentage of gross non-performing loans to total loans improving from 1.01% to 0.77%.

South Africa

The loan portfolio increased by 52.7% to £6.0 billion driven by strong performances in the Private Banking and Treasury and Specialised Finance divisions.

Over the past financial year, a number of notable financial market trends had an impact on the assessment of our credit risk. These trends include:

- A stable, low interest rate environment with an upward sloping yield curve.
- Continued dollar weakness resulting in relative rand strength.
- Volatile oil and metal (both base and precious) prices, with expectations of continued high oil prices resulting in inflationary pressure.
- As a result of expected interest rate increases and a more favourable equity market, a concern both at a local and a global level about the level of residential property prices (which have experienced strong growth for some time).

The high net worth and/or stable income streams of our clients will provide a level of protection from decreases in property values, should this trend occur in the future. Over the past year, as property values increased, these clients built an effective equity buffer, resulting in lower average loan to value ratios, which have served to minimise potential losses on depreciation of values.

High commodity prices and the weak dollar resulted in increased exposures for local customers who entered into hedging structures some years ago, in order to denominate income streams in rands. To assess the effect of future price movements and act proactively in this regard, scenario analyses are provided to the Board Risk Review Committee of the impact of a range of commodity and currency combinations on credit exposures to key counterparties.

Due to rand strength and lower volatility levels, hedging activity declined over the current financial year and, together with strong growth in the Private Bank business, resulted in Treasury trading exposures becoming a smaller part of our total exposure.

For both interest rate and foreign exchange products, we have advanced exposure simulation methodologies. This enables us to identify more accurately the level of potential exposures to counterparties for these trading activities. These simulation 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).

The quality of the overall loan portfolio in Southern Africa remains satisfactory with the percentage of gross non-performing loans to total loans improving from 0.86% to 0.57%.

Australia

The loan portfolio increased by 25.0% to £403 million driven by growth across all business streams.

Market risk management

Market risk description

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 principle with clients or the market. Market risk, therefore, exists where we have taken on principle positions, resulting from proprietary trading, market trading, arbitrage, underwriting and investments, in the commodity, foreign exchange, equity, capital and money markets. The focus of these businesses is on supporting client activity. Our philosophy is that trading should be conducted largely to facilitate primary clients in deal execution.

Market risk governance structure

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 Executive Risk Review Forum. Limits are reviewed annually, in the event of a market event (e.g. 11 September 2001) or at the discretion of senior management.

Management and measurement of market risk

Market risk management teams review the market risks on our books and ensure that we are prudently positioned, taking into account agreed policies, prevailing markets and liquidity, hedging strategies and the relationship between risk and reward.

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 an explanation from the desk. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Trading is also limited to the most liquid instruments and each traded instrument undergoes various stresses and the potential loss arising is assessed. 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 the market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR) and Expected Tail Loss (ETL). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR is the amount by which a portfolio will change in a certain time frame no more than a certain percentage of the time. For example, a 99% one-day VaR of £50 000 means that 99% of the time we do not expect the loss on a portfolio to exceed £50 000. ETL starts where VaR ends, i.e. where the VaR threshold is exceeded. In the example above, we can ask how much we expect to lose 1% of the time? A 99% ETL of £62 000 means that 1% of the time, the portfolio will lose £62 000 on average.

VaR numbers are monitored at the 95%, 99% and 100% (maximum loss) confidence intervals. ETLs are monitored at the 95% and 99% levels.

Scenario analysis considers the impact of a significant market event on our current trading portfolios. For example, we would analyse the impact of the 11 September 2001 terrorist attack in New York on the market and, consequently, on our portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets.

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 actual 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.

VaR 95% (one-day)

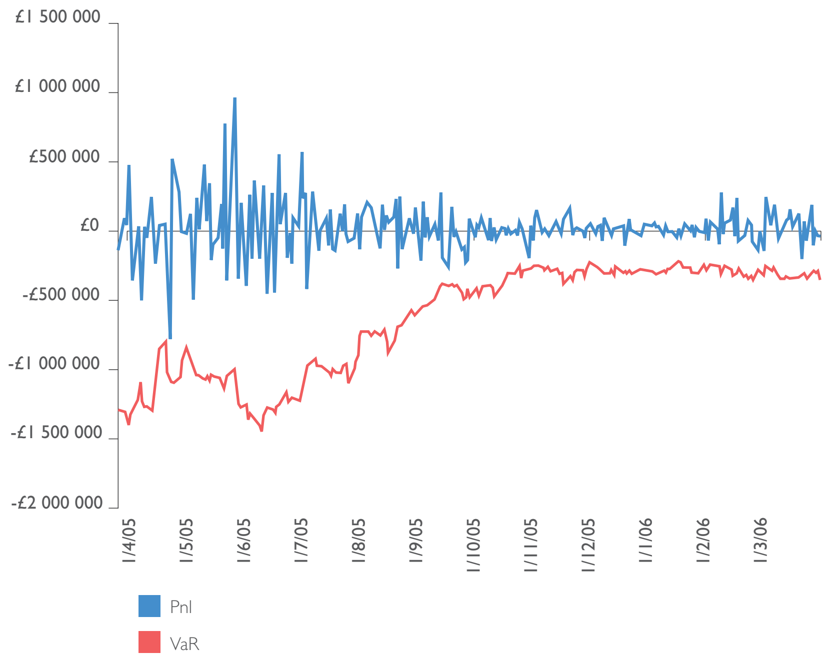
31 March 2006 £'000	Investec plc	Investec Limited	Consolidated
Commodities	36	-	36
Equity derivatives	212	289	404
Foreign exchange	8	133	131
Interest rates	14	134	159
Consolidated*	**203**	**341**	**478**

31 March 2005 £'000	Investec plc	Investec Limited	Consolidated
Commodities	24	-	24
Equity derivatives	856	178	774
Foreign exchange	11	188	170
Interest rates	10	223	215
Consolidated*	**836**	**375**	**867**

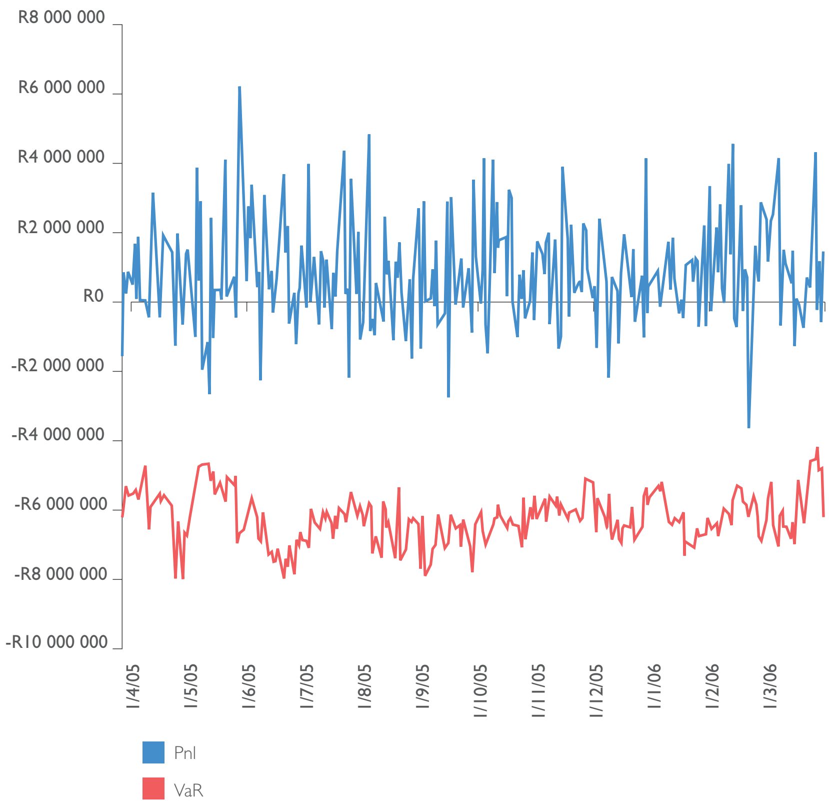
* The consolidated VaR for each desk and each entity is significantly lower than the sum of the individual VaRs. This arises from the correlation offset between the various asset classes.

The graphs below detail total daily VaR and profit and loss figures for the trading activities of Investec plc and Investec Limited over the reporting period. The values 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.

Investec plc daily profit and losses (pnl) vs 99% VaR



Investec Limited daily profit and losses (pnl) vs 99% VaR



The above graphs show no exceptions for the past financial year. VaR numbers for Investec plc decreased significantly in the second half of the year as a result of the consolidation and re-focusing of the Equity Derivatives desk in London.

ETL 95% (one-day)

31 March 2006 £'000	Investec plc	Investec Limited	Consolidated
Commodities	46	-	46
Equity derivatives	268	392	483
Foreign exchange	10	219	212
Interest rates	23	181	161
Consolidated*	**219**	**447**	**535**

31 March 2005 £'000	Investec plc	Investec Limited	Consolidated
Commodities	36	-	36
Equity derivatives	1 180	251	1 134
Foreign exchange	14	318	304
Interest rates	15	407	408
Consolidated*	**1 160**	**584**	**1 269**

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

Stress testing

The portfolio stress tested under extreme conditions (15 standard deviations) will result in a loss of £2.1 million in Investec plc, £4.3 million in Investec Limited and £6.3 million on a consolidated group basis (based on a one-day holding period).

31 March 2006 £'000	Investec plc	Investec Limited	Consolidated
Commodities	277	-	277
Equity derivatives	1 626	2 212	3 838
Foreign exchange	62	1 021	1 083
Interest rates	109	1 023	1 132
Consolidated	**2 074**	**4 256**	**6 330**

31 March 2005 £'000	Investec plc	Investec Limited	Consolidated
Commodities	182	-	182
Equity derivatives	6 551	1 363	7 914
Foreign exchange	84	1 437	1 521
Interest rates	77	1 705	1 782
Consolidated	**6 894**	**4 505**	**11 399**

Market risk mitigation

The Market Risk Management team is centrally located in the dealing room, allowing contact with all trading activities. The Global Head of Market Risk has 10 years' trading experience, which is invaluable in helping risk managers to assess risks properly and thoroughly. In addition, the risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are compared daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set on a statistical and a non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals and "disaster" scenarios where the 15 standard deviation adverse market move is considered. Historical VaR is used, where every "risk factor" is exposed to daily moves over the past year. 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.

Market risk year in review

In South Africa we applied to the South African Reserve Bank for approval of our internal model for market risk. Should this application be successful, this will put us at the level of the advanced approach for Basel II. In terms of this model, trading capital will be calculated as a function of VaR at the 99% confidence level and back testing results will be submitted to the regulator monthly. In the UK, all desks are currently at Capital Adequacy (CAD) I level and are in the process of applying for CAD II.

Over the past year, the equity and commodity markets performed strongly and the rand strengthened marginally. These market conditions coupled with good client flows and product sales resulted in strong performances from the South African trading desks. In the UK, the Equity Derivatives desk went through a consolidation and restructuring phase with the hiring of a total new team. The UK business model is to build a presence in the exchange traded markets and then on the back of the price discovery to offer a suite of products to generate annuity income (similar to the South African model). Phase one is currently operational after extensive testing and implementation of a new trade execution system.

Market risk - derivatives

We enter 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 deriative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all deriatives can be found on pages 189 and 190.

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 financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

Balance sheet risk governance structure

Our overall group 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

The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing independent governance and oversight of the Treasury activities within the Treasury and Specialised Finance division.

Group policy is to centralise asset and liability oversight within each geography. Regional Asset and Liability Management Committees (ALCOs) are mandated by their respective boards of directors and group ALCO to manage the balance sheet risks on a consistent basis with pre-approved principles and policies. 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 size, materiality, complexity, maturity and depth of the market as well as access to stable funds determine the risk appetite for the region. Specific statutory requirements further dictate what policies are adopted in each region.

The overall aim of the Balance Sheet Risk Management team is to cover a spectrum of situations in which the group could find itself and prepare accordingly. To achieve this, Balance Sheet Risk Management combines traditional gap analysis, economic value sensitivity analysis and simulation where appropriate. These include quantitative models and stress tests designed to measure the range of possible future liquidity needs and potential distribution of net interest income and economic value over a range of scenarios. The modelling process is supported by ongoing technical and economic analysis.

Non-trading interest rate risk description

Interest rate risk is the impact on the net interest earnings and sensitivity to economic value, as a result of increases or decreases in interest rates.

Sources of interest rate risk include volatility and changes in interest rate levels, yield curves and spreads. These affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios.

Management and measurement of non-trading interest rate risk

We base our interest rate risk management processes on the following fundamental steps:

- Measurement and assessment of interest rate mismatch gaps detailing the sources of interest rate exposure at a point in time, which forms the basis for translation into interest income sensitivity analysis and economic value sensitivity analysis, where appropriate over a wide range of interest rate scenarios.
- Technical interest rate analysis and economic review of fundamental developments and trends.
- Implementation of appropriate balance sheet strategies to achieve a cost effective source of funding and mitigate any residual undesirable risk.
- Daily management of interest rate risk by Treasury subject to independent ALCO review.

Once interest rate risk is transferred from the originating business to the central treasury and aggregated or netted, Treasury implements appropriate balance sheet strategies to achieve a cost effective source of funding, and mitigate any residual undesirable risk. Additionally, Treasury has the mandate to take advantage of opportunities which may arise during changing interest rate cycles, by tactically responding to market opportunities, within our predefined risk appetite.

Interest rate risk arising from fixed interest loans and deposits with a term of more than one year is materially hedged through the purchase and sale of interest rate swaps on a back-to-back basis.

The tables below and on the following page show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs.

UK and Europe - interest rate sensitivity gap

At 31 March 2006 £'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < a year	> 1 year but < 5 years	> 5 years	Non-interest bearing	Total non-trading
Assets							
Cash and short-term funds (banks and non-banks)	511	-	-	-	-	7	518
Negotiable securities	932	240	397	111	-	28	1 708
Derivative financial instruments	9	1	1	10	3	-	24
Loans and advances to customers (net of provisions)	2 418	167	185	347	101	10	3 228
All other assets	109	(6)	5	31	(1)	413	551
Total	**3 979**	**402**	**588**	**499**	**103**	**458**	**6 029**
Funding							
Deposits	(3 752)	(260)	(160)	(134)	(72)	(6)	(4 384)
All other liabilities	(405)	(20)	(14)	(395)	(4)	(807)	(1 645)
Total	**(4 157)**	**(280)**	**(174)**	**(529)**	**(76)**	**(813)**	**(6 029)**
Economic hedges	(143)	47	69	41	(14)	-	-
Interest rate repricing gap	**(321)**	**169**	**483**	**11**	**13**	**(355)**	**-**
Cumulative repricing gap	**(321)**	**(152)**	**331**	**342**	**355**	**-**	**-**

South Africa - interest rate sensitivity gap

At 31 March 2006 R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < a year	> 1 year but < 5 years	> 5 years	Non-interest bearing	Total non-trading
Assets							
Cash and short-term funds (banks and non-banks)	17 283	-	-	-	339	1 872	19 494
Negotiable securities	7 999	2 060	1 355	420	874	3 027	15 735
Loans and advances to customers (net of provisions)	44 787	578	1 089	9 593	4 669	-	60 716
All other assets	13 200	116	288	2 782	3 244	9 167	28 793
Total	83 269	2 754	2 732	12 795	9 126	14 066	124 738
Funding							
Deposits	(68 575)	(7 008)	(7 994)	(587)	(1 389)	-	(85 553)
All other liabilities	(11 855)	(426)	(444)	(2 634)	(9 197)	(14 384)	38 940
Total	(80 430)	(7 434)	(8 438)	(3 221)	(10 586)	(14 384)	124 493
Economic hedges	2 703	(2 618)	4 747	(3 328)	(1 753)	-	(250)
Interest rate repricing gap	**5 542**	**(7 298)**	**(959)**	**6 247**	**(3 213)**	**(318)**	**-**
Cumulative repricing gap	5 542	(1 756)	(2 715)	3 531	318	-	-

Australia - interest rate sensitivity gap

At 31 March 2006 A$'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < a year	> 1 year but < 5 years	> 5 years	Non-interest bearing	Total non-trading
Assets							
Cash and short-term funds (banks and non-banks)	453	51	-	-	-	-	504
Negotiable securities	-	-	-	-	-	64	64
Loans and advances to customers (net of provisions)	919	5	9	50	4	-	987
All other assets	-	-	-	-	-	22	22
Total	1 372	56	9	50	4	86	1 577
Funding							
Deposits	(1 013)	(116)	(48)	(35)	-	-	(1 212)
All other liabilities	-	-	(1)	(3)	(4)	(357)	(365)
Total	(1 013)	(116)	(49)	(38)	(4)	(357)	(1 577)
Economic hedges	35	(4)	(6)	(25)	-	-	-
Interest rate repricing gap	**394**	**(64)**	**(46)**	**(13)**	**-**	**(271)**	**-**
Cumulative repricing gap	394	330	284	271	271	-	-

Liquidity risk description

Liquidity risk is the risk that we do not have sufficient cash to meet our financial obligations, especially in the short term, at acceptable costs.

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

Management and measurement of liquidity risk

Liquidity management is vital for protecting our depositor base, preserving market confidence, safeguarding our reputation and ensuring sustainable growth. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. To accomplish this, management uses a variety of liquidity risk measures that take into consideration market conditions, prevailing interest rates, liquidity needs and the desired maturity profile of liabilities.

We acknowledge the importance of our retail and private client base as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of the growing Private Bank client base. Although the contractual repayments of many "retail" customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. Our Private Bank continued to successfully raise retail deposits through a period of significant asset growth.

We are an active participant in the global financial markets. We have instituted an offshore syndicated loan programme to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. These markets serve as a cost-effective source of funds and are a valuable component of our overall liquidity management. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

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

Our liquidity management processes are based on the following essential elements, using principles set out by the Financial Services Authority in the UK, the South African Reserve Bank and the Australian Prudential Regulatory Authority:

- Maintenance of a stock of readily available, high quality liquid assets and near cash in excess of the statutory requirements as well as strong balance sheet liquidity ratios.
- Preparation of cash flow projections (assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch, which are translated into short- and long-term funding strategies within each legal entity and globally.
- Management of concentration risk, being undue reliance on any single counterpart or counterpart group, sector, market, product, instrument, currency and tenor.
- Daily management of funding and liquidity risk by Treasury subject to independent ALCO review. Daily monitoring and reporting take the form of cash flow measurement and projections for the key periods for liquidity management.
- Maintenance of liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

The tables on the following page show our liquidity mismatch, which represents our contractual cash obligations and commercial commitments.

UK and Europe - liquidity view

The table below reflects contractual maturities and management has made no assumptions or adjustments with respect to customer behaviour.

At 31 March 2006 £'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < a year	> 1 year but < 5 years	> 5 years	Total non-trading
Assets						
Cash and short-term funds (banks and non-banks)	523	-	-	4	-	527
Investment and trading securities	741	6	13	8	34	802
Negotiable securities	1 003	32	43	16	10	1 104
Derivative financial instruments	222	1	1	11	3	238
Loans and advances to customers (net of provisions)	508	180	468	1 539	534	3 229
All other assets	866	14	17	58	-	955
Total	3 863	233	542	1 636	581	6 855
Funding						
Private client deposits	(1 888)	(53)	(443)	(88)	(12)	(2 482)
Wholesale deposits	(492)	(78)	(24)	(113)	(18)	(725)
Deposits by banks	(329)	(148)	(97)	(441)	(139)	(1 154)
Debt securities in issue	(198)	(9)	(6)	(298)	-	(511)
All other liabilities	(1 247)	(13)	(63)	(3)	(655)	(1 981)
Total	(4 154)	(301)	(633)	(943)	(824)	(6 853)
Liquidity gap	(291)	(68)	(91)	693	(243)	-
Cumulative liquidity gap	(291)	(359)	(450)	243	-	-

Australia - liquidity view

The table below reflects contractual maturities and management has made no assumptions or adjustments with respect to customer behaviour.

At 31 March 2006 A$'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < a year	> 1 year but < 5 years	> 5 years	Total non-trading
Assets						
Cash and short-term funds (banks and non-banks)	452	-	-	51	-	503
Investment and trading securities	-	-	-	23	-	23
Negotiable securities	-	-	-	-	-	-
Loans and advances to customers (net of provisions)	131	97	300	458	-	986
All other assets	-	-	-	64	-	64
Total	583	97	300	596	-	1 576
Funding						
Private client deposits	(510)	(66)	(21)	(15)	-	(613)
Wholesale deposits	-	-	-	-	-	-
Deposits by banks	-	-	-	-	-	-
NCDs	(151)	(89)	(65)	(294)	-	(599)
All other liabilities	(8)	(12)	(12)	(15)	(318)	(365)
Total	(669)	(167)	(98)	(324)	(318)	(1 576)
Liquidity gap	(86)	(70)	202	272	(318)	-
Cumulative liquidity gap	(86)	(156)	46	318	-	-

South Africa - liquidity view

The table below reflects contractual maturities and management has made no assumptions or adjustments with respect to customer behaviour.

At 31 March 2006 R'million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 - 5 years	> 5 years	Total
Assets								
Cash and balances at central banks	1 930	-	-	-	-	-	-	1 930
Loans and advances to banks	829	12 378	-	-	-	-	-	13 207
Cash equivalent advances to customers	7 081	319	-	-	-	-	-	7 400
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	-	-	-	-	-	-	1 224
Trading securities	6 893	4 567	2 977	2 148	-	-	-	16 585
Derivative financial instruments	8 497	12	13	75	30	436	124	9 187
Investment securities	1	68	3	-	-	33	179	284
Loans and advances to customers	1 840	1 097	1 789	2 189	6 236	31 421	19 460	64 032
Other assets *	978	1 422	269	13	672	692	2 443	6 489
	29 273	19 863	5 051	4 425	6 938	32 582	22 206	120 338
Funding								
Deposits by banks	(116)	(2 440)	(478)	(593)	(867)	(3 281)	-	(7 775)
Derivative financial instruments	(6 248)	-	(195)	(2)	(312)	(76)	(231)	(7 064)
Repurchase agreements and cash collateral on securities lent	(919)	-	-	-	-	-	-	(919)
Customer accounts	(12 107)	(21 499)	(11 496)	(4 833)	(4 075)	(1 590)	(562)	(56 162)
Debt securities in issue	-	(2 228)	(5 948)	(3 430)	(8 033)	(3 863)	-	(23 502)
Other liabilities**	(5 353)	(1 463)	(1 479)	(1 030)	(1 204)	(1 749)	(348)	(12 626)
	(24 743)	(27 630)	(19 596)	(9 888)	(14 491)	(10 559)	(1 141)	(108 048)
Subordinated liabilities (including convertible debt)	-	-	-	-	-	108	2 961	3 069
Equity	-	-	-	-	-	-	9 221	9 221
	(24 743)	(27 630)	(19 596)	(9 888)	(14 491)	(10 667)	(13 323)	(120 338)
Liquidity gap	**4 530**	**(7 767)**	**(14 545)**	**(5 463)**	**(7 553)**	**21 915**	**8 883**	**-**
Cumulative liquidity gap	**4 530**	**(3 237)**	**(17 782)**	**(23 245)**	**(30 798)**	**(8 883)**	**-**	**-**

* Includes deferred taxation assets, other assets, property and equipment, investment properties,goodwill and intangible assets.

** Includes other trading liabilities, current taxation liabilities, deferred taxation liabilities and other liabilities.

The above table excludes assets and liabilities relating to the long-term assurance business attributable to policyholders.

Balance sheet risk mitigation

The Treasury unit centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral. Most non-trading interest rate risk and asset funding requirements are transferred from the originating business to the central Treasury. As the sole interface to the wholesale market for both cash and derivative transactions, Treasury actively manages the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios and is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

Our balance sheet position is regularly reported to management, the Executive Risk Review Forum, the Board Risk Review Committee and the board.

Balance sheet risk year in review

Significant market events in the last financial year include the following:

- The low global interest rate environment with requisite growth in banking assets, coupled with an excess of global liquidity searching for yield.
  - Pound Sterling interest rates - Concerns over low UK economic growth resulted in the Bank of England's Monetary Policy Committee cutting rates by 25bps to 4.5% in August 2005. Since then official rates have been steady.

Most commentators expect the next move to be down at some point, but the yield curve is pricing in the risk of a rise over the coming year.

- Rand interest rates - The South African Reserve Bank's Monetary Policy Committee's decision to cut rates by 50bps in April 2005 was highly unexpected. However, in its accompanying statement the committee said its CPIX inflation forecast has improved, even taking into account higher oil prices, and that it was concerned about the slackening activity in certain sectors as a consequence of rand strength. Over the following 11 months, interest rates remained unchanged in South Africa. Views are mixed regarding the direction of the next move, although the FRAs are firmly pointing to a rise in interest rates later this year.
- The Rand was supported over the past 12 months by a number of factors. These included high international metal prices, actual and potential foreign direct investment inflows, positive sentiment towards South Africa and portfolio inflows as foreigner investors remained net buyers of South African equities due to the superior hard currency returns offered by emerging market assets. These financial account inflows have allowed the South African current account deficit to widen without a detrimental impact on the Rand. South African Reserve Bank purchases of US Dollars to build up its foreign exchange reserves (still low by international standards), along with some reversal of the carry trade, served to cap Rand strength in the period under review.
- Australian interest rates - the Reserve Bank of Australia left its overnight cash rate target at 5.5% over the period under review. Despite signs of a moderation in household consumption growth, business investment remained robust, supported by the strength of commodity prices. Subsequently the Reserve Bank of Australia raised its key rate by 25bps to 5.75% in May 2006, on fears that international and domestic conditions were beginning to add to inflation pressures.
- Euro interest rates - The European Central Bank raised its refinancing rate by 25bps to 2.25% in December 2005, following two-and-a-half years of policy inaction. While senior Governing Council members have insisted that a steady course of rate increases has not been predetermined, the central bank tightened by a further 25bps to 2.5% in March 2006. Encouraged by central bank fears of inflation and optimism on growth, euribor futures were pricing in further rate increases over the course of the year ahead.
- US Dollar interest rates - The Federal Open Market Committee increased its Fed funds target by 25bps at each of its eight meetings over the year. Fed funds stood at 4.75% at the end of the period. A progressive relaxation of the language used in its accompanying statements has left Fed policy more dependent on incoming economic data and, although markets were convinced that a further move to 5.0% would take place, there was a suspicion that this could prove to be the last in the cycle.

We took advantage of these market conditions and successfully embarked on several term debt funding initiatives. This ensured that we maintain liquidity well above internal and external liquidity targets, while growing our profitable lending portfolios. These initiatives were designed to further diversify sources of funding and maintain surplus medium-term liquidity at low rates to facilitate asset growth. Key initiatives include the following:

- Investec Bank (Mauritius) Limited successfully negotiated a three-year $70 million syndicated loan in February 2005. We drew against this committed facility in August 2005. Investec Bank (Mauritius) Limited continues to increase inter-bank facilities.
- Investec Bank Limited raised a three-year syndicated loan of $450 million at Jibar +29bps in November 2005, reflecting the decreasing risk premium of South Africa and emerging markets.
- Investec Bank (UK) Limited raised a £200 million syndicated loan in March 2006 (designated a club term loan transaction), with a three-year tenor at a margin of 18bps above Libor, reflecting Investec Bank (UK)'s decreasing risk premium.
- Investec Bank (UK) Limited implemented a tri-party repo in order to access liquidity out of FRN and CD portfolios.
- Investec Finance plc, a subsidiary of Investec plc, raised a £55 million syndicated loan in March 2006, with a 12-month tenor at a margin of 75bps.
- Investec Finance plc updated its Euro Medium-Term Note programme to conform to the EU directives on prospectuses.
- The global Private Bank deposit book grew by 46.3% to £2.9 billion.

We are currently unaware of any circumstances that could significantly detract from our ability to raise term funding.

Operational risk management

Operational risk definition

Operational risk is the risk of losses or earnings volatility arising from failed or inadequate internal processes, people and technology or from external events.

We recognise operational risk as a significant risk category and seek to manage this within acceptable levels. We continue to embed a consistent group-wide operational risk conscious environment, to better understand and promote sound operational risk management practices and analyse operational risk incidents, both internal and external.

Operational risk governance structure

Our operational risk management practices include:

- An independent specialist Group Operational Risk Management function that facilitates, coordinates and monitors consistent sound operational risk management practices and processes across the group.
- Senior management responsibility for implementation and management of operational risk through a network of

embedded risk managers.
- Board review and monitoring through Board Risk Review Committees and Audit Committees.

Group Operational Risk Management focuses on:
- Sound operational risk management practices.
  - Identification and assessment of operational risks.
  - Indicator development.
  - Incident and loss event data recording and analysis.
- Enterprise-wide operational risk programmes.
  - Business continuity risk.
  - Information security risk.
  - IT change management risk.
- Financial crime.

We have developed sound operational risk assessment practices which include the following:

Risk identification
- An established Operational Risk Assessment Framework is in place.
- Emerging issues are identified.

Risk assessment
- Risk exposures are assessed.
- Control effectiveness is assessed.

Risk mitigation
- Framework, practices and policies are implemented.
- Controls are assessed for effectiveness.
- Treatments for risks are captured, and action is taken to address risk events.
- Operational risk management is fully embedded in business units through dedicated risk managers.
- Insurance is utilised.
- Assurance providers.

Risk monitoring
- Risk assessment treatments.
- Risk events analysis and trends.
- Key indicators are monitored.
- Emerging issues are identified.

Risk measurement
- Qualitative operational risk exposures.
- Internal audit reports.
- Risk events.
- Calculation of operational risk for minimum capital

Risk reporting
- Monthly Board Risk Review Committee reporting.
- Business unit reporting.

Enterprise risk programmes

- **Business continuity**
  Business continuity is the planning, design, operation and management of business processes and technologies to minimise the disruption caused in the event of a disaster (or business interruption). Senior management is responsible for maintaining a crisis management and a business continuity capability for each of our geographical locations. The business capability is subject to independent monitoring, review and assessment by group Operational Risk and Internal Audit.

- **Information security**
  Our information security process is based on the international standard ISO 17799, promoting common processes and standards across all business units and country operations. During the year, information security was integrated into the risk assessment framework. We participate in many industry forums.

- **IT Change management**
  Change Management includes all systems changes to live and business continuity environments. Changes follow approval and adequate testing before implementation. A standardised process is followed to ensure a smooth transition during implementation and to minimise business disruption resulting from the changes. The change management process is implemented and managed at business unit level in accordance with the global policy.

- **Outsourcing**
  Our outsourcing policy applies globally and assists management with the identification and mitigation of the risks associated with outsourcing a function that could be performed internally. Compliance with regulatory requirements relating to outsourcing is also facilitated.

Financial crime

Financial crime and fraud risk are a key operational risk. The focus is on risk identification, loss investigation, recovery and prosecution and recommending enhanced practices to mitigate this risk.

Incidents of fraud are investigated, recovery initiated and legal action implemented. Our policy is to take conclusive action on all financial crime that is identified as being perpetrated against us. Case information is collected and compiled by the specialists in the correct manner, to facilitate the legal process and obtain the necessary convictions. We participate in industry forums.

Regular reviews of the client database are conducted with comparisons to an international database of "undesirable persons", to assess client quality.

Suspicious, unusual and threshold transactions are monitored, assessed, investigated and reported in terms of anti-money laundering legislation and other requirements. A number of reports were made during the year. Our Legal division reviews all proposed reports.

The Group Information Officer deals with all requests for information received from regulatory and investigatory agencies.

Emerging trends experienced include:
- Increased syndicate activity and organised crime.
- Indentity theft.
- Increased regulatory expectation e.g. money laundering and "know your client" requirements.

Operational risk mitigation

Operational risk mitigation is achieved through initiatives such as:

- **Policies and procedures**
  Group Operational Risk sets policies and procedures to give guidance on managing operational risk. These relate to the operating environment, operating systems, accepting new products and dealing with changes within such activities, processes, systems, the environment and the business. Business units are responsible for implementing these policies and procedures, and this is monitored by Group Operational Risk.

- **Frameworks and practices**
  We have implemented an operational risk management framework to provide a comprehensive means of promoting operational risk management within the group. The framework sets up a structured and consistent approach to implementing a systematic, effective and efficient process across the organisation to manage operational risk and thereby improve business performance and regulatory compliance. The group operational risk practice manual also describes our approach to operational risk management.

- **Treatments and actions**
  Risk assessments are subject to treatment and escalation in terms of the operational risk appetite policy. We respond to risk events with appropriate analysis and actions to correct and minimise loss.

- **Insurance**
  We maintain adequate insurance to cover key risks, operational and other. The Group Insurance process and requirements are the responsibility of the Group Insurance Manager.

Operational risk year in review

We continued to embed our operational risk practices during the year. Awareness and understanding of the business opportunities in sound operational risk management practices continued to be a focus, as was the achievement of the supervisory requirements.

There were no significant operational risk management risk events during the year under review.

Basel II readiness remains a priority. Plans are in place to achieve the implementation of the Standardised Approach to Operational Risk Capital Adequacy requirements.

Developments in sound operational risk management practices including supervisory guidance for jurisdictional application of the Basel II principles are monitored and where appropriate adopted into our framework and practices.

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 into.

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.
- Dual Listed Companies structure.
- 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.
- Establishment of 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.
- Establishment of procedures to monitor compliance, taking into account the required minimum standards.
- Establishment of 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.

Reputational risk management

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. Such damage may result from a breakdown of trust, confidence or business relationships. Reputational risk may also arise as a result of other risks manifesting and not being mitigated.

We have various policies and practices to mitigate reputational risk, including a strong values statement that is 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 acutely aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. We regularly reinforce our policies and practices through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Capital management

The management of the capital at our disposal is paramount to our success. We are strategically focused on ensuring that we only enter into business activities that are expected to earn appropriate returns on our capital and satisfy the demands of our shareholders. Our objective is to increase shareholder value through a group-wide discipline that links capital allocation and structuring, performance measurement, investment decisions and capital-based incentive compensation into one integrated framework.

Philosophy and approach

The Investec group comprises Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries). In terms of our DLC structure, these two companies are treated separately from a credit perspective. This is notwithstanding the shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Invested Limited were a single unified enterprise. Furthermore, the UK Financial Services Authority regulates Investec plc and the South African Reserve Bank regulates Investec Limited.

Consequently, the management of capital is effected on a "silo" basis at the lowest level but considered in aggregate from a group perspective. Regardless of the statutory entity, we recognise the following key principles relating to the purpose of capital, namely to:

- Allow each area to grow organically and achieve its business objectives as strategically determined by executive management and approved by the relevant Boards of Directors.
- Give us the opportunity to explore acquisition opportunities that will allow us to position ourselves within our chosen markets.
- Protect us against losses and risks inherent in the business, which would otherwise affect the security of funds deposited with or loaned to the various banking entities.

Within our capital management environment, a key assumption is the understanding of the difference between "economic" capital and "regulatory" capital. The former relates to the resultant capital determined when all risks are considered (including reputational and liquidity) and is derived from the regulatory capital used by each division. Hence, the quantification of regulatory capital is the first step in the process and the nature of modifications to this amount is agreed and documented.

At the heart of this distinction lie the fundamental implications flowing from the widespread practice of Economic Value Added incentive schemes, which embody, as their base, economic capital. Essentially, this means that all transactions we conduct have to be considered in the context of their implications on capital. This is to ensure that the operators achieve the threshold targets in terms of return on capital to shareholders as this has a direct impact on their incentive remuneration.
Accordingly, the benefit of such practice is that the management of capital is effectively conducted at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

As this has been embedded in our culture and philosophies, it is regarded as a cornerstone to the comprehensive management of capital.

Responsibility for capital management

The Investec plc and Investec Limited Boards of Directors are ultimately responsible for the silo's capital and effective management. At the highest level, the boards have delegated direct responsibility for capital management to the DLC Capital Committee to oversee the components contributing to effective control and use of capital. This forum was constituted in June 2002 and its roles and responsibilities are discussed on page 116.

In order to feed into this forum, Investec plc convenes a separate Capital Committee on a bi-weekly basis so as to monitor the capital positions in its UK and Australian subsidiaries. The Southern African operations meet monthly through the DI Forum, which analyses regulatory information, including capital use in Investec Bank Limited and Investec Bank (Mauritius) Limited. A formally constituted capital management committee exists in Australia. This structure ensures that capital is actively managed from the lowest reporting level and cascades up to the ultimate responsible body - the DLC Capital Committee.

Organisational structure

In terms of capital management, the components of the organisational structure are as follows:

- The business units, especially those which conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Treasury and Specialised Finance). The transactional consultants within the business units consider the capital implications on a deal by-deal basis as this ultimately affects the economic capital used and, hence, the pricing and profitability of the transaction.
- Risk management
  - As part of credit risk management, the presentation of transactions is conducted through the governance structures within the risk management function. At the deal structuring and credit approval phases, the capital implications of transactions are considered independently from the business unit presentation to Capital Management, to ensure that each transaction is accurate and reasonable. This serves as an additional verification of the capital implication of the particular transaction.
  - As part of market risk management, the market risk management team performs the quantification of the trading capital used by the trading activities throughout the group. This is tested for reasonableness at the various capital management forums explained above.
  - As part of operational risk management, the

quantification of the operational capital used is conducted and reported to the Executive Risk Review Forum on a regular basis.
- Underpinning all risk management functions is their IT support division, which ensures that all applications employed by the group to calculate and report risk information are functioning properly and reconcile to underlying source systems.

- Group Finance
  - The financial control functions throughout the organisation work closely with risk management to ensure that capital reporting is accurate, appropriate and timely.
  - The responsibility for regulatory reporting forms part of the Finance function.
  - Furthermore, Group Finance, as part of the annual audit process, independently determines the economic capital per business unit as it forms the basis of the operating units' incentive remuneration.
  - 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.

Basel II

We intend to implement the Basel II Standardised Approaches for credit, operational and market risk across our divisions and geographies, moving to the Advanced Approaches for credit and market risk in time. This implementation is being executed taking into account our long-term sustainability and strategic view. The evaluation extends to the entire risk and operational environment, including the infrastructure and data framework to ultimately support the advanced approach. Due to complexity and differing national discretion on timing of implementation, the date of transition is currently under review.

Clearly, the adoption of the Basel II framework will have a significant impact on the capital management process, more from a calculation perspective than a principle or philosophical standpoint. The reason is that the acute sensitivity of transactions to capital use is already embedded in our deal/credit approval and performance measurement ethos (as detailed above). However, the basis for quantifying the capital use will become more sophisticated under the revised framework. Hence, although the underlying process for capital adequacy assessment in relation to risk profile and strategy formulation for capital level maintenance will remain essentially the same, refinement will be needed to quantify capital in terms of the more advanced approaches and evaluate the results against our risk appetite.
In terms of the current process, the following features exist:

- Board and senior management oversight in relation to the nature and level of risk taken and how this risk relates to the adequate capital levels. Strategic plans outline our capital needs, anticipated capital expenditure, desirable capital level and external capital sources.
- Sound capital assessment through the establishment of capital adequacy goals supported by a process of internal controls, reviews and audits to ensure the integrity of the overall management process.
- Comprehensive assessment of risks by a number of governance committees guided by methodologies and policies, supported by sophisticated systems which ensure the adequacy and completeness of information on which decisions are based. To this end, detailed reports are prepared regularly on our risk profile and capital needs.

Our key challenge in terms of Pillar II compliance will be twofold:
- Training deal and credit forum members and business unit practitioners on the changes to capital computations and the resultant impact on risk, pricing, profitability and capital levels.
- The capital computations, which would have to be determined at deal initiation so that the resultant amount is presented to the various committees at the appropriate time to ensure effective decision making within a Basel II framework.

Conclusion

Our sophisticated and intellectually resourced risk management environment, together with our performance orientation which emphasises the optimal use of capital from the inception of a transaction, ensures that the linkage of risk to targeted capital levels is entrenched in our deal facilitation culture.

This results in a capital management process driven by capital adequacy goals which are closely monitored by strategic capital plans approved by a sub-committee of the board.

Internal Audit

Internal Audit provides objective assurance to the board that management processes are adequate to identify the significant risks to which the business is subject and that the control environment is effective enough to manage these risks. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

An Internal Audit charter, approved by the Group Audit Committees and reviewed annually, governs our internal audit activity. The charter defines the role, objectives, authority and responsibilities of the function.

As a result of the silo specific regulatory responsibilities arising from our DLC structure, there are essentially two group Internal Audit divisions located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. An Internal Audit function reporting into Investec plc also exists in Sydney. The combined functions cover all of the geographies in which we operate.

All the Internal Audit departments use similar risk based methodologies. The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the chairman of their entity's Audit Committee. They operate independently of executive management but have ready access to their local Chief Executive Officer and the Chairman of the Audit Committee. For administrative and co-ordination purposes, they also report to the Global Head of Corporate Governance and Compliance.

Annually, Internal Audit conducts a formal risk assessment of all businesses, incorporating management's assessment of risk, which is documented within the Enterprise Risk Assessor Operational Risk system. A comprehensive risk based annual audit plan is derived from this assessment, which identifies areas of focus. These are then confirmed with 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. Given our dependence on IT systems, there is an ongoing focus on auditing technology risks. In line with international trends, we have an increased focus on fraud risk and review the control environment for conditions which may facilitate the occurrence of fraud. We also liaise with the external auditors to ensure a complementary approach and to avoid duplication. The annual plan is reviewed regularly to ensure that it remains relevant and responsive, given changes in our operating environment. The Audit Committee approves any changes to the plan.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment. Audit teams comprising well-qualified staff with appropriate experience ensure that the function has the competence to match our diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The Internal Audit resources are subject to review by the respective Audit Committees at least once a year.

Significant control weaknesses are reported, in terms of an escalation protocol, to the Audit and Compliance Implementation Forum, where rectification procedures and progress are considered and monitored at a detailed level by management. The Audit Committee receives a report on significant issues and actions taken by management to enhance controls.

Compliance

Compliance risk is the risk that we fail to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to our businesses. We seek to bring the highest standard of compliance best practice to all our jurisdictions. In keeping with our core values, we also endeavour to comply with the highest professional standards of integrity and ethical behaviour.

We are subject to extensive supervisory and regulatory governance in South Africa, the UK and all other countries in which we operate. The South African Reserve Bank is our lead regulator. Significant business developments in any of our operations must be approved by the Reserve Bank as well as by the business's home country regulatory authority.

Under the DLC structure, both Investec plc and Investec Limited maintain separate Compliance structures. Each Compliance structure operates under terms of reference which are approved by its listed company board and Audit Committee. Each Compliance structure is headed by a Group Compliance Officer, who operates independently from operational management and is responsible for ensuring adequate management of compliance risk within their company silo. Each Group Compliance Officer reports to the Chief Executive Officer of their listed company and also reports to the Global Head of Compliance, who is ultimately responsible for management of the Compliance function of both listed groups. The Group Compliance Officers have unrestricted access to the Chairman of their Audit Committee.

The Compliance divisions operate under matrix management reporting structures and are decentralised throughout the businesses. Under these arrangements, Compliance Officers are appointed to all significant business units and report to the business heads, but remain under the general supervision of Group Compliance. Where appropriate, certain cross-enterprise compliance functions, such as Compliance Monitoring, are centralised and report directly to the Group Compliance Officer.

Compliance risk is managed through internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The Compliance Officers provide regular training to ensure that all employees are familiar with regulatory obligations. They also provide advice on regulatory issues. Compliance staff undertake independent monitoring of the business units to ensure adherence to policies and procedures and other technical requirements.

Compliance staff work closely with business and operational units to ensure consistent management of compliance risk. The Group's Compliance Officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all our geographies.

UK and Europe year in review

The UK financial services regulator, the FSA, stated in 2005 that 80% of its policy making is now driven by European legislation. Most of this legislation derives from the Financial Services Action Plan, comprising more than 40 directives which will create the EU Common Market in 2007. The largest UK rule changes last year and those on the horizon for 2006-2007 are based on European legislation.

In July 2005, the Market Abuse Directive and the Prospectus Directive came into effect. The Market Abuse Directive aims to create common dealing rules and dealing standards for European firms, while the Prospectus Directive harmonises listing and disclosure rules across Europe. Both the Market Abuse Directive and Prospectus Directive contain requirements relating to UK listing rules. The FSA merged these separate implementation projects with its own efforts to update the UK Listing Rules. On 1 July 2005, the FSA revoked the old code and introduced three new FSA sourcebooks: Listing Rules (new), Prospectus Rules and Disclosure Rules.

During the year, a new and controversial requirement to disclose derivatives positions (as per the existing equity holdings disclosure rules) to the Takeover Panel was also introduced. This is designed to track the influence of hedge funds and other large players on listed issuers.

Our Compliance function proactively monitors developments in law and regulation to identify changes which may affect our businesses. In addition to the above, the FSA continued with a number of ongoing initiatives including:

- Bundled brokerage and soft dollar arrangements: The FSA completed its consultation and published new rules on bundled brokerage and soft commission ("soft dollar") arrangements. The rules limit the use of brokerage fees to execution and research and part of the fee used for research must now be expressly quantified and disclosed to clients.
- Hedge funds: The FSA investigated if more regulation was required to manage hedge fund dealings in UK markets. It concluded that it should not increase regulation on hedge funds, but established a hedge fund supervisory division to monitor significant developments.
- Treating customers fairly/conflicts of interest: More guidance was published in the form of "Dear CEO" letters, speeches and best practice communications. The FSA remains reluctant to deliver prescriptive rules on these topics, but reminds firms that they must have internal systems to actively manage and monitor treating customers fairly and conflicts of interest.
- Simplification of FSA Handbook: The FSA announced that it will remove the Money Laundering Sourcebook and replace this in 2006 with high level standards in the Senior Management Systems and Controls Sourcebook. The FSA is refraining from further simplification measures until the detailed requirements of the Markets in Financial Instruments Directive and other EU legislation are clear in 2006.

- Joint Money Laundering Steering Group guidance notes: In February 2006, the Joint Money Laundering Steering Group published its long-awaited review of the 2003 Guidance Notes. The new rules require firms covered by the Guidance Notes to identify their money laundering risks and implement mitigation systems which are appropriate to their business.

In the remainder of 2006, the FSA seeks to prepare itself and UK firms for implementation of EU directives which have not yet come into force under the EU Financial Services Action Plan. Key directives which will be implemented during 2007 include the Capital Requirements Directive, which will bring Basel II standards to Europe, and the Markets in Financial Instruments Directive, which will deliver harmonised organisational requirements and conduct of business rules and new exchange trading practices to Europe. During 2006, the detailed Markets in Financial Instruments Directive requirements and FSA plans for UK implementation will be published. In addition to these directives, the Takeover Directive and Transparency Directives will also affect us, but to a lesser extent.

The FSA will continue to move from a prescriptive, code-based regime to a regime based on high level principles.

South Africa year in review

Implementation of the Financial Intelligence Centre Act (FICA)

As required by FICA, the Money Laundering Control Officer and Money Laundering Reporting Officer manage compliance with money laundering control legislation. FICA requirements have been built into business processes and undergo ongoing monitoring. The aim of FICA is to counter terrorist financing following the promulgation of the Protection of Constitutional Democracy against Terrorist and Related Activities Act.

The focus this year was on elevating compliance with anti-money laundering and terrorist financing controls to the standards outlined in international best practice documents. These include the Financial Action Task Force recommendations and Basel guidance, to prepare for South Africa's evaluation by the Financial Action Task Force, the International Monetary Fund and the World Bank in 2007. During the year, the Registrar of Banks initiated a series of reviews of the major banks for compliance with FICA. The findings of the review were presented to the Chief Executive Officer, Money Laundering Compliance Officer and Compliance Officer of each participating bank. We were found to be in compliance with FICA.

The regulatory focus this year was the re-identification of existing clients under a final agreed accelerated deadline of 31 March 2006. We undertook significant efforts to meet this compliance challenge. These included: contacting existing clients and requesting all outstanding information and documentation, systems development to monitor progress and quarterly reporting to the supervisory bodies. In keeping with ongoing deadlines and the requirements, non-compliant accounts were frozen. All deadlines were met in compliance with our accelerated time frame.

Implementation of the Financial Advisory and Intermediary Services Act (FAIS)

The ongoing implementation of FAIS was a major imperative for the business and the Compliance unit last year. Twenty seven licence applications were approved by the Financial Services Board (FSB). Compliance reports were also completed and submitted to the FSB during the period.

Compliance monitoring

We initiated a project to enhance Basel reporting by aligning the existing compliance monitoring process with the operational risk processes. The project entailed adopting the Enterprise Risk Assessor risk based methodology used by the Operational Risk division. Although the project is still being implemented, significant enhancements and benefits have been achieved.

Mauritius year in review

A number of new acts governing the financial services industry were passed during the year, including a new Banks Act and a revised Code on the Prevention of Money Laundering and Terrorist Financing. The Bank of Mauritius also enhanced its regulatory overview of local banks.

Australia year in review

During the past year, the Australian regulatory environment underwent further reform. This included new legislation, Australian Securities and Investments Commission policy statements and Australian Prudential Regulation Authority standards, specifically on "Fit and Proper" requirements for responsible persons, conflicts of interest and a draft standard on "corporate governance".

In December 2005, the Commonwealth Government of Australia published its long-awaited exposure draft of the Anti-Money Laundering and Counter-Terrorism Financing Bill. The stated aim of this legislation is to bring Australia in line with international best practice. Our Compliance unit is beginning to plan for the implementation of programmes to comply with our responsibilities under the bill.

USA year in review

Regulatory scrutiny and awareness of anti-money laundering regulations remain a priority by the industry. US self-regulatory organisations are focusing on internal controls and supervision, research analyst qualifications and the execution of short sale orders. The regulations are imposing ever-increasing responsibility for compliance oversight by executive management.

Credit ratings

In general, we were assigned strong ratings for credit quality, capacity for timely repayment and financial strength. 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 (UK) Limited, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

The ratings as at 31 March 2006 are set out as follows:

Ratings for Investec plc

Moody's	
Short-term deposit rating	Prime-3
Long-term deposit rating	Baa3

Ratings for Investec Bank (UK) Limited - a subsidiary of Investec plc

Fitch	
Individual rating	C
Support rating	5
Foreign currency short-term rating	F2
Foreign currency long-term rating	BBB+
Global Credit Rating Co.	
Short-term rating	A2
Long-term rating	A-
Moody's	
Financial strength rating	C-
Short-term deposit rating	Prime-2
Long-term deposit rating	Baa2

Ratings for Investec Bank (Australia) Limited - a subsidiary of Investec Bank (UK) Limited

Moody's	
Financial strength rating	D+
Short-term deposit rating	Prime-2
Long-term deposit rating	Baa2

Ratings for Investec Limited

CA Ratings	
Local currency short-term rating	A1+
Local currency long-term rating	A+
Fitch	
Individual rating	B/C
Support rating	5
Foreign currency short-term rating	F3
Foreign currency long-term rating	BBB

Ratings for Investec Bank Limited - a subsidiary of Investec Limited

CA Ratings	
Local currency short-term rating	A1+
Local currency long-term rating	A+
Capital Intelligence Ratings	
Domestic strength rating	A-
Foreign currency short-term rating	A3
Foreign currency long-term rating	BBB-
Fitch	
Individual rating	B/C
Support rating	2
Foreign currency short-term rating	F3
Foreign currency long-term rating	BBB
Local currency short-term rating	F1
Local currency long-term rating	A+
Global Credit Rating Co.	
Local currency short-term rating	A1+
Local currency long-term rating	AA-
Moody's	
Financial strength rating	C-
Foreign currency short-term deposit rating	Prime-2
Foreign currency long-term deposit rating	Baa1
National scale short-term rating	Prime-1
National scale long-term rating	Aa3

Introduction

Investec operates under a Dual Listed Companies (DLC) structure, which requires compliance with the corporate and accounting regulations of the UK and South Africa.

Other international business units operate in accordance with the governance recommendations of their jurisdictions, but with clear reference at all times to group values and culture.

While the board is responsible for the overall process and structure of our corporate governance, each business area and every employee worldwide is responsible for adherence to good corporate governance practices.

In formulating our governance framework, the board is committed to applying leading governance practices in a pragmatic way, so as to:

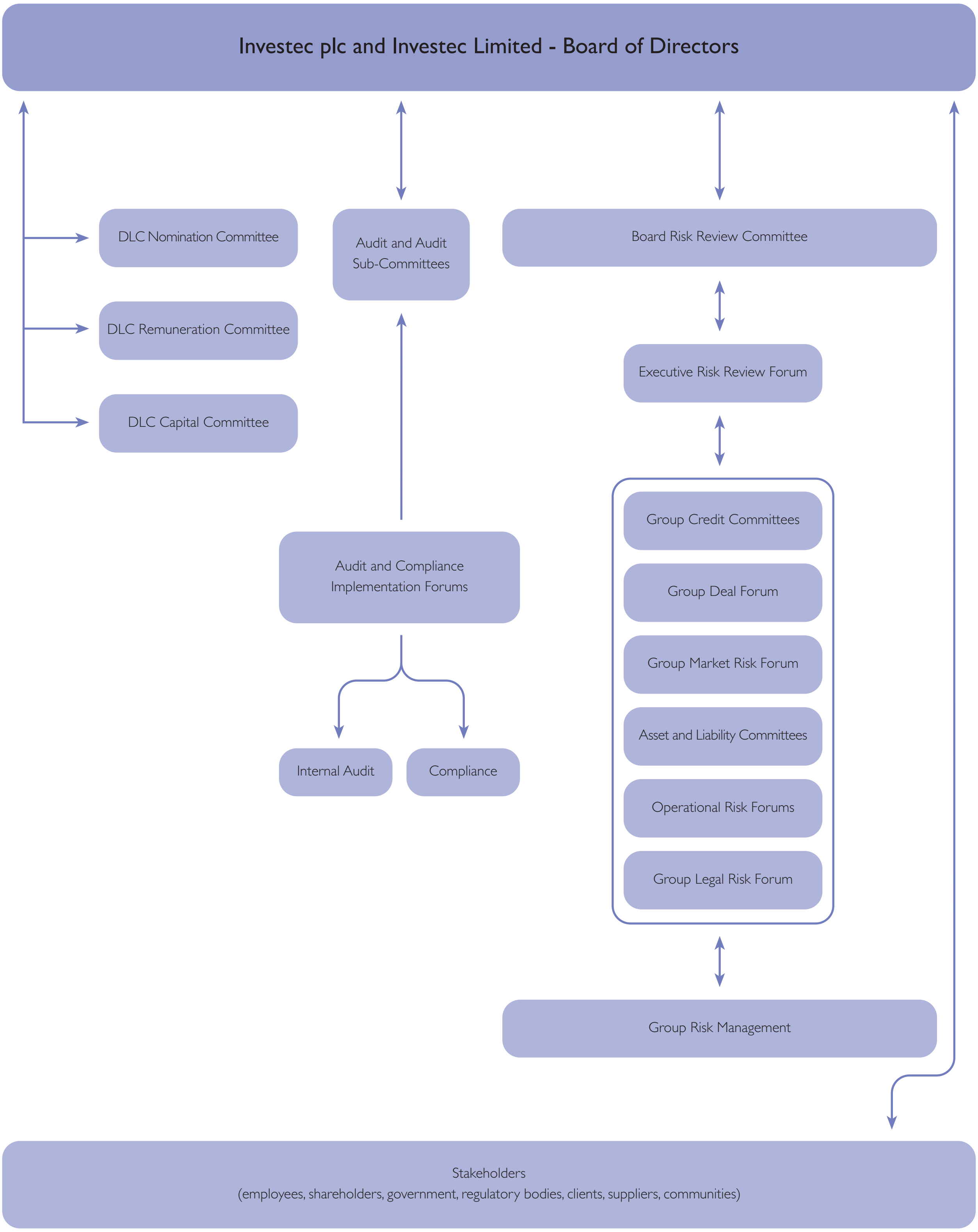
- Promote informed and sound decision making.
- Protect our brand.
- Mitigate against reputational impacts.
- Support the trust and confidence of stakeholders.
- Lead to effectiveness and efficiency.
- Enhance the capital market's perception of us.
- Facilitate legal compliance.

Our values and philosophies form the framework against which we measure behaviour, practices and activities to assess the characteristics of good governance. Our values require directors and employees to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure and the structures designed to formalise oversight of and to ensure that the values remain embedded in all businesses and processes. We continue to refine both these structures, and a written Statement of Values, which serves as our Code of Ethics has always been a pillar of our culture.

Governance framework

Our governance framework can be depicted as follows:



Board statement

The board is of the opinion that Investec complied with the Principles of Good Governance and Code of Best Practice contained in section 1 of the London Combined Code (2003) as well as the South African King II "Code of Corporate Practices and Conduct" (King II) during the period under review, except as follows:

London Combined Code and King II - Chairman
As reported in 2005, the Chairman of the board is not considered to be independent, but continued to enhance his status as a non-executive director.

This opinion of the board is based on the practices below, which were in operation during the period under review.

Financial reporting and going concern

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 we face. 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 below.

Our financial statements were prepared on the going concern basis, taking into consideration:
- Corporate governance practices.
- Accounting policies adopted.
- The nature and complexity of our business.
- The risks we assume.
- Key business and control processes in operation.
- The operation of board committee support structures.
- Operational soundness.

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 on a going concern basis over the next year.

Board of directors

Role and responsibilities

The board is responsible for reviewing and guiding corporate strategy, approving key policies and objectives, understanding the key risks we face, and determining our risk tolerance and approving and reviewing the processes in operation to mitigate these.

The board has defined the limits of delegated authority and is ultimately responsible for assessing and managing risk policies and philosophies; overseeing major capital expenditure, acquisitions and disposals; approving the establishment of businesses; and approving the introduction of new products and services.

In fulfilling its responsibilities, the board is supported by management, who are required to implement the plans and strategies approved by the board. The board monitors management's progress on an ongoing basis.

Furthermore, the board, directly or through its sub-committees:
- Assesses the quantitative and qualitative aspects of our performance, through a comprehensive system of financial and non-financial monitoring, involving an annual budget process, detailed monthly reporting and management strategic and operational updates.
- Approves the annual budgets and business plans.
- Monitors our compliance with relevant laws, regulations and codes of business practice.
- Monitors our communication with all stakeholders.
- Identifies and monitors key risk areas and key performance indicators.
- Reviews processes and procedures to ensure the effectiveness of our internal systems of control.
- Evaluates the performance of senior management and considers succession planning.

The board seeks to exercise leadership, integrity and judgement in pursuit of our strategic goals and objectives to achieve long-term sustainable growth and prosperity.

Composition, structure and process

Membership

In terms of the DLC arrangements, the boards of Investec plc and Investec Limited are identical and manage Investec as if it were a unified economic enterprise. At the end of the period under review, the boards, excluding the Chairman, comprised four executive directors and twelve non-executive directors. As set out below, the board concluded that the majority, i.e. eight of the non-executive directors are independent in terms of the London Combined Code and King II. Biographical details of the directors are set out on pages 145 to 148.

The names of the directors, the year of their appointment, their independence status and whether they will retire and seek re-election at the 2006 annual general meeting, are set out in the table below.

Name	Date of appointment Investec plc	Date of appointment Investec Limited	Independent	Last elected	Retiring and seeking re-election in 2006
Executive directors					
S Koseff (Chief Executive Officer)	26 June 02	06 Oct 86	-	2003	Yes
B Kantor (Managing Director)	26 June 02	08 Jun 87	-	2003	Yes
GR Burger (Group Risk and Finance Director)	03 Jul 02	03 Jul 02	-	2004	No
A Tapnack	01 Jul 02	01 Jul 02	-	2004	No
Non-executive directors					
HS Herman (Chairman)	26 Jun 02	01 Jan 94	No	2004	Yes
SE Abrahams	26 Jun 02	21 Oct 96	Yes	2004	Yes
GFO Alford	26 Jun 02	26 Jun 02	Yes	2004	No
CA Carolus	18 Mar 05	18 Mar 05	Yes	2005	No
H Fukuda OBE	21 Jul 03	21 Jul 03	Yes	2003	No
GMT Howe	21 Jul 03	21 Jul 03	Yes	2003	No
DE Jowell	26 Jun 02	01 Jan 89	No	2003	Yes
IR Kantor	26 Jun 02	30 Jul 80	No	2004	Yes
Sir C Keswick (Senior Independent Director)	26 Jun 02	26 Jun 02	Yes	2002	No
MP Malungani	26 Jun 02	26 Jun 02	No	2002	No
Sir D Prosser	23 Mar 06	23 Mar 06	Yes	Recently appointed	No
PRS Thomas	26 Jun 02	29 Jun 81	Yes	2003	Yes
F Titi	30 Jan 04	30 Jan 04	No	2004	No

Note:

The board of Investec Group Limited (now Investec Limited) was reconstituted in terms of the implementation of our DLC structure in July 2002. In terms of providing information on the date that directors are appointed to the Investec Limited board, it would be misleading, in the case of those directors who were members of the Investec Group Limited board, to indicate that they have only been directors since the date of implementing the DLC structure. As a result, for those directors concerned, the dates of appointment reflect the date that they were first appointed to the Investec Group Limited board.

Independence

With the appointment of Sir David Prosser on 23 March 2006, eight of the thirteen non-executive directors considered by the board to be independent which is in compliance with the requirements of the London Combined Code and King II.

A summary of the factors the board has taken into account in determining the independence of directors is detailed below.

The Chairman

The Chairman, Hugh Herman, is not considered to be independent. At the time of the Chairman's appointment, his duties included promoting the group and introducing clients but excluded making day-to-day executive decisions. His role was full time and he sat on certain management forums. He was also included in various management incentive and share ownership schemes. For these reasons, he is not considered by the board to be independent in accordance with the London Combined Code and King II. The Chairman has continued to enhance his status as a non-executive director.

Relationships and associations

Ian Kantor is the brother of Bernard Kantor, Investec's Managing Director. Fani Titi and Peter Malungani are the chairmen of Tiso Group Limited and Peu Group (Proprietary) Limited respectively, companies that have a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of the Financial Sector Charter in South Africa. Donn Jowell is Chairman of Jowell Glynn Marais Inc, the South African legal advisors to Investec Limited. The board concluded that as a result of these relationships, Messrs Kantor, Titi, Malungani and Jowell could not be considered, in terms of the London Combined Code and King II, to be independent.

Attendance at management meetings

Sam Abrahams regularly attends, by invitation, certain management committees of Investec Limited. The board considers Mr Abrahams' attendance at these committees, which are not decision making forums, to be desirable in terms of developing an understanding of the day to day issues facing the business, thereby allowing Mr Abrahams to discharge his responsibilities more effectively as a member of the board and Chairman of the Investec DLC Audit Committee. The board therefore concluded that Mr Abrahams retains independence of character and judgement.

Tenure

The board does not believe that any director has served on the board for a period which could materially interfere with the director's ability to act in our best interests. In reaching this conclusion, the board notes that Peter Thomas and Sam Abrahams have been directors of Investec for more than nine years. Notwithstanding this, the board concluded that Messrs Thomas and Abrahams retain both financial independence and independence of character and judgement.

Notwithstanding the guidelines set out in the London Combined Code and King II, the board is of the view that the majority of 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 no one person or group can dominate board processes. 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 are appropriate to their responsibilities and our activities. The directors bring a range of skills to the board, including:

- International and operational experience.
- Understanding of the economics of the sectors in which we operate
- Knowledge of the regulatory environments in which we operate.
- Financial and banking.

The skills and experience profile of the board is reviewed regularly, to ensure an appropriate and relevant board composition.

Sir David Prosser was appointed to the boards of Investec plc and Investec Limited as well as the DLC, Investec plc and Investec Limited Audit Committees on 23 March 2006 to fulfill the need for an independent non-executive director with recent and relevant UK financial experience.

Board and directors' performance evaluation

The current year's annual evaluation was again based on recognised codes of corporate governance and covered areas of the board's processes and responsibilities, based on current leading practice.

Each director completed the evaluation after which the chairman conducted one on one discussions.

The results of the evaluation process were collated and reviewed by the Head of Corporate Governance and Compliance and reported to the board by the Chairman. Matters identified during the evaluation process, which required attention, were scheduled for appropriate action.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letters of appointment set out, among other things, the expected time commitment of non-executive directors, 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 a policy that insures directors against certain liabilities they may incur in carrying out their duties.

Induction and training

On appointment, directors are provided with an induction programme tailored to the needs of each appointee. A programme of formal presentations to the directors on regulatory and governance matters was implemented and, as part of the directors' ongoing development, the Company Secretary liaises with the directors to source relevant seminars and conferences which directors attend, funded by Investec. Presentations are made to the board by management of the business and support functions. During the course of the year directors attended seminars on such matters as corporate governance, remuneration policy and IFRS. Directors have access to the heads of risk management and control functions.

All directors have access to Linklaters' "Blue Flag Directors' Duties", an on-line reference and training tool for Directors, maintained by Investec plc's legal advisors Linklaters. Blue Flag comprehensively covers all legal and regulatory aspects of directors' duties including individual conduct, the board and relations with stakeholders.

Independent advice

Through the senior independent director, individual directors are entitled to seek professional independent advice on matters related to the exercise of their responsibilities at the expense of Investec. No such advice was sought during the 2006 financial year.

Remuneration

Details of the directors' remuneration and remuneration process are set out in the Remuneration Report on pages 123 to 140.

Chairman and Chief Executive Officer

The respective responsibilities of the Chairman and Chief Executive Officer are set out in writing, clearly defined and have board approval. The Chairman leads the board and is responsible for ensuring that the board receives accurate, timely and clear information to ensure that the directors can perform their duties effectively.

There were no changes to the Chairman's external directorships during the period under review. Details of the Chairman's external directorships are set out on page 146.

The board does not consider that the Chairman's commitments interfere with his performing his responsibilities to Investec. The board is satisfied that the Chairman makes sufficient time available to serve Investec effectively.

The board has not appointed a Deputy Chairman.

Senior Independent Director

Sir Chips Keswick was appointed Senior Independent Director on 7 July 2004. The Senior Independent Director is available to address any concerns or questions from shareholders.

Company Secretaries

Richard Vardy is the Company Secretary of Investec plc and Selwyn Noik 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 matter for the board. Les Penfold is the global head of Company Secretarial and coordinates and drives the group's secretarial functions.

Board meetings

The combined boards of Investec plc and Investec Limited met six times during the year. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure. Furthermore, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa respectively.

The Chairman is responsible for setting the agenda for each meeting, in consultation with the Chief Executive Officer and Company Secretaries. A comprehensive information pack on matters to be considered by the board are provided to directors in advance.

The non-executive directors met during the period under review in the absence of the executive directors. Details of directors' attendance at board meetings are shown in the table on the following page.

Re-election of board members

All directors are subject to re-election at the first annual general meeting following their appointment. Thereafter, in accordance with the Articles of Association of Investec plc and Investec Limited, at least one third of the directors will retire at each annual general meeting. Retiring directors are subject to an assessment of their performance before re-appointment. Biographical details of the directors standing for re-election at the 2006 annual general meeting are on pages 145 to 148.

Name	Number of meetings held during the year	Number of meetings attended during the year	Independent
Executive directors			
S Koseff (Chief Executive Officer)	6	6	-
B Kantor (Managing Director)	6	6	-
GR Burger (Group Risk and Finance Director)	6	5	-
A Tapnack	6	6	-
Non-executive directors			
HS Herman (Chairman)	6	6	No
SE Abraham	6	6	Yes
GFO Alford	6	6	Yes
CA Carolus	6	6	Yes
H Fukuda OBE	6	6	Yes
GMT Howe	6	5	Yes
DE Jowell	6	5	No
IR Kantor	6	6	No
Sir C Keswick (Senior Independent Director)	6	5	Yes
MP Malungani	6	6	No
Sir D Prosser	appointed 23 March 2006	appointed 23 March 2006	Yes
PRS Thomas	6	6	Yes
F Titi	6	6	No

Board committees

The board is supported by specialist committees, as follows:

- DLC Audit Committee
- Investec plc Audit Committee
  - Audit sub-committees
  - Audit and Compliance Implementation Forum
- Investec Limited Audit Committee
  - Audit sub-committees
  - Audit and Compliance Implementation Forum
- Board Risk Review Committee
  - Executive Risk Review Forum
  - Group Credit Committees
  - Asset and Liability Committees
  - Group Market Risk Forum
  - Group Deal Forum
  - Operational Risk Forums
  - Group Legal Risk Forum
- DLC Nomination Committee
- DLC Remuneration Committee
- DLC Capital Committee

These committees have specific terms of reference, appropriately skilled members, independent non-executive director membership, senior management participation and access to specialist advice when necessary.

Audit Committees

In terms of our 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. A DLC Audit Committee has also been created to assist the board with matters common to Investec plc and Investec Limited.

Role and responsibilities

The responsibilities of the Audit Committees include:

- Reviewing and making recommendations for the board's approval of our combined and individual company reports and financial statements and other published financial reporting documents.
- Reviewing the appropriateness of the combined group's and individual companies' accounting policies and their application.
- Overseeing our external audit process in the review of reports and accounts.
- Considering the external audit scope, 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.
- Reviewing non-audit services provided by our external auditors.
- Focusing on our compliance with legal requirements, accounting standards and the relevant listing requirements.
- Implementing measures to maintain effective systems of internal financial control and for reporting non-financial operating data.

We believe that the Audit Committee possesses the necessary expertise to discharge its responsibilities.

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

Membership and attendance

Details of membership, relevant qualifications and experience as well as attendance at Audit Committee meetings are shown on the opposite page.

DLC Audit Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent	Qualifications and experience
SE Abrahams (Chairman)	4	4	Yes	FCA CA (SA) - Sam is a former international partner and South African Managing Partner of Arthur Andersen
GFO Alford	4	4	Yes	BSc (Econ) FCIS FIPD MSI - George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority
GMT Howe	4	4	Yes	MA (Hons) - Geoffrey is a former Managing Partner of Clifford Chance LLP and Director and Group General Counsel of Robert Fleming Holdings Ltd
DE Jowell*	4	2	No	B Com LLB - Donn is Chairman of and a consultant to Jowell Glyn & Marais Inc, the South African legal advisers to Investec Limited
Sir C Keswick	4	3	Yes	Sir Chips is a former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc
Sir D Prosser	appointed 23 March 2006	appointed 23 March 2006	Yes	BSc (Hons) FIA - Sir David was previously Chief Executive of Legal & General Group PLC and Chairman of the Financial Services Skills Council
PRS Thomas	4	4	Yes	CA (SA) - Peter was the former Managing Director of the Unisec Group Limited

Investec plc Audit Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent	Qualifications and experience
SE Abrahams (Chairman)	6	6	Yes	Refer above
GFO Alford	6	6	Yes	Refer above
GMT Howe	6	6	Yes	Refer above
Sir C Keswick	6	5	Yes	Refer above
Sir D Prosser	appointed 23 March 2006	appointed 23 March 2006	Yes	Refer above
PRS Thomas	6	6	Yes	Refer above

Investec Limited Audit Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent	Qualifications and experience
SE Abrahams (Chairman)	6	6	Yes	Refer above
GFO Alford	6	6	Yes	Refer above
GMT Howe	6	6	Yes	Refer above
DE Jowell*	6	6	No	Refer above
Sir C Keswick	6	5	Yes	Refer above
Sir D Prosser	appointed 23 March 2006	appointed 23 March 2006	Yes	Refer above
PRS Thomas	6	6	Yes	Refer above

Notes:

* For an overview of the factors leading the board to conclude that DE Jowell is not independent, please refer to page 110.

DE Jowell is entitled to attend the Investec plc Audit Committee but is not a formal member of this committee.

Audit Sub-Committees

Audit sub-committees for Investec plc and Investec Limited have been established to provide an opportunity for senior management of the business units, who do not attend the main Investec plc and Investec Limited Audit Committee meetings, to meet with the control functions and to provide input with regard to the control environment. The members of the Investec plc and Investec Limited Audit Committees are entitled to attend these meetings and as a matter of practice, at least one non-executive member generally 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. The purpose of these forums is to monitor and report on the implementation of recommendations and other matters that the relevant Audit Committee considers important and to facilitate the timely escalation, response and understanding of risk and control matters that require a response from management. The forum performs a key role in enhancing risk and control consciousness and the associated control environment of the group. The forum also supports and provides important insights to the Audit Committees.

Finally, the forum acts 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 124.

Membership and attendance
Details of membership and attendance at Remuneration Committee meetings are shown below.

DLC Remuneration Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent
GFO Alford (Chairman)	9	9	Yes
GMT Howe	9	9	Yes
Sir C Keswick	9	8	Yes

DLC Nomination Committee

Role and responsibilities
The Nomination Committee is responsible, among other things, for:

- Regularly reviewing the board structure, size and composition and making recommendations to the board on any changes that are deemed necessary.
- Identifying and nominating candidates for the approval of the board to fill board vacancies as and when they arise, as well as putting in place plans for succession, in particular, of the Chairman, the Chief Executive Officer and the Managing Director.
- Making recommendations to the board for the continuation (or not) in service of a director.
- Recommending directors who will be retiring by rotation to be put forward for re-election.

Membership and attendance
Details of attendance and membership are shown below.

During the year, the Committee managed the selection and appointment of Sir David Prosser as a new independent non-executive director.

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

DLC Nomination Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent
HS Herman (Chairman)	3	3	No
SE Abrahams	3	3	Yes
Sir C Keswick	3	3	Yes

Board Risk Review Committee

Role and responsibilities

The purpose of the committee is to 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.
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives and the bases of measuring risk.

The Board Risk Review Committee defines the processes by which internal financial control risk is 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 Risk Review Committee and the board. These include the Asset and Liability Committees, Group Credit Committees, Group Market Risk Forum, Group Deal Forum, Operational Risk Forums and Group Legal Risk Forum.

Membership

Chairman	S Koseff (Chief Executive Officer)
Members	**Non-executive directors** SE Abrahams GFO Alford GMT Howe DE Jowell Sir C Keswick PRS Thomas **Executive directors** GR Burger (Group Risk and Finance Director) B Kantor (Managing Director) A Tapnack
Meeting frequency	Monthly

Executive Risk Review Forum

Role and responsibilities

The Executive Risk Review Forum supplements the Board Risk Review Committee and its purpose is to:

- Evaluate the most significant risks we face in the ordinary course of business (credit, market, liquidity, operational, legal and reputational).
- Ensure that limits are adhered to and that agreed recommendations to mitigate risk are implemented.
- Act 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.
- Ensure the group-wide risk management structure is adequately resourced and has an appropriate budget.
- Provide regular reports to the board with emphasis on effectiveness of the control framework.
- Provide regular reports on group-wide adherence to regulatory requirements and advise on how changes to regulatory requirements will affect us.
- Ensure 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.

Membership

Chairman	S Koseff (Chief Executive Officer)
Members	**Executive directors of DLC and subsidiary boards** GR Burger (Group Risk and Finance Director) B Fried B Kantor (Managing Director) DM Lawrence B Tapnack **Senior management** S Hackner S Heilbron PR Jacobson A Leith DM van der Walt RJ Wainwright JKC Whelan IR Wohlman
Meeting frequency	Every Friday except Board Risk Review Committee dates

DLC Capital Committee

Role and responsibilities

Our capital management framework (see pages 100 and 101) seeks to optimise the use of our capital by determining:

- The optimal amount of total capital commensurate with our overall risk profile in order to:
  - Support business strategies, including any inherent growth assumptions.
  - Meet targeted credit ratings and regulatory ratios.
  - Protect against losses, maintain liquidity and support our capital requirements to cater for future opportunistic acquisitions.
- Capital allocation to activities with the most favourable returns and highlighting those activities which are unduly capital intensive.
- The most efficient composition of the group's capital base.

Against this background the DLC Capital Committee is responsible for:

- Determining the DLC group's capital requirements and proposals for the issue/buy-back of equity and/or secondary capital raisings.
- Corporate restructuring for acquisitions.
- Considering, with a view to ultimately approving, internal restructures proposed within each silo.
- Economic capital management, which involves monitoring the capital positions of each business unit and its composition relative to the whole. In fulfilling this function, the committee reviews the following:
  - The amount of capital each silo is currently utilising within each business unit.
  - Forecasts of the needs, availability and usage of capital.
  - Changes, if any, required in the allocation or composition of capital.
  - Implications to capital arising out of corporate actions, for example acquisitions, divestments and internal restructures.
- Approving trading capital limits utilised by the regulated entities in South Africa and the delineation between trading and investment assets acquired/held by the group.

Membership

Chairman	S Koseff (Chief Executive Officer)
Members	**Non-executive directors** SE Abrahams DE Jowell **Executive directors of DLC and subsidiary boards** GR Burger (Group Risk and Finance Director) B Kantor (Managing Director) A Tapnack B Tapnack **Senior management** S Burgess R Jacobson L Penfold
Meeting frequency	Every six weeks

Management and succession planning

Global business unit heads, geographic management, and 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 37.

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

Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

Internal control

We have adopted the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed the principles throughout the group during the year under review. Cognisance has also been taken of the King II Code requirements in South Africa.

Risks and controls are reviewed regularly for relevance and effectiveness. The Board Risk Review Committee and Audit Committee 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.

The overall system of internal control is designed to mitigate, not eliminate, significant risks faced by the group and was in place for the year under review. 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 were in place throughout the year under review.

The process which includes risk and control identification is completed and assessed at business unit level. Each business unit is empowered with the responsibility and accountability for the management of its own risk. Each business unit follows a consistent risk assessment process as contained in the risk assessment framework which is facilitated by Group Operational Risk Management. Risks to shareholder value are defined, and the risks to these objectives and controls for each risk are identified and evaluated. The action plans and risk and control issues arising from this process are reviewed regularly at the relevant executive and management committees based at a business unit level.

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant Audit Committee. Appropriate processes exist to ensure that timely corrective actions are taken on matters raised by Internal Audit.

Significant risks are reviewed weekly by the Executive Risk Review Forum and monthly by the Board Risk Review Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk Review Committee and the Audit Committee. Reports from the Audit Committees, Board Risk Review Committee and Risk and control functions are reviewed at each board meeting.

Internal financial controls

Financial controls throughout the group focus on critical risk areas. These areas are identified by operational management, confirmed by group management, monitored by the board through the Audit Committees, reviewed by Group Risk Management and assessed by the risk control functions of Internal Audit and Compliance.

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified and that an appropriate segregation exists between duties and independent review.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken.

The directors consider that our system of internal control is appropriately designed to:

- Provide reasonable, although not absolute, assurance of both the integrity and reliability of financial information.
- Identify and appropriately mitigate significant risks.
- Safeguard, verify and maintain accountability of assets.
- Mitigate the risk exposure to fraud and misappropriation.
- Support business objectives and sustainability under normal and adverse operating conditions.
- Ensure compliance with applicable laws and regulations.

Risk management

The board is responsible for the total process of risk management and the system of internal control. A number of committees assist in this regard. Senior management is responsible for identifying risks and implementing appropriate mitigation and controls within their businesses. An independent Group Risk Management division, which is accountable to the board, is responsible for designing and reviewing the process of risk management.

Risk management is discussed in more detail on pages 75 to 101.

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 Chairman of the relevant audit committee and to the Head of Corporate Governance and Compliance, and have unrestricted access to the Chairman of each Audit Committee.

For further details on the Internal Audit function, see page 102.

External audit

Our external auditors are Ernst & Young LLP and KPMG Inc. The independence of the external auditors is recognised and reviewed with the auditors by the Audit Committee on an annual basis.

The Audit Committees meet with the external auditors to review the scope of the external audit, budgets and any audit matters arising.

The external auditors attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations regarding the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3 as well as in circular 16/2004 of the South African Banks Act, were adhered to during the period under review.

Non-audit services are dealt with in terms of an agreed policy, which states that:

- Our 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 for the year were £5.5 million (2005: £6.5 million), of which £0.6 million (2005: £2.7 million) related to the provision of non-audit services.

Compliance

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 compliance officers in the business units.

For further details on the Compliance function, see pages 103 and 104.

Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities, the main ones being the UK Financial Services Authority (FSA), 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.

In terms of the DLC structure, the SARB Banking Supervision Department is the lead supervisor of the combined Investec group, comprising Investec plc and Investec Limited. The SARB is also the supervisor of Investec Limited, while the FSA is the supervisor of Investec plc. We attempt 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 to regulators and supervisory bodies regularly. 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 who are defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We also 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, suppliers, rating agencies, the media, communities and industry investment 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.

During the year, we developed a policy statement to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy. This policy statement was approved by the board on 27 March 2006.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UK Listing Authority and the JSE Limited and with any public disclosure obligations as required from the FSA and the 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 board is committed to adopting the better and/or stricter of the existing governance and regulatory standards between the UK and South Africa.

The Investor Relations division has day-to-day responsibility for ensuring appropriate communication with stakeholders and together with the Company Secretarial division will ensure that the group meets its public disclosure obligations.

The specific processes that 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 via the services offered by the London and Johannesburg stock exchanges. In terms of our DLC structure, announcements are released simultaneously on both exchanges, thereby ensuring fair treatment of all stakeholders. Copies of these announcements are placed on the Investec website as soon as practicable following confirmation of release on the relevant exchanges, but at the very least within 24 hours.
- 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 into a closed period and two 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. Stakeholders are notified of these events via the stock exchange news 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 the website. Occasionally we are invited to attend investor conferences at which we present on the group's financial and operational performance.
- Regular contact is maintained with major stakeholders through a comprehensive investor relations programme, which includes meetings with executive management, investor road shows and presentations to the investment community, communication by email, regular telephone conferences and liaison with private shareholders in response to their enquiries. The Investor Relations division 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 kept informed of business developments and activities. Our quarterly magazine, Impact, provides all employees worldwide with information on the latest events within Investec. Furthermore, we have a comprehensive intranet site in South Africa, the UK and Australia, which keeps employees updated on group developments and topics of interest. Urgent notices are sent to all staff through our internal email system.
- 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 provides an opportunity for the board to communicate with shareholders and for shareholders to put their questions across in person. The chairmen of the Audit, Remuneration and Nomination Committees attend the meeting to respond to relevant questions. 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 and posted on the 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, the 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 will attend meetings if requested and as mentioned above, feedback on any issues or concerns raised by investors is provided to the board.

Executive management also met with shareholder representative organisations in the UK prior to the annual general meetings, to engage with them largely on governance policies and practices. Feedback on this process and the issues raised by the shareholder representative bodies was provided to the board and the relevant board committees. In March 2006, the Chairman and the non-executive directors hosted a lunch with shareholder representative organisations in the UK, to help develop a balanced understanding of their issues and concerns. We will continue to engage these bodies, to remain informed of emerging governance issues.

Dealings in securities

Dealings in securities are subject to a policy that has been in operation for a number of years. The policy is based on regulatory guidance and industry practice and was updated following the introduction of the Market Abuse Directive effective from July 2005.

The policy discourages speculative trading, encourages transparency and is monitored by the Group Compliance divisions. A closed period policy is in place during periods of price sensitivity, which precludes officers and staff from dealing in our securities.

All personal dealings are required to be conducted through our securities operation, to further enhance transparency and monitoring.

As part of the DLC structure, Investec plc and Investec Limited voluntarily notify both the London and Johannesburg Stock Exchanges of those interests (and changes to those interests) in the securities of Investec plc and Investec Limited held by directors of both entities and the respective company secretaries, persons discharging managerial responsibilities (PDMRs) across the group and in certain instances the directors of significant subsidiaries of Investec Limited.

The Remuneration Report, as set out on pages 123 to 140, contains details of Investec shares held by directors. Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on regulatory requirements and governance best practice.

All directors' dealings require the prior approval of the Compliance division and the Chairman or in the Chairman's absence, Sam Abrahams or Sir Chips Keswick. All PDMRs dealings 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. Regular values review workshops are conducted across the group, allowing staff members to debate the meaning, importance and relevance of these values to our daily operations.

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 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, which is available on our intranet.

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

Overall philosophy

In a period of very strong delivery on our financial targets, goals and objectives, the non-financial aspects of our sustainability journey last year saw us make further incremental progress.

Within Investec, sustainability is very closely aligned to corporate social investment and strongly perceived to be "the right thing to do". This is closely aligned to our desire to be an effective, and accountable, corporate citizen, to be able to act as a force for good in the communities within which we operate, and reflects the importance we attach to reputation management. It is clearly informed by our culture and values, specifically those groupings of values that revolve around cast-iron integrity and dedicated partnerships, as well as our aspiration to be an international, specialist, bank.

Sustainability is further supported by the more clinical recognition that it may unleash commercial and business opportunities for the organisation, hitherto largely untapped, in a way that may confer a competitive advantage. This view, too, is informed by our culture and values, specifically those groupings of values that revolve around distinctive performance and client focus.

As we see it, Investec's core purpose revolves around our ability to create wealth, for shareholders and stakeholders alike, over the long-term, and to foster entrepreneurs, whether inside or outside the organisation. To this end, our sustainability approach has been built on the desire to take a leadership position, in selective instances, where our in-house expertise, entrepreneurial ethos and resource base, enables us to act as a force for good.

Our approach

In the context of our activities in South Africa, where the political and socio-economic imperatives revolve around the need for transformation, black economic empowerment, human capital development, poverty alleviation and employment creation, Investec has, in its own way, made a notable contribution to sustainability considerations.

The first of the banks in South Africa to effect a change in ownership so as to accommodate the need for black economic empowerment (BEE), Investec took a lead in underpinning its own sustainability from this angle. Although subsequent sector developments have eroded that particular competitive advantage, Investec nonetheless continues to maintain a very dominant position in transferring the knowledge and expertise accumulated as a consequence of its own change in ownership, to others seeking to effect this change for themselves. Drawing heavily on its own entrepreneurial expertise and foundations, Investec has been instrumental in fostering the creation of many new black entrepreneurs and many new black entrepreneurial platforms in recent years, and continues to be one of the predominant sources of BEE financing for these endeavours in the local market.

Our activities in relation to transformation and BEE are not confined to these external realities. We continue to focus a lot of attention on the need for our own internal transformation, by bringing about greater representivity within our work place and by creating black entrepreneurs within the organisation. As with many of our peers within the financial services industry, the issue of retention of black employees, in an environment where so many external BEE opportunities present themselves, is difficult, but we are taking steps to better understand these dynamics and to ensure that our internal environment is one that remains attractive and conducive to self-development and career progression.

Against a background of the very many prevailing imperatives in the South African context, we have adopted a strategic and niched approach to our corporate social investment endeavours, which has seen us concentrate our efforts on three key areas. In focusing on education, entrepreneurship and HIV/Aids, we believe we are highlighting those issues most pertinent to the sustainability of economic growth in South Africa, as well as to the viability of its young democracy.

On the educational front, our flagship project remains that of the CIDA City Campus, the low-cost tertiary education provider, now catering to 1 500 students, all of whom are working towards a Bachelor of Business Administration degree. This initiative, beginning to consolidate around a track record, with two successive groups of students now having graduated, is one where, after seeding the project, we were happy to partner with a number of other South African companies.

Our broader attempt to meet the backlog of educational need in South Africa revolves around a specific desire to build, and enlarge, the available pool of financial and entrepreneurial skills. A not entirely unselfish source of focus, our niched approach in this area, which has seen us support various clusters of schools as well as a number of universities and non-governmental organisations, is one from which we ourselves hope to be able to draw, in time.

Our own entrepreneurial background renders us uniquely well-equipped to foster other entrepreneurs, whether would-be or emerging ones. Anxious to instill a greater degree of understanding of, and appreciation for, the benefits of entrepreneurship in the South African environment, Investec has actively researched the needs in this area, and identified its own unique response. In a space where Investec has demonstrably gone for the gap, the Business Place is an initiative where we have partnered, across a wide variety of fronts, with local government and a number of service providers, to facilitate the emergence of micro-entrepreneurs, through the provision of a number of user-friendly, one-stop shop, information and advice centres around the country. That this model, too, is highly innovative and distinctive, as well as easily replicable, is apparent by the increasing number of accolades, from a wide array of sources, coming its way.

HIV/AIDS, the third strategic prong of our corporate social investment focus in South Africa, is an area where, through our ongoing efforts, we hope to be able to display an equally innovative and creative approach, more specifically in the year ahead. A lot of base work has had to be conducted first, alongside our selected partners, in order for us to be able to determine what our approach in this regard should be. Mindful that this area, although hugely important, is one which many South African companies will, through their own endeavours, also seek to address, we hope to be able to differentiate our offering in this space and continue to work towards that objective. In essence, our approach revolves around the desire to inject substantively more capacity into the many non-governmental and other organisations working in this arena, as well as to develop a leveraged cluster approach to meeting the basic needs of HIV/AIDS orphans, specifically in the Alexandra township adjacent to the central business district of Sandton and neighbour to our Johannesburg office.

Outside of South Africa, our sustainability focus has been influenced by individual realities and prevailing circumstances in each geography, a consideration that has allowed for a more ad-hoc, perhaps somewhat less considered, approach. This, it is anticipated, will change and the recent expansion of the Sustainability Task Team to include representation from the UK and Australia will allow for a more integrated group approach going forward, on the explicit and continuing recognition that, even within this, priorities will differ from geography to geography.

We have developed a strategic positioning in the alternative energy sector which provides us the opportunity to develop key portfolios in renewable motor fuel, wind, landfill gas fuelled energy, hydroelectric and process gas generation projects across a number of key global markets. To date, we have already been involved in the launch of the Viridis Clean Energy Fund in Australia and select windfarm transactions in Europe, and more recently targeted a number of ethanol assets for investment.

Year in review

The year saw us pay very close attention to monitoring our previously established and ongoing sustainability practices and activities, both inside and outside the organisation, and to continue assessing the relevance of these in the context of our culture and values, and our aspirations as an organisation. It also saw us bring extensive internal focus on a number of new initiatives relating to human capital, diversity and talent management, retention and succession planning. Driven by the identified need, among other things, for distinctive leader development, this strategic imperative embraced a number of different dimensions, across the varying geographies, and resulted in the launch of a number of partnered, highly customised, leadership programmes throughout the organisation.

In keeping with one of our core values, cast-iron integrity, last year also saw continued internal focus on the issues of corporate governance and shareholder activism. We are of the view, however, that substantively increased company regulation is not the only available response to the need to mitigate against the possibility of corporate malfeasance. Clearly, a more pro-active stance by shareholders everywhere is also required and, as a substantial investor in our own right, we will pursue this where appropriate.

Looking forward

The drivers for sustainability in the corporate sphere are many and varied. We believe we can be a force for good in a way that is true to who we are as an organisation and in a way that enables us, distinctively, to satisfy unmet needs. Simply put, sustainability for us is not a mere adjunct to our aspiration to be an international, specialist bank. Rather, it is one of the means by which we will attain this.

With sustainability considerations, more specifically on the environmental front, now being given enormous international prominence, we look forward to engaging on the topic anew in the year ahead.

Finally, stakeholders will note that, from this year, we are introducing a change to the way we report on our sustainability activities and will no longer publish a stand alone Sustainability Report. Informed by some of the feedback from the early rounds of our 2005 stakeholder engagement exercise, we have decided to incorporate this message into the main body of our annual financial statements. In doing so, we want to reinforce the view that Sustainability within Investec is not simply an arm's length exercise but, rather, is core to who we are and represents a fundamental part of our integrated offering. Our former stand-alone Sustainability Report will now be presented as an electronic document, to be sourced on our new Sustainability website (www.investec.com/grouplinks/sustainability), to the obvious benefit of countless forests of trees.

Statement from the Chairman of the Board Remuneration Committee - an overview

The remuneration report was prepared by the Remuneration Committee and approved by the board.

The board believes that a properly constituted and effective remuneration committee is key to improving the link between directors' pay and performance, with the ultimate aim of enhancing our competitiveness. The primary purpose of the committee is to determine our policy on the remuneration of executive directors and the remuneration package for each executive director. The committee is made up 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 2006 financial year.

The focus of the committee during the period was:

- A formal review of the executive remuneration structure, assessing the balance between fixed and variable remuneration, in order to ensure (in line with the committee's stated philosophy) that overall packages are positioned at the upper quartile relative to comparator groups for superior performance (further information is provided on pages 126 and 127).
- The introduction of the Share Matching Plan 2005 for executive directors (which was approved by shareholders at an extraordinary general meeting held on 14 November 2005, see page 132). This plan, together with the introduction of new long-term incentive plans for other senior employees early in 2005, was introduced following the maturity of one of our leveraged equity plans in December 2004. These plans are considered essential in improving our long-term prospects for recruitment and retention of key individuals.
- Talent management and the retention of senior management and executives.

Key points to note for the period under review include:

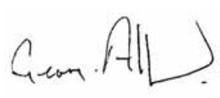
- Our total shareholder return was 94.0% for Investec plc in Pounds Sterling and 80.8% for Investec Limited in Rands. This compares to a return of 45.9% for the FTSE 350 General Finance Index.
- Executive directors' bonuses reflect their contribution to the significant improvement in attributable earnings of 53.8% to £230.0 million and the improvement in the return to shareholders of Investec plc and Investec Limited.
- Executive directors hold 2.1% and 4.5% of the issued share capital of Investec plc and Investec Limited, respectively. Non-executive directors hold 1.0% and 4.3% of the issued share capital of Investec plc and Investec Limited, respectively (see table on page 136).

The report complies with the provisions of the 2003 London Combined Code, the UK Directors' Remuneration Report Regulations 2002, the UK Financial Services Authority Listing Rules, the South African King II "Code of Corporate Practice and Conduct" and the JSE Limited Listing Rules.

Furthermore, the auditors are of the opinion that the auditable part of this report on pages 134 to 140 was properly prepared, in accordance with the UK Directors' Remuneration Report Regulations 2002.

The committee unanimously recommends that you vote to approve this report at the annual general meeting.

Signed on behalf of the board



Composition and role of the committee

The members of the Remuneration Committee throughout the year were George Alford (Chairman), Geoffrey Howe and Sir Chips Keswick. The members are 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 committee's principal responsibilities and objectives are to:

- Determine and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals who are the global heads of our core areas of activity and are members of our global operations forum).
- Ensure that qualified and experienced management and executives will be provided with appropriate incentives to encourage enhanced performance and will be, in a fair and responsible manner, rewarded for their contribution to our performance.
- Determine targets and objectives for any performance related pay schemes for directors and executive management.
- Determine, 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.
- Oversee any major changes in our employee benefit structures.
- Ensure that the comments, recommendations and rules within the UK and South Africa pertaining to director's remuneration are given due regard, in determining the packages of executive directors.

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 available on our website.

Meetings

The committee met nine times during the financial year with full attendance other than for one meeting which Sir Chips Keswick was unable to attend. The Company Secretary of Investec plc, Richard Vardy, acted as Secretary to the committee.

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 used the services of its advisers, New Bridge Street Consultants LLP, which:

- Advised us on our policy for executive directors' remuneration, particularly in relation to performance related pay and maximum annual bonus limits.
- Reviewed and provided advice on competitive levels and forms of pay for the executive directors.
- Reviewed all stock based and long-term incentive plans.
- Advised us on the implementation of a share matching plan for executives.

Furthermore, we have used the services of Linklaters, which have advised on a number of issues pertaining to our incentive plans. 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 employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee. While executive directors have the right to address any meeting of the committee, they play no role in the determination of their remuneration package or that of any other executive director.

Policy on executive directors' and employees' remuneration

Our philosophy 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 us.

We reward executive directors and employees for their contribution through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our values, culture and philosophies in the pursuit of excellence is considered paramount in determining overall reward levels.

Both 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.

The key principles of our remuneration policy for executive directors and employees, which were consistently applied during the financial year, are as follows:

- Reward programmes are designed and administered to align directors' and employees' interests with those of stakeholders.

- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, our short- and long-term success.
- Total rewards comprise a fixed and variable component.
- Total compensation (base salary, pension, benefits and incentives) is targeted to the relevant competitive market (see below) at upper quartile levels for superior performance.
- A significant proportion of rewards, including annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. We recognise the performance of the business and the individual. As indicated above, qualitative and quantitative issues form an integral part of the determination of reward levels.
- Reward levels are targeted to be commercially competitive, on the following basis:
  - The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made.
  - Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly.
    - For executive directors, the FTSE 350 General Finance firms provide the most appropriate benchmark.
    - For employees, a combination of firms from the JSE Financial 15 and the FTSE 350 General Finance sector offer the most appropriate benchmark.
    - In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

Policy on 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 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 (except the Chairman) for the 2006 and 2007 financial years is shown below:

Non-executive directors' remuneration	2006 financial year	As approved by the board for the 2007 financial year
Basic fee	£40 000 per year	£45 000 per year
Chairman of the DLC Audit Committee	£25 000 per year	£35 000 per year
Chairman of the DLC Remuneration Committee	£20 000 per year	£30 000 per year
Member of the DLC Audit Committee	£10 000 per year	£12 000 per year
Member of the DLC Remuneration Committee	£10 000 per year	£12 000 per year
Member of Investec Bank (UK) Limited board	£7 000 per year	£8 000 per year
Member of the Investec Bank Limited board	R15 000 per meeting	R20 000 per meeting
Fees are also payable for any additional time committed to the group including attendance at certain other meetings		

During the 2006 financial year, the Chairman received a total fee of £300 000 for his services as a director and it is intended that he will receive £340 000 for the 2007 financial year.

Non-executive directors may not participate in our share option plans or our long-term share incentive and pension plans. Prior to the implementation of our Dual Listed Companies (DLC) structure in July 2002, certain non-executive directors did participate in Investec Group Limited's (now Investec Limited's) leveraged equity plans.

Service contracts and terms of employment

Our executive directors have indefinite contracts of employment, terminable by either party giving six months' written notice to the other. 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. The contracts of employment do not contain provisions for compensation payable on early termination.

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 not retained and are given back to the respective companies.

Non-executive directors do not have service contracts and letters of appointment confirm the terms and conditions of their service. Unless the non-executive directors resign earlier or are removed from their positions, they will remain appointed as directors until the close of our annual general meeting in 2007 (subject to rotational re-election as directors at the 2006 meeting and in terms of the provision of the Articles of Association). Those directors seeking rotational re-election at the 2006 annual general meeting are shown on page 109.

Biographical details of the directors of the board

These details can be found on pages 145 to 148.

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 109.

Policies on the components of remuneration and employment

The reward package for executive directors and employees comprises:

- Base salary and benefits.
- Annual bonuses.
- Long-term share incentive plans.

The committee reviews the elements of the reward package relative to appropriate benchmarks and other comparable organisations, the contribution by the individual and the business as a whole, the value of individuals in perpetuating our values and culture, and the possible replacement cost of such individuals. The elements of the reward package, as listed above, are discussed below and the components for each director are detailed in tables accompanying this report.

Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual.

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.

It is the company's policy to seek to set base salaries (including benefits) at median market levels. However, base salaries have in many instances dropped below this level as annual increases in the recent past have largely been in line with prevailing inflation rates and have not been increased to median market levels due to a desire, in current circumstances, to maintain a low level of fixed costs.

Annual bonus

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by Economic Value Added (EVA) profit performance against pre-determined targets. These targets have been in force, and unchanged, for the past few years and are subject to periodic review, with varying levels of return 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). Individual annual incentive levels are allocated from the EVA pool, based on individual performance, as determined by the committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

In this regard, if business and individual performance goals are achieved or bettered, the variable element of the total reward package is likely to be substantially higher than the relevant target market given that base salaries are currently below median market levels. This is to ensure that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

A review of the executive remuneration structure, assessing the balance between fixed and variable remuneration

A review of the executive remuneration structure undertaken by the committee's external advisors during the prior financial year indicated that base salaries (including benefits) were below median levels and consequently, the key principle of targeting an upper quartile level of compensation for superior performance was unlikely to be achievable within the remuneration structure that prevailed during 2005.

The committee undertook a thorough assessment of the executive remuneration structure during the 2006 financial year. As part of this review, the committee, with assistance from its advisors, assessed the appropriateness of the quantum of, and balance between, fixed and variable remuneration.

Annual salary increases for executive directors have in the recent past had more regard to salary increases within the company than median external market levels. Basic salary increases (including benefits) for other employees across the group have generally been in the range of 4% to 10%, and the increases awarded to executive directors are consistent with this.

Although the base salaries of executive directors have dropped below the median external market levels, the committee is at this stage reluctant to significantly increase the fixed component of the executives' remuneration package, due to a desire to maintain a low level of fixed costs.

In conjunction with this view, and based on the committee's belief of delivering a significant proportion of rewards linked to the performance of the business, it was decided that the objective of upper quartile levels of total compensation for superior performance will be achieved through higher performance linked variable pay. In this regard, the maximum annual bonus limit for executive directors of three times their basic salaries (including benefits) that prevailed during the 2005 financial year was removed by the committee. The committee believes that an upper limit on the bonus award is inappropriate given the remuneration practices within the group and in similar financial services businesses.

The remuneration packages of the executive directors for the 2006 financial year have been determined in accordance with this philosophy. The committee will continue to target an upper quartile level of compensation for superior performance whilst limiting the fixed element of remuneration packages at the median level.

Share option and long-term share incentive plans

We have a number of share option and long-term share incentive plans that are designed to link the interests of directors and employees with those of shareholders and long-term organisational interests, through performance and risk-based equity grants.

Prior to the implementation of our DLC structure and our listing on the London Stock Exchange in July 2002, we had a number of share option, share purchase and leveraged share schemes in place that were appropriate for a South African listed company. However, at the time of the London listing it was necessary for us to consider implementing a more internationally recognised share scheme structure and philosophy. As a result, a number of share option plans were introduced to cater for regulatory, tax and other considerations pertaining to the various jurisdictions in which we operated. At the same time, however, a decision was taken to maintain the schemes that were in place prior to the London listing until the allocations made in terms of those schemes matured. While this gives rise to what appears to be a multitude of schemes, the philosophy and practical implications are fairly simple - the appropriate level of equity allocation is determined for each employee and then awards are made out of the scheme that is considered most appropriate for that individual given his/her location, tax and regulatory environment.

The share option and long-term share incentive plans in operation, and in which the directors are eligible to participate, are summarised in the table below and further details are provided on our website.

During the year the committee implemented the Share Matching Plan 2005, which was approved by shareholders at an extraordinary general meeting held on 14 November 2005 (further information is provided on page 132 and on our website). As a result, the committee does not currently intend to grant further options to executive directors under the existing share option plans.

Executive directors collectively hold approximately 3.0% of our issued share capital.

Leveraged equity plans

A group of senior and executive managers, including certain Investec plc/Investec Limited directors, who have or can have a significant impact on the business, were granted participation (prior to the implementation of the DLC structure) in leveraged equity plans known as Fintique II and Fintique III. The Fintique III scheme matured on 15 December 2004 and further details on Fintique II are provided in tables accompanying this report and on our website.

Summary of Investec's share option and long-term share incentive plans

Plan	Eligibility	Date implemented	Option/shares
Current share plans			
Investec plc Share Option Plan 2002 (approved plan)	• New and existing UK full-time employees - grants up to the value of £30 000 • Directors and executives	28 August 2002	Investec plc
Investec plc Share Option Plan 2002 (unapproved plan)	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • UK employees - grants exceeding £30 000 • Directors and executives	28 August 2002	Investec plc
Investec plc Share Appreciation Option Plan 2002	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • UK employees - grants exceeding £30 000 • Directors and executives	28 August 2002	Cash settled based on the increase in the Investec Limited share price
Investec Limited Security Purchase and Option Scheme Trust 2002	• New and existing full-time employees in SA, Botswana, Namibia and Mauritius • Directors and executives	20 June 2002	Investec Limited and Investec plc
Long-term incentive plans[7]			
Investec 1 Limited Share Incentive Plan - nil cost options	• New and existing full time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	16 March 2005	Investec plc
Investec Limited Share Incentive Plan - nil cost options	• New and existing full time employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	16 March 2005	Investec Limited
Plan introduced in terms of our empowerment transaction			
The Investec Limited Security Purchase Scheme 2003	• Employees of Investec Limited who are African, Coloured or Indian individuals • Excluding executive directors	15 May 2003	Investec Limited

Refer to the notes on page 130.

Maximum award per individual[1]	Performance conditions[2]	Vesting period	Options granted during the year[3]	Total allocated as at 31 March 2006[4/5/6]
• Cumulative limit of 500 000 across all plans • In any financial year: 1x 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	70 950	Number: 520 603 % of issued share capital of company: 0.7%
• Cumulative limit of 500 000 across all plans • In any financial year: 1x 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	173 577	Number: 1 878 696 % of issued share capital of company: 2.5%
• Cumulative limit of 500 000 across all plans • In any financial year: 1x 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	Nil	Number: 109 294 % of issued share capital of company: 0.2%
• Cumulative limit of 500 000 across all plans • In any financial year: 1x 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	257 785	Number: 3 498 559 % of issued share capital of company: 2.9%
• Cumulative limit of 500 000 across all plans • In any financial year: 1x remuneration package	None	75% in year four and 25% in year five	329 500	Number: 2 162 761 % of issued share capital of company: 2.9%
• Cumulative limit of 500 000 across all plans • In any financial year: 1x remuneration package	None	75% in year four and 25% in year five	459 250	Number: 2 307 400 % of issued share capital of company: 5.2%
• 100 000 individual limit in terms of this scheme • Cumulative limit of 500 000 across all plans • In any financial year: 1x remuneration package	None	Tranches over eight years	512 325	Number: 1 780 725 % of issued share capital of company: 4.0%

Plan	Eligibility	Date implemented	Option/shares
Share plans introduced prior to implementation of the DLC structure			
Investec Group Limited UK Share Option Plan	• Employees - excluding SA, Botswana, Namibia and Mauritius • Directors and executives	1 November 1999	Investec Group Limited (prior to implementation of DLC structure) (now Investec Limited and Investec plc)
Investec Limited Security Purchase and Option Scheme Trust	• Employees in SA, Botswana, Namibia and Mauritius • Directors and executives	25 November 1988	Investec Limited and Investec plc

Notes:

[1] The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that options should be granted in excess of that limit.

[2] These conditions require growth in headline earnings per share (EPS) over the relevant option period to equal or exceed the UK Retail Price Index (RPI), plus 3% compounded annually over the same period. In choosing the performance targets for this plan, the committee considered the merits of EPS-based targets against other possibilities, such as comparative performance or comparative growth in return on average shareholders' funds (ROE) against a basket of other companies. The committee determined that EPS-based targets are most appropriate as they measure our underlying growth. The committee intends to continue to apply this during the 2007 financial year but keeps the whole matter of the suitability of target-linked share based remuneration under periodic review.

[3] This represents the number of options issued to all participants. For further details, see the Directors' Report on page 154. More details on the directors' shareholdings are also provided in tables accompanying this report.

[4] Investec is committed to following the 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 ten year period. 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 2006 was 74.6 million shares and 44.0 million shares, respectively. No new shares have been issued to any share scheme since the implementation of the DLC structure.

[5] The market price of an Investec plc share as at 31 March 2006 was £29.41 (2005: £15.55).

[6] The market price of an Investec Limited share as at 31 March 2006 was R313.00 (2005: R178.00).

[7] The rules of these long-term incentive plans do not allow Investec to issue new shares to satisfy any awards made to participants.

Maximum award per individual[1]	Performance conditions[2]	Vesting period	Options granted during the year[3]	Total allocated as at 31 March 2006[4/5/6]
• Cumulative limit of 500 000 across all option plans • In any financial year: 1x remuneration package	None	Tranches of 25% each on the second, third, fourth and fifth anniversaries	Last grant made on 20 June 2002 No further grants will be made	Number: 552 941 % of issued share capital of company: 1.3%
• Cumulative limit of 500 000 across all option plans • In any financial year: 1x remuneration package	None	Tranches of 25% each on the second, third, fourth and fifth anniversaries	Last grant made on 20 June 2002 No further grants will be made	Number: 1 020 357 % of issued share capital of company: 0.9%

Share Matching Plan 2005

Following the maturity of one of our leveraged equity plans in December 2004, the committee established a share matching plan for executives. This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005. The plan is considered essential in improving our 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.

The salient features of the plan are:

- Only matching awards can be granted and they will only be granted to executives provided they first invest (pledge) Investec shares in the incentive plan ("investment shares").
- Matching awards granted (over 'matching' shares) will be on a maximum matching award ratio of 1:1 (free matching shares to investment shares).
- No payment will be required for the grant of a matching award.
- A maximum of 150 000 investment shares may be invested in the plan each time the plan is operated.
- It is the current intention only to operate the plan again once the first matching awards have vested or lapsed.
- Awards (investment and matching shares) will vest in June 2009 (75% of the award) and June 2010 (25% of the award).
- All matching awards will be subject to performance conditions set by the committee that reflect Investec's performance over three consecutive financial years (the "performance period").
- The performance conditions will be based on Investec's normalised earnings per share growth in excess of UK inflation ("RPI") over the performance period.
- Accordingly matching awards will only vest to the extent that the aggregated EPS figure is in excess of the following RPI targets:

EPS growth of the company over the performance period	Vesting percentage of the shares comprised in a matching award
Less than RPI + 4% p.a.	0%
RPI + 4% p.a.	$16^2/_3$%
RPI + 6% p.a.	50%
RPI + 8% p.a.	$66^2/_3$%
RPI + 10% p.a.	80%
RPI + 12% p.a.	100%

Performance graph total shareholder return

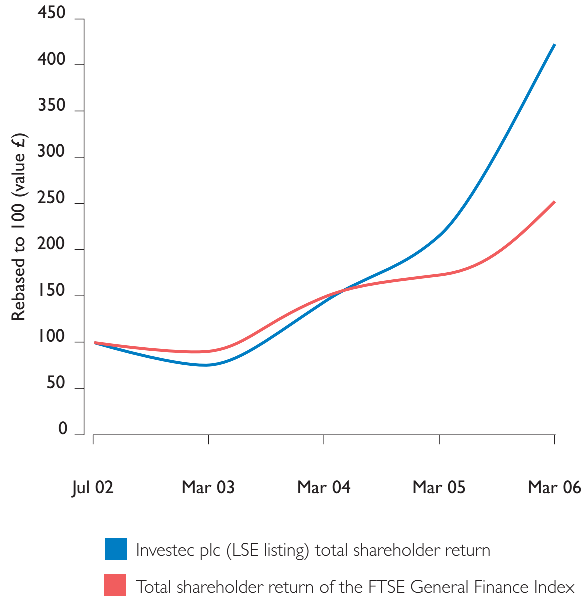
We have implemented a DLC structure, in terms of which we have primary listings in London and Johannesburg. The listing on the London Stock Exchange (LSE) took place on 29 July 2002, although we have been listed in South Africa since 1986.

The UK Directors' Remuneration Report Regulations 2002 require 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, we believe that this is the most appropriate index against which to measure our performance on the LSE.

The graph on the following page shows the cumulative shareholder return for a holding of our shares (in blue) in Pounds Sterling on the LSE, compared to the average total shareholder return of other members of the FTSE 350 General Finance Index. It shows that, at 31 March 2006, 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 £323, compared with a return of £153 if invested in the FTSE 350 General Finance Index. Investec plc has therefore outperformed the FTSE 350 General Finance Index over the period.

During the period from 1 April 2005 to 31 March 2006, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was 94.0% and 80.8%, respectively. This compares to a return of 45.9% for the FTSE 350 General Finance Index.

The market price of our shares on the LSE was £29.41 as at 31 March 2006, ranging from a low of £15.22 to a high of £30.34 during the financial year. Furthermore, the market price of our shares on the JSE Limited was R313.00 as at 31 March 2006, ranging from a low of R170.50 to a high of R332.50 during the financial year.



Source: Datastream.

Note:

The Directors' Remuneration Report Regulations 2002, require that the graph shows TSR for the five years ending with the relevant financial year. The information for Investec plc, is however, only available since its listing on the LSE in July 2002.

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 2006:

Name	Salaries, directors fees and other remuneration 2006[2] £	Total other benefits 2006[3] £	Gross remuneration 2006[1] £	Annual bonus 2006[4] £	Total remuneration 2006 £	Total remuneration 2005[5] £
Executive directors						
S Koseff (Chief Executive Officer)	287 627	77 373	365 000	1 850 000	2 215 000	1 400 000
B Kantor (Managing Director)	333 539	31 461	365 000	1 850 000	2 215 000	1 400 000
GR Burger (Group Risk and Finance Director)	218 266	62 957	281 223	1 520 000	1 801 223	1 022 362
A Tapnack	215 000	26 341	241 341	750 000	991 341	755 039
Total Pounds Sterling	**1 054 432**	**198 132**	**1 252 564**	**5 970 000**	**7 222 564**	**4 577 401**
Non-executive directors						
HS Herman (Chairman)	300 000	-	300 000	-	300 000	275 000
SE Abrahams	128 430	-	128 430	-	128 430	110 079
GFO Alford	87 000	-	87 000	-	87 000	75 000
C Carolus[6]	40 000	-	40 000	-	40 000	4 375
H Fukuda OBE	40 000	-	40 000	-	40 000	35 000
GMT Howe	65 000	-	65 000	-	65 000	55 833
DE Jowell	193 920	-	193 920	-	193 920	188 729
IR Kantor	47 000	-	47 000	-	47 000	40 000
Sir C Keswick	67 000	-	67 000	-	67 000	65 000
MP Malungani	46 562	-	46 562	-	46 562	37 093
Sir D Prosser[7]	6 700	-	6 700	-	6 700	-
PRS Thomas	113 428	-	113 428	-	113 428	105 875
F Titi	45 249	-	45 249	-	45 249	39 447
Total Pounds Sterling	**1 180 289**	**-**	**1 180 289**	**-**	**1 180 289**	**1 031 431**
Total Pounds Sterling	**2 234 721**	**198 132**	**2 432 853**	**5 970 000**	**8 402 853**	**5 608 832**

Notes:

1. Gross remuneration comprises base salary and other benefits (see point 2 and 3 below).
2. Gross remuneration of S Koseff, B Kantor and A Tapnack has increased on average by approximately 4.5%, and the gross remuneration of GR Burger increased by 9.8%. Gross remuneration increases for other employees across the group have generally been in the range of 4% to 10%, and the increases awarded to executive directors are consistent with this.
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. Executive directors' bonuses reflect the significant improvement in attributable earnings of 53.8% to £230.0 million, the improvement in the return to shareholders of Investec plc and Investec Limited of 94.0% (Pounds Sterling) and 80.8% (Rands), respectively, and individual contribution to the group's performance.

[5] A breakdown of the components of the reward packages for the executive directors in the 2005 financial year is as follows:

Name	Salary £	Total other benefits £	Gross remuneration £	Annual bonus £	Total remuneration £
Executive directors					
S Koseff (Chief Executive Officer)	267 389	82 611	350 000	1 050 000	1 400 000
B Kantor (Managing Director)	317 764	32 236	350 000	1 050 000	1 400 000
GR Burger (Group Risk and Finance Director)	202 357	53 875	256 232	766 130	1 022 362
A Tapnack	186 764	18 275	205 039	550 000	755 039
Total Pounds Sterling	**974 274**	**186 997**	**1 161 271**	**3 416 130**	**4 577 401**

[6] Appointed to the board with effect from 18 March 2005.
[7] Appointed to the board with effect from 23 March 2006.

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 highlighted in the tables above, is as follows:

Name	2006 £	2005 £
Executive directors		
S Koseff (Chief Executive Officer)	56 653	53 887
B Kantor (Managing Director)	20 549	26 364
GR Burger (Group Risk and Finance Director)	32 262	29 435
A Tapnack	21 500	18 275
Total Pounds Sterling	**130 964**	**127 961**

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 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 2006 £	Accounting IFRS charge in relation to equity awards 2006 £	Total assumed remuneration expense 2006 £	Salary, bonus and other benefits 2005 £	Accounting IFRS charge in relation to equity awards 2005 £	Total assumed remuneration expense 2005 £
Executive directors						
S Koseff (Chief Executive Officer)	2 215 000	275 198	2 490 198	1 400 000	29 027	1 429 027
B Kantor (Managing Director)	2 215 000	257 436	2 472 436	1 400 000	6 305	1 406 305
GR Burger (Group Risk and Finance Director)	1 801 223	271 752	2 072 975	1 022 362	106 065	1 128 427
A Tapnack	991 341	78 885	1 070 226	755 039	44 135	799 174
Total Pounds Sterling	**7 222 564**	**883 271**	**8 105 835**	**4 577 401**	**185 532**	**4 762 933**

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 2006.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2006

Name	Beneficial and non-beneficial interest Investec plc[2] 1 April 2005	Beneficial and non-beneficial interest Investec plc[2] 31 March 2006	% of shares in issue[1] Investec plc 31 March 2006	Beneficial and non-beneficial interest Investec Limited[3] 1 April 2005	Beneficial and non-beneficial interest Investec Limited[3] 31 March 2006	% of shares in issue[1] Investec Limited 31 March 2006
Executive directors						
S Koseff	1 087 017	1 057 573	1.4%	185 636	185 636	0.4%
B Kantor[4]	100	300	-	1 195 288	1 666 044	3.8%
GR Burger	605 460	550 655	0.7%	85 227	86 477	0.2%
A Tapnack	-	-	-	48 203	37 021	0.1%
Total number	**1 692 577**	**1 608 528**	**2.1%**	**1 514 354**	**1 975 178**	**4.5%**
Non-executive directors						
HS Herman	380 079	308 301	0.4%	48 905	8 905	-
SE Abrahams	8 000	6 000	-	-	-	-
GFO Alford	-	-	-	-	-	-
C Carolus	-	-	-	-	-	-
H Fukuda OBE	1 000	1 000	-	-	-	-
GMT Howe	-	-	-	-	-	-
DE Jowell	62 340	62 340	0.1%	-	-	-
IR Kantor[5]	346 155	316 711	0.4%	450	450	-
Sir C Keswick	3 150	3 150	-	1 850	1 850	-
MP Malungani[6]	-	-	-	1 545 778	1 545 778	3.5%
Sir D Prosser	-	-	-	-	-	-
PRS Thomas	156 219	100 330	0.1%	51 191	51 191	0.1%
F Titi[6]	-	-	-	308 000	308 000	0.7%
Total number	**956 943**	**797 832**	**1.0%**	**1 956 174**	**1 916 174**	**4.3%**
Total number	**2 649 520**	**2 406 360**	**3.1%**	**3 470 528**	**3 891 352**	**8.8%**

Notes:

1 The total number of Investec plc and Investec Limited shares in issue as at 31 March 2006 was 74.6 million and 44.0 million respectively.

2 The market price of an Investec plc share as at 31 March 2006 was £29.41 (2005: £15.55).

3 The market price of an Investec Limited share as at 31 March 2006 was R313.00 (2005: R178.00).

4 In addition to his shareholdings reflected in the table above, B Kantor has an interest in options over Investec Limited shares, the details of which are as follows:
- B Kantor sold 200 000 put options at a strike price of R255.00 per option expiring on 18 August 2006.
- B Kantor sold 250 000 call options at a strike price of R380.00 per option expiring on 18 August 2006.
- B Kantor sold 300 000 call options at a strike price of R255.00 per option expiring on 18 August 2006.

5 In addition to his shareholdings reflected in the table above, I Kantor has an interest in options over Investec Limited shares, the details of which are as follows:
- I Kantor acquired 200 000 European call options at an average strike price of R110.00 per option, on 26 February 2004 in the market - expiring on 19 February 2007.
- I Kantor acquired 200 000 European call options at an average strike price of R136.83 per option, on 26 February 2004 in the market - expiring on 19 February 2007.
- I Kantor sold 200 000 European put options at an average strike price of R136.83 per option, on 26 February 2004 in the market - expiring on 19 February 2007.

6 In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group Limited (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 and F Titi is the Chief Executive Officer of Tiso.

Directors' interest in preference shares as at 31 March 2006

Name	Investec Limited 1 April 2005	Investec Limited 31 March 2006	Investec Bank Limited 1 April 2005	Investec Bank Limited 31 March 2006
Executive directors				
S Koseff[1]	-	-	3 000	3 000
B Kantor[2]	70 904	-	-	
Non-executive directors				
HS Herman[3]	-		1 135	1 135

Notes:
- The market price of an Investec Limited preference share as at 31 March 2006 was R115.00 (2005:R104.80).
- The market price of an Investec Bank Limited preference share as at 31 March 2006 was R123.01 (2005: R119.00).

1 S Koseff acquired an interest in the preference shares of Investec Bank Limited on 13 August 2003 at a price of R100.

2 B Kantor acquired an interest in the preference shares of Investec Limited on 16 February 2005 at a price of R104.50. B Kantor sold 70 904 Investec Limited preference shares on 22 July 2005 at R103.90 per share.

3 HS Herman acquired an interest in the preference shares of Investec Bank Limited on 13 August 2003 at a price of R100.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2006

Name	Entitlement to Investec plc shares 1 April 2005	Entitlement to Investec plc shares 31 March 2006	Entitlement to Investec Limited shares 1 April 2005	Entitlement to Investec Limited shares 31 March 2006	Settlement period	Total entitlement (i.e. Investec plc and Investec Limited shares) - % interest in scheme 31 March 2006
Executive directors						
S Koseff	183 684	183 684	107 879	107 879	1 April 2006 to 31 July 2008	8.2%
B Kantor[1]	-	-	144 921	44 300	1 April 2006 to 31 July 2008	1.2%
GR Burger	125 904	125 904	73 943	73 943	1 April 2006 to 31 July 2008	5.6%
A Tapnack	-	-	33 668	33 668	1 April 2006 to 31 July 2008	0.9%
Non-executive directors						
HS Herman	90 209	90 209	52 980	52 980	1 April 2006 to 31 July 2008	4.0%
IR Kantor	50 236	50 236	29 504	29 504	1 April 2006 to 31 July 2008	2.2%
Total number	**450 033**	**450 033**	**442 895**	**342 274**		**22.1%**

Notes:
- Fintique II was constituted on 31 July 1996, via a special purpose vehicle (SPV), initially available to 235 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments are compulsory convertible debentures, which convert into 886 Investec shares for every 1 000 units in Fintique II. The scheme was funded through cash contributions from participants and the upfront sale of the income stream on the debentures and the right to the redemption proceeds. A total of 4.0 million units were issued in terms of the scheme, converting into approximately 3.5 million shares.
- All the shares to which the directors are entitled in terms of the Fintique II scheme are fully tradeable and so "fully vested" as the term is understood in the UK, and can be taken up at a price of R52.81 per share, based on the valuation of the scheme as at 31 March 2006. The market price of an Investec plc share and an Investec Limited share as at 31 March 2006 was £29.41 and R313.00, respectively. While the combined Investec plc and Investec Limited share entitlement will remain unchanged, the mix of Investec plc and Investec Limited shares may vary from time to time. The directors are at risk for any shortfall on maturity of the scheme.

1 B Kantor took up his entitlement in respect of 100 621 Investec Limited shares in terms of the Fintique II scheme on 7 December 2005 for a cash amount of R61.68 per share, by settling the appropriate liability in respect of the shares taken up.

Directors' interest in options as at 31 March 2006

Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2005	Exercised during the year[1]	Lapsed during the year	Balance at 31 March 2006	Period exercisable
Executive directors							
S Koseff	20 Dec 2002	R111.96	24 750	8 250	-	16 500	20 Dec 2006 to 20 Mar 2008
B Kantor	20 Dec 2002	£7.93	38 446	12 311	-	26 135	20 Dec 2006 to 20 Mar 2012
GR Burger	20 June 2002	R164.50	47 250	15 750	-	31 500	20 June 2006 to
	20 Dec 2002	R111.96	24 750	8 250	-	16 500	20 Mar 2008
A Tapnack	28 Aug 2002	£10.52	35 438	11 812	-	23 626	20 June 2006 to
	20 Dec 2002	£7.93	38 446	12 311	-	26 135	20 Mar 2012

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2005	Exercised during the year[1]	Lapsed during the year	Balance at 31 March 2006	Period exercisable
Executive directors							
S Koseff	20 Dec 2002	R111.32	12 750	4 250	-	8 500	20 Dec 2006 to 20 Mar 2008
GR Burger	20 June 2002	R164.50	27 750	9 250	-	18 500	20 June 2006 to
	20 Dec 2002	R111.32	12 750	4 250	-	8 500	20 Mar 2008
A Tapnack	20 June 2002	R164.50	20 812	6 938	-	13 874	20 June 2006 to 20 Sept 2007

Notes:

No new grants were made to executive directors during the financial year other than set out below in the Share Matching Plan 2005. The market price of an Investec plc share as at 31 March 2006 was £29.41 (2005: £55.55). A total of 74.6 million Investec plc shares were in issue as at 31 March 2006. The market price of an Investec Limited share as at 31 March 2006 was R313.00 (2005: R178.00). A total of 44.0 million Investec Limited shares were in issue at 31 March 2006.

[1]**Details with respect to options exercised:**

- S Koseff exercised his options and sold 8 250 Investec plc shares and 4 250 Investec Limited shares on 16 March 2006, when the share price was R315.00 and R310.18 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- B Kantor exercised his options and sold 12 311 Investec plc shares on 20 December 2005, when the share price was £24.47 per Investec plc share. The performance conditions with respect to these options were met.
- GR Burger exercised his options and received 15 750 Investec plc shares and 9 250 Investec Limited shares on 11 August 2005, when the share price was R227.00 and R222.00 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- Furthermore, GR Burger exercised his options and sold 8 250 Investec plc shares and 4 250 Investec Limited shares on 12 January 2006, when the share price was R285.31 and R283.69 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- A Tapnack exercised his options and sold 11 812 Investec plc shares and 6 938 Investec Limited shares on 20 June 2005, when the share price was £18.00 and R217.00 per Investec plc share and Investec Limited share respectively. The performance conditions with respect to these options were met.
- Furthermore, A Tapnack exercised his options and sold 12 311 Investec plc shares on 2 March 2006, when the share price was £29.15 per Investec plc share. The performance conditions with respect to these options were met.

General comments:

- S Koseff's and GR Burger's options were granted in terms of the Investec Limited Share Option and Purchase Scheme Trust 2002.
- B Kantor's and A Tapnack's options were granted in terms of the Investec plc Share Option Plan 2002.
- The options granted on 20 June 2002 and 20 December 2002 were made for no consideration.
- The options granted on 20 December 2002 have certain performance conditions attached which require growth in headline earnings per share over the relevant option period to equal or exceed the UK RPI plus 3% (compounded annually over the same period).There were no performance conditions attached to the options granted on 20 June 2002.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2006

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2005	Balance at 31 March 2006	Vesting period
Executive directors					
S Koseff	21 Nov 2005	nil cost	-	150 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
B Kantor	21 Nov 2005	nil cost	-	150 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
GR Burger	21 Nov 2005	nil cost	-	120 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010
A Tapnack	21 Nov 2005	nil cost	-	40 000	75% of the matching award will vest on 30 June 2009 and 25% on 30 June 2010

Note:

Details with respect to this plan are provided on page 132.

Directors' interest in derivatives covering Investec plc and Investec Limited shares

These derivatives were entered into through a SPV, in terms of the funding of a share investment vehicle called Spurwing, and not directly by any of the individual directors. Further detail on Spurwing can be found on our website.

The directors, together with a selected group of senior managers who are beneficiaries of Spurwing and as part of the scheme's leveraged nature, at 31 March 2006 are indirectly interested in:

- Put options written in respect of 397 091 (2005: 397 091) Investec plc shares at a strike of £7.93 per share, which expire on 20 December 2006.
- Put options written in respect of 396 807 (2005: 396 807) Investec plc shares at a strike of £7.93 per share, which expire on 20 December 2007.
- Put options written in respect of 455 914 (2005: 455 914) Investec plc shares at a strike of £10.52 per share, which expire on 20 December 2007.

Deemed interests

The executive directors, together with all other employees of the Investec Limited group, are beneficiaries of the Investec Limited Security Purchase and Option Scheme and are therefore interested in:

- 9 394 (2005: 40 698) unallocated Investec Limited shares.
- 600 172 (2005: 2 045 127) unallocated Investec plc shares.

The executive directors, together with all other employees of the Investec Limited group, are beneficiaries of the Investec Limited Security Purchase and Option Scheme 2002 Trust and are therefore interested in:

- Call options in respect of 1 000 000 (2005: 1 500 000) Investec plc shares at R180.06 per share.
- Call options in respect of 105 230 (2005: 0) Investec plc shares at R204.00 per share.
- Call options in respect of 61 801 (2005: 0) Investec Limited shares at R196.00 per share.
- 203 676 (2005:0) unallocated Investec Limited shares.
- 1 387 (2005:0) unallocated Investec plc shares.

The executive directors, together with all other employees of the Investec Limited group, are deemed to be beneficiaries of the Investec Limited Security Purchase Scheme 2003, although they are not entitled to be participants, and are therefore interested in:

- 1 052 046 (2005: 1 162 320) unallocated Investec Limited shares.

The executive directors, together with all other employees of the Investec plc group, are beneficiaries of the Investec plc Jersey Number 1 trust and are therefore interested in:

- Call options in respect of 790 598 (2005: 1 275 951) unallocated Investec plc shares at £7.93 per share.
- Call options in respect of 449 693 (2005: 449 693) unallocated Investec plc shares at £10.52 per share.
- Call options in respect of 174 560 (2005: 0) unallocated Investec plc shares at £17.06 per share.
- 1 156 060 (2005: 933 465) unallocated Investec plc shares.

The executive directors, together with all other employees of the Investec plc group, are beneficiaries of the Investec plc Guernsey Number 1 trust and are therefore interested in:

- Call options in respect of 3 300 (2005: 4 950) unallocated Investec plc shares at £7.93 per share.
- Call options in respect of 6 221 (2005: 6 221) unallocated Investec plc shares at £10.52 per share.

The executive directors, together with all other employees of the Investec plc group, are beneficiaries of the Investec plc Employee Benefits Trust and are therefore interested in:

- 100 000 (2005: 0) unallocated Investec Limited shares.

Conclusion

The Remuneration Committee will continue to ensure that reward packages remain competitive, provide appropriate incentive for performance and take due regard of our culture, values and philosophies. The committee will keep the existing remuneration arrangements, as discussed in this report, under review during the 2007 financial year.

The group has implemented a Dual Listed Companies (DLC) structure in terms of which it has primary listings both in Johannesburg and London. Investec plc, which houses the majority of the group's non-Southern African businesses, was listed on the London Stock Exchange on 29 July 2002. Investec plc also has a secondary listing on the JSE Limited (JSE). Investec Limited, which houses the group's Southern African and Mauritius operations, has been listed in South Africa since 1986.

As at 31 March 2006 Investec plc and Investec Limited had 74 633 746 and 43 999 527 ordinary shares in issue, respectively.

Spread of ordinary shareholders as at 31 March 2006

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
6 316	1 to 500	68.7	1 180 704	1.6
1 121	501 - 1 000	12.2	830 873	1.1
1 049	1 001 - 5 000	11.4	2 265 558	3.0
235	5 001 - 10 000	2.5	1 713 802	2.3
325	10 001 - 50 000	3.5	7 480 125	10.0
82	50 001 - 100 000	0.9	5 886 849	7.9
71	100 001 and over	0.8	55 275 835	74.1
9 199		**100.0**	**74 633 746**	**100.0**

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 835	1 to 500	74.3	748 922	1.7
578	501 - 1 000	8.9	433 758	1.0
620	1 001 - 5 000	9.5	1 442 504	3.3
160	5 001 - 10 000	2.5	1 155 129	2.6
224	10 001 - 50 000	3.4	5 206 421	11.8
33	50 001 - 100 000	0.5	2 412 034	5.5
60	100 001 and over	0.9	32 600 759	74.1
6 510		**100.0**	**43 999 527**	**100.0**

Shareholder classification as at 31 March 2006

	Investec plc number of shares	% holding	Investec Limited number of shares	% holding
Public*	68 679 825	92.1	33 505 002	76.2
Non-public	5 953 921	7.9	10 494 525	23.8
Non-executive directors of Investec plc/Investec Limited**	797 832	1.0	62 396	0.1
Executive directors of Investec plc/Investec Limited	1 608 528	2.1	1 975 178	4.5
Investec staff share schemes	3 547 561	4.8	3 045 840	6.9
Tiso Group Limited**	-	-	2 800 000	6.4
Peu Group (Proprietary) Limited**	-	-	2 611 111	5.9
Total	**74 633 746**	**100.0**	**43 999 527**	**100.0**

* As per the JSE listing requirements

** In November 2003, Investec Limited implemented an empowerment transaction. The shareholdings held by F Titi and MP Malungani (non-executive directors of Investec) are shown under the holdings of Tiso Group Limited and Peu Group (Proprietary) Limited, respectively.

Largest beneficial shareholders as at 31 March 2006

In accordance with the terms provided for in Section 212 of the UK Companies Act 1985 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

	Shareholders	Number of shares	% of issued share capital
1	Public Investment Commissioner	5 503 114	7.4
2	Spurwing-P Investments Ltd	3 932 883	5.3
3	Old Mutual Asset Managers	3 257 810	4.4
4	Barclays Group	3 041 262	4.1
5	Legal & General Investment Management	2 709 438	3.6
6	Jupiter Asset Management	2 272 276	3.0
7	Citigroup Asset Management	2 071 078	2.8
8	JP Morgan Asset Management	1 917 879	2.5
9	Investec Group Staff Share Schemes	1 857 619	2.5
10	Investec Employee Benefits Ltd	1 689 942	2.3
	Cumulative total	**28 253 301**	**37.9**

The top 10 shareholders account for 37.9% 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

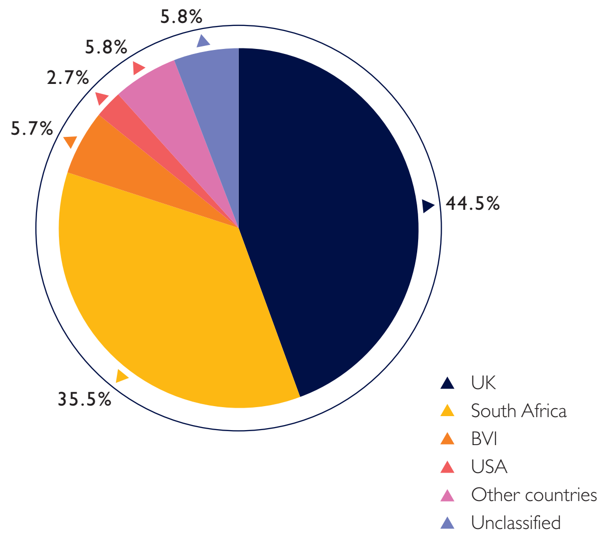
	Shareholders	Number of shares	% of issued share capital
1	Public Investment Commissioner	5 315 086	12.1
2	Investec Group Staff Share Schemes	3 045 840	6.9
3	Entrepreneurial Development Trust*	2 800 000	6.4
4	Tiso INL Investments (Pty) Ltd*	2 800 000	6.4
5	Peu INL Investments 1 (Pty) Ltd*	2 611 111	5.9
6	Old Mutual Asset Managers	1 705 419	3.9
7	Metropolitan Asset Managers	1 436 033	3.3
8	Stanlib Asset Management	1 432 977	3.3
9	Spurwing-L Investments Ltd	1 291 179	2.9
10	Sanlam Investment Management	1 142 013	2.6
	Cumulative total	**23 579 658**	**53.7**

The top 10 shareholders account for 53.7% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

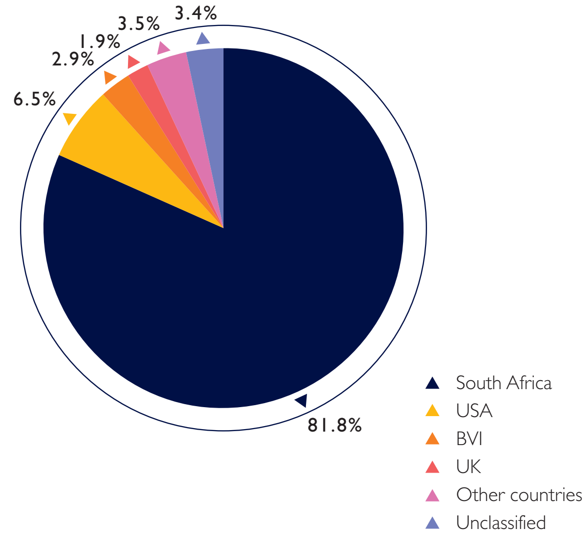
* In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited.

Geographic holding by beneficial owner as at 31 March 2006

Investec plc



Investec Limited



Share statistics

Investec plc ordinary shares in issue

For the year ended 31 March[1]	2006	2005	2004	2003
Closing market price per share (pence)				
- year end	2 941	1 555	1 089	615
- highest	3 034	1 735	1 181	960
- lowest	1 522	920	612	607
Number of ordinary shares in issue (million)	74.6	74.6	74.6	74.6
Market capitalisation (£'million)[2]	2 194	1 160	812	459
Daily average volume of shares traded ('000)	297.8	148.2	99.6	69.9
Price earnings ratio[3]	14.0	11.6	10.5	6.3
Earnings yield (%)[3]	7.1	8.6	9.5	15.6
Dividend cover (times)[3]	2.3	2.0	1.8	1.8
Dividend yield (%)[3]	3.1	4.3	5.3	8.8
Number of shareholders[4]	9 199	15 951	18 174	20 684

Investec Limited ordinary shares in issue

For the year ended 31 March	2006	2005	2004	2003	2002	2001	2000
Closing market price per share (cents)							
- year end	31 300	17 800	12 530	7 650	13 000	19 700	26 020
- highest	33 250	19 000	15 100	17 440	24 580	27 800	30 000
- lowest	17 050	10 780	7 750	7 650	13 000	19 200	18 440
Number of ordinary shares in issue (million)[5]	44.0	44.0	44.0	38.4	96.2	81.0	80.6
Market capitalisation (R'million)[6]	37 121	21 111	14 860	8 645	14 196	19 286	24 095
Market capitalisation (£'million)	3 488	1 844	1 292	695	742	1 400	2 005
Daily average volume of shares traded ('000)[7]	95.6	102.1	99.0	105.4	-	-	-
Number of shareholders[4]	6 510	13 728	15 611	17 957	19 445	3 454	3 070

Refer to notes on the following page.

Notes:

[1] Investec plc has been listed on the LSE since 29 July 2002.

[2] The LSE only include the shares in issue for Investec plc i.e. 74.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

[3] Calculations for 2006 and 2005 are based on the group's consolidated earnings per share before goodwill impairment and non-operating items, and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling. Prior to 2005 the group reported its consolidated results in accordance with UK GAAP.

[4] The number of shareholders has decreased following an odd-lot offer undertaken by the group.

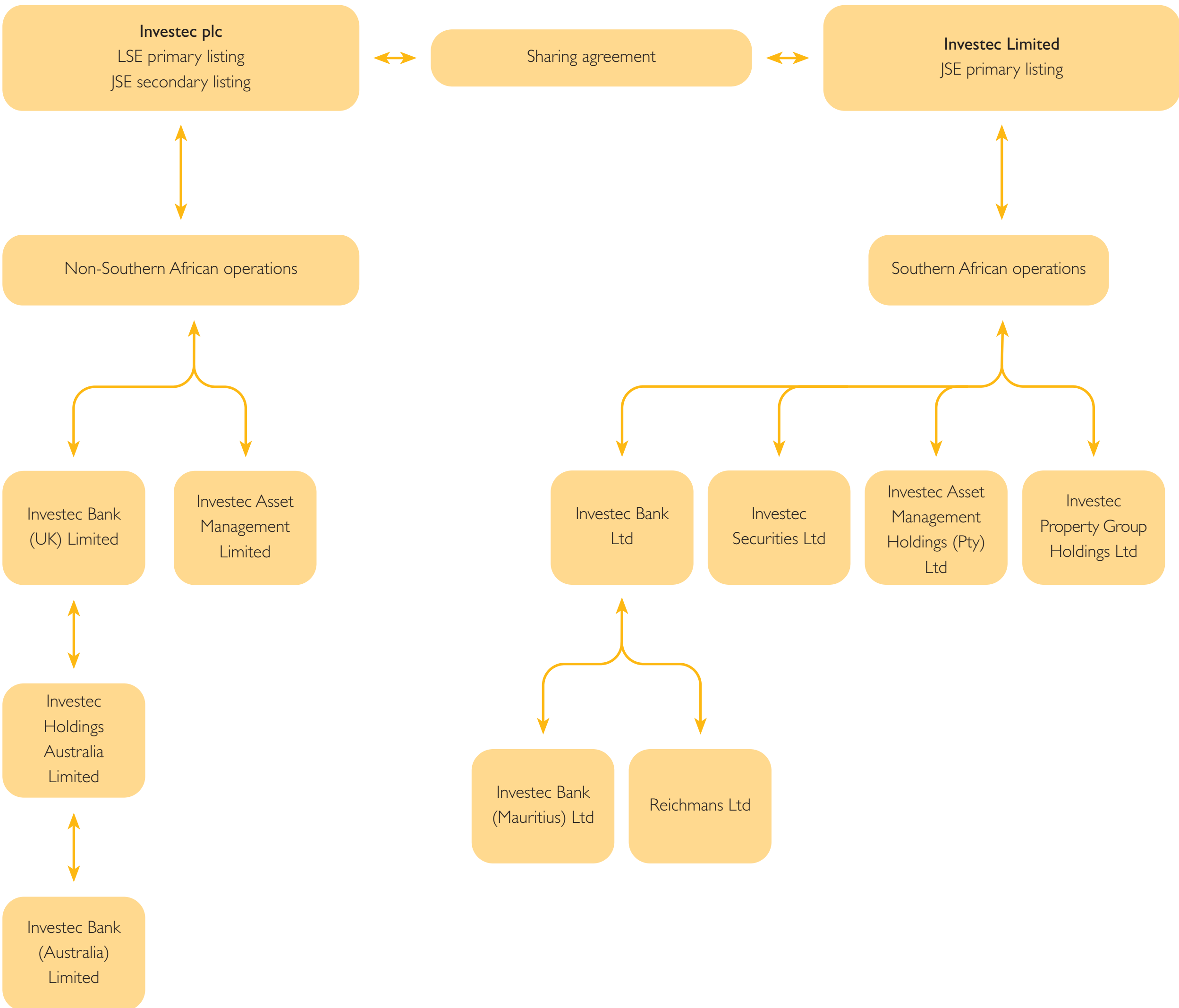
[5] The number of shares in issue has reduced significantly following the implementation of the DLC structure, in terms of which Investec plc was unbundled from Investec Group Limited (now Investec Limited).

[6] The JSE 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 118.6 million shares in issue.

[7] Information prior to the implementation of the DLC structure is not comparable.

Organisational structure

The diagram below depicts our DLC structure and our main operating subsidiaries.



Note:
All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

The directorate of the main operating entities and subsidiaries are indicated on the pages that follow.

Executive directors

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Chief Executive Officer						
Stephen Koseff	54	BCom CA (SA) H Dip BDP MBA	The Bidvest Group Limited, JSE Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer and General Manager of Banking, Treasury and Merchant Banking.	Finance
Managing director						
Bernard Kantor	56	-	Phumelela Gaming and Leisure Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Bernard joined Investec in 1980. He has had varied experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer.	Finance
Group Risk and Finance director						
Glynn R Burger	49	BAcc CA(SA) H Dip BDP MBL	Investec Bank Limited and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Glynn joined Investec in 1980. His positions within Investec have included Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa.	Finance
Alan Tapnack	59	BCom CA (SA)	Investec Bank (UK) Limited and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Alan is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and has held the positions of Chief Finance Officer and Chief Executive Officer of Investec Bank (UK) Limited and Chief Executive Officer of Investec's UK operations.	Finance

Non-executive directors

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Non-executive Chairman						
Hugh S Herman	65	BA LLB LLD (hc)	Growthpoint Properties Limited, Metboard Holdings Limited, Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and a number of Investec subsidiaries	Nomination Committee	Hugh practised as an attorney before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director.	Law
Sam E Abrahams	67	FCA CA (SA)	Investec Bank Limited, Foschini Limited, Super Group Limited and Phumelela Gaming and Leisure Limited	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Nomination Committee, Board Risk Review Committee and DLC Capital Committee	Sam is a former international partner and South African Managing Partner of Arthur Andersen.	Finance Auditing
George FO Alford	57	BSc (Econ) FCIS FIPD MSI	Investec Bank (UK) Limited	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk Review Committee	George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority.	Banking Regula-tions Finance
Cheryl A Carolus	47	BA (Law) B Ed	De Beers Consolidated Mines Limited, IQ Business Group (Pty) Limited, Fenner Conveyor Belting South Africa (Pty) Limited, Ponhalo Holdings (Pty) Limited, Investec Asset Management Holdings (Pty) Ltd and Executive Chairperson of Peotona Group Holdings (Pty) Limited	-	Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was Chief Executive Officer of South African Tourism. She is Chairperson of South African National Parks.	Sustain-able develop-ment Educa-tion

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Haruko Fukuda OBE	59	MA (Cantab) DSc	AB Volvo, Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Metro AG.	-	Haruko was previously Chief Executive Officer of the World Gold Council.	Finance Asset Manage-ment
Geoffrey MT Howe	56	MA (Hons)	Jardine Lloyd Thompson Group plc (Chairman), The JP Morgan Fleming Overseas Investment Trust plc and Nationwide Building Society	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk Review Committee	Geoffrey is a former Managing Partner of Clifford Chance LLP and was Director and Group General Counsel of Robert Fleming Holdings Ltd. He is also a former Chairman of Railtrack Group plc.	Law
Donn E Jowell	64	BCom LLB	Jowell, Glynn and Marais Inc, Investec Bank Limited, Wits Donald Gordon Medical Centre and JCI Limited	Combined group/DLC Audit Committee, Investec Limited Audit Committee, Board Risk Review Committee and DLC Capital Committee	Donn is Chairman of and a consultant to Jowell Glynn Marais Inc, the South African legal advisers to Investec Limited.	Law
Ian R Kantor	59	BSc (Eng) MBA	Insinger de Beaufort Holdings SA (in which Investec holds an 8.6% interest), Bank Insinger de Beaufort NV where he is Chairman of the management board	-	Former Chief Executive of Investec Limited.	Finance
Senior independent director						
Sir Chips Keswick	66	-	Investec Bank Limited, De Beers SA, De Beers Consolidated Mines Limited, Arsenal Holdings Plc and Arsenal Football Club Plc.	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee, Nomination Committee and Board Risk Review Committee	Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc. He was on the Court of the Bank of England.	Finance

Non-executive directors (continued)

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
M Peter Malungani	48	BCom MAP LDP	Super Group Limited (Chairman), Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited and a number of Peu subsidiaries	-	Peter is Chairman and founder of Peu Group (Proprietary) Limited.	Finance
Sir David Prosser	62	BSc (Hons) FIA	Pippbrook Limited, Epsom Downs Racecourse Limited, The Royal Automobile Club Limited and Intercontinental Hotels Group PLC	Combined group/DLC Audit Committee, Investec plc Audit Committee and Investec Limited Audit Committee	Sir David was previously Chief Executive of Legal & General Group PLC, joining Legal & General in 1998 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.	Finance
Peter RS Thomas	61	CA (SA)	Investec Bank Limited, various Investec companies and JCI Limited	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee and Board Risk Review Committee	Peter was the former Managing Director of The Unisec Group Limited.	Finance
Fani Titi	43	BSc (Hons) MA MBA	Kumba Resources Limited, AECI Limited and Investec Asset Management Holdings (Pty) Ltd	-	Fani is Chief Executive Officer of Tiso Group Limited.	Finance

Notes:

- The dates on which the directors were appointed to the boards of Investec plc and Investec Limited can be found on page 109.
- Sir David Prosser was appointed as an independent non-executive director to the boards of Investec plc and Investec Limited on 23 March 2006.
- Details of the Investec committees can be found on pages 112 to 116.

Investec Bank Ltd

A subsidiary of Investec Limited

Hugh S Herman (65)
BA LLB LLD (hc)
Non-Executive Chairman

David M Lawrence (54)
BA(Econ) (Hons) MCom
Deputy Chairman

Sam E Abrahams (67)
FCA CA(SA)

Glynn R Burger (49)
BAcc CA(SA) H Dip BDP MBL

Donn E Jowell (64)
BCom LLB

Bernard Kantor (56)

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA

M Peter Malungani (48)
BCom MAP LDP

Daphne R Motsepe (48)*
BR BCompt MBA

Dr Morley Z Nkosi (70)**
BSc MBA PhD

Bradley Tapnack (59)
BCom CA(SA)

Peter R S Thomas (61)
CA(SA)

Fani Titi (43)
BSc (Hons) MA MBA

Russell A P Upton (71)*
CA(SA)

* Resigned 30 September 2005.
** Retired 4 April 2006.

Investec Asset Management Holdings (Pty) Ltd

A subsidiary of Investec Limited

Hugh S Herman (65)
BA LLB LLD (hc)
Non-Executive Chairman

Hendrik J du Toit (44)
BCom (Hons, cum laude) MCom (cum laude) MPhil (Cantab)
Chief Executive Officer

Cheryl A Carolus (47)^
BA (Law) B Ed

Gail Daniel (38)
BA (Hons) MBA

Domenico Ferrini (37)
BCom

Noluthando Gosa (43)^
BA MBA

John Green (40)
BCom LLB

Bernard Kantor (56)

Thabo Khojane (33)
BA (Hons) BSc

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA

M Peter Malungani (48)
BCom MAP LDP

Kim M McFarland (41)^^
BAcc CA(SA) MBA

John McNab (39)
BEng MEng CFA

Bradley Tapnack (59)
BCom CA (SA)

Fani Titi (43)^
BSc (Hons) MA MBA

^ Appointed 17 May 2005.
^^ British

Investec Securities Ltd

A subsidiary of Investec Limited

Hugh S Herman (65)
BA LLB LLD (hc)
Non-Executive Chairman

Sam E Abrahams (67)
FCA CA(SA)

Reg S Berkowitz (69)
Natal Law Certificate

Andrew S Birrell (36)
BBusSc FFA FASSA ASA

Henry E Blumenthal (47)
BCom BAcc CA(SA)

Kevin Brady (39)
BA (Hons)

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA

Andy W J Leith (45)
BCom CA(SA)

Kevin P McKenna (39)
CA(SA)

Investec Property Group Holdings Ltd

A subsidiary of Investec Limited

David Kuper (71)
Non-Executive Chairman

Glynn R Burger (49)
BAcc CA(SA) H Dip BDP MBL

Richard W Cunniffe (45)
BA LLB MBA

Dave A J Donald (55)
BCom CA H Dip Tax Law

Sam Hackner (50)
BCom CA(SA)

Hugh S Herman (65)
BA LLB LLD (hc)

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA

Sam R Leon (56)
BA LLB (London)

David M Nurek (56)
Dip Law Dip Advanced Company Law

Norbet L Sasse (41)
BCom (Hons) CA(SA)

Ronnie Sevitz (62)

Investec Bank (Mauritius) Ltd

A subsidiary of Investec Bank Ltd

Hugh S Herman (65)
BA LLB LLD (hc)
Non-Executive Chairman

Pierre de Chasteigner du Mee (53)
ACEA FBIM FMAAT

Angelique A Desvaux de Marigny (30)*
LLB

David M Lawrence (54)
BA(Econ) (Hons) MCom

Craig C McKenzie (45)
BSc MSc CFA

Peter RS Thomas (61)**
CA (SA)

David M van der Walt (41)
BCom (Hons) CA (SA)

* Appointed 12 August 2005.
** Appointed 13 May 2005.

Investec Bank (UK) Limited

A subsidiary of Investec plc

Hugh S Herman (65)
BA LLB LLD (hc)
Non-Executive Chairman

Bradley Fried (40)
BCom CA(SA) MBA
Managing Director

George F O Alford (57)
BSc (Econ) FCIS FIPD MSI

Bernard Kantor (56)

Ian R Kantor (59)
BSc(Eng) MBA

Sir Chips Keswick (66)

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA

Alan Tapnack (59)
BCom CA(SA)

David M van der Walt (41)
BCom (Hons) CA (SA)

Ian R Wohlman (51)
ACIB

Investec Asset Management Limited

A subsidiary of Investec plc

Hugh S Herman (65)
BA LLB LLD (hc)
Non-Executive Chairman

Hendrik J du Toit (44)
BCom (Hons, cum laude) MCom (cum laude) MPhil (Cantab)
Chief Executive Officer

David Aird (38)

Domenico Ferrini (37)
BCom

Howard Flight (57)
MA MBA

Bernard Kantor (56)

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA

Kim M McFarland (41)
BAcc CA(SA) MBA

Mark I Samuelson (41)
BCom CFA

Philip Saunders (48)
MA (Hons)

Bradley Tapnack (59)
BCom CA (SA)

Investec Bank (Australia) Limited

A subsidiary of Investec Bank (UK) Limited

David M Gonski (52)
BCom LLB
Non-Executive Chairman

Geoffrey Levy (47)
BCom LLB FFIN
Chairman

Brian M Schwartz (53)
FCA
Chief Executive Officer

Alan H Chonowitz (51)
BAcc MCom CA(SA)

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA

Richard A Longes (60)
BA LLB MBA

Robert C Mansfield (54)
BCom FCPA

John W Murphy (53)
BCom MCom ACA FASA

Kathryn Spargo (54)*
BA LLB (Hons)

Bradley Tapnack (59)*
BCom CA(SA)

Peter RS Thomas (61)*
CA(SA)

* Appointed 15 October 2005.

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, Treasury and Specialised Finance, 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 04 to 06 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 07 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 34 to the financial statements.

On the 24 June 2005, Investec plc raised €200 million of innovative Tier I capital through the issue of fixed/floating rate, guaranteed non-voting non-cumulative perpetual preferred callable securities by Investec Tier I (UK) Limited (a limited partnership organised under the laws of England and Wales), having the benefit of a subordinated guarantee from Investec plc.

Investec Limited

During the year no shares, convertible instruments or debentures were issued by Investec Limited.

I 750 redeemable cumulative preference shares of 60 cents each were redeemed at R100 000 per share on 29 November 2005. 600 redeemable cumulative preference shares of 60 cents each were redeemed at R100 000 per share on 22 March 2006. 633 redeemable cumulative preference shares of 60 cents each were redeemed at R1 000 000 per share on 31 March 2006.

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 2006.

Ordinary dividends

Investec plc

An interim dividend was declared to shareholders as follows:

- 38 pence per ordinary share to non-South African resident shareholders (2005: 30 pence) registered on 16 December 2005.
- to South African resident shareholders registered on 15 December 2005, a dividend paid by Investec Limited on the SA DAS share, equivalent to 38 pence per ordinary share (2005: 30 pence).

The dividends were paid on 23 December 2005.

The directors have proposed a final dividend to shareholders registered on 28 July 2006, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 10 August 2006 and, if approved, will be paid on 14 August 2006.

Shareholders in Investec plc will receive a distribution of 53 pence (2005: 37 pence) per ordinary share, which will be paid as follows:

- 53 pence per ordinary share to non-South African resident shareholders registered on 28 July 2006.
- 38 pence per ordinary share to South African resident shareholders registered on 28 July 2006, plus a dividend paid by Investec Limited on the SA DAS share, equivalent to 15 pence per ordinary share.

The holders of I 260 000 Investec plc shares have agreed to waive their rights to the proposed final dividend.

Investec Limited

An interim dividend of 446 cents per ordinary share (2005: 335 cents) was declared to shareholders registered on 15 December 2005 and was paid on 23 December 2005.

The directors have proposed a final dividend of 627 cents per ordinary share (2005: 437 cents) to shareholders registered on 28 July 2006 to be paid on 14 August 2006. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 10 August 2006.

The holders of 740 000 Investec Limited shares have agreed to waive their rights to the proposed final dividend.

Preference dividends

Investec Limited

Non-redeemable non-cumulative non-participating preference shares

Preference dividend number 2 for the six months ended 30 September 2005 amounting to 370.14 cents per share was declared to members holding preference shares registered on 9 December 2005 and was paid on 12 December 2005.

Preference dividend number 3 for the six months ended 31 March 2006 amounting to 366.49 cents per share was declared to members holding preference shares registered on 30 June 2006 and will be paid on 3 July 2006.

Redeemable cumulative preference shares

Dividends amounting to £13.2 million were paid on the redeemable cumulative preference shares.

Preferred securities

The first 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) Limited on the 24 June 2005, is due on 24 June 2006 and will be paid on the next business day, the 26 June 2006.

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, HS Herman, DE Jowell, B Kantor, IR Kantor, S Koseff and PRS Thomas retire by rotation at the forthcoming annual general meeting, but being eligible, offer themselves for re-election.

Sir David Prosser was appointed as a non-executive director to the boards of Investec plc and Investec Limited with effect from 23 March 2006. His appointment terminates at the end of the forthcoming annual general meeting and being eligible, offers himself for re-election.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 136 to 140.

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 180 to 181.

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 and Accounting 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 112.

Auditors

Ernst & Young LLP and Ernst & Young (South Africa) 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 10 August 2006.

Contracts

Refer to page 126 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 224 and 225.

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 11 August 2005, special resolutions were passed in terms of which:

- Investec plc created 1 000 000 non-cumulative perpetual preference shares of €0.01 each.
- a renewable authority was granted to the Company to acquire its own shares in terms of Section 166 of the Companies Act, 1985.
- a renewable authority was granted to the Company 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.
- various amendments were made to the Articles of Association to reflect the terms of the newly created non-cumulative perpetual preference shares in the capital of Investec plc.

At the extraordinary general meeting held on 14 November 2005, special resolutions were passed in terms of which:

- amendments were made to the Articles of Association to provide the authority to make Odd-lot Offers.
- an authority was granted to Investec plc to make repurchases of Investec plc ordinary shares under the terms of the Odd-lot Offer.
- amendments were made to the Articles of Association to ensure that the joint takeover provisions of Investec plc and Investec Limited comply with the EU Takeover Directive.

Investec Limited

At the annual general meeting held on 11 August 2005, a special resolution was passed in terms of which Investec Limited and its subsidiaries were granted a renewable general authority to acquire Investec Limited ordinary shares and non-redeemable non-cumulative non-participating preference shares of Investec Limited.

At the extraordinary general meeting held on 14 November 2005, special resolutions were passed in terms of which:

- amendments were made to the Articles of Association to provide the authority to make Odd-lot Offers.
- an authority was granted to Investec Limited or its subsidiaries to make repurchases of Investec Limited ordinary shares under the terms of the Odd-lot Offer in terms of Section 89 of the Companies Act, 1973.
- amendments were made to the Articles of Association to ensure that the joint takeover provisions of Investec plc and Investec Limited comply with the EU Takeover Directive.

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 171.

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 £1.1 million and Investec Limited made donations for charitable purposes, totalling £1.6 million. Investec group made no political donations during the year.

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 121 to 122 and our website.

Subsequent events

Refer to page 221.

Directors' responsibility statement

The following statement, which should be read in conjunction with the Auditor's report set out on page 156, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that financial year.

The directors consider that in preparing the financial statements on pages 158 to 164, and 172 to 249 and the additional information contained on pages 02 to 36, the company has used appropriate accounting policies which have been consistently applied and have been supported by reasonable and prudent judgements and estimates, and that all accounting standards which the directors consider to be applicable have been followed.

The financial statements of the company have been prepared on the going concern basis. The directors are of the opinion, based on their knowledge of the company, key processes in operation and specific enquiries, that adequate resources exist to support the company on a going concern basis over the next year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Furthermore, 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.

Signed on behalf of the board

Richard Vardy
Company Secretary
Investec plc
16 June 2006

Selwyn Noik
Company Secretary
Investec Limited

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

16 June 2006

Independent auditors report to the members of Investec plc

We have audited the group financial statements of Investec plc for the year ended 31 March 2006 which comprise the Group Income Statement, the Group Balance Sheets, the Group Cash Flow Statement, the Group Statement of Change in Shareholders' Equity and the related notes 1 to 49. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Investec plc for the year ended 31 March 2006 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 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 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

The directors are responsible for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:
- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the group financial statements.

Separate opinion in relation to IFRSs

As explained in note 1 to the group financial statements, the group, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor

London
16 June 2006

Report of the Independent Auditors to the shareholders of Investec Limited

We have audited the group annual financial statements of Investec Limited set out on pages 158 to 241 and the annual financial statements of Investec Limited set out on pages 246 to 249 for the year ended March 31, 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to report on the financial statements.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes examining, on a test basis, of evidence supporting the amounts and disclosures included in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the group and the company at March 31, 2006 and of the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst + Young

Ernst & Young
Registered Auditors

Johannesburg
16 June 2006

For the year to 31 March £'000	Notes	2006	2005
Interest receivable		934 389	734 765
Interest payable		(675 237)	(587 945)
Net interest income		**259 152**	**146 820**
Fees and commissions receivable		478 465	439 958
Fees and commissions payable		(41 591)	(25 818)
Principal transactions	3	246 059	135 358
Operating income from associates	20	6 694	14 474
Investment income on assurance activities	28	141 559	258 855
Premiums and reinsurance recoveries on insurance contracts	28	164 631	246 537
Other operating income	4	2 721	6 120
Other income		**998 538**	**1 075 484**
Claims and reinsurance premiums on insurance business	28	(293 135)	(478 894)
Total operating income net of insurance claims		**964 555**	**743 410**
Impairment losses on loans and advances	16	(9 160)	(27 796)
Net operating income		**955 395**	**715 614**
Administrative expenses	5	(558 887)	(485 444)
Depreciation and impairment of property, equipment and software	23/26	(7 741)	(10 130)
Operating profit before goodwill impairment		**388 767**	**220 040**
Impairment of goodwill	25	(21 356)	(37 010)
Operating profit		**367 411**	**183 030**
Profit/(loss) on termination or disposal of group operations	27	73 573	(14 629)
Profit before taxation		**440 984**	**168 401**
Taxation	7	(111 616)	(60 463)
Profit after taxation		**329 368**	**107 938**
Earnings attributable to minority interests		14 267	2 371
Earnings attributable to shareholders		315 101	105 567
Earnings attributable to shareholders' equity		**329 368**	**107 938**
Earnings per share (pence)			
- Basic	8	268.9	84.5
- Diluted	8	249.8	81.0
Adjusted earnings per share (pence)			
- Basic	8	209.5	129.8
- Diluted	8	195.2	127.5
Dividends per share (pence)			
- Interim	9	38.0	30.0
- Final	9	53.0	37.0

For the year to 31 March £'000	Notes	2006	2005
Earnings attributable to shareholders' equity		329 368	107 938
Fair value movements on available for sale assets		8 480	-
Foreign currency movements		52 564	(15 263)
Gain and losses on pension fund liabilities recognised directly in equity	32	2 035	2 370
Total recognised income and expenses		**392 447**	**95 045**
Total recognised income and expenses attributable to minority interests		23 861	2 371
Total recognised income and expenses attributable to ordinary shareholders		350 023	103 146
Total recognised income and expenses attributable to perpetual preferred securities		18 563	(10 472)
		392 447	**95 045**

The impact of adoption of IAS 32, IAS 39 and IFRS 4 on each component of equity is appropriately disclosed in the reconciliation of equity on page 162 and 163.

At 31 March £'000	Notes	2006	2005
Assets			
Cash and balances at central banks		190 838	105 130
Treasury bills and other eligible bills	12		323 622
Loans and advances to banks		1 830 603	3 017 326
Cash equivalent advances to customers		690 236	
Reverse repurchase agreements and cash collateral on securities borrowed		756 645	
Trading securities	13	1 640 088	
Derivative financial instruments	14	1 081 287	
Investment securities	15	1 266 673	
Loans and advances to customers	16	9 604 589	7 402 460
Debt securities	17		2 001 682
Equity shares	18		531 262
Interests in associated undertakings	20	63 099	13 219
Deferred taxation assets	21	60 035	49 023
Other assets	22	1 272 787	1 346 017
Property and equipment	23	26 916	28 729
Investment properties	24	163 049	202 352
Goodwill	25	183 560	199 313
Intangible assets	26	10 094	7 373
		18 840 499	15 227 508
Financial instruments at fair value through income in respect of			
- liabilities to customers	28	3 628 574	
- assets related to reinsurance contracts	28	1 431 876	
Long-term assurance assets attributable to policyholders	28		2 815 137
		23 900 949	**18 042 645**
Liabilities			
Deposits by banks		1 879 483	912 526
Derivative financial instruments	14	705 764	
Other trading liabilities	29	457 254	
Repurchase agreements and cash collateral on securities lent		358 278	
Customer accounts		8 699 165	6 805 429
Debt securities in issue	30	2 950 103	1 925 124
Current taxation liabilities		137 426	72 834
Deferred taxation liabilities	21	26 210	7 445
Other liabilities	31	1 582 856	3 700 989
Accruals and deferred income			226 763
Pension fund liabilities	32	2 013	10 991
		16 798 552	13 662 101
Liabilities to customers under investment contracts	28	3 488 756	
Insurance liabilities, including unit-linked liabilities	28	139 818	
Reinsured liabilities	28	1 431 876	
Long-term assurance liabilities attributable to policyholders	28		2 815 137
		21 859 002	16 477 238
Subordinated liabilities (including convertible debt)	33	529 854	499 995
		22 388 856	**16 977 233**

At 31 March £'000	Notes	2006	2005
Equity			
Called up share capital	34	165	165
Share premium		1 028 737	1 029 242
Treasury shares	35	(96 300)	(99 873)
Equity portion of convertible debentures		2 191	2 191
Perpetual preference shares	36	215 305	323 800
Other reserves		156 103	39 617
Profit and loss account		(79 709)	(248 974)
Shareholders' equity excluding minority interests		1 226 492	1 046 168
Minority interests	37	285 601	19 244
- Perpetual preferred securities issued by subsidiaries		278 459	
- Other		7 142	
Total equity		**1 512 093**	**1 065 412**
Total liabilities and shareholders' equity		**23 900 949**	**18 042 645**

Combined consolidated reconciliation of equity

£'000	Share capital Investec Limited	Share premium Investec Limited	Treasury shares	Capital reserve account	Share capital Investec plc	Share premium Investec plc
At 31 March 2004 - restated for prior year adjustments	46	633 715	(84 632)	7 912	119	393 824
At 31 March 2004 - as previously reported	46	633 715	(101 304)	7 912	119	393 824
Reclassifications						
IAS 21 - foreign currency (IFRS 1 election)	-	-	-	-	-	-
IAS 40 - investment properties	-	-	-	-	-	-
Minority interests included within reconciliation of reserves	-	-	-	-	-	-
Remeasurements						
IFRS 2 - share based payments	-	-	-	-	-	-
IAS 10 - events after balance sheet date	-	-	-	-	-	-
IAS 12 - income taxes	-	-	-	-	-	-
IAS 17 - leases	-	-	-	-	-	-
IAS 19 - employee benefits	-	-	-	-	-	-
IAS 27/28/31 - consolidations, associates and joint ventures	-	-	16 672	-	-	-
Movement in reserves 1 April 2004 - 31 March 2005						
Foreign currency adjustments	-	-	-	-	-	-
Retained profit for the year	-	-	-	-	-	-
Retained earnings of associates	-	-	-	-	-	-
Transfer from pension fund deficit	-	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	-	-
Share based payments adjustments	-	-	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-	-
Dividends paid to perpetual preference shareholders Issue	-	-	-	-	-	-
of perpetual preference shares	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-
Re-issue of treasury shares	-	1 703	725	-	-	-
Purchase of treasury shares	-	-	(15 966)	-	-	-
Transfer to capital reserves	-	-	-	(244)	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-	-	-
Restated at 31 March 2005	46	635 418	(99 873)	7 668	119	393 824
Adoption of IAS 32/39 - financial instruments	-	-	(9 489)	-	-	-
Restated at 1 April 2005	46	635 418	(109 362)	7 668	119	393 824
Movement in reserves 1 April 2005 - 31 March 2006						
Foreign currency adjustments	-	-	-	-	-	-
Retained profit for the year	-	-	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-	-	-
Transfer from pension fund deficit	-	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	-	-
Share based payments adjustments	-	-	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-	-
Issue of equity by subsidiaries	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	(556)
Re-issue of treasury shares	-	-	13 062	-	-	51
Movement on minorities on disposals and acquisitions	-	-	-	-	-	-
Transfer from equity accounted reserve	-	-	-	-	-	-
Transfer from capital reserves	-	-	-	5 575	-	-
Transfer to regulatory general risk reserve	-	-	-	-	-	-
At 31 March 2006	**46**	**635 418**	**(96 300)**	**13 243**	**119**	**393 319**

Equity portion of convertible instruments	Perpetual preference shares	Revaluation reserves investment properties	Available for sale reserve	Regulatory general risk reserve	Equity accounted reserves	Foreign currency reserves	Share based payment reserve	Minority interests	Profit and loss account	Total equity
2 666	127 797	-	-	-	17 661	(1 267)	28 691	49 804	(307 213)	869 123
2 666	127 797	43 142	-	-	17 661	(195 074)	-	-	(164 131)	766 373
-	-	-	-	-	-	195 074	-	-	(195 074)	-
-	-	(43 142)	-	-	-	-	-	-	43 142	-
-	-	-	-	-	-	-	-	39 029	-	39 029
-	-	-	-	-	-	-	28 691	-	(28 963)	(272)
-	-	-	-	-	-	-	-	-	38 474	38 474
-	-	-	-	-	-	-	-	-	81	81
-	-	-	-	-	-	-	-	-	(594)	(594)
-	-	-	-	-	-	-	-	-	(140)	(140)
-	-	-	-	-	-	(1 267)	-	10 775	(8)	26 172
-	(10 472)	-	-	-	3	(4 794)	-	-	-	(15 263)
-	-	-	-	-	-	-	-	2 371	105 567	107 938
-	-	-	-	-	(17 194)	-	-	-	17 194	-
-	-	-	-	-	-	-	-	-	2 370	2 370
-	(10 472)	-	-	-	(17 191)	(4 794)	-	2 371	125 131	95 045
-	-	-	-	-	-	-	8 849	-	-	8 849
-	-	-	-	-	-	-	-	-	(55 398)	(55 398)
-	-	-	-	-	-	-	-	-	(11 738)	(11 738)
-	207 313	-	-	-	-	-	-	-	-	207 313
-	(838)	-	-	-	-	-	-	-	-	(838)
(282)	-	-	-	-	-	-	-	-	-	2 146
(193)	-	-	-	-	-	-	-	-	-	(16 159)
-	-	-	-	-	-	-	-	-	244	-
-	-	-	-	-	-	-	-	(32 931)	-	(32 931)
2 191	323 800	-	-	-	470	(6 061)	37 540	19 244	(248 974)	1 065 412
-	(127 058)	-	9 875	28 315	-	247	-	125 864	(17 555)	10 199
2 191	196 742		9 875	28 315	470	(5 814)	37 540	145 108	(266 529)	1 075 611
-	18 563	-	-	-	-	24 407	-	9 594	-	52 564
-	-	-	-	-	-	-	-	14 267	315 101	329 368
-	-	-	8 480	-	-	-	-	-	-	8 480
-	-	-	-	-	-	-	-	-	2 035	2 035
-	18 563	-	8 480	-	-	24 407	-	23 861	317 136	392 447
-	-	-	-	-	-	-	18 065	-	1 156	19 221
-	-	-	-	-	-	-	-	-	(84 435)	(84 435)
-	-	-	-	-	-	-	-	-	(19 940)	(19 940)
-	-	-	-	-	-	-	-	132 520	-	132 520
-	-	-	-	-	-	-	-	-	-	(556)
-	-	-	-	-	-	-	-	-	-	13 113
-	-	-	-	-	-	-	-	(15 888)	-	(15 888)
-	-	-	-	-	(470)	-	-	-	470	-
-	-	-	-	-	-	-	-	-	(5 575)	-
-	-	-	-	21 992	-	-	-	-	(21 992)	-
2 191	**215 305**	**-**	**18 355**	**50 307**	**-**	**18 593**	**55 605**	**285 601**	**(79 709)**	**1 512 093**

For the year to 31 March £'000	Notes	2006	2005
Operating profit adjusted for non cash items	39	419 650	257 508
Taxation paid		(50 104)	(23 030)
Increase in operating assets		(2 950 085)	(3 269 612)
Increase in operating liabilities		2 749 528	2 909 285
Net cash inflow/(outflow) from operating activities		**168 989**	**(125 849)**
Cash flow on acquisition of subsidiaries	27	(102 600)	(11 963)
Cash flow on disposal of subsidiaries	27	(364 970)	(119 122)
Cash flow on acquisition and disposal of property, plant and equipment		(5 589)	(9 635)
Investment in associated undertakings		-	(1 352)
Net cash outflow from investing activities		**(473 159)**	**(142 072)**
Dividends paid to ordinary shareholders	9	(84 435)	(55 398)
Dividends paid to other equity holders	9	(19 940)	(11 738)
Net cash flow on treasury share purchases and disposals		12 557	(14 851)
Proceeds on issue of other equity instruments*		132 520	207 313
Proceeds on subordinated debt raised		-	17 144
Repayment of subordinated debt		(2 626)	(12 992)
Net cash inflow from financing activities		**38 076**	**129 478**
Effects of exchange rates on cash and cash equivalents		73 721	5 899
Net decrease in cash and cash equivalents		(192 373)	(132 544)
Cash and cash equivalents at the beginning of the year		1 382 556	1 515 100
Cash and cash equivalents at the end of the year		**1 190 183**	**1 382 556**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		190 838	105 130
On demand loans and advances to banks		309 109	566 705
Cash equivalent advances to customers		690 236	710 721
Cash and cash equivalents at the end of the year		**1 190 183**	**1 382 556**

* Includes equity instruments issued by subsidiaries

Note:

(cash and cash equivalents have a maturity profile of less than three months).

1. Accounting policies

Basis of presentation

The group financial statements are prepared in accordance with International Financial Reporting Standards and International Accounting Standards (collectively, IFRS), as adopted for use by the European Union (EU). IFRSs as endorsed by the EU are identical to current IFRSs except for the EU's amendment to IAS 39, under which the application of hedge accounting requirements have been simplified. The group has elected not to apply the amendments as adopted by the EU, thus applying the more restrictive requirements under IAS 39.

Where comparative information is prepared on previous accounting policies applied by Investec, note 48 details the differences in those policies from the policies applied from 1 April 2005.

First time adoption of IFRS

Comprehensive disclosure relating to the transition to IFRS is contained in note 48 on pages 227 to 237. In accordance with the transitional provisions contained in IFRS 1, the group has retrospectively adopted IFRS for the financial year ended 31 March 2006, except for certain elections made in accordance with IFRS 1 - First-time adoption of International Financial Reporting Standards (IFRS 1) as noted below.

Elections made under IFRS 1

The group has applied the following transition provisions as contained in IFRS 1 in arriving at the opening balances:

Business combinations

The group has elected not to apply IFRS 3, "Business Combinations" retrospectively to business combinations prior to the date of transition (1 April 2004). The net carrying value of goodwill at 31 March 2004 has therefore been brought forward, except for identified intangible assets which have been separately identified and tested for impairment.

Property and equipment

The group has brought forward the carrying values of property, plant and equipment at date of transition as previously determined as the carrying values are materially aligned with the carrying values as determined by IAS 16.

Employee benefits

The group has elected to recognise all cumulative actuarial gains and losses at the date of transition to IFRS as an adjustment to opening retained earnings.

Cumulative foreign currency translation reserve

The group has elected to deem the cumulative foreign currency translation differences for foreign operations to be nil at the date of transition.

Share based payment transactions

The group has applied the provisions of IFRS 2, "Share-based Payment" retrospectively to all share-based payment transactions granted prior to the date of transition but that vest after the date of transition.

Derecognition of financial assets and liabilities

The group has elected not to apply the derecognition requirements of IAS 39 to financial assets and liabilities derecognised before 1 January 2004.

Exemption from the requirement to restate comparative periods (31 March 2005) for financial instruments and insurance contracts

The group has elected not to apply the requirements of IAS 32, "Financial Instruments: Disclosure and Presentation", IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 4, "Insurance Contracts" to the 2005 comparative period. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005.

Compound financial instruments

The group has elected not to separate the liability and equity components of compound financial instruments for which the liability component is no longer outstanding at 1 April 2005.

Designation of previously recognised financial instruments

The group has elected to designate certain financial instruments within the scope of IAS 39 as "at fair value through profit or loss" or as "available for sale" at 1 April 2005.

Early adoption of amendments to accounting standards.

The group has adopted the 'Amendment to IAS 39: Fair value option' with effect from 1 April 2005 and amendment to IAS 19: Actuarial Gains and Losses, Group Plans and Disclosures with effect from 1 March 2005.

Basis of consolidation

Investec consists of two separate legal entities, being Investec Ltd and Investec plc, 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.

Under UK GAAP the preparation of the consolidated financial statements of Investec plc included the accounts of Investec plc and Investec Limited combined using merger accounting. This treatment is perpetuated (in accordance with the election under IFRS 1 for business combinations) as both Investec plc and Investec Limited and their respective subsidiaries form a single reporting entity for the purposes of reporting under IFRS.

The comparative information presented in this report is based on previously reported UK GAAP Investec plc (incorporating Investec Limited) accounts as restated for the adoption of IFRS.

All subsidiaries in which the group holds more than one half of the voting rights or over which it has the ability to control are

consolidated from the effective dates of acquisition (that is from when control exists) and 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 as discontinued operations.
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 the group's share of net assets of the associate plus goodwill arising on acquisition, less any impairment recognised on the investment.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as associates. In the group accounts, associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases, except as noted below.

In circumstances where associates or joint venture holdings arise in which the group has no strategic intention, these investments are classified as "venture capital" holdings and are designated as held at fair value through profit and loss.

All intergroup balances and unrealised gains and losses within the group are eliminated to the extent that they do not reflect an impairment in the asset.

Segmental reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments.

The group's primary segmental reporting is presented in the form of a business analysis (primary segment).

The business analysis is presented in terms of the group's five principal business divisions and Group Services and Other Activities.

A geographical analysis is presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments.

Goodwill

Goodwill represents the net excess of the purchase consideration over the fair value of net identifiable assets of entities acquired. Goodwill is capitalised and tested for impairment at balance sheet dates or when there is an indication of impairment. Goodwill is allocated to cash generating units for the purposes of testing impairment based on the synergies expected in the business combination, with any impairments arising being recognised immediately in the income statement. Impairments recognised are not reversed in subsequent periods.

In circumstances where the group acquires an interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost, the group reassess the identification and measurement of all assets and liabilities (including contingent liabilities) following which any remaining excess is recognised immediately in profit and loss..

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of the group (pound sterling) at the applicable closing rate.

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 is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on an estimate of the number of instruments that will eventually vest.

A liability and expense in respect of cash settled share based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the liability that will eventually vest. The liability is recognised at the current fair value as at each balance sheet date, based on an estimate of the number of instruments that will eventually vest. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the profit and loss account 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.

Foreign currency transactions and foreign operations

The presentation currency of the group is sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

Foreign operations are subsidiaries, associates, joint ventures or branches of the group, the activities of which are based in a functional currency other than that of reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expense items are translated at exchange rates ruling at the date of the transaction;
- all resulting exchange differences are recognised in equity (foreign currency translation reserve), which is recognised in profit and loss on disposal of the foreign operation.
- cash flow items are translated at the exchange rates ruling at the date of the transaction.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:

- foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in profit and loss;

- exchange differences arising on monetary items that form part of the net investment in a foreign operation are translated 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 cost are translated using the exchange rates ruling at the date of the transaction.

Revenue recognition

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 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 recognized 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.

Commissions and fees include fees earned from providing advisory services as well as portfolio management. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commission income are only recognised when they can be estimated reliably.

Principal transaction income includes trading profits, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties.

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Trading profits gross of funding costs is disclosed in note 3.

Financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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 and loss

Financial instruments held at fair value through profit and loss include all instruments classified as held as trading and those instruments designated as held at fair value through profit and loss.

Financial instruments classified as held for trading or designated as held at fair value through profit and loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit and loss are designated as such on initial recognition of the instrument (or on initial adoption of IFRS) and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit and 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 bases to the group's key management personnel; and
- if a contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit and loss.

Held-to-maturity assets

Held to maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates. Financial assets that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortised cost using the effective interest method, less impairment losses.

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 and loss;
- those that the group designates as available for sale; and
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are measured at amortised cost less impairment losses subsequent to initial recognition.

Available for sale assets

Financial assets classified as available for sale are measured at fair value on the balance sheet, with unrealised gains and losses recognised in equity. Realised gains and losses are recognised in income in the period in which the asset is realised.
If an available for sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in equity are included in the income statement in the period in

which the impairment is identified.

Impairment losses on available for sale equity instruments are not reversed once 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 and loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest method.

Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

Valuation of financial instruments

The following financial instruments are held 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 and loss/available for sale, and
- Financial liabilities classified as trading or designated as held at fair value through profit and loss

Where available, market prices provide the best basis of fair value. Where market prices are not available, the 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 companies, relevant third party arm's length transactions and other information specific to the investment.

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. An 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 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. Assets specifically identified as impaired are removed from the portfolio assessment.

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 general risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the group's rights to cash flows has expired; or when he group has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Derivative instruments and hedge accounting

All derivative instruments of the group are recorded on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised gains 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).

The group applies either fair value or cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To meet 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.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship.
- 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.

Hedge accounting is discontinued when it is determined that the derivative ceases to be highly effective as a hedge; the derivative expires, or is sold, terminated or exercised; when the hedge item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

For qualifying fair value hedges, the change in fair value of the hedging derivative 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 derivative is initially recognised in equity and is released to the initial cost of any asset/liability recognised or in all other cases, to the income statement when the hedged firm commitment or forecasted transaction affects net profit.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging derivative, which represents an effective hedge, is initially recognised in equity and is released to the income statement in the same periods during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in profit and loss.

Derivative instruments transacted as economic hedges but 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.

To the extent that a derivative may be embedded in a host contract and the host 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.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group. 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 Ltd are recorded as minority interests on balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which have 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 in the period in which they are declared to the Investec plc shareholders (in relation to dividends declared by Investec plc) and Investec Limited shareholders (in relation to Investec Limited shareholders).

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, 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".

Securities lending and 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.

Instalment credit, leases and rental agreements

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the entity is the lessor and included in liabilities where the entity 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 under operating leases are charged/credited in the profit and loss account on a straight line basis over the lease term. Contingent rentals (if any) are accrued to profit and loss account when incurred.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairments.

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 of the asset.

The current annual depreciation rates for each class of property and equipment is as follows:

• Computer and related equipment	20-33%
• Motor vehicles	20-25%
• Furniture and fittings	10-20%
• Freehold buildings	2%
• Leasehold improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.

No depreciation is provided on freehold land, however, similar to other property related assets, it is subject to impairment testing when deemed necessary.

Routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment property

Properties held by the group which are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under "principal transactions".

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of selling price 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 higher than 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 taxation is provided on taxable profits at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit or loss.

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 asset can be utilised.

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Employee benefits

The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme all employer contributions are charged to income, as incurred in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus or deficit in the balance sheet (to the extent that it is considered recoverable). Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in equity.

The group has no liabilities for other post retirement benefits.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, depreciation is provided on the depreciable amount of each intangible assets on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Intangible assets with an indefinite life are not depreciated, however they are tested for impairment on an annual basis.

Assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale and affected by the measurement requirement of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) are measured at the lower of its carrying amount and fair value less costs to sell.

Borrowing costs

Borrowing costs in respect of property developments that take a substantial period of time to get ready for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Contingent assets and contingent liabilities are not recognised.

Standards and interpretations 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

IFRS 7 - Financial Instruments: Disclosures (effective for the financial year beginning 1 April 2007)

The standard is related to disclosure requirements for financial instruments and replaces IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions) and elements of IAS 32 (Financial Instruments: Disclosure and Presentation). Adoption of the standard will change the format of disclosure presented but will not affect recognition or measurement criteria as currently applied.

IAS 39 Financial Instruments: Recognition and Measurement - Cash flow hedge accounting of forecast intragroup transactions (effective for the financial year beginning 1 April 2006)

This amendment is not anticipated to be utilised by the group.

IAS 39 Financial Instruments: Recognition and Measurement - Financial guarantee contracts (effective for the financial year beginning 1 April 2006)

The amendment clarifies that the issuer of financial guarantee contracts initially records the contract at fair value and subsequently measures in accordance with IAS 37, adjusted for accumulated amortisation of the amount initially recorded.

This amendment is not expected to result in a material adjustment to current recognition and measurement criteria applied by the group.

Key management assumptions

In preparation of the financial statements the group makes estimations and applies judgment that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgment is applied include:

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility.

- Valuation of investment properties is performed twice annually by directors that are sworn valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time.

For the year to 31 March £'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Manage-ment	Property Activities	Group Services & Other Activities	Total group
2. Segmental analysis							
Business analysis 2006							
Interest receivable	814 587	939 656	4 674	4 141	2 767	(831 436)	934 389
Interest payable	(648 799)	(868 428)	(2 458)	(91)	(6 769)	851 308	(675 237)
Net interest income	**165 788**	**71 228**	**2 216**	**4 050**	**(4 002)**	**19 872**	**259 152**
Fees and commissions receivable	111 821	58 598	86 800	190 139	20 586	10 521	478 465
Fees and commissions payable	(10 882)	(2 720)	(4 167)	(24 249)	-	427	(41 591)
Principal transactions	12 288	55 101	97 864	1 514	21 387	57 905	246 059
Operating income from associates	6 257	(75)	307	-	-	205	6 694
Investment income on assurance activities	-	-	-	-	-	141 559	141 559
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	164 631	164 631
Other operating income	-	-	-	-	557	2 164	2 721
Other income	**119 484**	**110 904**	**180 804**	**167 404**	**42 530**	**377 412**	**998 538**
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(293 135)	(293 135)
Total operating income net of insurance claims	**285 272**	**182 132**	**183 020**	**171 454**	**38 528**	**104 149**	**964 555**
Impairment losses on loans and advances	1 745	(12 342)	722	(16)	-	731	(9 160)
Net operating income	**287 017**	**169 790**	**183 742**	**171 438**	**38 528**	**104 880**	**955 395**
Administrative expenses	(166 058)	(102 549)	(82 669)	(111 163)	(19 823)	(76 625)	(558 887)
Depreciation and impairment of property, equipment and software	(2 794)	(325)	(143)	(899)	(107)	(3 473)	(7 741)
Operating profit before goodwill impairment	**118 165**	**66 916**	**100 930**	**59 376**	**18 598**	**24 782**	**388 767**
Impairment of goodwill	-	-	-	(14 157)	(7 199)	-	(21 356)
Operating profit	**118 165**	**66 916**	**100 930**	**45 219**	**11 399**	**24 782**	**367 411**
Profit/(loss) on termination or disposal of group operations	-	-	(1 071)	-	-	74 644	73 573
Profit before taxation	**118 165**	**66 916**	**99 859**	**45 219**	**11 399**	**99 426**	**440 984**
Net intersegment revenue	(117 965)	109 259	(7 586)	474	(2 819)	18 637	-
ROE (pre-tax)*	30.3%	27.3%	171.8%	36.3%	76.8%	(0.9%)	37.9%
Cost to income ratio	59.2%	56.5%	45.2%	65.4%	51.7%	76.9%	58.7%
Number of employees	1 765	530	287	790	258	823	4 453
Total assets (£'million)	7 120	9 855	584	324	141	5 877	23 901
Adjusted shareholders' equity (£'million)	410	294	64	140	17	115	1 040
Adjusted tangible shareholders' equity (£'million)	389	280	46	12	8	115	850

* Refer to calculation on page 30.

For the year to 31 March £'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management	Property Activities	Group Services & Other Activities	Total group
2. Segmental analysis (continued)							
Business analysis 2005							
Interest receivable	633 423	765 950	8 731	3 238	2 569	(679 146)	734 765
Interest payable	(529 585)	(718 969)	(5 386)	(396)	(6 057)	672 448	(587 945)
Net interest income	**103 838**	**46 981**	**3 345**	**2 842**	**(3 488)**	**(6 698)**	**146 820**
Fees and commissions receivable	157 394	49 706	64 107	136 276	24 471	8 004	439 958
Fees and commissions payable	(6 006)	(2 979)	(4 283)	(12 191)	-	(359)	(25 818)
Principal transactions	4 835	37 094	47 706	46	13 360	32 317	135 358
Operating income from associates	451	(304)	-	6	-	14 321	14 474
Investment income on assurance activities	-	-	-	-	-	258 855	258 855
Premiums and reinsurance recoveries on insurance contracts	-	(35)	-	-	-	246 572	246 537
Other operating income	38	-	-	-	(437)	6 519	6 120
Other income	**156 712**	**83 482**	**107 530**	**124 137**	**37 394**	**566 229**	**1 075 484**
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(478 894)	(478 894)
Total operating income net of insurance claims	**260 550**	**130 463**	**110 875**	**126 979**	**33 906**	**80 637**	**743 410**
Impairment losses on loans and advances	(13 949)	(1 346)	(709)	-	3	(11 795)	(27 796)
Net operating income	**246 601**	**129 117**	**110 166**	**126 979**	**33 909**	**68 842**	**715 614**
Administrative expenses	(159 026)	(82 002)	(60 559)	(88 981)	(15 627)	(79 249)	(485 444)
Depreciation and impairment of property, equipment and software	(3 566)	(792)	(321)	(971)	(117)	(4 363)	(10 130)
Operating profit before goodwill impairment	**84 009**	**46 323**	**49 286**	**37 027**	**18 165**	**(14 770)**	**220 040**
Impairment of goodwill	(3 554)	5 023	(2 170)	(28 709)	(2 783)	(4 817)	(37 010)
Operating profit	**80 455**	**51 346**	**47 116**	**8 318**	**15 382**	**(19 587)**	**183 030**
Loss on termination or disposal of group operations	(1 000)	-	-	-	-	(13 629)	(14 629)
Profit before taxation	**79 455**	**51 346**	**47 116**	**8 318**	**15 382**	**(33 216)**	**168 401**
Net intersegment revenue	(90 667)	116 581	(4 004)	148	(3 692)	(18 366)	-
ROE (pre-tax)*	28.8%	26.6%	116.9%	20.5%	87.7%	(7.5%)	27.9%
Cost to income ratio	62.4%	63.5%	54.9%	70.8%	46.4%	103.7%	66.7%
Number of employees	1 695	445	245	723	225	830	4 163
Total assets (£'million)	5 341	8 107	546	1 706	103	2 240	18 043
Adjusted shareholders' equity (£'million)*	291	190	27	141	19	93	761
Adjusted tangible shareholders' equity (£'million)*	269	179	5	7	5	93	558

* Based on 1 April 2005. Refer to calculation on page 30.

For the year to 31 March £'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
2. Segmental analysis (continued)					
Geographical analysis 2006					
Interest receivable	277 848	605 470	50 514	557	934 389
Interest payable	(176 762)	(471 505)	(26 970)	-	(675 237)
Net interest income	**101 086**	**133 965**	**23 544**	**557**	**259 152**
Fees and commissions receivable	226 860	230 674	16 322	4 609	478 465
Fees and commissions payable	(29 311)	(11 321)	(680)	(279)	(41 591)
Principal transactions	57 572	181 747	3 664	3 076	246 059
Operating income from associates	6 902	-	(207)	(1)	6 694
Investment income on assurance activities	-	141 559	-	-	141 559
Premiums and reinsurance recoveries on insurance contracts	-	164 631	-	-	164 631
Other operating income	1 578	1 143	-	-	2 721
Other income	**263 601**	**708 433**	**19 099**	**7 405**	**998 538**
Claims and reinsurance premiums on insurance business	-	(293 135)	-	-	(293 135)
Total operating income net of insurance claims	**364 687**	**549 263**	**42 643**	**7 962**	**964 555**
Impairment losses on loans and advances	(6 291)	(1 919)	(950)	-	(9 160)
Net operating income	**358 396**	**547 344**	**41 693**	**7 962**	**955 395**
Administrative expenses	(248 053)	(277 482)	(25 376)	(7 976)	(558 887)
Depreciation and impairment of property, equipment and software	(2 607)	(4 452)	(574)	(108)	(7 741)
Operating profit before goodwill impairment	**107 736**	**265 410**	**15 743**	**(122)**	**388 767**
Impairment of goodwill	-	(21 356)	-	-	(21 356)
Operating profit	**107 736**	**244 054**	**15 743**	**(122)**	**367 411**
Profit/(loss) on termination or disposal of group operations	73 700	-	-	(127)	73 573
Profit before taxation	**181 436**	**244 054**	**15 743**	**(249)**	**440 984**
Taxation	(28 387)	(78 378)	(4 851)	-	(111 616)
Profit after taxation	**153 049**	**165 676**	**10 892**	**(249)**	**329 368**
Earnings attributable to minority interests	6 893	7 374	-	-	14 267
Earnings attributable to shareholders	146 156	158 302	10 892	(249)	315 101
Earnings attributable to shareholders' equity	**153 049**	**165 676**	**10 892**	**(249)**	**329 368**
Net intersegment revenue	1 640	(2 061)	421	-	-
ROE (post-tax)*	14.1%	42.8%	13.9%	(305.0%)	25.5%
Cost to income ratio	68.7%	51.3%	60.9%	101.5%	58.7%
Effective tax rate	28.2%	29.5%	30.4%	-	29.2%
Number of employees	1 166	3 114	168	5	4 453

* Refer to calculation on page 29.

At 31 March £'million	UK & Europe	Southern Africa	Australia	Other goegraphies	Total group

2. Segmental analysis (continued)

Geographical analysis 2006

At 31 March £'million	UK & Europe	Southern Africa	Australia	Other goegraphies	Total group
Assets					
Cash and balances at central banks	9	180	2	-	191
Loans and advances to banks	518	1 232	81	-	1 831
Cash equivalent advances to customers	-	690	-	-	690
Reverse repurchase agreements and cash collateral on securities borrowed	642	114	-	-	756
Trading securities	159	1 479	1	-	1 639
Derivative financial instruments	237	842	2	-	1 081
Investment securities	1 104	26	136	-	1 266
Loans and advances to customers	3 230	5 972	403	-	9 605
Interests in associated undertakings	62	-	1	-	63
Deferred taxation assets	25	33	3	-	61
Other assets	955	315	3	-	1 273
Property, plant and equipment	15	10	2	-	27
Investment properties	-	163	-	-	163
Goodwill	125	47	12	-	184
Intangible assets	1	9	-	-	10
	7 082	11 112	646	-	18 840
Financial instruments at fair value through income in respect of					
- liabilities to customers	-	3 629	-	-	3 629
- assets related to reinsurance contracts	-	1 432	-	-	1 432
	7 082	**16 173**	**646**	**-**	**23 901**
Liabilities					
Deposits by banks	1 154	725	-	-	1 879
Derivative financial instruments	46	659	1	-	706
Other trading liabilities	124	333	-	-	457
Repurchase agreements and cash collateral on securities lent	273	86	-	-	359
Customer accounts	3 207	5 239	253	-	8 699
Debt securities in issue	511	2 192	247	-	2 950
Deferred taxation liabilities	-	25	1	-	26
Current taxation liabilities	37	99	1	-	137
Other liabilities	841	731	11	-	1 583
Pension fund liabilities	2	-	-	-	2
	6 195	10 089	514	-	16 798
Liabilities to customers under investment contracts	-	3 489	-	-	3 489
Insurance liabilities, including unit-linked liabilities	-	140	-	-	140
Reinsured liabilities	-	1 432	-	-	1 432
	6 195	15 150	514	-	21 859
Subordinated liabilities (including convertible debt)	226	304	-	-	530
	6 421	**15 454**	**514**	**-**	**22 389**

For the year to 31 March £'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
2. Segmental analysis (continued)					
Geographical analysis 2005					
Interest receivable	229 868	446 851	36 114	21 932	734 765
Interest payable	(183 403)	(367 538)	(22 338)	(14 666)	(587 945)
Net interest income	**46 465**	**79 313**	**13 776**	**7 266**	**146 820**
Fees and commissions receivable	235 603	176 871	16 078	11 406	439 958
Fees and commissions payable	(16 778)	(6 613)	(1 499)	(928)	(25 818)
Principal transactions	31 714	99 391	1 122	3 131	135 358
Operating income from associates	70	14 316	(81)	169	14 474
Investment income on assurance activities	-	258 855	-	-	258 855
Premiums and reinsurance recoveries on insurance contracts	-	246 537	-	-	246 537
Other operating income	-	5 865	-	255	6 120
Other income	**250 609**	**795 222**	**15 620**	**14 033**	**1 075 484**
Claims and reinsurance premiums on insurance business	-	(478 894)	-	-	(478 894)
Total operating income net of insurance claims	**297 074**	**395 641**	**29 396**	**21 299**	**743 410**
Impairment losses on loans and advances	(4 814)	(22 465)	(82)	(435)	(27 796)
Net operating income	**292 260**	**373 176**	**29 314**	**20 864**	**715 614**
Administrative expenses	(229 059)	(221 520)	(17 876)	(16 989)	(485 444)
Depreciation and impairment of property, equipment and software	(3 307)	(5 658)	(449)	(716)	(10 130)
Operating profit before goodwill impairment	**59 894**	**145 998**	**10 989**	**3 159**	**220 040**
Impairment of goodwill	(10 413)	(26 597)	-	-	(37 010)
Operating profit	**49 481**	**119 401**	**10 989**	**3 159**	**183 030**
Loss on termination or disposal of group operations	(1 000)	(8 422)	-	(5 207)	(14 629)
Profit before taxation	**48 481**	**110 979**	**10 989**	**(2 048)**	**168 401**
Taxation	(13 228)	(42 654)	(3 118)	(1 463)	(60 463)
Profit after taxation	**35 253**	**68 325**	**7 871**	**(3 511)**	**107 938**
Earnings attributable to minority interests	252	1 563	-	556	2 371
Earnings attributable to shareholders	35 001	66 762	7 871	(4 067)	105 567
Earnings attributable to shareholders' equity	**35 253**	**68 325**	**7 871**	**(3 511)**	**107 938**
Net intersegment revenue	3 937	(4 271)	334	-	-
ROE (post-tax)*	12.1%	35.4%	13.1%	3.6%	20.0%
Cost to income ratio	78.2%	57.4%	62.3%	83.1%	66.7%
Effective tax rate	22.1%	32.4%	28.2%	48.9%	29.4%
Number of employees	1 308	2 648	140	67	4 163

* Based on 1 April 2005. Refer to calculation on page 29.

At 31 March £'million	UK & Europe	Southern Africa	Australia	Other geographies	Total group
2. Segmental analysis (continued)					
Geographical analysis 2005					
Assets					
Cash and balances at central banks	9	95	1	-	105
Treasury bills and other eligible bills	7	182	135	-	324
Loans and advances to banks	2 248	747	22	-	3 017
Loans and advances to customers	2 901	4 181	320	-	7 402
Debt securities	1 089	856	47	10	2 002
Equity shares	272	249	3	7	531
Interests in associated undertakings	12	1	-	1	14
Deferred taxation assets	29	18	2	-	49
Other assets	678	662	5	2	1 347
Property and equipment	17	10	2	-	29
Investment properties	-	202	-	-	202
Goodwill	128	59	12	-	199
Intangible assets	1	6	-	-	7
	7 391	7 268	549	20	15 228
Long-term assurance assets attributable to policyholders	-	2 815	-	-	2 815
	7 391	**10 083**	**549**	**20**	**18 043**
Liabilities					
Deposits by banks	886	27	-	-	913
Customer accounts	2 735	3 769	301	-	6 805
Debt securities in issue	-	1 925	-	-	1 925
Current taxation liabilities	19	54	-	-	73
Deferred taxation liabilities	-	7	-	-	7
Other liabilities	3 045	526	123	7	3 701
Accruals and deferred income	103	112	8	4	227
Pension fund liability	11	-	-	-	11
	6 799	6 420	432	11	13 662
Long-term assurance liabilities attributable to policyholders	-	2 815	-	-	2 815
	6 799	9 235	432	11	16 477
Subordinated liabilities (including convertible debt)	220	280	-	-	500
	7 019	**9 515**	**432**	**11**	**16 977**

2. Segmental analysis (continued)

A geographical breakdown of business line operating profit before goodwill impairment, non-operating items and taxation is shown below:

For the year to 31 March £'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
2006					
Private Client Activities	68 932	41 224	8 009	-	118 165
Treasury and Specialised Finance	22 507	43 560	849	-	66 916
Investment Banking	29 631	65 887	5 412	-	100 930
Asset Management	10 609	48 767	-	-	59 376
Property Activities	2 023	16 575	-	-	18 598
Group Services and Other Activities	(25 966)	49 397	1 473	(122)	24 782
Total group	**107 736**	**265 410**	**15 743**	**(122)**	**388 767**
2005					
Private Client Activities	44 698	32 918	4 342	2 051	84 009
Treasury and Specialised Finance	18 179	27 161	1 193	(210)	46 323
Investment Banking	16 631	26 975	3 515	2 165	49 286
Asset Management	4 859	31 983	-	185	37 027
Property Activities	5 071	13 094	-	-	18 165
Group Services and Other Activities	(29 544)	13 867	1 939	(1 032)	(14 770)
Total group	**59 894**	**145 998**	**10 989**	**3 159**	**220 040**

Further breakdowns of business line operating profit before goodwill impairment, non-operating items and taxation are shown below:

For the year 31 March £'000	2006	2005
Private Client Activities		
Private Banking	101 523	70 205
Private Client Portfolio Management and Stockbroking	16 642	13 804
	118 165	**84 009**
Treasury and Specialised Finance	**66 916**	**46 323**
Investment Banking		
Corporate Finance	11 608	7 988
Institutional Research and Sales and Trading	14 982	4 607
Direct Investments	34 218	16 568
Private Equity	40 122	20 123
	100 930	**49 286**
Asset Management	**59 376**	**37 027**
Property Activities	**18 598**	**18 165**
Group Services and Other Activities		
International Trade Finance	4 505	3 545
US continuing operations	(120)	(1 022)
UK Traded Endowments	(47)	(813)
Assurance activities	11 518	24 760
	15 856	26 470
Central Funding	66 777	(1 279)
Central Costs	(57 851)	(39 961)
	24 782	**(14 770)**
Total group	**388 767**	**220 040**

For the year to 31 March £'000	2006	2005
3. Principal transactions		
Principal transaction income includes:		
Gross trading income	139 487	126 645
Funding cost against trading income	(16 832)	(22 610)
Net trading income	122 655	104 035
Net income from financial instruments designated as held at fair value	86 541	
Realised income on disposal of available for sale instruments	(803)	
Fair value income on investment properties	28 301	5 612
Dividend income	9 340	9 815
Gains on disposal/reclassification of investment securities		15 896
Other income	25	-
	246 059	**135 358**
Net income from financial instruments designated as held at fair value includes:		
Fair value movement of designated equity positions	79 669	
Fair value movement of designated loans and receivables	187	
Fair value movement of designated securities	15 245	
Fair value movement of related derivative instruments	(8 560)	
	86 541	
4. Other operating income		
Rental income from properties	1 950	546
Gains on realisation of properties	771	5 574
	2 721	**6 120**
5. Administrative expenses		
Staff costs	372 643	319 086
Salaries and wages (including directors' remuneration)	341 839	292 410
Social security costs	17 474	13 705
Pensions and provident fund contributions	13 330	12 971
Premises (excluding depreciation)	39 607	38 762
Equipment (excluding depreciation)	19 837	22 941
Business expenses	104 258	86 147
Marketing expenses	22 542	18 508
	558 887	**485 444**
The following amounts were paid to the auditors:		
Audit fees	4 654	3 630
Audit related fees	211	213
Other services	635	2 670
	5 500	**6 513**
Audit fees by audit firm:		
Ernst & Young	3 750	5 229
KPMG Inc	1 620	1 282
Other	130	2
	5 500	**6 513**

Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration report on pages 123 to 140.

For the year to 31 March £'000	2006	2005
6. Share based payments		

The group operates share option and share purchase schemes for employees, the majority of which is 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 127 to 132 of the remuneration report.

	2006	2005
Expense charged to profit and loss:		
Equity settled	18 065	8 849
Cash settled	575	761
Total profit and loss charge	**18 640**	**9 610**
Liabilities on cash settled options:		
Total liability included in other liabilities	495	481
Total intrinsic value for vested appreciation rights	2 064	966
Fair value of options granted in the year		
UK Schemes	12 500	32 977
South African Schemes	15 678	38 785

At 31 March	UK Schemes				South African Schemes			
	2006		2005		2006		2005	
	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
Details of options outstanding during the year								
Outstanding at the beginning of the year	6 261 564	8.12	7 720 933	12.11	8 103 016	120.13	8 456 207	157.40
Granted during the year	1 034 027	4.13	2 114 322	1.75	717 035	75.57	2 593 050	37.26
Exercised during the year*	(1 316 342)	12.01	(966 033)	10.79	(1 702 179)	151.64	(729 185)	135.74
Expired during the year	(404 248)	11.58	(2 607 658)	13.92	(291 557)	163.09	(2 217 056)	171.86
Outstanding at the end of the year	**5 575 001**	**6.36**	**6 261 564**	**8.12**	**6 826 315**	**104.73**	**8 103 016**	**120.13**
Exercisable at the end of the year	**272 361**	**18.36**			**791 561**	**203.55**		

* Weighted average share price during the year

6. Share based payments (continued)

The exercise price range and weighted average remaining contractual life for the options outstanding at 31 March 2006, were as follows:

	UK Schemes	South African Schemes
Exercise price range	£7.76 - £24.96	R100.00 - R272.05
Weighted average remaining contractual life	7.4 years	5.9 years

The fair values of options granted were calculated using a Black Scholes option pricing model. For options granted during the period, the inputs into the model were as follows:

	UK Schemes		South African Schemes	
For the year to 31 March	2006	2005	2006	2005
The fair values of options granted where calculated on 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	£17.06 - £24.96	£10.26 - £15.90	R167.30 - R274.13	R117.50 - R125.20
- Exercise price	£7.76 - £21.52	£7.76 - £15.73	R167.30 - R272.05	R115.45 - R121.71
- Expected volatility	28% -30%	30%	28% -30%	30%
- Option life	5 years	5 - 9 years	5 - 5.75 years	5 - 7 years
- Expected dividend yields	3.15% - 4.27%	4.21% - 4.27%	3.36% - 4.67%	4.51% - 6.39%
- Risk-free rate	4.23% - 4.69%	5.60%	6.74% - 7.78%	10.64%

Expected volatility was determined based on historical volatility of the respective share price over 6 months. The expected attrition rates used were determined based on historical group data.

For the year to 31 March £'000	2006	2005
7. Taxation		
Current taxation		
UK		
- current tax on income for the year	20 124	3 060
- adjustments in respect of prior years	6 286	(11)
- current tax before double tax relief	26 410	3 049
- double tax relief	(3 710)	(2 621)
	22 700	428
Southern Africa	80 144	35 720
Europe	4 096	1 115
Australia	5 804	3 599
Other	1 427	3 667
	91 471	44 101
Secondary taxation on companies*	689	223
Total current tax	**114 860**	**44 752**
Deferred tax		
UK	(123)	9 505
Southern Africa	(2 455)	6 710
Europe	287	-
Australia	(953)	(504)
Total deferred tax	**(3 244)**	**15 711**
Total tax charge for the year	**111 616**	**60 463**
Deferred tax comprises:		
Origination and reversal of temporary differences	(3 025)	20 466
Change in tax rates	-	400
Adjustment in respect of prior years	(219)	(5 155)
	(3 244)	**15 711**
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	2 465
Europe	Nil	Nil
The rates of corporation tax for the relevant years are:	%	%
UK	30	30
South Africa	29	30
Europe (average)	20	20
Australia	30	30
Israel	n/a	36
USA	35	35
Profit on ordinary activities before taxation	**440 984**	**168 401**
Tax on profit on ordinary activities	**111 616**	**60 463**
Effective tax rate	**25%**	**36%**

* Secondary taxation on companies is an additional corporate tax on South African entities on declaration of dividends.

For the year to 31 March £'000	2006	2005
7. Taxation (continued)		
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation, at UK rate of 30%	132 295	50 520
Tax calculated at a rate of 30%		
Non taxable (gains)/loss on sale of subsidiaries	(23 551)	1 862
Tax adjustments relating to foreign earnings	6 223	13 179
Taxation relating to prior years	6 067	(5 166)
Goodwill and non operating items	321	2 794
Share options accounting expense	2 240	831
Share options exercised during the year	(1 950)	-
Unexpired share options future tax deduction	(4 918)	(1 140)
Double tax relief	(3 710)	(2 621)
Net other permanent differences	(1 401)	204
Total tax charge	**111 616**	**60 463**

For the year to 31 March	2006	2005
8. Earnings per share		
Earnings per share - pence		
Basic earnings per share (pence) 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.	268.9	84.5
	£'000	**£'000**
Earnings attributable to the shareholders	315 101	105 567
Preference dividends paid	(19 940)	(11 738)
Earnings attributable to ordinary shareholders	**295 161**	**93 829**
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.	249.8	81.0
	Number	**Number**
Weighted total average number of ordinary shares in issue during the year	118 633 273	118 633 273
Weighted average number of treasury shares	(8 865 490)	(7 540 405)
Weighted average number of ordinary shares in issue during the year	109 767 783	111 092 868
Weighted average number of shares resulting from future dilutive potential shares	5 884 874	4 975 253
Weighted average number of shares resulting from future dilutive convertible instruments	3 573 994	3 573 994
Adjusted weighted number of ordinary shares potentially in issue	**119 226 651**	**119 642 115**
Adjusted earnings per share - pence		
Adjusted earnings per share (pence) 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.	209.5	129.8
	£'000	**£'000**
Earnings attributable to shareholders	315 101	105 567
Impairment of goodwill	21 356	37 010
(Profit)/loss on disposal or termination of group operations	(73 573)	14 629
Preference dividends paid	(19 940)	(11 738)
Additional earnings attributable to other equity holders	(12 927)	(1 275)
Adjusted earnings attributable to ordinary shareholders before goodwill impairment and non-operating items	**230 017**	**144 193**
Adjusted diluted earnings per share - pence	195.2	127.5
Headline earnings per share - pence		
Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings" and in terms of circular 7/2002 issued by the South African Institute of Chartered Accountants.	203.0	127.6
	£'000	**£'000**
Earnings attributable to shareholders	315 101	105 567
Impairment of goodwill	21 356	37 010
(Profit)/loss on disposal or termination of group operations	(73 573)	14 629
Preference dividends paid	(19 940)	(11 738)
Gains and losses recognised on investment properties (after taxation and minority interests)	(20 724)	(4 478)
Other headline adjustments	585	730
Headline earnings attributable to ordinary shareholders	**222 805**	**141 720**

For the year to 31 March	2006		2005	
	Pence per share	Total £'000	Pence per share	Total £'000

9. Dividends

Ordinary dividend

Final dividend for prior year	37.00	41 681	30.00	30 767
Interim dividend for current year	38.00	42 754	30.00	24 631
Total dividend attributable to ordinary shareholders recognised in current financial year	**75.00**	**84 435**	**60.00**	**55 398**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2006 of 53 pence per ordinary share. The final dividend will be payable on 14 August 2006 to shareholders on the register at the close of business on 28 July 2006. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on 10 August 2006.

Perpetual preference dividend	South African Cents per share	£'000	South African Cents per share	£'000
Final dividend for prior year	504.19	6 917	446.00	5 432
Interim dividend for current year	767.13	13 023	427.70	6 306
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**1 271.32**	**19 940**	**873.70**	**11 738**

The directors have declared a final dividend in respect of the financial year ended 31 March 2006 of 366.49 cents (Investec Limited) and 392.67 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable on 3 July 2006 to shareholders on the register at the close of business on 30 June 2006.

10. Miscellaneous income statement items

For the year to 31 March £'000	2006	2005
Total foreign currency losses recognised in income excluding financial instruments measured at fair value through income statement	**1 222**	**3 202**
Operating lease expenses recognised in administrative expenses split as follows:		
Minimum lease payments	33 496	31 985
Contingent rents	9	7
	33 505	**31 992**
Operating lease income recognised in income split as follows:		
Sublease payments	5 809	6 249
	5 809	**6 249**

At 31 March 2006 £'000	At fair value through profit and loss		
	Trading	Designated at inception	Held-to-maturity
11. Analysis of assets and liabilities by classification basis			
Assets			
Cash and balances at central banks	190 838	-	-
Loans and advances to banks	8 371	-	-
Cash equivalent advances to customers	211 662	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	756 645	-	-
Trading securities	1 281 994	358 094	-
Derivative financial instruments	1 081 287	-	-
Investment securities	-	9 663	123 615
Loans and advances to customers	-	1 397 198	-
Interests in associated undertakings	-	-	-
Deferred taxation assets	-	-	-
Other assets	572 353	17 394	-
Property, plant and equipment	-	-	-
Investment properties	-	-	-
Goodwill	-	-	-
Intangible assets	-	-	-
	4 103 150	1 782 349	123 615
Financial instruments at fair value through income in respect of			
- liabilities to customers	-	-	-
- assets related to reinsurance contracts	-	-	-
	4 103 150	**1 782 349**	**123 615**
Liabilities			
Deposits by banks	-	-	-
Derivative financial instruments	705 764	-	-
Other trading liabilities	457 254	-	-
Repurchase agreements and cash collateral on securities lent	358 278	-	-
Customer accounts	90 261	370 296	-
Debt securities in issue	429 203	625 086	-
Current taxation liabilities	-	-	-
Deferred taxation liabilities	-	-	-
Other liabilities	644 313	2 358	-
Pension fund liabilities	-	-	-
	2 685 073	**997 740**	**-**
Liabilities to customers under investment contracts	-	-	-
Insurance liabilities, including unit-linked liabilities	-	-	-
Reinsured liabilities	-	-	-
	2 685 073	997 740	-
Subordinated liabilities (including convertible debt)	-	-	-
	2 685 073	**997 740**	**-**

Loans and receivables	Available for sale	Financial liabilities at amortised cost	Insurance related	Non financial instruments	Total
-	-	-	-	-	190 838
1 740 970	81 262	-	-	-	1 830 603
478 574	-	-	-	-	690 236
-	-	-	-	-	756 645
-	-	-	-	-	1 640 088
-	-	-	-	-	1 081 287
75	1 133 320	-	-	-	1 266 673
7 775 895	431 496	-	-	-	9 604 589
-	-	-	-	63 099	63 099
-	-	-	-	60 035	60 035
643 380	-	-	-	39 660	1 272 787
-	-	-	-	26 916	26 916
-	-	-	-	163 049	163 049
-	-	-	-	183 560	183 560
-	-	-	-	10 094	10 094
10 638 894	1 646 078	-	-	546 413	18 840 499
-	-	-	3 628 574	-	3 628 574
-	-	-	1 431 876	-	1 431 876
10 638 894	**1 646 078**	**-**	**5 060 450**	**546 413**	**23 900 949**
-	-	1 879 483	-	-	1 879 483
-	-	-	-	-	705 764
-	-	-	-	-	457 254
-	-	-	-	-	358 278
-	-	8 238 608	-	-	8 699 165
-	-	1 895 814	-	-	2 950 103
-	-	-	-	137 426	137 426
-	-	-	-	26 210	26 210
-	-	877 450	-	58 735	1 582 856
-	-	-	-	2 013	2 013
-	-	**12 891 355**	**-**	**224 384**	**16 798 552**
-	-	-	3 488 756	-	3 488 756
-	-	-	139 818	-	139 818
-	-	-	1 431 876	-	1 431 876
-	-	12 891 355	5 060 450	224 384	21 859 002
-	-	529 854	-	-	529 854
-	**-**	**13 421 209**	**5 060 450**	**224 384**	**22 388 856**

At 31 March £'000	2005
12. Treasury bills and other eligible bills	
Dealing securities held at fair value	38 424
Treasury bills	143 016
Other unlisted eligible bills with banks	181 440
Investment securities held at cost	142 182
	323 622
Investment securities:	
At beginning of year	144 781
Purchases	1 013 937
Maturities	(1 014 935)
Exchange movements	(1 601)
At end of year	**142 182**

Treasury bills and other eligible bills are mainly short term in maturity with a book value not materially different from market value.

13. Trading securities

At 31 March £'000	2006 Carrying value	2006 Cumulative unrealised gains/(losses)
Listed equities	290 238	(16 199)
Unlisted equities	263 610	54 323
Promissory notes	74 542	19 848
Liquid asset bills	352 440	2 809
Debentures	352 363	5 460
Bonds	306 895	23 282
	1 640 088	**89 523**

14. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as a customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. 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 below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

At 31 March £'000	2006 Notional principal amounts	Positive fair value	Negative fair value	2005 Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange	6 329 855	147 723	1 520	4 982 495	114 844	98 239
Currency swaps	1 975 392	66 507	17 983	508 022	78 428	11 457
OTC options bought and sold	452 627	8 458	8 937	311 986	11 889	8 527
Other foreign exchange contracts	550 037	425	388	41	-	-
OTC derivatives	9 307 911	223 113	28 828	5 802 544	205 161	118 223
Exchange traded futures	142 200	2	-	1 199	111	12 842
	9 450 111	**223 115**	**28 828**	**5 803 743**	**205 272**	**131 065**
Interest rate derivatives						
Caps and floors	1 420 738	2 077	10 549	1 053 987	2 585	2 960
Swaps	32 562 527	416 142	456 948	21 003 581	516 805	463 985
Forward rate agreements	56 542 387	22 062	23 255	40 040 854	53 732	51 813
OTC options bought and sold	1 822 387	941	851	272 511	2 727	1 340
Other interest rate contracts	1 230 477	-	5 347	-	-	-
OTC derivatives	93 578 516	441 222	496 950	62 370 933	575 849	520 098
Exchange traded futures	1 537 782	468	537	1 072 984	312	536
	95 116 298	**441 690**	**497 487**	**63 443 917**	**576 161**	**520 634**
Equity and stock index derivatives						
OTC options bought and sold	40 194	131 251	94 024	934 264	84 121	67 461
Equity swaps and forwards	4 053	183	2 538	331 435	3 593	17 701
OTC derivatives	44 247	131 434	96 562	1 265 699	87 714	85 162
Exchange traded futures	18 585	-	1 054	711 704	-	80
Exchange traded options	50 790	941	331	659 207	5 261	-
Warrants	45 987	32 946	-	43 933	28 492	-
	159 609	**165 321**	**97 947**	**2 680 543**	**121 467**	**85 242**

At 31 March £'000	2006 Notional principal amounts	Positive fair value	Negative fair value	2005 Notional principal amounts	Positive fair value	Negative fair value
14. Derivative financial instruments (continued)						
Commodity derivatives						
OTC options bought and sold	639 278	164 403	103 883	1 191 390	75 111	51 280
Commodity swaps and forwards	751 982	119 737	49 052	615 990	25 274	9 506
OTC derivatives	1 391 260	284 140	152 935	1 807 380	100 385	60 786
Exchange traded futures	695 327	169 734	167 946	1 392 504	3 157	4 130
Exchange traded options	1 321 183	41 095	39 260	1 177 101	1 244	1 550
	3 407 770	**494 969**	**360 141**	**4 376 985**	**104 786**	**66 466**
Credit derivatives						
Credit linked notes bought and sold	6 043	-	121	-	-	-
Credit swaps bought and sold	9 486	12	3	43 350	51	344
	15 529	**12**	**124**	**43 350**	**51**	**344**
Embedded derivatives	**128 832**	**34 943**	-	-	-	-
Gross fair values		**1 360 050**	**984 527**		**1 007 737**	**803 751**
Effect of on balance sheet netting		(278 763)	(278 763)		(577 015)	(577 015)
Trading derivatives per balance sheet		**1 081 287**	**705 764**		**430 722**	**226 736**
Effect of master netting agreements		(419 195)	(419 195)			
Net balances after master netting		**662 092**	**286 569**			

The notional principal amounts represent the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

Derivative financial instruments at 31 March 2005 are disclosed in other assets and other liabilities refer to notes 22 and 31 on pages 196 and 205 respectively.

15. Investment securities

At 31 March £'000	2006
Listed equities	32 362
Unlisted equities	23 497
Commercial paper	906 188
Bonds	166 599
Floating rate notes	32 385
Other investments	105 642
	1 266 673

At 31 March £'000	2006	2005
16. Loans and advances to customers		
Category analysis		
Commercial property loans	2 816 243	2 057 203
Residential mortgages	1 872 477	1 018 936
Leases and instalment debtors	306 933	279 810
Corporate and public sector loans and advances	2 864 206	2 877 686
Other private bank lending	1 352 121	1 094 387
Other loans and advances	433 735	164 814
	9 645 715	7 492 836
Specific impairment	(31 056)	(21 657)
Portfolio impairment/general provision	(10 070)	(68 719)
	9 604 589	**7 402 460**

Specific and portfolio impairments

2006

Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.

	2006
Specific impairment	
Balance at beginning of year	21 657
IAS 39 adjustments	6 046
Balance at 1 April 2005	27 703
Charge to the income statement	8 718
Utilised	(7 340)
Exchange adjustment	1 975
Balance at end of year	**31 056**
Portfolio impairment	
Balance at beginning of year	68 719
IAS 39 adjustments	(59 854)
Balance at 1 April 2005	8 865
Charge to the income statement	442
Exchange adjustments	763
Balance at end of year	**10 070**

To meet minimum regulatory provision requirements, an additional regulatory reserve is maintained as reflected in the combined consolidated reconciliation of equity.

2005

Reconciliation of movements in group specific and general provisions for bad and doubtful debts.

	2005
Specific provisions	
At beginning of year	29 869
Charged against income	17 746
Utilised	(17 493)
Transfers from general provisions	344
Acquired or disposed with subsidiary undertakings	(7 770)
Exchange adjustments	(1 039)
At end of year	**21 657**
General provisions	
At beginning of year	60 360
Charged against income	10 050
Acquired or disposed with subsidiary undertakings	(1 150)
Utilised	-
Transfers to specific provision	(344)
Exchange adjustment	(197)
At end of year	**68 719**

At 31 March £'000	2006
16. Loans and advances to customers (continued)	
Analysis of past due accounts but not impaired per ageing category	
30-90 days	48 881
90-180 days	27 216
180 days-1 year	23 397
Longer than 1 year	2 344
Total	101 838

Securitisations

Investec plc and Investec Limited enters into transactions in the normal course of business by which it transfers financial assets directly to third parties or to special purpose entities. These transfers may give rise to the full or partial derecognition of the financial assets concerned. The table below reflects securitised assets and related liabilities that continue to be recognised in the consolidated accounts.

At 31 March 2006 £'000	Carrying amount of transferred assets	Carrying amount of associated liabilities
Nature of transactions		
Residential mortgages	423 243	438 343

At 31 March £'000	2005
17. Debt securities	
Dealing and market making securities at market value	
Government securities	120 852
Unlisted bank and building society certificates of deposit	151 734
Other debt securities	500 126
	772 712
Investment securities at cost	
Government securities	86 646
Unlisted bank and building society certificates of deposit	705 460
Other unlisted debt securities	436 864
	1 228 970
Total debt securities	**2 001 682**
Cost of dealing and market making securities	735 034
Amounts include:	
Unamortised net premiums on investment securities	68

The cost of the investment securities, all of which are held in the banking book, does not differ materially from the fair value.

Remaining maturity	
Up to one year	1 056 204
Greater than one year	945 478
	2 001 682
Investment securities:	
At beginning of year	895 428
By acquisition or disposal of subsidiary undertaking	(73 233)
Additions	1 424 724
Sold/matured	(929 419)
Exchange adjustment	(10 307)
Reclassification	(78 223)
At end of year	**1 228 970**

At 31 March £'000	2005
18. Equity shares	
Dealing securities at market value	
Listed	442 851
Unlisted	69 614
	512 465
Investment securities at book value	
Listed	6 767
Unlisted	12 030
	18 797
	531 262
Investment securities at market value	
Listed	6 943

The market value of unlisted investment securities in 2005 is not disclosed as its determination is not practicable. Unlisted investment securities are valued by the directors for impairment at each reporting date. This valuation is based on predicted cash flows.

The cost of dealing securities has not been disclosed, as its cost cannot be determined without unreasonable expense.

Investment securities at book value	
At beginning of year	35 050
Additions	6 982
Provisions	12 144
Disposals	(35 775)
Exchange movements	396
At end of year	**18 797**
Provisions on investment securities	
At beginning of year	(31 647)
Movement	12 144
At end of year	**(19 503)**

19. Financial assets and liabilities designated at fair value through profit and loss

		Fair value gain/(loss)	
At 31 March 2006 £'000	**Carrying value**	**Life to date**	**Year to date**
Investment securities	9 663	1 854	1 822
Loans and advances to customers	1 397 198	84 341	1 674
Trading securities	358 094	41 591	47 769
Other assets	17 394	(14 000)	-
	1 782 349	**113 786**	**51 265**
Customer accounts	370 296	26 669	5 012
Debt securities in issue	625 086	(69)	(36)
Other liabilities	2 358	-	-
	997 740	**26 600**	**4 976**

At 31 March £'000	2006	2005
20. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	(1 820)	4 993
Goodwill	64 919	8 226
Investment in associated undertaking	**63 099**	**13 219**
Analysis of the movement in our share of net assets:		
At beginning of year	4 993	59 399
Exchange adjustments	107	3 084
Acquisitions	(11 653)	229
Disposed with subsidiary undertakings	-	(258)
Disposal of shareholding in associate company	-	(66 418)
Operating income from associates	6 694	14 474
Dividends received	(1 455)	(5 167)
Non-operating items	(3 268)	-
Gains recognised in equity	2 762	-
Capital reduction	-	(350)
At end of year	**(1 820)**	**4 993**
Analysis of the movement in goodwill:		
At beginning of year	8 226	19 742
Exchange adjustments	25	(680)
Acquisitions	57 739	1 123
Disposed with subsidiary undertakings	-	(17)
Goodwill impairment	(1 071)	(2 467)
Disposal of shareholdings in associate company	-	(9 475)
At end of year	**64 919**	**8 226**
Associated undertakings:		
Listed	49 045	215
Unlisted	14 054	13 004
	63 099	**13 219**
Market value of listed investments	**166 289**	**287**

The only significant investment held in associates in the year was Rensburg Sheppards plc (RS). RS is listed company on the London Stock Exchange and conducts the business of private client stockbroking. RS became an associate in the current year. On 6 May 2005 the group sold the entire share capital of Carr Sheppards Crosthwaite Ltd to RS. The purchase consideration was satisfied by the creation of a loan of £60 million due by RS to Investec 1 Limited and the issue of shares giving Investec 1 Limited a 47.7% holding in RS.

At 31 March 2006 RS had the following shares of 10 90/91p:	43 314 068
Holding in RS ordinary share (%)	47.7 *

* Investec has undertaken not to vote in excess of 30% of the issued capital of RS in the five year period ending 6 May 2010.

Significant transactions between the group and RS during the year ended 31 March 2006, all of which are on arm's length basis included:
Rent of £1.58 million and a contribution of £0.2 million in respect of RS occupation of 2 Gresham Street in London. A further £0.4 million was received in relation to other services provided including IT and Internal Audit.

The group has no holdings of securities issued by significant associated undertakings, except as listed above.

At 31 March 2006 £'000	Country of incorporation	Assets	Liabilities	Revenues	Profit/loss*
20. Interests in associated undertakings (continued)					
Rensburg Sheppards plc	England & Wales	404 542	250 867	109 385	29 347

* revenues and profits are for the 16 months ended 31 March 2006. Profits are before tax, amortisation of both goodwill and Employee Benefit Trust prepayments and exceptional items.

21. Deferred taxation

At 31 March £'000	2006	2005
Deferred tax asset		
Deferred capital allowances	13 251	15 663
Income and expenditure accruals	23 689	10 311
Arising from credits on secondary tax on companies in South Africa	8 953	7 499
Asset in respect of pensions liability	2 420	3 297
Other temporary differences	11 722	12 253
	60 035	**49 023**
Deferred tax liability	22 943	7 254
Unrealised fair value adjustments on financial instruments	3 267	191
Other temporary differences	**26 210**	**7 445**
Net deferred tax asset	33 825	41 578
Reconciliation of net deferred tax asset		
At beginning of year	41 578	47 124
Adoption of IAS 32/39	(9 676)	-
Charge to profit and loss	3 244	(15 711)
(Charge)/ credit directly in equity	316	(482)
Deferred tax arising on pension fund deficit movement in equity	(874)	3 987
Arising on acquisitions	-	7 006
Arising on disposals	(2 281)	-
Exchange adjustments	1 518	(346)
At end of year	**33 825**	**41 578**
Deferred tax on available for sale instruments recognised directly in equity	(1 265)	-
Deferred tax on unexpired share options recognised directly in equity	1 576	100

22. Other assets

	2006	2005
Settlement debtors	980 166	644 547
Dealing properties	29 748	33 235
Other debtors	259 625	236 522
Pension assets	3 248	-
Derivative instruments positive fair value		430 722
Other investments		991
	1 272 787	**1 346 017**

At 31 March £'000	Freehold properties	Leasehold improvements	Furniture & vehicles	Equipment	Total
23. Property and equipment					
2006					
Cost					
At beginning of year	1 107	24 764	17 851	35 981	79 703
Exchange adjustments	29	402	1 143	1 795	3 369
Disposal of subsidiary undertakings	-	(2 497)	(559)	(2 070)	(5 126)
Additions	-	403	1 122	2 542	4 067
Disposals	-	(7)	(451)	(3 353)	(3 811)
At end of year	**1 136**	**23 065**	**19 106**	**34 895**	**78 202**
Accumulated depreciation					
At beginning of year	(45)	(9 436)	(13 198)	(28 295)	(50 974)
Exchange adjustments	-	(472)	(1 156)	(1 567)	(3 195)
Disposal of subsidiary undertakings	-	2 188	529	1 887	4 604
Disposals	-	-	131	3 720	3 851
Depreciation	(8)	(1 150)	(792)	(3 622)	(5 572)
At end of year	**(53)**	**(8 870)**	**(14 486)**	**(27 877)**	**(51 286)**
Net book value	**1 083**	**14 195**	**4 620**	**7 018**	**26 916**
2005					
Cost					
At beginning of year	14 870	26 436	26 966	32 116	100 388
Exchange adjustments	152	(83)	13	(39)	43
Disposal of subsidiary undertakings	(14 025)	-	(8 487)	17	(22 495)
Reclassifications	-	-	(113)	192	79
Additions	110	1 973	2 425	4 077	8 585
Disposals	-	(3 562)	(2 953)	(382)	(6 897)
At end of year	**1 107**	**24 764**	**17 851**	**35 981**	**79 703**
Accumulated depreciation					
At beginning of year	-	(11 513)	(19 978)	(23 858)	(55 349)
Exchange adjustments	(39)	105	3	(28)	41
Disposal of subsidiary undertakings	1 240	-	6 693	(15)	7 918
Reclassifications	-	-	23	-	23
Disposals	-	3 072	1 083	(307)	3 848
Depreciation	(1 246)	(1 100)	(1 022)	(4 087)	(7 455)
At end of year	**(45)**	**(9 436)**	**(13 198)**	**(28 295)**	**(50 974)**
Net book value	**1 062**	**15 328**	**4 653**	**7 686**	**28 729**

At 31 March £'000	2006	2005
24. Investment properties		
Valuation		
At beginning of year	202 352	100 231
Additions	12 847	108 771
Disposals	(94 524)	(11 784)
Revaluation	28 301	5 612
Exchange adjustments	14 073	(478)
At end of year	**163 049**	**202 352**

The group values its investment properties twice annually. The properties were valued by directors who are sworn valuators. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time. Investment properties are carried at fair value.

At 31 March £'000	2006	2005
25. Goodwill		
Cost		
At beginning of year	249 358	251 508
Additions	9 487	(1 509)
Disposals	(9 115)	-
Exchange adjustments	680	(641)
At end of year	**250 410**	**249 358**
Accumulated impairments		
At beginning of year	(50 045)	-
Impairments*	(21 356)	(50 878)
Exchange adjustments	4 551	833
At end of year	**(66 850)**	**(50 045)**
Net book value	**183 560**	**199 313**
Analysis of goodwill by line of business and geography		
UK and Europe		
Private Banking	17 536	18 047
Private Client Portfolio Management and Stockbroking	-	1 182
Treasury and Specialised Finance	13 787	11 301
Investment Banking	6 112	10 612
Asset Management	88 045	88 045
	125 480	**129 187**
South Africa		
Private Client Portfolio Management and Stockbroking	3 371	3 116
Asset Management	40 115	45 786
Property Activities	3 001	9 636
	46 487	**58 538**
Australia		
Investment Banking	11 593	11 588
Total group	**183 560**	**199 313**

* The 2005 goodwill impairments of £50 878 comprises impairments of £37 010 and £13 868. £13 868 is included in profit/loss on termination or disposal of group operations. Refer to page 199.

25. Goodwill (continued)

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired.

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 arrived at 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 most recent financial budgets for the next financial year and are extrapolated for a period of 3 years, adjusted for expected future events.

2006

Impairment losses comprises:

- £21.4 million in respect of the portfolio of businesses acquired from the Fedsure Group. The impairment calculation was based on a discounted cashflow valuation, utilising a discount rate of 12.3%.

2005

Charge to the income statement of £50.9 million comprises the following:

£13.9 million impairments included in profit/loss on termination or disposal of group operations

- £11.2 million in respect of a business acquired from the Fedsure Group
- £2.7 million arising from the closure of the traded endowment business

Net impairments of £37 million

- £25.1 million in respect of the portfolio of business acquired from the Fedsure Group.
- £6.1 million in respect of Private Equity business acquired as part of Hambros plc.
- £6.6 million in respect of the Asset Management business acquired as part of Hambros plc and Guinness Mahon.
- £2.6 million in respect of the Swiss Trusts and fiduciary businesses.
- Other impairments of £1.6 million
- The release of £5.0 million of negative goodwill which arose as a result of the acquisition of ICF Investments Limited.

At 31 March £'000	Acquired contracts	Acquired software	Internally generated software	Total
26. Intangible fixed assets				
2006				
Cost				
At beginning of year	5 066	14 624	579	20 269
Exchange adjustments	249	654	86	989
Disposal of subsidiary undertakings	-	(976)	-	(976)
Additions	2 863	3 097	592	6 552
Disposals	(1 107)	(183)	-	(1 290)
At end of year	**7 071**	**17 216**	**1 257**	**25 544**
Accumulated amortisation and impairments				
At beginning of year	-	(12 722)	(174)	(12 896)
Exchange adjustments	-	(572)	(40)	(612)
Disposal of subsidiary undertakings	-	976	-	976
Disposals	-	140	41	181
Impairment	(116)	-	-	(116)
Amortisation	(814)	(1 771)	(398)	(2 983)
At end of year	**(930)**	**(13 949)**	**(571)**	**(15 450)**
Net book value	**6 141**	**3 267**	**686**	**10 094**
2005				
Cost				
At beginning of year	-	14 687	1 072	15 759
Exchange adjustments	-	(43)	(2)	(45)
Additions	5 066	941	80	6 087
Disposals	-	(961)	(571)	(1 532)
At end of year	**5 066**	**14 624**	**579**	**20 269**
Accumulated amortisation and impairments				
At beginning of year	-	(11 155)	(577)	(11 732)
Exchange adjustments	-	54	1	55
Disposals	-	949	507	1 456
Amortisation	-	(2 570)	(105)	(2 675)
At end of year	**-**	**(12 722)**	**(174)**	**(12 896)**
Net book value	**5 066**	**1 902**	**405**	**7 373**

Charge to the income statement of £4 007 000 comprises the following:

- Amortisation of acquired contacts and computer software of £3 891 000.
- Acquired contracts impairment of £116 000 in respect of a property management company. The impairment calculation was based on a discounted cashflow valuation, using a discount rate of 13.5%.
- The amortisation and impairment of acquired contracts is included in business expenses.

27. Acquisitions and disposals

Acquisitions

For the year ended 31 March 2006:

The group made the following acquisitions of subsidiary undertakings or net assets and operations in the year ended 31 March 2006 which were accounted for on an acquisition basis:

i. In June 2005 £2.4 million of goodwill arose on the acquisition of a leasing book.
ii. In October 2005 the group acquired 100% of Jersey based trust group, Quorum Holdings Limited, resulting in £2.9 million of goodwill.
iii. In January 2006 Alliance Capital Management (Pty) Ltd was acquired resulting in the recognition of £4.2 million of goodwill.

27. Acquisitions and disposals (continued)

The acquisitions were satisfied by the payment of cash. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below.

£'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	280		280
Loans and advances to customer	89 254		89 254
Intangible assets	3 117		3 117
Other assets	1 030	93	1 123
Total assets	93 681	93	93 774
Other liabilities	(661)		(661)
Net assets/fair value of net assets	**93 020**	**93**	93 113
Goodwill arising on acquisition			9 487
Fair value of consideration			**102 600**

For the year ended 31 March 2005:

The group made the following acquisitions of subsidiary undertakings or net assets and operations in the year ended 31 March 2005 which were accounted for on an acquisition basis:

i. £5.1 million relating to the acquisition of two property management companies in South Africa.
ii. £3.1 million relating to the acquisition of the South African private client business of HSBC.
iii. On 7 June 2004 a subsidiary of IBUK, Investec Group Investments (UK) Limited, acquired 100% of the issued share capital of ICF Investments Limited (formerly ING UK Corporate Finance Holdings Limited) by way of a cash consideration. £5.0 million negative goodwill arose as a result of the acquisitions of ICF Investments.
iv. Other immaterial acquisitions giving raise to net goodwill of £0.4 million.

The acquisitions were satisfied by the payment of cash. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below.

£'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	38 817	-	38 817
Debt securities, equity shares and investments in associates	989	-	989
Prepayments and accrued income	14	-	14
Other assets - deferred tax	-	8 880	8 880
Total assets	39 820	8 880	48 700
Other liabilities	(38 000)	-	(38 000)
Accruals and deferred income	(294)	(2 000)	(2 294)
	(38 294)	(2 000)	(40 294)
Net assets/fair value of net assets	**1 526**	**6 880**	8 406
Net goodwill			3 557
Fair value of consideration			**11 963**

The fair value adjustments relate mainly to deferred tax assets available to the acquiror but not recognised by the company acquired.

27. Acquisitions and disposals (continued)

Disposals

For the year ended 31 March 2006:

i. The group disposed of its interest in Carr Sheppards Crosthwaite Ltd (CSC) to Rensburg plc (now renamed Rensburg Sheppards plc) on 6 May 2005.

£'000		
22.7 million Rensburg shares issued at £4.99		
Subordinated loan	113 273	
Total consideration for sale of CSC	60 000	
	173 273	
Apportionment - gain equals 52.3% of total (as Investec retains 47.7% of Rensburg plc)		90 622
Less 52.3% of CSC's net assets		
Net assets		(11 092)
Goodwill	12 128	
	9 080	
Net gain on disposal of CSC	21 208	
Net loss on disposal of other group undertakings		79 530
Net gain on disposal of group undertakings		(1 027)
		78 503

ii. The group completed the disposal of its broker dealer in the United States, Investec (US) Inc, on 17 March 2006. There was no impact on goodwill.

iii. Total cash flows on disposals are as detailed in the table below.

Goodwill	9 115
Total other assets	71 059
Total liabilities	(502 829)
	(422 655)
Minorities	(15 888)
Profit on termination or disposal of group operations	73 573
Cash outflow on disposals	**(364 970)**

iv. Other minor disposals resulted in net adjustments of £35 000 to goodwill.

For the year ended 31 March 2005:

The group disposed of its interest in Investec Bank (Israel) Ltd in December 2004. There was no impact on goodwill.

At 31 March £'000	2006	2005
28. Long-term assurance business attributable to policyholders		
2006		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	934 034	
Investec Assurance Limited	2 554 722	
Insurance liabilities, including unit-linked liabilities - IEB	139 818	
Reinsured liabilities - IEB	1 431 876	
Total policyholder liabilities	**5 060 450**	
2005		
Long-term assurance business attributable to policyholders		
Investec Employee Benefits Limited		1 118 698
Investec Assurance Limited		1 696 439
		2 815 137
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	1 039 611	1 118 698
Reinsured assets	1 431 876	
Other assets	34 243	
	2 505 730	**1 118 698**
Investments shown above comprise:		
Interest bearing securities	142 490	106 698
Stocks, shares, and unit trusts	577 511	670 040
Deposits	319 610	341 960
	1 039 611	**1 118 698**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	2 502 473	1 659 079
Debtors and prepayments	7 618	32 138
Other assets	44 631	5 222
	2 554 722	**1 696 439**
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest bearing securities	329 137	353 840
Stocks, shares, and unit trusts	1 439 185	794 704
Deposits	734 151	510 535
	2 502 473	**1 659 079**

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.

At 31 March £'000	2006	2005
28. Long-term assurance business attributable to policyholders (continued)		
Long-term assurance activities linked to policyholders		
Income statement items related to assurance activities		
Investment income on assurance activities	141 559	258 855
Premiums and reinsurance recoveries on insurance contracts	164 631	246 537
Claims and reinsurance premiums on insurance business	(293 135)	(478 894)
Operating expenses	(1 534)	(14 965)
Net income before taxation	11 521	11 533
Taxation	(10 478)	(4 924)
Net income after taxation	**1 043**	**6 609**
29. Other trading liabilities		
Short positions -		
equities	378 386	
gilts	78 868	
	457 254	
30. Debt securities in issue		
Bonds and medium term notes repayable:		
Up to one year	598 618	-
Greater than one year but less than five years	335 939	295 211
Greater than five years	-	189 607
	934 557	484 818
Other unlisted debt securities in issue repayable:		
Not more than three months	961 748	670 414
Over three months but not more than one year	1 021 349	641 180
Over one year but not more than five years	32 449	128 712
	2 015 546	1 440 306
	2 950 103	**1 925 124**

Bonds that are listed on the Bond Exchange of South Africa have maturity dates as noted below:

£93.2 million

Final legal maturity of 15 December 2025.

The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date but not before 15 December 2006.

£130.6 million

Final legal maturity of 15 November 2029.

The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date but not before 15 November 2007.

£205.4 million

Final legal maturity of 15 October 2031.

The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date but not before 15 July 2009.

At 31 March £'000	2006	2005
31. Other liabilities		
Settlement liabilities	893 340	1 037 535
Cumulative redeemable preference shares including accrued dividends	286 810	210 404
Other creditors and accruals	90 949	106 515
Other non interest bearing liabilities	311 757	227 068
Derivatives negative fair value		226 736
Short positions in securities		1 892 731
	1 582 856	**3 700 989**
32. Pension commitments		
Defined benefit obligations	266	690
Defined contributions	13 064	12 281
Pension and provident fund contributions	**13 330**	**12 971**

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes, with the exception of the Guinness Mahon Pension Fund Scheme (GM Scheme) and the Investec Asset Management Pension scheme (IAM Scheme). Both these 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 2006 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:

31 March	2006	2005
Discount rate	5.00%	5.50%
Rate of increase in salaries	3.00%	3.50%
Rate of increase in pensions in payment	2.70%	2.70%
Inflation	2.90%	2.90%

The assets held in the schemes and the expected rates of return were:

31 March	Value at 2006 £'000	Long-term rate of return expected	Value at 2005 £'000	Long-term rate of return expected
GM Scheme				
Equities	41 931	7.30%	25 357	7.70%
Gilts	47 462	4.30%	43 484	4.70%
Cash	3 782	4.50%	5 606	4.75%
Total market value of assets	**93 175**		**74 447**	
IAM Scheme				
Equities	6 231	7.30%	4 743	7.70%
Gilts	2 256	4.30%	2 051	4.70%
Cash	519	4.50%	496	4.75%
Total market value of assets	**9 006**		**7 290**	

32. Pension commitments (continued)

The following amounts have been recognised in the financial statements in accordance with IAS 19:

	2006			2005		
£'000	GM	IAM	Total	GM	IAM	Total
Recognised in the balance sheet						
Fair value of fund assets	93 175	9 006	102 181	74 447	7 290	81 737
Present value of obligations	(89 927)	(11 019)	(100 946)	(82 871)	(9 857)	(92 728)
Net asset/(liability)	**3 248**	**(2 013)**	**1 235**	**(8 424)**	**(2 567)**	**(10 991)**
Amounts in balance sheet						
Assets	3 248	-	3 248	-	-	-
Liability	-	(2 013)	(2 013)	(8 424)	(2 567)	(10 991)
Net asset/(liability)	**3 248**	**(2 013)**	**1 235**	**(8 424)**	**(2 567)**	**(10 991)**
Recognised in the income statement						
Past service cost	-	(187)	(187)	-	-	-
Expected return on pension scheme assets	4 452	487	4 939	3 920	464	4 384
Interest on pension obligations	(4 471)	(547)	(5 018)	(4 571)	(503)	(5 074)
Net return	**(19)**	**(247)**	**(266)**	**(651)**	**(39)**	**(690)**
Recognised in the statement of recognised income and expense						
Actuarial gains on plan assets	8 125	1 177	9 302	1 905	192	2 097
Actuarial (losses)/gains	(5 765)	(630)	(6 395)	1 731	(442)	1 289
Actuarial gain/(loss)	2 360	547	2 907	3 636	(250)	3 386
Deferred tax	(708)	(164)	(872)	(1 091)	75	(1 016)
Actuarial gain/(loss) in statement of recognised income and expense	**1 652**	**383**	**2 035**	**2 545**	**(175)**	**2 370**

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expense is £9.6 million (£6.7 million net of deferred tax).

32. Pension commitments (continued)

At 31 March £'000	GM	IAM	Total
Changes in the fair value of defined benefit obligations			
Defined benefit obligation at 31 March 2004	83 186	9 047	92 233
Interest cost	4 571	503	5 074
Actuarial losses/(gains)	(1 731)	442	(1 289)
Benefits paid	(3 155)	(135)	(3 290)
Opening defined benefit obligation at 1 April 2005	82 871	9 857	92 728
Interest cost	4 471	547	5 018
Actuarial losses/(gains)	5 765	630	6 395
Past service cost	-	187	187
Benefits paid	(3 180)	(202)	(3 382)
Closing defined benefit obligation at 31 March 2006	**89 927**	**11 019**	**100 946**
Changes in the fair value of plan assets			
Assets at 31 March 2004	68 165	6 773	74 938
Expected return	3 920	464	4 384
Actuarial losses/(gains)	1 905	192	2 097
Contributions by the employer	3 612	53	3 665
Other outgoings	-	(57)	(57)
Benefits paid	(3 155)	(135)	(3 290)
Opening defined benefit obligation at 1 April 2005	74 447	7 290	81 737
Expected return	4 452	487	4 939
Actuarial losses/(gains)	8 125	1 177	9 302
Contributions by the employer	9 331	254	9 585
Benefits paid	(3 180)	(202)	(3 382)
Closing fair value of plan assets at 31 March 2006	**93 175**	**9 006**	**102 181**

The group expects to make £4.1 million of contributions to defined benefit schemes in 2007.

At 31 March £'000	2006	2005
33. Subordinated liabilities		
Issued by Investec Finance plc		
- a wholly owned subsidiary of Investec Bank (UK) Limited which is a wholly owned subsidiary of Investec plc		
Guaranteed subordinated step-up notes	200 306	196 254
Issued by Investec Bank (UK) Limited		
Zero coupon bonds	25 377	23 262
Issued by Investec Bank Limited		
- a wholly owned subsidiary of Investec Limited		
Unsecured subordinated compulsorily convertible debentures (CCD's)	23 933	21 646
Class "C" unsecured subordinated CCD's	4 083	6 506
16% subordinated bonds 2012 issued in South African Rands	182 891	167 110
IV02 12.55% subordinated unsecured callable bonds	93 264	85 217
	529 854	**499 995**
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	-	-
In more than one year, but not more than two years	4 083	6 506
In more than two years, but not more than five years	249 616	241 162
In more than five years	276 155	252 327
	529 854	**499 995**

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.

The CCD's issued by Investec Bank Limited were split at issue into their debt and equity components. The equity components were sold to employee share trusts. The debt components were sold to third parties, represented by the amounts above.

Guaranteed subordinated step-up notes

On 1 March 2004 Investec Finance plc issued £200 000 000 of 7.75% guaranteed subordinated step-up notes due 2016 at a discount. Interest is paid annually. The notes are guaranteed by Investec Bank (UK) Limited 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 will be reset to become the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt.

33. Subordinated liabilities (continued)

Zero coupon bonds

On 25 March 2004 Investec Bank (UK) Limited issued 9 253 zero coupon bonds of £1 000 each at an effective yield of 6.89094%. The bonds mature on 25 March 2009.

Unsecured subordinated CCD's

The CCD's will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date. The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 3 573 994 Investec Limited ordinary shares.

Class C unsecured CCD's

The 2 000 000 Class C unsecured subordinated compulsorily convertible debentures were acquired by Investec Limited on 18 June 2002 in exchange for the issue of 2 000 000 Investec Limited shares.

16% subordinated bonds 2012 issued in South African Rands

R1 961 million (2005: R1 961 million) Investec Bank Limited 16% local registered unsecured subordinated bonds are due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

IV02 12.55% subordinated unsecured callable bonds

R1 000 million (2005: R1 000 million) Investec Bank Limited IV02 subordinated 12.55% unsecured callable bonds. The bonds redemption date is 31 March 2013 but the company has the option to call the bond on 31 March 2008. If not called, the bonds will switch to a floating rate of 3 month JIBAR plus 300 basis points payable quarterly in arrears until maturity.

At 31 March	2006	2005

34. Called up share capital

Investec plc

Authorised

The authorised share capital of Investec plc is £167 500 (2005: £167 500) comprising: 112 000 000 (2005: 112 000 000) ordinary shares of £0.001 each, 55 500 000 (2005: 55 500 000) Special Converting Shares of £0.001 each, 1 (2005: 1) Special Voting share of £0.001 each, 1 (2005: 1) UK DAN Share of £0.001 and 1 (2005: 1) UK DAS Share of £0.001, 1 000 000 (2005: nil) non-cumulative perpetual preference shares of €0.01

Issued, allotted and fully paid

	2006	2005
Number of ordinary shares	Number	Number
At beginning and end of year	74 633 746	74 633 746
Nominal value of ordinary shares	£'000	£'000
At beginning and end of year	74	74
Number of special converting shares	Number	Number
At beginning and end of year	43 999 527	43 999 527
Nominal value of special converting shares	£'000	£'000
At beginning and end of year	44	44
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	2006	2005

34. Called up share capital (continued)

Investec Limited

Authorised

The authorised share capital of Investec Limited is South African Rand 1 205 502 (2005: R 1 205 502), comprising 55 500 000 (2005: 55 500 000) ordinary shares of South African Rand 0.001 each, 8 000 000 (2005: 8 000 000) convertible non-cumulative preference shares of South African Rand 0.001 each, 50 000 (2005: 50 000) variable rate cumulative redeemable preference shares of South African Rand 0.60 cents each, 100 000 000 (2005: 100 000 000) non-redeemable non-cumulative non-participating preference shares of R0.01 each , 1 (2005: 1) SA DAS redeemable preference share of 1 South African Rand, 1 (2005: 1) SA DAN redeemable preference share of 1 South African Rand, 112 000 000 (2005: 112 000 000) convertible redeemable preference shares of South African Rand 0.001 each (special converting shares)

Issued, allotted and fully paid

	2006	2005
Number of ordinary shares	**Number**	**Number**
At beginning and end of year	43 999 527	43 999 527
Nominal value of ordinary shares	**£'000**	**£'000**
At beginning and end of year	46	46
Number of perpetual preference shares	**Number**	**Number**
At beginning of year	22 182 000	-
Issued during the year	-	22 182 000
At end of year	22 182 000	22 182 000
Nominal value of perpetual preference shares	**£'000**	**£'000**
At beginning of year	19	-
Converted during the year	-	19
At end of year	19	19
Number of redeemable preference shares	**Number**	**Number**
At beginning of year	3 958	1 750
Issued during the year	-	2 208
Redeemed during the year	(2 983)	-
At end of year	975	3 958
Nominal value of redeemable preference shares	**£'000**	**£'000**
At beginning and end of year	*	*

* Less than £1 000

At 31 March	2006	2005
34. Called up share capital (continued)		
Investec Limited (continued)		
Number of special converting shares	**Number**	**Number**
At beginning and end of year	74 633 746	74 633 746
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	*	*
* Less than £1 000		
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited	**£'000**	**£'000**
Total called up share capital	188	188
Less: Held by Investec Limited	-	-
Less: Held by Investec plc	(4)	(4)
Total called up share capital	184	184
Nominal value of perpetual preference shares included	(19)	(19)
Called up share capital	**165**	**165**

34. Called up share capital (continued)

The Investec Limited shares were issued in South African Rands. The amounts recorded above were calculated by reference to historic Pound Sterling/Rand exchange rates.

The redeemable preference shares are all variable rate, cumulative and redeemable. The terms of the various issues are as follows: Shares issued at a premium of R99 999.40 per share (R175 million) were redeemed on 29 November 2005. Shares issued at a premium of R999 999.40 per share (R600 million) were redeemed on 22 March 2006. Shares issued at a premium of R999 999.40 per share (R633 million) were redeemed on 31 March 2006. Shares issued at a premium of R999 999.40 per share (R575 million) are redeemable on 31 March 2014. Shares issued at a premium of R999 999.40 per share pay a dividend on 30 June, 30 September, 31 December and 31 March of 69.8% of South African prime of the subscription price (R400 million) and are redeemable on 12 May 2014.

The holder of 740 000 Investec Limited and 1 260 000 Investec plc shares has agreed to waive its right to dividends until 31 March 2008.

In terms of the Dual Listed Companies Structure, shareholders have common economic and voting rights as if Investec plc and Investec Limited were a single company. These include equivalent dividends on a per share basis, joint electorate and class right voting, and equivalent position on the termination of either company.

The UK DAS shares, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Staff Share Scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in the note 6.

Movements in the number of share options issued for 1 share each, held by employees are as follows:

At 31 March	2006 Number	2005 Number
Outstanding at beginning of year	14 364 580	16 177 140
Issued during the year	1 751 062	4 707 372
Exercised	(3 018 521)	(1 695 218)
Lapsed	(695 805)	(4 824 714)
Outstanding at end of year	**12 401 316**	**14 364 580**

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 shares or debentures 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 and stock market conditions.

In addition to the Staff Share Scheme, other incentive schemes are operated by the group. Whilst the objectives of such schemes are identical to the Staff Share Scheme, membership of them is not extended to all staff members but to key members of the group whom executive management believe are in a position to add significant value to the group. Whilst housed in different structures from the Staff Share Scheme the underlying assets in them are group instruments. Any benefit derived by the members from such schemes is thus totally dependent on the performance of the group.

The extent of the director's interest in the incentive schemes is detailed on page 136 to 140.

At 31 March	2006	2005
35. Treasury shares		
Treasury shares held by subsidiaries of Investec Limited and Investec plc	**£'000**	**£'000**
Investec plc ordinary shares	32 221	56 316
Investec Limited ordinary shares	54 629	43 557
Options held to acquire Investec plc and Investec Limited shares	9 450	-
	96 300	**99 873**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	3 458 425	5 262 111
Investec Limited ordinary shares held by subsidiaries	4 624 421	4 357 588
Investec plc and Investec Limited shares held by subsidiaries	**8 082 846**	**9 619 699**
Reconciliation of treasury shares	**Number**	**Number**
At beginning of year	9 619 699	10 677 604
Purchase of own shares by subsidiary companies	1 445 498	3 052 347
Shares disposed of by subsidiaries	(2 982 351)	(4 110 252)
At end of year	**8 082 846**	**9 619 699**
Market value of treasury shares:	**£'000**	**£'000**
Investec plc	101 712	81 826
Investec Limited	135 023	66 584
	236 735	**148 410**

At 31 March £'000	2006	2005
36. Perpetual preference shares		
Authorised		
100 000 000 (2005: 100 000 000) non redeemable, non cumulative, non-participating preference shares of one cent each.		
Issued		
22 182 000 (2005: 22 182 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R104.49 per share.	215 305	196 736
Preference shareholders will be entitled to receive dividends at a rate of 70% of South African 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.		
Perpetual preference shares issued by subsidiaries	*	**127 064**
	215 305	**323 800**

* Perpetual preference shares issued by subsidiaries were reclassified to minority interests on the adoption of IAS 32 on 1 April 2005. Refer to note 37.

At 31 March £'000	2006	2005
37. Minority interests		
Minority interests attributable to holders of ordinary shares in subsidiaries	7 142	19 244
Perpetual preferred securities issued by subsidiaries	278 459	*
	285 601	**19 244**
Perpetual preferred securities issued by subsidiaries		
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 euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the Preferred Securities is fixed at 7.075 per cent.	139 402	-
The first annual dividend will be paid on the 26 June 2006. 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.		
15 000 000 (2005: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R99.99 per share issued by Investec Bank Limited.	139 057	*
Preference shareholders will be entitled to receive dividends at a rate of 75% of the South African prime interest rate, of the face value of the preference shares held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.		
An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared.		
If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.	**278 459**	**-**

* Perpetual preference shares issued by subsidiaries were reclassified to minority interests on the adoption of IAS 32 on 1 April 2005. Refer to note 36.

At 31 March £'000	2006 Total future minimum payments	2006 Present value	2005 Total future minimum payments	2005 Present value
38. Miscellaneous balance sheet items				
Finance lease receivables included in loans and advances to customers				
Lease receivables in:				
Less than 1 year	41 752	33 220	93 626	86 834
1-5 years	54 502	46 471	45 985	39 650
Later than 5 years	12 054	10 837	5 257	4 070
	108 308	**90 528**	**144 868**	**130 554**
Unearned finance income	**19 449**		**14 499**	

At 31 March 2006, unguaranteed residual values of £2 117 000 (2005: £384 000) had been accrued.

39. Cash flow reconciliations

For the year to 31 March £'000	2006	2005
Reconciliation of operating profit to net operating cash flows		
Operating profit	367 411	183 030
Adjustment for non cash items included in operating profit		
Impairment of goodwill	21 356	37 010
Depreciation and impairment of property, plant and equipment	7 741	10 130
Impairment of loans and advances	9 160	27 796
Operating income from associates	(6 694)	(14 474)
Dividends received from associates	1 455	5 167
Share based payment charges	19 221	8 849
Reconciliation of operating profit to net operating cash flows	**419 650**	**257 508**

At 31 March £'000	2006	2005
40. Commitments		
Forward repurchase agreements	-	64
Undrawn facilities	1 068 591	651 312
Other commitments	11 033	26 902
	1 079 624	**678 278**

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	28 103	24 797
1-5 years	113 663	105 697
Later than 5 years	331 147	338 116
	472 913	**468 610**

At 31 March 2006, 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 8% and 13.5% percent 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	946	1 498
1-5 years	1 730	3 678
Later than 5 years	122	762
	2 798	**5 938**

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 3 and 5 years with no annual escalation clauses. The majority of the leases have renewal options.

41. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
- guarantees and irrevocable letters of credit	396 544	223 508
- assets pledged as collateral security	403	-
Other contingent liabilities	61 021	40 343
	457 968	**263 851**

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.

41. Contingent liabilities (continued)

Legal proceedings

Investec is party to various legal proceedings, the ultimate resolution of of which is not expected to have a material adverse effect on the financial position of the group.

Following falls in the value of assets in the split capital investment trust sector, Carr Sheppards Crosthwaite Ltd (CSC), in common with other firms in the industry, has received a number of complaints. Each complaint has been investigated in accordance with CSC's complaints procedures and within guidelines set by the applicable regulatory authority. A number of complaints are still in the process of adjudication by the Financial Ombudsman Service. Meanwhile in December 2004 a group of firms, of which CSC is not a member, together agreed to make a contribution of £194 million towards the settlement of claims received to date, a reliable estimate cannot yet be made of any compensation payable by CSC in respect of this issue. As part of the arrangements for the sale of CSC to Rensburg plc, Investec 1 Limited has indemnified Rensburg plc for any loss CSC incurs in relation to this matter.

42. Related party transactions

For the year to 31 March £'000	2006	2005
Compensation to the Board of Directors and other key management personnel*		
Short-term employee benefits	20 391	13 690
Share-based payment	3 008	741
	23 399	**14 431**

* Key management personnel are board directors and members of the global operations forum.

For the year to 31 March £'000	2006 Highest balance during the year*	2006 Balance at year end*	2005 Balance at year end*
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 to	19 734	18 363	14 995
Guarantees on behalf of	1 933	1 933	1 579
Other	(11 480)	(7 386)	(6 032)
	(10 187)	**12 910**	**10 542**

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.

* The disclosure of the year-end balance and highest balance during the year is considered the most meaningful information to represent transactions during the year.

For the year to 31 March £'000	2006 Highest balance during the year*	2006 Balance at year end*	2005 Balance at year end*

42. Related party transactions (continued)

Transactions with other related parties

S Koseff, GR Burger, B Kantor, IR Kantor, HS Herman, PRS Thomas and DE Jowell have an interest in Spurwing P-Investments Limited and Spurwing L-Investments Limited, which jointly amount to a holding of 32.3% and 12.02% respectively. Loans were provided to these entities by Investec Bank (Mauritius) Limited on an arms length, fully secured basis as follows:

	Highest balance during the year* (2006)	Balance at year end* (2006)	Balance at year end* (2005)
Spurwing-P Investments Limited	4 060	3 694	3 520
Spurwing-L Investments Limited	1 154	1 050	1 000

Boutique Finance II Ltd is a an investment company owned by certain members of senior management. Investec Bank (UK) Limited provided a loan to Boutique Finance II Ltd and uses Boutique Finance II Ltd's investment in shares as security therefore.

	Highest balance during the year* (2006)	Balance at year end* (2006)	Balance at year end* (2005)
Loan provided by Investec Bank (UK) Limited	-	-	565
Other loans			
Funding provided to finance the Black Economic Empowerment deal:			
Tiso Group Limited	7 764	7 764	8 355
Amounts due from associates	62 015	67 440	19 166

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.

* The disclosure of the year-end balance and highest balance during the year is considered the most meaningful information to represent transactions during the year.

43. Post balance sheet events

Acquisition of N.M. Rothschild Australia Holdings Pty Ltd

Investec Bank (UK) Limited, a wholly owned subsidiary of Investec plc, has agreed to acquire N.M. Rothschild Australia Holdings Pty Ltd for a consideration of approximately A$150 million.

The agreement, which is subject to regulatory approval, will add critical mass and scale to Investec Bank (UK) Limited's existing Australian subsidiary, Investec Bank (Australia) Limited and at the same time add to its capability to originate new business.

N.M. Rothschild & Sons (Australia) Limited has total assets of approximately A$2.1 billion (£890 million) and is principally involved in Property, Resources, Infrastructure, Commercial Finance, Acquisition Finance and Treasury activities operating in Sydney, Melbourne and Perth.

Proposed creation of a new class of Investec plc perpetual preference shares

Investec plc intends to create a new class of perpetual preference shares in order to raise permanent capital in due course thus creating a more efficient capital structure and allowing it to pursue opportunities in the more favourable growth environment. This proposal is conditional amongst other things, on the approval of the Members of both Investec plc and Investec Limited voting together as a single decision-making body. This approval will be sought at the General Meeting of Investec Limited and at an Extraordinary General Meeting of Investec plc to be held at 10:00 (UK time) on Wednesday 28 June 2006.

44. Analysis of collateral

At 31 March 2006 £'000	Carrying value of asset pledged	Fair value or value of collateral held	Value of liabilities secured by assets
Assets			
Loans and advances to banks	46	-	
Reverse repurchase agreements and cash collateral on securities borrowed	642 465	640 983	
Derivative financial instruments	-	2 098	
Investment securities	291 776	-	
Loans and advances to customers	-	3 238 788	
Other assets	-	522 417	
	934 287	**4 404 286**	
Liabilities			
Repurchase agreements and cash collateral on securities lent			258 993
Other liabilities			85
			259 078

Assets are pledged in the ordinary course of business.

45. Hedges

The group uses derivatives for 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 Treasury and Specialised Finance business. Once aggregated and netted, Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges, cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March 2006 £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Gains or losses on hedging instrument	Gains or losses on hedged item
Assets	Interest rate swap	9 434	6 455	(7 097)
Liabilities	Interest rate swap	18 500	(352)	811
	Fx currency swap	451	451	(451)
	Fx swap	(297)	(297)	297
			6 257	**(6 440)**

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in equity and transferred to the income statement when the cash flow occurs. The nominal expected future cash flows that are subject to cash flow hedges are:

At 31 March 2006 £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur	Ineffective portion recognised in principal transactions
Assets	Fx contract	30	monthly until Jul 2006	-
Liabilities	Cross currency swap	134	quarterly until Jan 2008	-

45. Hedges (continued)

At 31 March 2006
£'000

Reconciliation of cash flow reserve

At beginning of year	-
Changes in fair value recognised directly in equity	164
Amounts removed from equity and recognised in income	-
At end of year	**164**

Hedges of net investments in foreign operations

The group has entered into foreign exchange contracts to hedge the majority of 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 2006 £'000	Fair value of hedging instrument	Ineffective portion recognised in principal transactions
	(2 411)	-

46. Principal subsidiary and associated companies

Principal subsidiary companies	Principal activity	Country of incorporation	Interest % 2006	Interest % 2005
Direct subsidiaries of Investec plc				
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Ltd	Banking Institution	Australia	100	100
Investec SA	Investment holding	Luxembourg	100	100
Investec Holdings (UK) Ltd	Holding company	England and Wales	100	100
Investec 1 Ltd	Investment holding	England and Wales	100	100
Investec Bank (UK) Ltd	Banking institution	England and Wales	100	100
Investec Group (UK) PLC	Holding company	England and Wales	100	100
Investec Asset Finance PLC	Leasing company	England and Wales	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Ltd	Investment holding	England and Wales	100	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Investec Bank (Channel Islands) Ltd	Banking institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust Company	Guernsey	100	100
Investec Trust (Switzerland) S.A.	Trust Company	Switzerland	100	100
Investec Trust (Jersey) Limited	Trust Company	Jersey	100	100
Carr Sheppards Crosthwaite Ltd	Stockbroking and portfolio management	England and Wales	-	100
Investec Asset Management Limited	Asset Management	England and Wales	100	100
Investec Ireland Ltd	Financial Services	Ireland	100	100
Investec US Inc	Financial Services	USA	-	100
European Capital Company Ltd	Project Finance	England and Wales	100	100

All of the above subsidiary undertakings are included in the consolidated accounts.

Principal associated companies				
Rensburg Sheppards plc	Stockbroking and portfolio management	England and Wales	47.7	-

46. Principal subsidiary and associated companies (continued)

Principal subsidiary companies	Principal activity	Country of incorporation	Interest % 2006	Interest % 2005
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	100	100
Investec Assurance Ltd	Insurance company	South Africa	100	100
Investec Bank Ltd	Registered Bank	South Africa	100	100
Investec Employee Benefits Holdings Ltd	Investment holding	South Africa	100	100
Investec Int. (Gibraltar) Ltd	Investment holding	Gibraltar	100	100
Investec Securities Ltd	Registered Stock Broker	South Africa	100	100
Fedsure International Ltd	Investment holding	South Africa	100	100
Investec Property Group Holdings Ltd	Investment holding	South Africa	100	100
Indirect subsidiaries of Investec Limited				
Investec Asset Management (Pty) Ltd	Asset management	South Africa	100	100
Investec Insurance Brokers (Pty) Ltd	Insurance broking	South Africa	100	100
Investec International Holdings (Pty) Ltd	Investment holding	South Africa	100	100
Investec Fund Managers SA Ltd	Unit trust management	South Africa	100	100
Investec Bank (Mauritius) Ltd	Banking institution	Mauritius	100	100
Investec Property Group Ltd	Property trading	South Africa	100	100
Reichmans Ltd	Trade financing	South Africa	100	100
Investec Employee Benefits Ltd	Long-term Insurance	South Africa	100	100

Investec Limited has no equity interest in the following special purpose vehicles, which are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities:

Peu II Ltd
Securitisation entities:
- Private Mortgages 1 (Pty) Ltd
- Private Mortgages 2 (Pty) Ltd
- Private Mortgages 3 (Pty) Ltd
- Grayston Conduit (Pty) Ltd

At 31 March 2006 £'000	Demand	Up to One Month	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
47. Maturity analysis								
Assets								
Cash and balances at central banks	190 838	-	-	-	-	-	-	190 838
Loans and advances to banks	309 109	1 510 444	6 517	-	-	4 058	475	1 830 603
Cash equivalent advances to customers	660 236	30 000	-	-	-	-	-	690 236
Reverse repurchase agreements and cash collateral on securities borrowed	748 793	-	7 852	-	-	-	-	756 645
Trading securities	632 013	458 805	287 903	205 915	12 708	8 118	34 626	1 640 088
Derivative financial instruments	1 002 130	2 623	4 669	-	4 146	52 833	14 886	1 081 287
Investment securities	6 305	239 236	234 217	208 835	395 971	153 455	28 654	1 266 673
Loans and advances to customers	322 392	335 456	342 408	425 709	1 154 686	4 669 913	2 354 025	9 604 589
Other assets*	669 359	401 634	26 099	14 723	80 310	113 662	473 753	1 779 540
	4 541 175	**2 978 198**	**909 665**	**855 182**	**1 647 821**	**5 002 039**	**2 906 419**	**18 840 499**
Liabilities								
Deposits by banks	22 731	436 029	153 028	202 832	178 499	747 434	138 930	1 879 483
Derivative financial instruments	617 336	1 087	20 197	522	29 393	11 737	25 492	705 764
Repurchase agreements and cash collateral on securities lent	358 278	-	-	-	-	-	-	358 278
Customer accounts	1 929 052	2 717 768	2 498 247	609 053	508 741	354 496	81 808	8 699 165
Debt securities in issue	-	307 049	713 825	366 755	782 284	780 190	-	2 950 103
Other liabilities*	1 175 521	375 053	176 954	103 216	172 218	168 976	33 821	2 205 759
	4 102 918	3 836 986	3 562 251	1 282 378	1 671 135	2 062 833	280 051	16 798 552
Subordinated liabilities (including convertible debt)	-	-	-	-	-	253 699	276 155	529 854
Equity	-	-	-	-	-	-	1 512 093	1 512 093
	4 102 918	**3 836 986**	**3 562 251**	**1 282 378**	**1 671 135**	**2 316 532**	**2 068 299**	**18 840 499**
Liquidity gap	**438 257**	**(858 788)**	**(2 652 586)**	**(427 196)**	**(23 314)**	**2 685 507**	**838 120**	**-**
Cumulative liquidity gap	**438 257**	**(420 531)**	**(3 073 117)**	**(3 500 313)**	**(3 523 627)**	**(838 120)**	**-**	**-**

* Includes deferred taxation assets, other assets, property and equipment, investment properties,goodwill and intangible assets.
# Includes other trading liabilities, current taxation liabilities, deferred taxation liabilities, other liabilities and pension fund liabilities.

The above table excludes assets and liabilities relating to the long-term assurance business attributable to policyholders.

For further IAS 32 risk disclosures please refer to:
Credit risk - tables on pages 82 to 84.
Interest rate risk - tables on pages 91 and 92.
Liquidity risk - pages 94 and 95.

48. Transition to International Financial Reporting Standards

Overview

From 1 April we were required to prepare our consolidated results (comprising the results of Investec plc and Investec Limited) in accordance with International Financial Reporting Standards (IFRS). Previously these were prepared for Investec plc (incorporating the results of Investec Limited) in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Since 2004 Investec Limited shareholders have been provided with the combined financial statements presented in terms of UK GAAP. Combined SA GAAP financial statements have not been provided as a frame of reference to the shareholders of Investec Limited. In order to ensure that information to shareholders is relevant and reliable the reconciliation for the combined group financial statements is from UK GAAP to IFRS. The financial statements for the year ended 31 March 2006 represent the first full year of IFRS compliant financial statements prepared by us.

Our transition to IFRS has been performed in accordance with IFRS 1 "First-Time Adoption of International Reporting Standards" and other relevant standards applicable at 31 March 2006.

The following dates are applicable for the transition to IFRS:
- 1 April 2004 - date of transition to IFRS, being the start of the earliest period of comparative information.
- 31 March 2005 - twelve month comparative period to 31 March 2006.

This section sets out how the changes in accounting treatment under IFRS impacts on the group's previously reported consolidated results (comprising the results of Investec plc and Investec Limited) for the financial year ended 31 March 2005.

Transitional elections

IFRS 1 provides for certain exemptions in respect to the first time adoption of IFRS to comparative periods. The group has applied the following exemptions:

a) Business combinations
The group has elected not to apply IFRS 3, "Business Combinations" retrospectively to business combinations prior to the date of transition (1 April 2004). The carrying value of goodwill at 31 March 2004 has therefore been brought forward, except for identified intangible assets which have been separately identified and tested for impairment.

b) Employee benefits
The group has elected to recognise all cumulative actuarial gains and losses at the date of transition to IFRS as an adjustment to opening retained earnings.

c) Cumulative foreign currency translation reserve
The group has elected to deem the cumulative foreign currency translation differences for foreign operations to be nil at the date of transition.

d) Share based payment transactions
The group has applied the provisions of IFRS 2, "Share Based Payments" retrospectively to all share-based payment transactions granted prior to the date of transition that vest after the date of transition.

e) Derecognition of financial assets and liabilities
The group has elected not to apply the derecognition requirements of IAS 39 to financial assets and liabilities derecognised before 1 January 2004.

Exemption from the requirement to restate comparative periods (31 March 2005) for financial instruments and insurance contracts

The group has elected not to apply the requirements of IAS 32, "Financial Instruments: Presentation", IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 4, "Insurance Contracts" to the 2005 comparative period. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005.

To facilitate comparability, a pro-forma income statement is presented (refer to page 17) which incorporates the impact of the adoption of IAS 39 in the following respects:
- recognising certain fees on an effective yield basis,
- the release of general provisions on loans and advances and
- fair value adjustments for embedded derivatives.

The tables below present a reconciliation between IFRS restated results and previously presented UK GAAP results for the:
- Income statement for the year ended 31 March 2005
- Balance sheet at 31 March 2005
- Balance sheet at 1 April 2005

48. Transition to International Financial Reporting Standards (continued)

Combined consolidated income statement

For the year to 31 March 2005 £'000	As previously reported	Reclassifications	Restated	IFRS 2 Share based payments	Goodwill
Interest receivable	720 587	31	720 618	9	-
Interest payable	(587 901)	(40)	(587 941)	-	-
Net interest income	**132 686**	**(9)**	**132 677**	**9**	**-**
Dividend income	9 887	(9 887)	-	-	-
Fees and commissions receivable	434 978	1 386	436 364	-	-
Fees and commission payable	(23 611)	(1 453)	(25 064)	-	-
Principal transactions	68 747	71 596	140 343	-	-
Income from operating associates	10 848	-	10 848	-	3 557
Investment income on assurance activities	-	-	-	-	-
Net premiums on insurance contracts	7 763	(20)	7 743	-	-
Return on shareholder's funds in the long term assurance business	42 837	(42 837)	-	-	-
Other operating income	19 278	(18 976)	302	-	-
Other income	**570 727**	**(191)**	**570 536**	**-**	**3 557**
Net claims and benefits on insurance business	-	-	-	-	-
Total operating income net of insurance claims	**703 413**	**(200)**	**703 213**	**9**	**3 557**
Impairment losses on loans and advances	(21 334)	7	(21 327)	-	-
Net operating income	**682 079**	**(193)**	**681 886**	**9**	**3 557**
Administrative expenses	(452 848)	188	(452 660)	(9 167)	-
Depreciation and impairment of property, plant and equipment	(10 040)	5	(10 035)	-	-
Operating profit before goodwill impairment	**219 191**	**-**	**219 191**	**(9 158)**	**3 557**
Impairment of goodwill	(51 807)	3 939	(47 868)	-	10 858
Operating profit	**167 384**	**3 939**	**171 323**	**(9 158)**	**14 415**
Loss on termination, disposal or combination of group operations	(8 635)	(3 939)	(12 574)	-	(3 197)
Net income before taxation	**158 749**	**-**	**158 749**	**(9 158)**	**11 218**
Taxation	(57 265)	-	(57 265)	1 140	-
Profit on ordinary activities after taxation	**101 484**	**-**	**101 484**	**(8 018)**	**11 218**
Profit attributable to minority interest	960	-	960	-	-
Profit attributable to shareholders	100 524	-	100 524	(8 018)	11 218
	101 484	**-**	**101 484**	**(8 018)**	**11 218**

Gross up of assurance income	IAS 10 Events after balance sheet date	IAS 19 Defined benefit schemes	IAS 21 Foreign currency translation reserve	IAS 27,28,31 & SIC 12 Associates, JV's & subsidiaries (incl SPV's)	IAS 12 Income taxes	IAS 17 Leases	IAS 16 Property, plant and equipment	IAS 40 Investment properties	Actual IFRS restated
13 269	-	-	-	869	-	-	-	-	734 765
-	-	-	-	(4)	-	-	-	-	(587 945)
13 269	**-**	**-**	**-**	**865**	**-**	**-**	**-**	**-**	**146 820**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	3 785	-	(191)	-	-	439 958
-	-	-	-	(754)	-	-	-	-	(25 818)
(12 617)	-	-	-	1 776	-	-	-	5 856	135 358
-	-	-	-	69	-	-	-	-	14 474
258 855	-	-	-	-	-	-	-	-	258 855
238 794	-	-	-	-	-	-	-	-	246 537
-	-	-	-	-	-	-	-	-	-
5 818	-	-	-	-	-	-	-		6 120
490 850	**-**	**-**	**-**	**4 876**	**-**	**(191)**	**-**	**5 856**	**1 075 484**
(478 894)	-	-	-	-	-	-	-	-	(478 894)
25 225	**-**	**-**	**-**	**5 741**	**-**	**(191)**	**-**	**5 856**	**743 410**
(6 469)	-	-	-	-	-	-	-	-	(27 796)
18 756	**-**	**-**	**-**	**5 741**	**-**	**(191)**	**-**	**5 856**	**715 614**
(13 832)	-	-	-	(1 481)	-	(8 304)	-	-	(485 444)
-	-	-	-	-	-	(95)	-	-	(10 130)
4 924	**-**	**-**	**-**	**4 260**	**-**	**(8 590)**	**-**	**5 856**	**220 040**
-	-	-	-	-	-	-	-	-	(37 010)
4 924	**-**	**-**	**-**	**4 260**	**-**	**(8 590)**	**-**	**5 856**	**183 030**
-	-	-	1 142	-	-	-	-	-	(14 629)
4 924	**-**	**-**	**1 142**	**4 260**	**-**	**(8 590)**	**-**	**5 856**	**168 401**
(4 924)	-	-	-	(439)	413	2 135	-	(1 523)	(60 463)
-	**-**	**-**	**1 142**	**3 821**	**413**	**(6 455)**	**-**	**4 333**	**107 938**
-	-	-	-	1 480	-	(69)	-	-	2 371
-	-	-	1 142	2 341	413	(6 386)	-	4 333	105 567
-	**-**	**-**	**1 142**	**3 821**	**413**	**(6 455)**	**-**	**4 333**	**107 938**

48. Transition to International Financial Reporting Standards (continued)

Consolidated balance sheet

At 31 March 2005 £'000	As previously reported	Reclassifications Prepayments and accrued income	Goodwill to intangible assets	Acquired and developed software to intangible assets	Shareholder assets in assurance business	IAS 40 Investment properties	Foreign currency reserve
Assets							
Cash and balances at central banks	105 130	-	-	-	-	-	-
Treasury bills and other eligible bills	323 622	-	-	-	-	-	-
Loans and advances to banks	2 961 809	-	-	-	47 490	-	-
Loans and advances to customers	7 391 038	-	-	-	-	-	-
Debt securities	1 986 864	-	-	-	14 818	-	-
Equity shares	439 963	-	-	-	93 020	-	-
Interests in associated undertakings	3 559	-	-	-	-	-	-
Other participating interests	9 124	-	-	-	-	-	-
Deferred taxation asset	-	-	-	-	2 642	-	-
Other assets	1 202 305	122 899	-	-	36 707	-	-
Property and equipment	125 022	-	-	(2 786)	115 449	(202 352)	-
Investment properties	-	-	-	-	-	202 352	-
Goodwill	193 317	-	(4 587)	-	-	-	-
Intangible assets	-	-	4 587	2 786	-	-	-
Prepayments and accrued income	122 899	(122 899)	-	-	-	-	-
Long-term assurance business attributable to the shareholder	230 885	-	-	-	(230 885)	-	-
	15 095 537	-	-	-	79 241	-	-
Long-term assurance assets attributable to policyholders	2 815 137	-	-	-			
	17 910 674	**-**	**-**	**-**	**79 241**	**-**	**-**
Liabilities							
Deposits by banks	912 320	-	-	-	-	-	-
Customer accounts	6 805 429	-	-	-	-	-	-
Debt securities in issue	1 925 124	-	-	-	-	-	-
Current taxation liabilities	-	-	-	-	-	-	-
Deferred taxation liabilities	-	-	-	-	-	-	-
Other liabilities	3 737 901	-	-	-	79 241	-	-
Accruals and deferred Income	226 763	-	-	-	-	-	-
Pension fund liabilities	7 554	-	-	-	-	-	-
	13 615 091	-	-	-	79 241	-	-
Long-term assurance liabilities attributable to policyholders	2 815 137	-	-	-	-	-	-
	16 430 228	**-**	**-**	**-**	**79 241**	**-**	**-**

		IFRS adjustments remeasurements									
Participa-ting interest	Taxation	IAS 27/28 Consolida-tions and associates	IFRS 3 Business combina-tions	IFRS 2 Share based payments	IAS 10 Events after balance sheet date - ordinary dividends	IAS 10 Events after balance sheet date - prefer-ence dividends	IAS 12 Taxation	IAS 17 Leases	IAS 19 Employee benefits	IAS 21 Foreign currency	IFRS Restated 31 March 2005
-	-	-	-	-	-	-	-	-	-	-	105 130
-	-	-	-	-	-	-	-	-	-	-	323 622
-	-	8 027	-	-	-	-	-	-	-	-	3 017 326
-	-	11 422	-	-	-	-	-	-	-	-	7 402 460
-	-	-	-	-	-	-	-	-	-	-	2 001 682
-	-	(1 721)	-	-	-	-	-	-	-	-	531 262
9 124	-	176	360	-	-	-	-	-	-	-	13 219
(9 124)	-	-	-	-	-	-	-	-	-	-	-
-	32 158	-	-	1 240	-	-	7 144	2 542	3 297	-	49 023
-	(32 158)	6 671	-	-	-	-	-	9 593	-	-	1 346 017
-	-	1 101	-	-	-	-	-	(7 705)	-	-	28 729
-	-	-	-	-	-	-	-	-	-	-	202 352
-	-	-	10 583	-	-	-	-	-	-	-	199 313
-	-	-	-	-	-	-	-	-	-	-	7 373
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-
-	-	25 676	10 943	1 240	-	-	7 144	4 430	3 297	-	15 227 508
											2 815 137
-	**-**	**25 676**	**10 943**	**1 240**	**-**	**-**	**7 144**	**4 430**	**3 297**	**-**	**18 042 645**
-	-	206	-	-	-	-	-	-	-	-	912 526
-	-	-	-	-	-	-	-	-	-	-	6 805 429
-	-	-	-	-	-	-	-	-	-	-	1 925 124
-	72 363	410	-	-	-	-	61	-	-	-	72 834
-	6 098	-	-	-	-	-	(215)	1 562	-	-	7 445
-	(78 461)	1 414	-	686	(42 580)	(7 013)	-	9 801	-	-	3 700 989
-	-	-	-	-	-	-	-	-	-	-	226 763
-	-	-	-	-	-	-	-	-	3 437	-	10 991
-	-	2 030	-	686	(42 580)	(7 013)	(154)	11 363	3 437	-	13 662 101
-	-	-	-	-	-	-	-	-	-	-	2 815 137
-	**-**	**2 030**	**-**	**686**	**(42 580)**	**(7 013)**	**(154)**	**11 363**	**3 437**	**-**	**16 477 238**

48. Transition to International Financial Reporting Standards (continued)

Consolidated balance sheet (continued)

At 31 March 2005 £'000	As previously reported	Reclassifications Prepay-ments and accrued income	Goodwill to intangible assets	Acquired and developed software to intangible assets	Share-holder assets in assurance business	IAS 40 Investment properties	Foreign currency reserve
Capital resources							
Subordinated liabilities (including convertible debt)	499 995	-	-		-	-	-
Minority interests - equity	13 194	-	-		-	-	-
Called up share capital	165	-	-		-	-	-
Share premium account	1 029 242	-	-		-	-	-
Treasury shares	(118 694)	-	-		-	-	-
Shares to be issued	2 191	-	-		-	-	-
Perpetual preference shares	323 800	-	-		-	-	-
Revaluation reserves	47 620	-	-		-	(47 620)	-
Other reserves	(189 663)	-	-		-	-	195 074
Profit and loss account	(127 404)	-	-		-	47 620	(195 074)
Shareholders' funds	967 257	-	-		-	-	-
- equity	643 457	-	-		-	-	-
- non equity	323 800	-	-		-	-	-
	1 480 446	**-**	**-**		**-**	**-**	**-**
	17 910 674	**-**	**-**		**79 241**	**-**	**-**

		IFRS adjustments remeasurements									
Participa-ting interest	Taxation	IAS 27/28 Consolida-tions and associates	IFRS 3 Business combina-tions	IFRS 2 Share based payments	IAS 10 Events after balance sheet date - ordinary dividends	IAS 10 Events after balance sheet date - prefer-ence dividends	IAS 12 Taxation	IAS 17 Leases	IAS 19 Employee benefits	IAS 21 Foreign currency	IFRS restated
-	-	-	-	-	-	-	-	-	-	-	499 995
-	-	6 050	-	-	-	-	-	-	-	-	19 244
-	-	-	-	-	-	-	-	-	-	-	165
-	-	-	-	-	-	-	-	-	-	-	1 029 242
-	-	18 821	-	-	-	-	-	-	-	-	(99 873)
-	-	-	-	-	-	-	-	-	-	-	2 191
-	-	-	-	-	-	-	-	-	-	-	323 800
-	-	-	-	-	-	-	-	-	-	-	-
-	-	(1 453)	(597)	37 540	-	-	(142)	-	-	(1 142)	39 617
-	-	228	11 540	(36 986)	42 580	7 013	7 440	(6 933)	(140)	1 142	(248 974)
-	-	17 596	10 943	554	42 580	7 013	7 298	(6 933)	(140)	-	1 046 168
-	-	17 596	10 943	554	42 580	7 013	7 298	(6 933)	(140)	-	722 368
-	-	-	-	-	-	-	-		-	-	323 800
-	**-**	**23 646**	**10 943**	**554**	**42 580**	**7 013**	**7 298**	**(6 933)**	**(140)**	**-**	**1 565 407**
-	**-**	**25 676**	**10 943**	**1 240**	**-**	**-**	**7 144**	**4 430**	**3 297**	**-**	**18 042 645**

48. Transition to International Financial Reporting Standards (continued)

Consolidated balance sheet (continued)

At 1 April 2005 £'000	Restated at 31 March 2005	Reclassifications arising on adoption of IAS 32/39	IFRS adjustments remeasurements IAS 18 /39 - effective yield	IAS 32/39 - financial instruments	IFRS 4 - reinsurance gross up	IFRS 4 - reclassification	Restated at 1 April 2005
Assets							
Cash and balances at central banks	105 130	-	-	-	-	-	105 130
Treasury bills and other eligible bills	323 622	(323 622)	-	-	-	-	-
Loans and advances to banks	3 017 326	(1 486 516)	7	32 249	-	-	1 563 066
Cash equivalent advances to customers	-	710 721	-	-	-	-	710 721
Reverse repurchase agreements and cash collateral on securities borrowed	-	2 318 745	-	-	-	-	2 318 745
Trading securities	-	1 259 556	-	19 555	-	-	1 279 111
Derivative financial instruments	-	434 753	-	495 030	-	-	929 783
Investment securities	-	1 384 157	46	(195 798)	-	-	1 188 405
Loans and advances to customers	7 402 460	(1 329 106)	(13 175)	348 189	-	-	6 408 368
Debt securities	2 001 682	(2 001 682)	-	-	-	-	-
Equity shares	531 262	(531 262)	-	-	-	-	-
Interests in associated undertakings	13 219	-	-	-	-	-	13 219
Other participating interests	-	-	-	-	-	-	-
Deferred taxation asset	49 023	-	5 989	(2 326)	-	-	52 686
Other assets	1 346 017	(435 744)	(543)	(24 153)	-	-	885 577
Property, plant and equipment	28 729	-	-	-	-	-	28 729
Investment properties	202 352	-	-	-	-	-	202 352
Goodwill	199 313	-	-	-	-	-	199 313
Intangible assets	7 373	-	-	-	-	-	7 373
Prepayments and accrued income	-	-	-	-	-	-	-
Long-term assurance business attributable to the shareholder	-	-	-	-	-	-	-
	15 227 508	-	(7 676)	672 746	-	-	15 892 578
Other financial instruments at fair value through income in respect of							
- liabilities to customers	-	-	-	-	-	2 815 137	2 815 137
- assets related to reinsured policyholder liabilities	-	-	-	-	-	1 209 165	1 209 165
Long-term assurance assets attributable to policyholders	2 815 137	-	-	-	1 209 165	(4 024 302)	-
	18 042 645	**-**	**(7 676)**	**672 746**	**1 209 165**	**-**	**19 916 880**
Liabilities							
Deposits by banks	912 526	(134 135)	-	2 438	-	-	780 829
Derivative financial instruments	-	226 736	-	611 842	-	-	838 578
Other trading liabilities	-	1 892 732	-	-	-	-	1 892 732
Repurchase agreements and cash collateral on securities lent	-	508 301	-	-	-	-	508 301
Customer accounts	6 805 429	(386 339)	-	39 624	-	-	6 458 714
Debt securities in issue	1 925 124	-	-	1 765	-	-	1 926 889
Current taxation liabilities	72 834	-	-	-	-	-	72 834
Deferred taxation liabilities	7 445	-	222	13 117	-	-	20 784
Other liabilities	3 700 989	(1 880 532)	9 544	(26 361)	5 567	-	1 809 207
Accruals and deferred income	226 763	(226 763)	-	-	-	-	-
Pension fund liabilities	10 991	-	-	-	-	-	10 991
	13 662 101	-	9 766	642 425	5 567	-	14 319 859

48. Transition to International Financial Reporting Standards (continued)

Consolidated balance sheet (continued)

1 April 2005 £'000	Restated at 31 March 2005	Reclassifi-cations arising on adoption of IAS 32/39	IFRS adjustments remeasurements IAS 18 /39 - effective yield	IAS 32/39 - financial instru-ments	IFRS 4 - reinsurance gross up	IFRS 4 - reclassifi-cation	Restated at 1 April 2005
Liabilities (continued)							
Liabilities to customers under investment contracts	-	-	-	-	-	2 664 434	2 664 434
Insurance liabilities, including unit-linked liabilities	-	-	-	-	-	145 136	145 136
Reinsured liabilities	-	-	-	-	-	1 209 165	1 209 165
Long-term assurance liabilities attributable to policyholders	2 815 137	-	-	-	1 203 598	(4 018 735)	-
	16 477 238	-	9 766	642 425	1 209 165	-	18 338 594
Subordinated liabilities (including convertible debt)	-	499 995	-	2 680	-	-	502 675
	16 477 238	**499 995**	**9 766**	**645 105**	**1 209 165**	**-**	**18 841 269**
Capital resources							
Subordinated liabilities (including convertible debt)	499 995	(499 995)	-	-	-	-	-
Minority interests - equity	19 244	127 058	-	(1 194)	-	-	145 108
Called up share capital	165	-	-	-	-	-	165
Share premium account	1 029 242	-	-	-	-	-	1 029 242
Treasury shares	(99 873)	-	-	(9 489)	-	-	(109 362)
Shares to be issued	2 191	-	-	-	-	-	2 191
Perpetual preference shares	323 800	(127 058)	-	-	-	-	196 742
Revaluation reserves	-	-	-	-	-	-	-
Other reserves	2 077	-	-	38 437	-	-	40 514
Equity settled option reserve	37 540	-	-	-	-	-	37 540
Profit and loss account	(248 974)	-	(17 443)	(112)	-	-	(266 529)
Shareholders' funds	1 046 168	(127 058)	(17 443)	28 836	-	-	930 503
- equity	722 368	-	(17 443)	28 836	-	-	733 761
- non equity	323 800	(127 058)	-	-	-	-	196 742
	1 565 407	**(499 995)**	**(17 443)**	**27 642**	**-**	**-**	**1 075 611**
	18 042 645	**-**	**(7 677)**	**672 747**	**1 209 165**	**-**	**19 916 880**

48. Transition to International Financial Reporting Standards (continued)

Commentary on key adjustments

IFRS 2 - share based payments

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.

Under UK GAAP, where options were granted, the charge made to profit and loss was determined as the difference between the fair value of the instrument at the time the award was made and any contribution made by the employee. Under IFRS, for equity settled options, the group recognises a charge to profit and loss by reference to the fair value of the instrument of the option on the date of grant to the employee over the relevant vesting periods, based on an estimation of the amount of instruments that will eventually vest.

IFRS 3 - business combinations

In accordance with the transitional provisions of IFRS 1, the group has elected to apply IFRS 3 prospectively from 1 April 2004. The carrying value of goodwill under UK GAAP at 31 March 2004 has therefore been brought forward, except for identified intangible assets which have been separately identified and tested for impairment.

IFRS 4 - insurance contracts

From 1 April 2005, assurance products have been divided into investment contracts and insurance contracts. Investment contracts are accounted for under IAS 39 and insurance contracts are accounted for under IFRS 4. Further to these reclassifications, reinsured liabilities and related assets are recognised on a gross basis on the balance sheet.

IAS 10 - events after balance sheet date

Under IAS 10 an entity is not permitted to adjust assets and liabilities at balance sheet date for events that are indicative of conditions that arose subsequent to the balance sheet date. The impact of adoption of IAS 10 is that dividends declared by the group are no longer recognised in the period in which the earnings relate but rather are only recognised when they are no longer at the discretion of the entity.

IAS 17 - leases

In the South African economy it is common practice for operating lease agreements to incorporate fixed rental escalation clauses. Under the provisions of IAS 17, lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefits. The group has previously recognised fixed rental escalations in the period in which they contractually applied. Under IFRS these increments have been taken into consideration in determining a straight line cost over the term of the lease. The net effect has been to create a payable in the earlier period of the affected leases which will release as the cash flows are settled. This has resulted in a net reduction to reserves which will reverse over the period of the lease.

A similar adjustment has been processed for lessors within the group. In this case a receivable is raised in the earlier period of the affected lease which will release as cash flows are received. However, the net effect on reserves has been minimal as IAS 40 "Investment Properties" provides that the fair value adjustment against investment properties must be reduced by debtor balances raised relating to operating leases on the property as to prevent double counting of cash flows.

IAS 18 - revenue recognition

Principles for revenue recognition are affected by the adoption of IAS 39 "Financial Instruments: Recognition and Measurement" in that IAS 18 incorporates the requirement to recognise fee income on lending transactions that are closely related to the effective interest yield on the transaction. Interpretation of the standard lends itself to the conclusion that there is a presumption that a fee is closely related to the effective yield unless the performance of a significant act can be identified in which case the related fee is recognised on completion of the act.

In accordance with the transitional provisions of IFRS 1, the group has applied all related IAS 39 changes from 1 April 2005.

IAS 27/28/31 - consolidations/associates/joint ventures

Under UK GAAP certain special purpose vehicles were treated as jointly controlled entities. However, under IFRS these special purpose vehicles do not meet the control or jointly controlled definitions to require consolidation or joint venture accounting. To this end, the partial consolidation under UK GAAP has been reversed on adoption of IFRS. IFRS requires special purpose vehicles to be consolidated where they are in substance controlled by the entity. This has resulted in the consolidation of certain investment vehicles in the group that were previously recorded as external investments.

IAS 32/39 - financial instruments

In accordance with the transitional provisions of IFRS 1, the group has elected not to restate comparative information for the adoption of IAS 32/39. Following the adoption of IAS 32/39 financial instruments have been classified as follows:

48. Transition to International Financial Reporting Standards (continued)

Financial assets are classified with the related measurement basis as noted below:

- Loan or receivable - measured at amortised cost less impairment.
- Fair value through profit and loss - fair value gains and losses included in profit and loss.
- Available for sale - fair value gains and losses included directly in equity until disposal or impairment.
- Held to maturity - amortised cost less impairment.

Financial liabilities are classified as held for trading, designated as held at fair value or are carried at amortised cost.

The following key adjustments have arisen from adoption of the standard:

- Banking book derivatives which were previously recognised on an accrual basis are recognised at fair value through profit and loss. To minimise the effect of volatility as a result of these fair value adjustments the group has applied:
- Hedge accounting were possible, or
- In circumstances were hedge accounting could not be applied, the group has designated as held at fair value through profit and loss related financial assets and liabilities where a clear intention to hedge could be demonstrated.
- Fair value of embedded derivatives. Embedded derivatives represent the derivative component of a hybrid instrument which contains both a derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and the host contract itself is not recognised at fair value, the embedded derivative is separated from the host contract and recognised at fair value through profit and loss.
- Fair value of banking book equity positions which were previously held at cost or where applicable adjusted for permanent diminution. The majority of these banking book equity positions have now been treated as available for sale instruments.
- The reversal of general provisions raised, with an increase in specific impairments due to the discounting of expected cash flows. Further a portfolio impairment has been raised where there is evidence of an incurred impairment on a homogeneous portfolio of loans and advances based on historical data.
- In circumstances where gross equity settled options are acquired or sold in relation to the group's own equity, any premium received or paid is treated as a direct adjustment to equity.
- On the balance sheet financial assets and financial liabilities are offset and presented on a net basis only where a legal right to settle net exists and the group has the intention to settle net. This has resulted in an increase in gross assets and liabilities related to derivative instruments which were previously netted on the basis of legal right of set off with no reference to the intention of the group.

IAS 40 - investment properties

Under UK GAAP investment properties were carried at fair value with fair value movements recognised directly in equity. With the adoption of IFRS fair value adjustments on investment properties are recognised in profit and loss.

Cash flow information

On adoption of IFRS, the group redefined the definition of cash and cash equivalents to include cash and balances at central banks, on demand loans and advances to banks and cash equivalent advances to customers. These components are disclosed on the cash flow statement on page 164.

49. Silo accounts

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.

As noted in the accounting policies under IFRS both Investec plc and Investec Limited and their respective subsidiaries form a single reporting entity for the purposes of reporting under IFRS.

For Investec plc (excluding Investec Limited) and Investec Limited (excluding Investec plc) (referred to as 'silo accounts') a set of separate financial statements is produced in publications separate to these and are available on our website. Below is the balance sheet and income statement (in the functional currencies of each group) of each of the silo accounts.

For the year to 31 March £'000	2006	2005
Consolidated income statement for Investec plc excluding Investec Limited		
Interest receivable	328 920	237 341
Interest payable	(203 734)	(170 574)
Net interest income	**125 186**	**66 767**
Fees and commissions receivable	247 508	262 596
Fees and commissions payable	(30 270)	(19 204)
Principal transactions	64 312	35 968
Operating income from associates	6 677	159
Other operating income	1 578	255
Other income	**289 805**	**279 774**
Total operating income	**414 991**	**346 541**
Impairment losses on loans and advances	(7 241)	(4 604)
Net operating income	**407 750**	**341 937**
Administrative expenses	(281 009)	(262 828)
Depreciation and impairment of property, equipment and software	(3 289)	(4 473)
Operating profit before goodwill impairment	**123 452**	**74 636**
Impairment of goodwill	-	(10 298)
Operating profit	**123 452**	**64 338**
Profit/(loss) on termination or disposal of group operations	74 164	(6 207)
Profit before taxation	**197 616**	**58 131**
Taxation	(33 238)	(17 810)
Profit after taxation	**164 378**	**40 321**
Earnings attributable to minority shareholders	6 893	808
Earnings attributable to shareholders	157 485	39 513
Earnings attributable to shareholders' equity	**164 378**	**40 321**

49. Silo accounts (continued)

At 31 March £'000	2006	2005
Consolidated balance sheet of Investec plc excluding Investec Limited		
Assets		
Cash and balances at central banks	10 875	10 319
Treasury bills and other eligible bills		142 182
Loans and advances to banks	693 634	2 275 875
Cash equivalent advances to customers	54	
Reverse repurchase agreements and cash collateral on securities borrowed	642 465	
Trading securities	160 670	
Derivative financial instruments	254 332	
Investment securities	1 240 187	
Loans and advances to customers	3 633 428	3 225 100
Debt securities		1 146 052
Equity shares		282 507
Interests in associated undertakings	63 122	13 218
Deferred taxation assets	27 417	31 277
Other assets	957 612	683 680
Property and equipment	17 203	19 155
Goodwill	137 072	140 785
Intangible assets	1 493	1 294
	7 839 564	**7 971 444**
Liabilities		
Deposits by banks	1 274 144	856 551
Derivative financial instruments	48 289	
Other trading liabilities	123 791	
Repurchase agreements and cash collateral on securities lent	272 584	
Customer accounts	3 469 036	2 954 037
Debt securities in issue	758 224	647 498
Current taxation liabilities	37 932	18 199
Deferred taxation liabilities	1 536	21
Other liabilities	852 080	2 663 427
Accruals and deferred Income		116 052
Pension fund liabilities	2 013	10 991
	6 839 629	7 266 776
Subordinated liabilities	225 683	219 516
	7 065 312	**7 486 292**
Equity		
Called up share capital	119	119
Share premium	393 267	393 823
Treasury shares	(21 656)	(16 783)
Other reserves	51 928	41 312
Profit and loss account	210 959	65 282
Shareholders' equity excluding minority interests	634 617	483 753
Minority interests	139 635	1 399
- Perpetual preferred securities issued by subsidiaries	139 402	-
- Other	233	1 399
Total equity	**774 252**	**485 152**
Total liabilities and shareholders' equity	**7 839 564**	**7 971 444**

49. Silo accounts (continued)

For the year to 31 March R'million	2006	2005
Consolidated income statement for Investec Limited excluding Investec plc		
Interest receivable	7 122	5 318
Interest payable	(5 599)	(4 476)
Net interest income	**1 523**	**842**
Fees and commissions receivable	2 623	2 013
Fees and commissions payable	(129)	(75)
Principal transactions	2 553	1 513
Operating income from associates	-	164
Investment income on assurance activities	1 521	2 151
Premiums and reinsurance recoveries on insurance contracts	1 770	2 113
Other operating income	15	5
Other income	**8 353**	**7 884**
Claims and reinsurance premiums on insurance business	(3 151)	(4 044)
Total operating income net of insurance claims	**6 725**	**4 682**
Impairment losses on loans and advances	(23)	(119)
Net operating income	**6 702**	**4 563**
Administrative expenses	(3 147)	(2 488)
Depreciation and impairment of property, equipment and software	(51)	(52)
Operating profit before goodwill impairment	**3 504**	**2 023**
Impairment of goodwill	(233)	(538)
Operating profit	**3 271**	**1 485**
(Loss)/profit on termination or disposal of group operations	(1)	223
Profit before taxation	**3 270**	**1 708**
Taxation	(917)	(484)
Profit after taxation	**2 353**	**1 224**
Earnings attributable to minority interests	80	18
Earnings attributable to shareholders	2 273	1 206
Earnings attributable to shareholders' equity	**2 353**	**1 224**

49. Silo accounts (continued)

At 31 March R'million	2006	2005
Consolidated balance sheet of Investec Limited excluding Investec plc		
Assets		
Cash and balances at central banks	1 930	1 113
Loans and advances to banks	13 207	7 251
Cash equivalent advances to customers	7 400	6 256
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	2 148
Trading securities	16 585	12 349
Derivative financial instruments	9 187	9 583
Investment securities	284	506
Loans and advances to customers	64 032	45 638
Deferred taxation assets	350	209
Other assets	3 696	4 950
Property and equipment	104	112
Investment properties	1 748	2 375
Goodwill	499	683
Intangible assets	92	77
	120 338	93 250
Other financial instruments at fair value through income in respect of		
- liabilities to customers	38 906	
- assets related to reinsurance contracts	15 353	
Long-term assurance assets attributable to policyholders		33 035
	174 597	**126 285**
Liabilities		
Deposits by banks	7 775	4 135
Derivative financial instruments	7 064	8 724
Other trading liabilities	3 575	1 819
Repurchase agreements and cash collateral on securities lent	919	2 005
Customer accounts	56 162	44 321
Debt securities in issue	23 502	12 728
Current taxation liabilities	999	524
Deferred taxation liabilities	265	218
Other liabilities	7 787	7 645
	108 048	82 119
Liabilities to customers under investment contracts	37 407	
Insurance liabilities, including unit-linked liabilities	1 499	
Reinsured liabilities	15 353	
Long-term assurance liabilities attributable to policyholders		33 035
	162 307	115 154
Subordinated liabilities (including convertible debt)	3 069	2 961
	165 376	**118 115**
Equity		
Called up share capital	1	1
Share premium account	4 701	4 701
Treasury shares	(833)	(710)
Compulsory convertible debentures	22	282
Perpetual preference shares	2 309	3 800
Other reserves	629	367
Profit and loss account	827	(484)
Shareholders' equity excluding minority interests	7 656	7 957
Minority interests	1 565	213
- Perpetual preferred securities issued by subsidairies	1 491	
- Other	74	
Total equity	**9 221**	**8 170**
Total liabilities and shareholders' equity	**174 597**	**126 285**

Independent auditor's report to the members of Investec plc

We have audited the parent company financial statements of Investec plc for the year ended 31 March 2006 which comprise the Balance Sheet and the related notes a to f. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of Investec plc for the year ended 31 March 2006.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 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 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

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the parent company financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor

London
16 June 2006

Balance sheet

At 31 March £'000	Notes	2006	2005
Assets			
Cash at bank and in hand:			
- balances with subsidiary undertaking		75 885	964
- balances with other banks		1 408	281
Amounts owed by group undertakings		230 759	-
Investments in subsidiaries	b	421 446	421 446
Tax		9 787	1 261
Other assets		50	-
Prepayments and accrued income		1 493	16
		740 828	**423 968**
Liabilities			
Bank loans	c	138 930	-
Amounts owed to group undertakings		141 802	26 496
Other liabilities		1 546	309
Accruals and deferred income		13 937	2 410
		296 215	**29 215**
Equity			
Called up share capital	d/e	119	119
Share premium account	e	393 267	393 823
Capital redemption reserve	e	50	50
Treasury shares	f/e	(2 309)	-
Profit and loss account	e	53 486	761
Total equity		**444 613**	**394 753**
Total equity and liabilities		**740 828**	**423 968**

The directors' approved the accounts on 16 June 2006

S Koseff
Chief Executive Officer

a. **Accounting policies**

Basis of preparation

The parent company accounts of Investec plc are prepared under the historical cost convention and in accordance with UK Accounting Standards. The company had adopted FRS 21, "events after balance sheet date". The effect of this is set out in note e below.

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 rates 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 profit and loss account.

Investments

Investments are stated at cost less any provision for impairment in value.

Income

Dividends from subsidiaries are recognised when paid. Interest is recognised on an accrual basis.

Taxation

Current tax is provided on taxable profits at the current rate.

£'000	2006
b. Investments in subsidiaries	
At beginning and end of year	**421 446**

A list of company's principal subsidiaries and associates is detailed in note 46 of the group accounts on page 224.

c. The company drew down on two Schuldschein loans of €100 million on 8 and 9 of March 2006. These loans each bear interest at 90 basis points above three month EURIBOR and are repayable on 8 and 9 of March 2011.

d. The company's called up share capital (including ordinary shares, special converting shares, UK DAN shares and UK DAS shares) is detailed in note 34 of the group accounts on pages 210 to 213.

e. **Statement of changes in shareholders' equity**

£'000	Share Capital	Share premium	Treasury shares	Capital redemption reserves	Profit and loss account	Shareholders' equity reserves
At 1 April 2005 as originally presented	119	393 823	-	50	1 113	395 105
Change in accounting policy	-	-	-	-	(352)	(352)
At 1 April 2005 as restated	119	393 823	-	50	761	394 753
Issue expenses	-	(556)	-	-	-	(556)
Purchase of treasury shares	-	-	(2 309)	-	-	(2 309)
Profit for the year	-	-	-	-	52 725	52 725
At 31 March 2006	**119**	**393 267**	**(2 309)**	**50**	**53 486**	**444 613**

Parent company profit and loss account

The company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its own profit and loss account.

The company's profit for the year was £52 725 000 (restated profit 2005 - £4 833 003).

The company has adopted FRS 21, "events after the balance sheet date", with the effect that dividends receivable or payable after the balance sheet date have not been recognised as an asset or liability. The impact of this change is set out below:

For the year to 31 March £'000	2005
Profit and loss account as previously reported	1 113
Reverse dividend receivable from subsidiary	(15 000)
Reverse accrued dividend payable	14 648
Effect of change in accounting policy	(352)
Profit and loss account as restated	**761**

At 31 March	2006	2005
f. Treasury shares		
Treasury shares held by Investec plc	**£'000**	**£'000**
Investec plc ordinary shares	2 309	-
	Number	**Number**
Number of Investec plc shares held by Investec plc	100 000	-
Reconciliation of treasury shares	**£'000**	**£'000**
Purchase of own shares by Investec plc	2 309	-
Closing balance	**2 309**	**-**
Market value of treasury shares	2 941	-

Treasury shares acquired during the year 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.

Income statement

For the year to 31 March R'million	2006	2005
Interest receivable	168	64
Interest payable	(173)	(313)
Net interest income	**(5)**	**(249)**
Fees and commissions receivable	-	(6)
Principal transactions	951	448
Other income	**951**	**442**
Net operating income	**946**	**193**
Administrative expenses	(7)	(3)
Operating profit	**939**	**190**
Profit/(loss) on termination or disposal of group operations	119	(20)
Profit before taxation	**1 058**	170
Taxation	(59)	(1)
Profit after taxation	**999**	**169**
Earnings attributable to minority interests	-	-
Earnings attributable to shareholders	999	169
Earnings attributable to shareholders' equity	**999**	**169**

Balance sheets

At 31 March R'million	Notes	2006	2005
Assets			
Loans and advances to banks		27	15
Trading securities		-	4
Loans and advances to customers		5	34
Other assets		2	3
Investments in subsidiaries	b	6 023	7 178
		6 057	**7 234**
Liabilities			
Deposits by banks		-	125
Current taxation liabilities		84	68
Other liabilities		767	2 176
		851	2 369
Subordinated liabilities (including convertible debt)		379	-
		1 230	**2 369**
Equity			
Called up share capital	c	1	1
Share premium account		4 811	4 811
Perpetual preference shares	d	2 309	2 309
Convertible debentures		-	379
Other reserves		62	62
Profit and loss account		(2 356)	(2 697)
		4 827	**4 865**
Total liabilities and shareholders' equity		**6 057**	**7 234**

Statements of changes in shareholder's equity

R'million	Share capital	Share premium	Capital reserve account	Converti-ble debentures	Perpetual preference shares	Foreign currency reserves	Profit and loss account	Total share-holder's equity
At 31 March 2004 - restated for prior year adjustments	**1**	**4 811**	**62**	**379**	**-**	**-**	**(2 468)**	**2 785**
At 31 March 2004 - as previously reported	1	4 811	62	379	-	34	(2 502)	2 785
Reclassifications								
- IAS 21 - Foreign currency (IFRS 1 election)	-	-	-	-	-	(34)	34	-
Movement in reserves								
1 April 2004 - 31 March 2005								
Foreign currency adjustments	-	-	-	-	-	-	-	-
Retained profit for the year	-	-	-	-	-	-	169	169
Dividends paid to ordinary shareholders	-	-	-	-	-	-	(376)	(376)
Issue of perpetual preference shares	-	-	-	-	2 318	-	-	2 318
Share issue expenses	-	-	-	-	(9)	-	-	(9)
Equity distribution on compulsorily convertible debentures	-	-	-	-	-	-	(22)	(22)
Restated at 31 March 2005	**1**	**4 811**	**62**	**379**	**2 309**	**-**	**(2 697)**	**4 865**
Adoption of IAS 32&39	-	-	-	(379)	-	-	-	(379)
Restated at 1 April 2005	**1**	**4 811**	**62**	**-**	**2 309**	**-**	**(2 697)**	**4 486**
Retained profit for the year	-	-	-	-	-	-	999	999
Share based payments	-	-	-	-	-	-	132	132
Dividends paid to ordinary shareholders	-	-	-	-	-	-	(687)	(687)
Dividends paid to perpetual preference shareholders	-	-	-	-	-	-	(103)	(103)
At 31 March 2006	**1**	**4 811**	**62**	**-**	**2 309**	**-**	**(2 356)**	**4 827**

a. Accounting policies

Basis of presentation

The parent company accounts of Investec Limited are prepared in accordance with International Financial Reporting Standards and International Accounting Standards (collectively, IFRS) and in a manner consistent with the policies disclosed on pages 165 to 171 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. Any gain or loss arising from a restatement of assets and liabilities to closing rates is included as an exchange gain or loss in the income statement.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment in value.

R'million	2006
b. Investments in subsidiaries	
At beginning of year	7 178
Acquisition of subsidiary companies	36
Reversal of impairments	119
Decrease in loans to subsidiaries	(1 244)
Exchange adjustments	(66)
At end of year	**6 023**

A list of the company's principal subsidiaries is detailed in note 46 of the group accounts on page 225.

c. The company's called up share capital (including ordinary shares, special converting shares,redeemable preference shares, convertible preference shares SA DAN shares and SA DAS shares) is detailed in note 34 of the group accounts on pages 210 to 213.

d. The company's perpetual preference shares is detailed in note 36 of the group accounts on page 215.

e. Transition to International Financial Reporting Standards

The company has transitioned from SA GAAP to International Financial Reporting Standards with the only change being that the opening foreign currency reserves at the date of transition (1 April 2004) were transferred to retained earnings.

Term	Definition
Adjusted shareholders' equity	Refer to calculation on page 28.
Cost to income ratio	Administrative expenses and depreciation divided by operating income.
Dividend cover	Adjusted earnings per ordinary share before impairment of goodwill and non-operating items divided by dividends per ordinary share.
Earnings attributable to ordinary shareholders before impairment of goodwill and non-operating items	Refer to pages 25 and 26.
Adjusted earnings per ordinary share before impairment of goodwill and non-operating items	Refer to pages 25 and 26.
Effective tax rate	Tax on profit on ordinary activities divided by operating profit (excluding income from associates).
Headline earnings	Refer to page 26.
Headline earnings per share	Refer to page 26.
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 31.
Non-operating items	Reflects profits and/or losses on termination or disposal of group operations.
Operating profit	Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before impairment of goodwill and non-operating items.
Operating profit per employee	Refer to calculation on page 35.
Return on average adjusted shareholders' equity	Refer to calculation on page 28.
Return on average adjusted tangible shareholders' equity	Refer to calculation on page 28.
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 Private Client, Asset Management and Property businesses.
Total capital resources	Includes shareholders' equity, subordinated liabilities and minority interests.
Total equity	Total shareholders' equity including minority 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 25.

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Investec Limited

Investec Limited
(Incorporated in the Republic of South Africa)
(Registration number 1925/002833/06
Share code: INL ISIN: ZAE000040531)

Notice of Annual General Meeting of Investec Limited

Notice is hereby given that the Annual General Meeting of Investec Limited will be held at 15:00 (SA time) on Thursday, 10 August 2006, at the registered office of Investec Limited at 100 Grayston Drive, Sandown, Sandton 2196, South Africa 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 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 Investec Limited.

2 To re-elect Donn Edward Jowell as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited.

3 To re-elect Hugh Sidney Herman as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited.

4 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 Investec Limited.

5 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 Investec Limited.

6 To re-elect Sam 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 Investec Limited.

7 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 Investec Limited.

8 To re-elect Sir David Prosser, whose appointment as a director terminates at the end of the Annual General Meetings of Investec plc and Investec Limited convened for 10 August 2006, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited.

For brief biographical details of the directors to be re-elected, please refer to the Annual Report of Investec plc/Investec Limited.

Ordinary Business: Investec Limited
To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec Limited:

9 To receive and adopt the audited financial statements of Investec Limited for the year ended 31 March 2006 together with the reports of the directors of Investec Limited and of the auditors of Investec Limited.

10 To determine, ratify and approve the remuneration of the directors of Investec Limited for the year ended 31 March 2006.

11 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 2005.

12 To sanction the interim dividend paid by Investec Limited on the dividend access (South African resident) ("SA DAS") redeemable preference share for the 6 (six) month period ended 30 September 2005.

13 Subject to the passing of Resolution No. 14 and Resolution No. 34 to declare a final dividend on the ordinary shares in Investec Limited for the year ended 31 March 2006 of an amount equal to that recommended by the directors of Investec Limited.

14 Subject to the passing of Resolution No. 13 and Resolution No. 34, to declare a final dividend on the SA DAS redeemable preference share of Investec Limited for the year ended 31 March 2006 of an amount equal to that recommended by the directors of Investec Limited.

15 To re-appoint Ernst & Young Chartered Accountants (SA) of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 (PO Box 2322, Johannesburg, 2000) as auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2007 and to authorise the directors of Investec Limited to fix their remuneration.

16 To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 (Private Bag 9, Parkview, 2122) as auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2007 and to authorise the directors of Investec Limited to fix their remuneration.

Special Business: Investec Limited

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions of Investec Limited:

17 **Ordinary Resolution: Investec Limited: Placing 10% of the unissued ordinary shares under the control of the Directors**

Resolved that:

(A unless and until such date that Special Resolution No. 2 becomes effective, 1 150 047 (one million one hundred and fifty thousand and forty seven) ordinary shares of ZAR0.001 each being 10% (ten per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited;

or

(B) from the date on which Special Resolution No. 2 becomes effective, 5 750 235 (five million seven hundred and fifty thousand and two hundred and thirty five) ordinary shares of ZAR0.0002 each being 10% (ten per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited;

be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2007, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the Listings Requirements of the JSE Limited.

18 **Ordinary Resolution: Investec Limited: Placing 10% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares under the control of the Directors**

Resolved that:

(A) unless and until such date that Special Resolution No. 2 becomes effective, 800 000 (eight hundred thousand) class "A" variable rate compulsorily convertible non-cumulative preference shares ("Class "A" Preference Shares") of ZAR0.001 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited;

or

(B) from the date on which Special Resolution No. 2 becomes effective, 4 000 000 (four million) Class "A" Preference Shares of ZAR0.0002 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited,

be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2007, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the Listings Requirements of the JSE Limited.

19 **Ordinary Resolution: Investec Limited: Placing the remaining unissued shares under the control of the Directors**

Resolved that:

- all the unissued shares in the authorised share capital of Investec Limited, excluding the ordinary shares and the class "A" variable rate compulsorily convertible non-cumulative preference shares, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2007, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the Listings Requirements of the JSE Limited.

20 **Ordinary Resolution: Investec Limited: Directors' authority to allot and issue ordinary shares for cash**

Resolved that:

- subject to the passing of Resolution No. 17, the Listings Requirements of the JSE Limited, the South African Banks Act, No. 94 of 1990, as amended, and the South Africa Companies Act, No. 61 of 1973, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue:

(A) unless and until such date that Special Resolution No. 2 becomes effective, 1 150 047 (one million one hundred and fifty thousand and forty seven) ordinary shares of ZAR0.001 each;

or

(B) from the date on which Special Resolution No. 2 becomes effective, 5 750 235 (five million seven hundred and fifty thousand and two hundred and thirty five) ordinary shares of ZAR0.0002 each;

for cash as and when suitable situations arise, subject to the following specific limitations as required by the Listing Requirements of the JSE Limited:

(i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of the company or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 10 August 2006;

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue;

(iii) the issue in the aggregate in any one financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible;

(iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited; and

(v) the equity securities/shares must be issued to public shareholders and not to related parties.

If Resolution No. 20 and Resolution No. 37 are both passed, the directors will have authority to allot shares for cash other than by way of rights in respect of both Investec Limited and Investec plc up to the limits specified in those respective Resolutions. In such circumstances, the directors confirm that, as and when they exercise such authorities, they intend to comply with the relevant guidelines of the Association of British Insurers.

In order for Resolution No. 20 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of Resolution No. 20.

21 Ordinary Resolution: Investec Limited: Directors' authority to allot and issue class "A" variable rate compulsorily convertible non-cumulative preference shares for cash

Resolved that:

- subject to the passing of Resolution No. 18, the Listings Requirements of the JSE Limited, the South African Banks Act, No. 94 of 1990, as amended, and the South African Companies Act, No. 61 of 1973, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue:

(A) unless and until such date that Special Resolution No. 2 becomes effective, 800 000 (eight hundred thousand) class "A" variable rate compulsorily convertible non-cumulative preference shares ("Class "A" Preference Shares") of ZAR0.001 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited;

or

(B) from the date on which Special Resolution No. 2 becomes effective, 4 000 000 (four million) Class "A" Preference Shares of ZAR0.0002 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited,

for cash as and when suitable situations arise, subject to the following specific limitations as required by the Listing Requirements of the JSE Limited:

(i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of the company or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 10 August 2006;

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per Class "A" Preference Share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of Class "A" Preference Shares in issue prior to such issue;

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of Class "A" Preference Shares in issue, including instruments which are compulsorily convertible;

(iv) in determining the price at which an allotment and issue of Class "A" Preference Shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the Class "A" Preference

Shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited; and

(v) the equity securities/shares must be issued to public shareholders and not to related parties.

If Resolution No. 21 is passed, the directors will have authority to allot Class "A" Preference Shares for cash other than by way of rights in respect of Investec Limited up to the limits specified in Resolution No. 21.

In order for Resolution No. 21 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of Resolution No. 21.

22 Ordinary Resolution: Investec Limited : Amendments to The Investec Limited Security Purchase Scheme 2003 Trust Deed

Resolved that:

- in terms of clause 15.1.2. of the The Investec Limited Security Purchase Scheme 2003 Trust Deed (the "Scheme"), the provisions of clause 4 of Appendix 1 to the Scheme (being the provisions in the Rules Applicable to the Purchase Scheme relating to consequences of early termination of employment) be amended such that clause 4.2. thereof be replaced in its entirety with the following new provision:

"4.2 Participants to whom 4.1 applies shall have the following rights and obligations -

4.2.1 the Participant is obliged to resell to the Trust the Scheme Securities in respect of which the Release Date or Release Dates have not passed. To the extent that the Release Date has passed in respect of at least 400 (four hundred) Scheme Securities a Participant may offer such Scheme Securities to other Participants. If a Participant does not wish to offer such Scheme Securities to other Participants or a sale in respect thereof is not achieved within 30 (thirty) days of an event referred to in 4.1.1, 4.1.2 or 4.1.3, the Participant will be obliged to resell to the Trust those Scheme Securities.

The price at which the Trust will purchase the Scheme Securities will, regardless of whether a Release Date or Release Dates in respect thereof has or has not passed, be an amount equivalent at the relevant date to the higher of the Market Value of Scheme Securities of the same class as the Scheme Securities concerned at that time less 20% (twenty per cent) and the Scheme Debt payable by the Participant in respect of the Scheme Securities concerned at that time plus any payments previously made by the Participant on account of the relevant capital and/or interest; and

4.2.2 if a Participant has an entitlement to Scheme Securities in respect of which the Release Date or Release Dates have passed, which number is less than 400 (four hundred), he will be obliged to resell his Scheme Securities to the Trust at the price as determined in 4.2.1 above as at the relevant date."

The purpose of Resolution 22 is to bring the provisions of the The Investec Limited Security Purchase Scheme 2003 Trust in respect of the vesting of unvested portions of Scheme Securities on, inter alia, death and retirement, in line with the other scheme trusts within Investec Limited.

23 Ordinary Resolution: Investec Limited: Amendments to The Investec Limited Security Purchase Scheme 2003 Trust Deed

Resolved that:

- in terms of clause 15.1.2. of the The Investec Limited Security Purchase Scheme 2003 Trust Deed (the "Scheme"), the provisions of Appendix 1 to the Scheme (being the Rules Applicable to the Purchase Scheme) be amended such that clause 6.3 be replaced in its entirety with the following new provision:
  "6.3 Release Dates of the Scheme Securities referred to in 6.2. shall apply to all Participants including those who become Participants after the date of the initial Offer under the Scheme, save that if a Participant becomes a Participant after the date of the initial Offer or after any of the Release Dates, the Scheme Securities which would have been Released on such prior Release Dates will be accumulated for Release on the last of such Release Dates being the date envisaged in 6.2.7."

The purpose of Resolution 23 is to ensure the equality of treatment between Participants regardless of when same become Participants in the Scheme.

24 Ordinary Resolution: Investec Limited: Amendments to The Investec Limited Security Purchase Scheme 2003 Trust Deed

Resolved that:

- in terms of clause 15.1.2. of the The Investec Limited Security Purchase Scheme 2003 Trust Deed (the "Scheme"), the provisions of the Schedule of Interpretation to the Scheme be amended such that clause 1.19, being the definition of "Offer" be replaced in its entirety with the following new provision:
  "1.19 "Offer" means an offer to sell Scheme Securities to an Offeree in terms of the Purchase Scheme and shall include an offer made by grant or award, and to the extent an offer is made by grant or award, acceptance thereof shall be deemed to take place simultaneously with delivery thereof;"

25 Special Resolution No. 1: Investec Limited: Directors' authority to acquire ordinary shares and preference shares

Resolved that:

- in terms of Article 9 of the Articles of Association of Investec Limited and with effect from 10 August 2006, Investec Limited hereby approves, as a general approval contemplated in Sections 85 and 89 of the South African Companies Act, No. 61 of 1973, as amended (the "SA Act"), the acquisition by Investec Limited or its subsidiaries from time to time, of the issued ordinary shares and non-redeemable non-cumulative non-participating preference shares (the "Perpetual Preference Shares") of Investec Limited, upon such terms and conditions and in such amounts as the directors of Investec Limited or its subsidiaries may from time to time decide, but subject to the provisions of the South African Banks Act, No. 94 of 1990, as amended, the SA Act and the Listings Requirements of the JSE Limited (the "JSE"), being 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, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution No.1;

(iii) an announcement will be published as soon as Investec Limited or any of its subsidiaries has acquired ordinary shares or Perpetual Preference Shares constituting, on a cumulative basis, 3% (three per cent) of the number of ordinary shares or Perpetual Preference Shares in issue prior to the acquisition pursuant to which the aforesaid 3% (three per cent) threshold is reached, and for each 3% (three per cent) in aggregate acquired thereafter, containing full details of such acquisitions;

(iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty per cent) of Investec Limited's ordinary issued share capital or Investec Limited's issued Perpetual Preference Share capital as at the date of passing of this Special Resolution No.1;

(v) in determining the price at which ordinary shares or Perpetual Preference Shares issued by Investec Limited are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares or Perpetual Preference Shares are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of repurchase of such ordinary shares or Perpetual Preference Shares by Investec Limited or any of its subsidiaries;

(vi) Investec Limited has been given authority by its Articles of Association;

(vii) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any repurchase on Investec Limited's behalf;

(viii) Investec Limited remaining in compliance with the minimum shareholder spread requirements of the JSE Listings Requirements; and

(ix) Investec Limited and/or its subsidiaries not repurchasing any shares during a prohibited period as defined by the JSE Listings Requirements.

The reason and effect of Special Resolution No. 1 is to grant a renewable general authority to Investec Limited to acquire ordinary shares and Perpetual Preference Shares of Investec Limited which are in issue from time to time in terms of the SA Act and the JSE Listing Requirements for the repurchase by Investec Limited or a subsidiary of Investec Limited, of Investec Limited's shares.

The directors of Investec Limited have no present intention of making any purchases but believe that Investec Limited should retain the flexibility to take action if future purchases were considered desirable and in the best interests of shareholders. The directors of Investec Limited are of the opinion, after considering the effect of such acquisition of ordinary shares and Perpetual Preference Shares, if implemented and on the assumption that the maximum of 20% (twenty per cent) of the current issued ordinary share capital of Investec Limited will be repurchased using the mechanism of the general authority at the maximum price at which the repurchase may take place (a 10% (ten per cent) premium above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date of the repurchase) and having regard to the price of the ordinary 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 10 August 2006 that:

- Investec Limited and the group 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 10 August 2006;
- the consolidated assets of Investec Limited and the group, fairly valued in accordance with Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of Investec Limited and the group for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 10 August 2006;
- Investec Limited and the group 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 10 August 2006; and

- the working capital of Investec Limited and the group 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 10 August 2006.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 145 to 148 of the 2006 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 the group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 145 to 148 of the 2006 Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this circular 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 2006 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.

The following additional information, some of which may appear elsewhere in the 2006 Annual Report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority:

- Directors and management - Annual Report pages 37 and 145 to 152;
- Major beneficial shareholders - Annual Report page 142;
- Directors' interests in ordinary shares - Annual Report page 136; and
- Share capital of Investec Limited - Annual Report page 211

26 Special Resolution No. 2 : Investec Limited: Subdivision of the ordinary shares

Resolved that:

- subject to the passing of Resolution No. 39 and such resolution otherwise becoming effective, the passing and registration of Special Resolution Nos. 3, 4 and 5, in terms of Section 75(1)(e) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), Article 8.1(c) of the Articles of Association of Investec Limited and with effect from 10 August 2006, the 55 500 000 (fifty five million five hundred thousand) ordinary shares of ZAR0.001 each in the authorised share capital of Investec Limited, whether issued or not, be and are hereby subdivided by 5 (five) into 277 500 000 (two hundred and seventy seven million five hundred thousand) ordinary shares of ZAR0.0002 each in the authorised and issued share capital of Investec Limited.

The reason and effect of Special Resolution No. 2 is to subdivide and reduce the par value of the authorised ordinary shares of Investec Limited, whether issued or not, to ZAR0.0002 each.

The passing of Special Resolution No. 2 is conditional upon the passing of all the other subdivision-related resolutions, namely Special Resolution Nos. 3, 4 and 5 and Resolution No. 39.

27 Special Resolution No. 3 : Investec Limited: Subdivision of the class "A" variable rate compulsorily convertible non-cumulative preference shares

Resolved that

- subject to the passing of Resolution No. 39 and such resolution otherwise becoming effective, the passing and registration of Special Resolution Nos. 2, 4 and 5, in terms of Section 75(1)(e) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), Article 8.1(c) of the Articles of Association of Investec Limited, and with effect from 10 August 2006, the 8 000 000 (eight million) class "A" variable rate compulsorily convertible non-cumulative preference shares ("Class "A" Preference Shares") of ZAR0.001 each in the authorised share capital of Investec Limited, whether issued or not, be and are hereby subdivided by 5 (five) into 40 000 000 (forty million) Class "A" Preference Shares of ZAR0.0002 each in the authorised and issued share capital of Investec Limited;

- as a result of this subdivision, Article 151 of the Articles of Association of Investec Limited be amended to reflect the par value of the Class "A" Preference Shares as ZAR0.0002 wherever it appears in Article 151.

The reason and effect of Special Resolution No. 3 is to subdivide and reduce the par value of the authorised Class "A" Preference Shares of Investec Limited, whether issued or not, to ZAR0.0002 each and to effect the consequential changes to the par value of these shares in Article 151 of the Articles of Association of Investec Limited.

The passing of Special Resolution No. 3 is conditional upon the passing of all the other subdivision related resolutions, namely Special Resolution Nos. 2, 4 and 5 and Resolution No. 39.

28 **Special Resolution No. 4 : Investec Limited: Subdivision of the special convertible redeemable preference shares**

Resolved that

- subject to the passing of Resolution No. 39 and such resolution otherwise becoming effective, the passing and registration of Special Resolution Nos. 2, 3 and 5, in terms of Section 75(1)(e) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), Article 8.1(c) of the Articles of Association of Investec Limited and with effect from 10 August 2006, the 112 000 000 (one hundred and twelve million) special convertible redeemable preference shares of ZAR0.001 each in the authorised share capital of Investec Limited, whether issued or not, be and are hereby subdivided by 5 (five) into 560 000 000 (five hundred and sixty million) special convertible redeemable preference shares of ZAR0.0002 each in the authorised share capital of Investec Limited.

The reason and effect of Special Resolution No. 4 is to subdivide and reduce the par value of the authorised special convertible redeemable preference share of Investec Limited, whether issued or not, to ZAR0.0002 each.

The passing of Special Resolution No. 4 is conditional upon the passing of all other subdivision-related resolutions, namely Special Resolution Nos. 2, 3 and 5 and Resolution No. 39.

29 **Special Resolution No. 5 : Investec Limited: Consequential amendments to the Memorandum of Association**

Resolved that:

- subject to the passing of Resolution No. 39 and such resolution otherwise becoming effective, the passing and registration of Special Resolution Nos. 2, 3 and 4, in terms of Section 56(4) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), and Article 149 of the Articles of Association of Investec Limited and with effect from 10 August 2006, the Memorandum of Association of Investec Limited be amended by the deletion of the entire paragraph 8(a) and the substitution thereof with the following new paragraph 8(a):

"8(a) Par value:

The share capital of Investec Limited is ZAR1 205 502.00 divided into:

(i) 277 500 000 ordinary shares of ZAR0.0002 each;
(ii) 40 000 000 Class "A" variable rate compulsorily convertible non-cumulative preference shares of ZAR0.0002 each;
(iii) 50 000 variable rate cumulative redeemable preference shares of ZAR0.60 each;
(iv) 100 000 000 non-redeemable non-cumulative non-participating preference shares of ZAR0.01 each;
(v) 1 dividend access (South African Resident) redeemable preference share of ZAR1.00;
(vi) 1 dividend access (Non-South African Resident) redeemable preference share of ZAR1.00;
(vii) 560 000 000 special convertible redeemable preference shares of ZAR0.0002 each."

The reason and effect of Special Resolution No. 5 is to amend the Memorandum of Association of Investec Limited to correctly reflect the new authorised share capital of Investec Limited.

The passing of Special Resolution No. 5 is conditional upon the passing of all the other subdivision-related resolutions, namely Special Resolution Nos. 2, 3 and 4 and Resolution No. 39.

30 **Ordinary Resolution: Investec Limited: Directors' authority to take action in respect of the resolutions**

Resolved that:

- any director or the company secretary of Investec Limited, be and is hereby authorised to do all things and sign all documents which may be necessary to carry into effect the aforesaid resolutions to the extent same have been passed and, where applicable, registered.

Ordinary Business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following resolutions of Investec plc:

31 To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2006 together with the reports of the directors of Investec plc and of the auditors of Investec plc.

32 To approve the Remuneration Report of Investec plc for the year ended 31 March 2006.

33 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 2005.

34 Subject to the passing of Resolution No. 13 and Resolution No. 14, to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2006 of an amount equal to that recommended by the directors of Investec plc.

35 To re-appoint Ernst & Young LLP of Beckett House, 1 Lambeth Palace Road, London SE1 7EU as auditors of Investec plc to hold office until the conclusion of the Annual General Meeting of Investec plc to be held in 2007 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 resolutions of Investec plc:

36 Ordinary Resolution: Investec plc: Directors' authority to allot shares and other securities.

Resolved that:

- the authority conferred on the directors of Investec plc by paragraph 12.2 of Article 12 of Investec plc's Articles of Association be renewed for the period ending on the date of the Annual General Meeting of Investec plc to be held in 2007 or, if earlier, 15 (fifteen) months from the date on which this Resolution is passed, and for such period the Section 80 amount shall be £1 036 377.

The Articles of Association of Investec plc permit the directors of Investec plc to allot shares and other securities in accordance with section 80 of the UK Companies Act 1985, up to an amount authorised by the shareholders in general meeting. The authority conferred on the directors at Investec plc's Extraordinary General Meeting held on 28 June 2006 expires on the date of the forthcoming Annual General Meeting of Investec plc convened for 10 August 2006 and the directors of Investec plc recommend that this authority be renewed.

Resolution No. 36 will, if passed, authorise the directors of Investec plc to allot Investec plc's unissued shares up to a maximum nominal amount of £1 036 377, as set out in the table below:

	Number of Shares	Par value	Relative part of Section 80 amount	Total
Ordinary shares	74 633 746	£74 633	£24 877[1]	
Special Converting Shares	11 500 473	£11 500	£11 500[2]	£1 036 377[3]
Non-redeemable, non-cumulative, non-participating preference shares ("Perpetual Preference Shares")	100 000 000	£1 000 000	£1 000 000[2]	

1. One third of value issued in line with that normally adopted by UK Companies.

2. Based on 100% (one hundred per cent) of the number of the unissued shares.

3. This amount is higher than the one-third of issued ordinary share capital limit normally adopted by UK companies at their Annual General Meetings to allow the directors of Investec plc to issue special converting shares in Investec plc as and when required in accordance with the agreements which constitute Investec's Dual Listed Company structure and to issue all of the unissued Investec plc Perpetual Preference Shares.

   While the authority to allot shares to the value of £1 036 377 is given in respect of all of the relevant securities of Investec plc, the directors of Investec plc would expect 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 third column of that table for each such class of shares.

4. As of 24 June 2006 (the latest practicable date prior to publication of this notice), Investec plc holds 1 243 624 treasury shares which represent 1.67 per cent of the total ordinary share capital of Investec plc in issue.

37 Ordinary Resolution: Investec plc: Directors' authority to allot ordinary shares for cash

Resolved that:

- subject to the passing of Resolution No. 36, the power conferred on the directors of Investec plc by paragraph 12.4 of Article 12 of Investec plc's Articles of Association be renewed for the period referred to in Resolution No. 36 and for such period the Section 89 amount shall be £5 931.66.

The purpose of Resolution No. 37 is to renew the authority of the directors of Investec plc to allot equity securities for cash otherwise than to shareholders in proportion to existing holdings. In the case of allotments other than rights issues, the authority is limited to equity securities up to an aggregate nominal value of £5 931.66 which represents approximately 5% (five per cent) of the total combined issued ordinary share capital of Investec plc and Investec Limited as at 24 June (being the latest 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 2007 or, if earlier, 15 (fifteen) months after passing this Resolution No. 37.

If this Resolution No. 37 and Resolution No. 20 are both passed, the directors will have authority to allot shares for cash other than by way of rights in respect of both Investec Limited and Investec plc up to the limits specified in those respective Resolutions. In such circumstances, the directors confirm that, as and when they exercise such authorities, they intend to comply with the relevant guidelines of the Association of British Insurers.

The directors also confirm that the exercise of any such authority would be subject to the following specific limitations as required by the Listing Requirements of the JSE Limited:

(i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec plc or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec plc convened for 10 August 2006;

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue;

(iii) the issue in the aggregate in any one financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible;

(iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc; and

(v) the equity securities/shares must be issued to public shareholders and not to related parties.

In order for Resolution No. 37 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of Resolution No. 37.

38 Ordinary Resolution: Investec plc: Directors' authority to purchase ordinary shares

Resolved that:

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of Section 166 of the UK Companies Act, 1985 (the "UK Act") to make market purchases (as defined in Section 163 of the UK Act) of ordinary shares in the capital of Investec plc provided that:

(i) the maximum aggregate number of ordinary shares which may be purchased is:

(A) unless and until such date that Resolution No. 39 becomes effective, 7 463 375 (seven million four hundred and sixty three thousand three hundred and seventy five) ordinary shares of £0.001 each; or

(B) from the date on which Resolution No. 39 becomes effective, 37 316 875 (thirty seven million three hundred and sixteen thousand eight hundred and seventy five) 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 per cent) of the average of the middle market quotations of the ordinary shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and

(iv) this authority shall expire at the conclusion of the Annual General Meeting of Investec plc to be held in 2007, 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. 38 is to grant a general authority, subject to specified limits, to Investec plc to acquire ordinary shares of Investec plc. You are asked to consent to the purchase by Investec plc of, unless and until such date that Resolution No. 39 becomes effective, up to a maximum of 7 463 375 (seven million four hundred and sixty three thousand three hundred and seventy five) ordinary shares of £0.001 each; or from the date on which Resolution No. 39 becomes effective, up to a maximum of 37 316 875 (thirty seven million three hundred and sixteen thousand eight hundred and seventy five) ordinary shares of £0.0002 each.

As of 24 June 2006 (the latest practicable date prior to publication of this notice), there were options outstanding over 7 695 590 ordinary shares, representing 10% (ten per cent) of Investec plc's issued ordinary share capital at that date. If the authority to buy back shares under Resolution No. 38 was exercised in full, the total number of options to subscribe for ordinary shares would represent 11% (eleven per cent) of Investec plc's issued ordinary share capital.

The Companies (Acquisition of own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") permit Investec plc to purchase its own ordinary shares to be held in treasury, with a view to possible resale at a future date as opposed to cancelling these shares as previously required.

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 interests of shareholders. If Investec plc were to purchase shares under the Regulations they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury, provided that the number of shares held in treasury at any one time does not exceed 10% (ten per cent) of Investec plc's issued ordinary share capital. 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. 38 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of Resolution No. 38.

39 Ordinary Resolution: Investec plc: Subdivision of ordinary and special converting shares

Resolved that:

- subject to the passing and registration of Special Resolution Nos. 2, 3, 4 and 5:

(i) that each ordinary share of £0.001 in the capital of Investec plc be and is hereby subdivided into 5 (five) ordinary shares of £0.0002 each; and

(ii) that each special converting share of £0.001 in the capital of Investec plc be and is hereby subdivided into 5 (five) special converting shares of £0.0002 each,

in each case subject to and conditional upon admission of the issued new Investec plc ordinary shares to the Official List of the Financial Services Authority and to trading on the London Stock Exchange becoming effective.

The passing of Resolution No. 39 is conditional upon the passing of all other subdivision-related resolutions, namely Special Resolutions 2, 3, 4 and 5.

In order for Resolution No. 39 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of Resolution No. 39.

40 Ordinary Resolution: Investec plc: Consequential amendments to the Articles of Association

Resolved that:

- subject to the passing of Resolution No. 39, the Articles of Association as tabled at the meeting, marked "A" and initialled by the Chairman for the purpose of identification, be adopted as the articles of association of Investec plc in substitution for and to the exclusion of the existing articles of association.

The reason and effect of Resolution No. 40 is to update the Articles of Association of Investec plc to reflect the changes to the share capital in Investec plc following the subdivision of the Investec plc ordinary shares and the special converting shares.

In order for Resolution No. 40 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of Resolution No. 40.

41 Ordinary Resolution: Investec plc: Directors' authority to take action in respect of the resolutions

Resolved that:

- any director or the company secretary of Investec plc be and is hereby authorised to do all things and sign all documents which may be necessary to carry into effect the aforesaid resolutions to the extent same have been passed and, where applicable, registered.

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 recommends 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

Selwyn Noik
Company Secretary

Date: 30 June 2006

Registration No: 1925/002833/06

Registered Office:
100 Grayston Drive
Sandown
Sandton, 2196
(PO Box 785700, Sandton, 2146)

Notes:

1. All of the above resolutions are Joint Electorate Actions under the Articles of Association 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 holders of Investec Limited's 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 one vote;

(b) the holder of Investec Limited's special convertible redeemable preference shares will cast the same number of votes as were validly cast for and against the equivalent resolution at the Investec plc Annual General Meeting;

(c) the holder of Investec Limited's 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 shareholders at the Investec plc Annual General Meeting will be reflected at Investec Limited's Annual General Meeting in respect of each Joint Electorate Action; and

(e) the results of the Joint Electorate Actions will be announced after both polls have closed.

3. A member entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him/her. A proxy need not be a member of Investec Limited or Investec plc. A proxy may not speak at the meeting except with permission from the chairman of the meeting.
4. A form of proxy (yellow) is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
5. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the Transfer Secretary's office not less than 48 (forty eight) hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
6. Entitlement to attend and vote at the meeting, and the number of votes which may be cast thereat, will be determined by reference to Investec Limited's register of members at 15:00 (SA time) on 8 August 2006 or, if the meeting is adjourned, 48 (forty eight) hours before the time fixed for the adjourned meeting, as the case may be.
7. Copies of Investec plc's new Articles of Association and The Investec Limited Security Purchase Scheme 2003 Trust Deed are available for inspection at 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 Limited's Annual General Meeting to be convened on Thursday, 10 August 2006 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting

Investec plc
(Incorporated in England and Wales)
(Registration number 3633621
Share code: INP ISIN: GB0031773103)

Notice of Annual General Meeting of Investec plc

Notice is hereby given that the Annual General Meeting of Investec plc will be held at 14:00 (UK time) on Thursday, 10 August 2006, 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 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 Investec Limited.

2 To re-elect Donn Edward Jowell as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited.

3 To re-elect Hugh Sidney Herman as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited.

4 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 Investec Limited.

5 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 Investec Limited.

6 To re-elect Sam 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 Investec Limited.

7 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 Investec Limited.

8 To re-elect Sir David Prosser, whose appointment as a director terminates at the end of the Annual General Meetings of Investec plc and Investec Limited convened for 10 August 2006, as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited.

For brief biographical details of the directors to be re-elected, please refer to the Annual Report of Investec plc/Investec Limited.

Ordinary Business: Investec Limited
To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions of Investec Limited:

9 To receive and adopt the audited financial statements of Investec Limited for the year ended 31 March 2006 together with the reports of the directors of Investec Limited and of the auditors of Investec Limited.

10 To determine, ratify and approve the remuneration of the directors of Investec Limited for the year ended 31 March 2006.

11 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 2005.

12 To sanction the interim dividend paid by Investec Limited on the dividend access (South African resident) ("SA DAS") redeemable preference share for the 6 (six) month period ended 30 September 2005.

13 Subject to the passing of Resolution No. 14 and Resolution No. 34 to declare a final dividend on the ordinary shares in Investec Limited for the year ended 31 March 2006 of an amount equal to that recommended by the directors of Investec Limited.

14 Subject to the passing of Resolution No. 13 and Resolution No. 34, to declare a final dividend on the SA DAS redeemable preference share of Investec Limited for the year ended 31 March 2006 of an amount equal to that recommended by the directors of Investec Limited.

15 To re-appoint Ernst & Young Chartered Accountants (SA) of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 (PO Box 2322, Johannesburg, 2000) as auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2007 and to authorise the directors of Investec Limited to fix their remuneration.

16 To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 (Private Bag 9, Parkview, 2122) as auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2007 and to authorise the directors of Investec Limited to fix their remuneration.

Special Business: Investec Limited

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions of Investec Limited:

17 Ordinary Resolution: Investec Limited: Placing 10% of the unissued ordinary shares under the control of the Directors

Resolved that:

(A) unless and until such date that Special Resolution No. 2 becomes effective, 1 150 047 (one million one hundred and fifty thousand and forty seven) ordinary shares of ZAR0.001 each being 10% (ten per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited;

or

(B) from the date on which Special Resolution No. 2 becomes effective, 5 750 235 (five million seven hundred and fifty thousand and two hundred and thirty five) ordinary shares of ZAR0.0002 each being 10% (ten per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited;

be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2007, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the Listings Requirements of the JSE Limited.

18 Ordinary Resolution: Investec Limited: Placing 10% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares under the control of the Directors

Resolved that:

(A) unless and until such date that Special Resolution No. 2 becomes effective, 800 000 (eight hundred thousand) class "A" variable rate compulsorily convertible non-cumulative preference shares ("Class "A" Preference Shares") of ZAR0.001 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited

or

(B) from the date on which Special Resolution No. 2 becomes effective, 4 000 000 (four million) Class "A" Preference Shares of ZAR0.0002 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited,

be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2007, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the Listings Requirements of the JSE Limited.

19 Ordinary Resolution: Investec Limited: Placing the remaining unissued shares under the control of the Directors

Resolved that:

- all the unissued shares in the authorised share capital of Investec Limited, excluding the ordinary shares and the class "A" variable rate compulsorily convertible non-cumulative preference shares, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2007, subject to the provisions of the SA Act, the South African Banks Act, No. 94 of 1990, as amended, and the Listings Requirements of the JSE Limited.

20 Ordinary Resolution: Investec Limited: Directors' authority to allot and issue ordinary shares for cash

Resolved that:

- subject to the passing of Resolution No. 17, the Listings Requirements of the JSE Limited, the South African Banks Act, No. 94 of 1990, as amended, and the South African Companies Act, No. 61 of 1973, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue:

(A) unless and until such date that Special Resolution No. 2 becomes effective, 1 150 047 (one million one hundred and fifty thousand and forty seven) ordinary shares of ZAR0.001 each;

or

(B) from the date on which Special Resolution No. 2 becomes effective, 5 750 235 (five million seven hundred and fifty thousand and two hundred and thirty five) ordinary shares of ZAR0.0002 each;

for cash as and when suitable situations arise, subject to the following specific limitations as required by the Listing Requirements of the JSE Limited:

(i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of the company or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 10 August 2006;

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue;

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible;

(iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited; and

(v) the equity securities/shares must be issued to public shareholders and not to related parties.

If this Resolution No. 20 and Resolution No. 37 are both passed, the directors will have authority to allot shares for cash other than by way of rights in respect of both Investec Limited and Investec plc up to the limits specified in those respective Resolutions. In such circumstances, the directors confirm that, as and when they exercise such authorities, they intend to comply with the relevant guidelines of the Association of British Insurers.

In order for Resolution No. 20 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc must be cast in favour of Resolution No. 20.

21 Ordinary Resolution: Investec Limited: Directors' authority to allot and issue class "A" variable rate compulsorily convertible non-cumulative preference shares for cash

Resolved that:

- subject to the passing of Resolution No. 18, the Listings Requirements of the JSE Limited, the South African Banks Act, No. 94 of 1990, as amended, and the South African Companies Act, No. 61 of 1973, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue:

(A) unless and until such date that Special Resolution No. 2 becomes effective, 800 000 (eight hundred thousand) class "A" variable rate compulsorily convertible non-cumulative preference shares ("Class "A" Preference Shares") of ZAR0.001 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited;

or

(B) from the date on which Special Resolution No. 2 becomes effective, 4 000 000 (four million) Class "A" Preference Shares of ZAR0.0002 each being 10% (ten per cent) of the unissued Class "A" Preference Shares in the authorised share capital of Investec Limited;

for cash as and when suitable situations arise, subject to the following specific limitations as required by the Listing Requirements of the JSE Limited:

(i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of the company or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 10 August 2006;

(ii) a paid press announcement giving full details including the impact on net asset value and earnings per Class "A" Preference Share will be published at the time of an issue representing, on a cumulative basis within 1 (one)

(iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of Class "A" Preference Shares in issue, including instruments which are compulsorily convertible;

(iv) in determining the price at which an allotment and issue of Class "A" Preference Shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the Class "A" Preference Shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited; and

(v) the equity securities/shares must be issued to public shareholders and not to related parties.

If Resolution No. 21 is passed, the directors will have authority to allot Class "A" Preference Shares for cash other than by way of rights in respect of Investec Limited up to the limits specified in Resolution No. 21.

In order for Resolution No. 21 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc must be cast in favour of Resolution No. 21.

22 Ordinary Resolution: Investec Limited: Amendments to The Investec Limited Security Purchase Scheme 2003 Trust Deed

Resolved that:

- in terms of clause 15.1.2. of the The Investec Limited Security Purchase Scheme 2003 Trust Deed (the "Scheme"), the provisions of clause 4 of Appendix 1 to the Scheme (being the provisions in the Rules Applicable to the Purchase Scheme relating to consequences of early termination of employment) be amended such that clause 4.2. thereof be replaced in its entirety with the following new provision:

4.2 Participants to whom 4.1 applies shall have the following rights and obligations -

4.2.1 the Participant is obliged to resell to the Trust the Scheme Securities in respect of which the Release Date or Release Dates have not passed. To the extent that the Release Date has passed in respect of at least 400 (four hundred) Scheme Securities a Participant may offer such Scheme Securities to other Participants. If a Participant does not wish to offer such Scheme Securities to other Participants or a sale in respect thereof is not achieved within 30 (thirty) days of an event referred to in 4.1.1, 4.1.2 or 4.1.3, the Participant will be obliged to resell to the Trust those Scheme Securities. The price at which the Trust will purchase the Scheme Securities will, regardless of whether a Release Date or Release Dates in respect thereof has or has not passed, be an amount equivalent at the relevant date to the higher of the Market Value of Scheme Securities of the same class as the Scheme Securities concerned at that time less 20% (twenty per cent) and the Scheme Debt payable by the Participant in respect of the Scheme Securities concerned at that time plus any payments previously made by the Participant on account of the relevant capital and/or interest; and

4.2.2 if a Participant has an entitlement to Scheme Securities in respect of which the Release Date or Release Dates have passed, which number is less than 400 (four hundred), he will be obliged to resell his Scheme Securities to the Trust at the price as determined in

4.2.1 above as at the relevant date."

The purpose of Resolution 22 is to bring the provisions of the The Investec Limited Security Purchase Scheme 2003 Trust in respect of the vesting of unvested portions of Scheme Securities on, inter alia, death and retirement, in line with the other scheme trusts within Investec Limited.

23 Ordinary Resolution: Investec Limited: Amendments to The Investec Limited Security Purchase Scheme 2003 Trust Deed

Resolved that:

- in terms of clause 15.1.2. of the The Investec Limited Security Purchase Scheme 2003 Trust Deed (the "Scheme"), the provisions of Appendix 1 to the Scheme (being the Rules Applicable to the Purchase Scheme) be amended such that clause 6.3 be replaced in its entirety with the following new provision:

6.3 Release Dates of the Scheme Securities referred to in

6.2. shall apply to all Participants including those who become Participants after the date of the initial Offer under the Scheme, save that if a Participant becomes a Participant after the date of the initial Offer or after any of the Release Dates, the Scheme Securities which would have been Released on such prior Release Dates will be accumulated for Release on the last of such Release Dates being the date envisaged in 6.2.7."

The purpose of Resolution 23 is to ensure the equality of treatment between Participants regardless of when same become Participants in the Scheme.

24 Ordinary Resolution: Investec Limited: Amendments to The Investec Limited Security Purchase Scheme 2003 Trust Deed

Resolved that:

- in terms of clause 15.1.2. of the The Investec Limited Security Purchase Scheme 2003 Trust Deed (the

"Scheme"), the provisions of the Schedule of Interpretation to the Scheme be amended such that clause 1.19, being the definition of "Offer" be replaced in its entirety with the following new provision:

1.19 "Offer" means an offer to sell Scheme Securities to an Offeree in terms of the Purchase Scheme and shall include an offer made by grant or award, and to the extent an offer is made by grant or award, acceptance thereof shall be deemed to take place simultaneously with delivery thereof;"

25 Special Resolution No. 1: Investec Limited: Directors' authority to acquire ordinary shares and preference shares

Resolved that:

- subject to the passing and registration of Special Resolution No. 1 in the Investec Limited Notice of Annual General Meeting convened for 10 August 2006, in terms of Article 9 of the Articles of Association of Investec Limited and with effect from 10 August 2006, Investec Limited hereby approves, as a general approval contemplated in Sections 85 and 89 of the South African Companies Act, No. 61 of 1973, as amended (the "SA Act"), the acquisition by Investec Limited or its subsidiaries from time to time, of the issued ordinary shares and non-redeemable non-cumulative non-participating preference shares (the "Perpetual Preference Shares") of Investec Limited, upon such terms and conditions and in such amounts as the directors of Investec Limited or its subsidiaries may from time to time decide, but subject to the provisions of the South African Banks Act No. 94 of 1990, as amended, the SA Act and the Listings Requirements of the JSE Limited (the "JSE"), being 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, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this Special Resolution No.1;

(iii) an announcement will be published as soon as Investec Limited or any of its subsidiaries has acquired ordinary shares or Perpetual Preference Shares constituting, on a cumulative basis, 3% (three per cent) of the number of ordinary shares or Perpetual Preference Shares in issue prior to the acquisition pursuant to which the aforesaid 3% (three per cent) threshold is reached, and for each 3% (three per cent) in aggregate acquired thereafter, containing full details of such acquisitions;

(iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty per cent) of Investec Limited's ordinary issued shares or Investec Limited's issued Perpetual Preference Shares capital as at the date of passing of this Special Resolution No.1;

(v) in determining the price at which ordinary shares or Perpetual Preference Shares issued by Investec Limited are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares or Perpetual Preference Shares are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of repurchase of such ordinary shares or Perpetual Preference Shares by Investec Limited or any of its subsidiaries;

(vi) Investec Limited has been given authority by its Articles of Association;

(vii) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any repurchase on Investec Limited's behalf;

(viii) Investec Limited remaining in compliance with the minimum shareholder spread requirements of the JSE Listings Requirements; and

(ix) Investec Limited and/or its subsidiaries not repurchasing any shares during a prohibited period as defined by the JSE Listings Requirements.

The reason and effect of Special Resolution No. 1 is to grant a renewable general authority to Investec Limited to acquire ordinary shares and Perpetual Preference Shares of Investec Limited which are in issue from time to time in terms of the SA Act and the JSE Listing Requirements for the repurchase by Investec Limited, or a subsidiary of Investec Limited, of Investec Limited's shares.

The directors of Investec Limited have no present intention of making any purchases but believe that Investec Limited should retain the flexibility to take action if future purchases were considered desirable and in the best interests of shareholders. The directors of Investec Limited are of the opinion, after considering the effect of such acquisition of ordinary shares and Perpetual Preference Shares, if implemented and on the assumption that the maximum of 20% (twenty per cent) of the current issued ordinary share capital of Investec Limited will be repurchased using the mechanism of the general authority at the maximum price at which the repurchase may take place (a 10% (ten per cent) premium above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date of the repurchase) and having regard to the price of the ordinary 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 10 August 2006 that:

- Investec Limited and the group 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 10 August 2006;
- the consolidated assets of Investec Limited and the group, fairly valued in accordance with Generally Accepted Accounting Practice, will be in excess of the consolidated liabilities of Investec Limited and the group for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 10 August 2006;
- Investec Limited and the group 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 10 August 2006; and
- the working capital of Investec Limited and the group 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 10 August 2006.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 145 to 148 of the 2006 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 the group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 145 to 148 of the 2006 Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this circular 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 2006 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.

The following additional information, some of which may appear elsewhere in the 2006 Annual Report of which this notice forms part, is provided in terms of the JSE Limited Listings Requirements for purposes of the general authority:

- Directors and management - Annual Report pages 37 and 145 to 152;
- Major beneficial shareholders - Annual Report page 142;
- Directors' interests in ordinary shares - Annual Report page 136; and
- Share capital of Investec Limited - Annual Report page 211

26 Special Resolution No. 2: Investec Limited: Subdivision of the ordinary shares

Resolved that:

- subject to the passing and registration of Special Resolution Nos. 2, 3, 4 and 5 as contained in the Investec Limited Notice of Annual General Meeting convened for 10 August 2006 and subject to the passing of Special Resolution Nos. 3, 4, 5 and 8 and such resolutions otherwise becoming effective, in terms of Section 75(1)(e) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), Article 8.1(c) of the Articles of Association of Investec Limited and with effect from 10 August 2006, the 55 500 000 (fifty five million five hundred thousand) ordinary shares of ZAR0.001 each in the authorised share capital of Investec Limited, whether issued or not, be and are hereby subdivided by 5 (five) into 277 500 000 (two hundred and seventy seven million five hundred thousand) ordinary shares of ZAR0.0002 each in the authorised and issued share capital of Investec Limited.

The reason and effect of Special Resolution No. 2 is to subdivide and reduce the par value of the authorised ordinary shares of Investec Limited, whether issued or not, to ZAR0.0002 each.

The passing of Special Resolution No. 2 is conditional upon the passing of all the other subdivision related resolutions, namely Special Resolution Nos. 3, 4 and 8.

27 Special Resolution No. 3: Investec Limited: Subdivision of the class "A" variable rate compulsorily convertible non-cumulative preference shares

Resolved that

- subject to the passing and registration of Special Resolution Nos. 2, 3, 4 and 5 as contained in the Investec Limited Notice of Annual General Meeting convened for 10 August 2006 and such resolutions otherwise becoming effective, the passing of Special Resolution Nos. 2, 4, 5 and 8, in terms of Section 75(1)(e) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), Article 8.1(c) of the Articles of Association of Investec Limited and with effect from 10 August 2006, the 8 000 000 (eight million) Class "A" variable rate compulsorily convertible non-cumulative preference shares ("Class "A" Preference Shares") of ZAR0.001 each in the authorised share capital of Investec Limited, whether issued or not, be and are hereby subdivided by 5 (five) into 40 000 000 (forty million) Class "A" Preference Shares of ZAR0.0002 each in the authorised and issued share capital of Investec Limited;

- as a result of this subdivision, Article 151 of the Articles of Association of Investec Limited be amended to reflect the par value of the Class "A" Preference Shares as ZAR0.0002 wherever it appears in Article 151.

The reason and effect of Special Resolution No. 3 is to subdivide and reduce the par value of the authorised Class "A" Preference Shares of Investec Limited, whether issued or not, to ZAR0.0002 each and to effect the consequential changes to the par value of these shares in Article 151 of the Articles of Association of Investec Limited.

The passing of Special Resolution No. 3 is conditional upon the passing of all the other subdivision-related resolutions, namely Special Resolution Nos. 2, 4, 5 and 8.

28 Special Resolution No. 4: Investec Limited: Subdivision of the special convertible redeemable preference shares

Resolved that

- subject to the passing and registration of Special Resolution Nos. 2, 3, 4 and 5 as contained in the Investec Limited Notice of Annual General Meeting convened for 10 August 2006 and such resolutions otherwise becoming effective, and the passing of Special Resolution Nos. 2, 3, 5 and 8, in terms of Section 75(1)(e) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), Article 8.1(c) of the Articles of Association of Investec Limited, and with effect from 10 August 2006, the 112 000 000 (one hundred and twelve million) special convertible redeemable preference shares of ZAR0.001 each in the authorised share capital of Investec Limited, whether issued or not, be and are hereby subdivided by 5 (five) into 560 000 000 (five hundred and sixty million) special convertible redeemable preference shares of ZAR0.0002 each in the authorised share capital of Investec Limited.

The reason and effect of Special Resolution No. 4 is to subdivide and reduce the par value of the authorised special convertible redeemable preference shares of Investec Limited, whether issued or not, to ZAR0.0002 each.

The passing of Special Resolution No. 4 is conditional upon the passing of all the other subdivision-related resolutions, namely Special Resolution Nos. 2, 3, 5 and 8.

29 Special Resolution No. 5 : Investec Limited: Consequential amendments to the Memorandum of Association

Resolved that:

- subject to the passing and registration of Special Resolution Nos. 2, 3, 4 and 5 as contained in the Investec Limited Notice of Annual General Meeting convened for 10 August 2006 and such resolutions otherwise becoming effective, the passing of Special Resolution Nos. 2, 3, 4 and 8, in terms of Section 56(4) of the Companies Act, Act No. 61 of 1973, as amended ("SA Act"), Article 149 of the Articles of Association of Investec Limited and with effect from 10 August 2006, the Memorandum of Association of Investec Limited be amended by the deletion of the entire paragraph 8(a) and the substitution thereof with the following new paragraph 8(a):

"8(a) Par value:

The share capital of Investec Limited is ZAR1 205 502.00 divided into:

(i) 277 500 000 ordinary shares of ZAR0.0002 each;
(ii) 40 000 000 Class 'A' variable rate compulsorily convertible non-cumulative preference shares of ZAR0.0002 each;
(iii) 50 000 variable rate cumulative redeemable preference shares of ZAR0.60 each;
(iv) 100 000 000 non-redeemable non-cumulative preference shares of ZAR0.01 each;
(v) 1 dividend access (South African Resident) redeemable preference share of ZAR1.00;
(vi) 1 dividend access (Non-South African Resident) redeemable preference share of ZAR1.00;
(vii) 560 000 000 special convertible redeemable preference shares of ZAR0.0002 each."

The reason and effect of Special Resolution No. 5 is to amend the Memorandum of Association of Investec Limited to correctly reflect the new authorised share capital of Investec Limited.

The passing of Special Resolution No. 5 is conditional upon the passing of all the other subdivision-related resolutions, namely Special Resolution Nos. 2, 3, 4 and 8.

30 Ordinary Resolution: Investec Limited: Directors' authority to take action in respect of the resolutions

Resolved that:

- any director or the company secretary of Investec Limited, be and is hereby authorised to do all things and sign all documents which may be necessary to carry into effect the aforesaid resolutions to the extent same have been passed and, where applicable, registered.

Ordinary Business: Investec plc

To consider and, if deemed fit, to pass, with or without modification, the following resolutions of Investec plc:

31 To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2006 together with the reports of the directors of Investec plc and of the auditors of Investec plc.

32 To approve the Remuneration Report of Investec plc for the year ended 31 March 2006.

33 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 2005.

34 Subject to the passing of Resolution No. 13 and Resolution No. 14, to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2006 of an amount equal to that recommended by the directors of Investec plc.

35 To re-appoint Ernst & Young LLP of Beckett House, 1 Lambeth Palace Road, London SE1 7EU as auditors of Investec plc to hold office until the conclusion of the Annual General Meeting of Investec plc to be held in 2007 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 resolutions of Investec plc:

36 Ordinary Resolution: Investec plc: Directors' authority to allot shares and other securities.

Resolved that:

- the authority conferred on the directors of Investec plc by paragraph 12.2 of Article 12 of Investec plc's Articles of Association be renewed for the period ending on the date of the Annual General Meeting of Investec plc to be held in 2007 or, if earlier, 15 (fifteen) months from the date on which this Resolution is passed, and for such period the Section 80 amount shall be £1 036 377.

The Articles of Association of Investec plc permit the directors of Investec plc to allot shares and other securities in accordance with section 80 of the UK Companies Act 1985, up to an amount authorised by the shareholders in general meeting. The authority conferred on the directors at Investec plc's Extraordinary General Meeting held on 28 June 2006 expires on the date of the forthcoming Annual General Meeting of Investec plc convened for 10 August 2006 and the directors of Investec plc recommend that this authority be renewed.

Resolution No. 36 will, if passed, authorise the directors of Investec plc to allot Investec plc's unissued shares up to a maximum nominal amount of £1 036 377, as set out in the table below.

	Number of Shares	Par value	Relative part of Section 80 amount	Total
Ordinary shares	74 633 746	£74 633	£24 877[1]	£1 036 377[3]
Special Converting Shares	11 500 473	£11 500	£11 500[2]	
Non-redeemable, non-cumulative, non-participating preference shares ("Perpetual Preference Shares")	100 000 000	£1 000 000	£1 000 000[2]	

1. One third of value issued in line with that normally adopted by UK Companies.

2. Based on 100% (one hundred per cent) of the number of the unissued shares.

3. This amount is higher than the one-third of issued ordinary share capital limit normally adopted by UK companies at their Annual General Meetings to allow the directors of Investec plc to issue special converting shares in Investec plc as and when required in accordance with the agreements which constitute Investec's Dual Listed Company structure and to issue all of the unissued Investec plc Perpetual Preference Shares.

   While the authority to allot shares to the value of £1 036 377 is given in respect of all of the relevant securities of Investec plc, the directors of Investec plc would expect 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 third column of that table for each such class of shares.

4. As of 24 June 2006 (the latest practicable date prior to publication of this notice), Investec plc holds 1 243 624 treasury shares which represent 1.67 per cent of the total ordinary share capital of Investec plc in issue.

37 Special Resolution No. 6: Investec plc: Directors' authority to allot ordinary shares for cash

Resolved that:

- subject to the passing of Resolution No. 36, the power conferred on the directors of Investec plc by paragraph 12.4 of Article 12 of Investec plc's Articles of Association be renewed for the period referred to in Resolution No. 36 and for such period the Section 89 amount shall be £5 931.66.

The purpose of Resolution No. 37 is to renew the authority of the directors of Investec plc to allot equity securities for cash otherwise than to shareholders in proportion to existing holdings. In the case of allotments other than rights issues, the authority is limited to equity securities up to an aggregate nominal value of £5 931.66 which represents approximately 5% (five per cent) of the total combined issued ordinary share capital of Investec plc and Investec Limited as at xx (being the latest 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 2007 or, if earlier, 15 (fifteen) months after passing Special Resolution No. 6.

If Special Resolution No. 6 and Resolution No. 20 are both passed, the directors will have authority to allot shares for cash other than by way of rights in respect of both Investec Limited and Investec plc up to the limits specified in those respective Resolutions. In such circumstances, the directors confirm that, as and when they exercise such authorities, they intend to comply with the relevant guidelines of the Association of British Insurers.

The directors also confirm that the exercise of any such authority would be subject to the following specific limitations as required by the Listing Requirements of the JSE Limited:

(i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec plc or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec plc convened for 10 August 2006;
(ii) a paid press announcement giving full details including he impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue;
(iii) the issue in the aggregate in any one financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible;
(iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc; and
(v) the equity securities/shares must be issued to public shareholders and not to related parties.

38 Special Resolution No. 7: Investec plc: Directors' authority to purchase ordinary shares

Resolved that:

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of Section 166 of the UK Companies Act, 1985 (the "UK Act") to make market purchases (as defined in Section 163 of the UK Act) of ordinary shares in the capital of Investec plc provided that:

(i) the maximum aggregate number of ordinary shares which may be purchased is:

(A) unless and until such date that Special Resolution No. 8 becomes effective, 7 463 375 (seven million four hundred and sixty three thousand three hundred and seventy five) ordinary shares of £0.001 each; or
(B) from the date on which Special Resolution No. 8 becomes effective, 37 316 875 (thirty seven million three hundred and sixteen thousand eight hundred and seventy five) ordinary shares of £0.0002 each;
(ii) the minimum price which may be paid for each ordinary share is the nominal value of such shares at the time of purchase;
(iii) the maximum price which may be paid for any ordinary share is an amount equal to 105% (one hundred and five per cent) of the average of the middle market quotations of the ordinary shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and
(iv) this authority shall expire at the conclusion of the Annual General Meeting of Investec plc to be held in 2007, 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 specified limits, to Investec plc to acquire ordinary shares of Investec plc. You are asked to consent to the purchase by Investec plc of, unless and until such date that Special Resolution No. 8 becomes effective, up to a maximum of

7 463 375 (seven million four hundred and sixty three thousand three hundred and seventy five) ordinary shares of £0.001 each; or from the date on which Special Resolution No. 8 becomes effective, up to a maximum of 37 316 875 (thirty seven million three hundred and sixteen thousand eight hundred and seventy five) ordinary shares of £0.0002 each.

As of 24 June 2006 (the latest practicable date prior to publication of this notice), there were options outstanding over 7 695 590 ordinary shares, representing 10% (ten per cent) of Investec plc's issued ordinary share capital at that date. If the authority to buy back shares under Special Resolution No. 7 was exercised in full, the total number of options to subscribe for ordinary shares would represent 11% (eleven per cent) of Investec plc's issued ordinary share capital.

The Companies (Acquisition of own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") permit Investec plc to purchase its own ordinary shares to be held in treasury, with a view to possible resale at a future date as opposed to cancelling these shares as previously required.

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 interests of shareholders. If Investec plc were to purchase shares under the Regulations they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury, provided that the number of shares held in treasury at any one time does not exceed 10% (ten per cent) of Investec plc's issued ordinary share capital. 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.

39 Special Resolution No 8: Investec plc: Subdivision of ordinary and special converting shares

Resolved that:

- subject to the passing and registration of Special Resolution Nos. 2, 3, 4 and 5 in the Investec Limited Notice of Annual General Meeting convened for 10 August 2006:

(i) that each ordinary share of £0.001 in the capital of Investec plc be and is hereby subdivided into 5 (five) ordinary shares of £0.0002 each; and
(ii) that each special converting share of £0.001 in the capital of Investec plc be and is hereby subdivided into 5 (five) special converting shares of £0.0002 each,

in each case subject to and conditional upon admission of the issued new Investec plc ordinary shares to the Official List of the Financial Services Authority and to trading on the London Stock Exchange becoming effective.
The passing of Special Resolution No. 8 is conditional upon the passing of all the other subdivision-related resolutions, namely Special Resolution Nos. 2, 3, 4 and 5.

40 Special Resolution No 9: Investec plc: Consequential amendments to the Articles of Association

Resolved that:

- subject to the passing of Special Resolution No. 8, the Articles of Association as tabled at the meeting, marked "A" and initialled by the Chairman for the purpose of identification, be adopted as the articles of association of Investec plc in substitution for and to the exclusion of the existing articles of association.

The reason and effect of Special Resolution No. 9 is to update the Articles of Association of Investec plc to reflect the changes to the share capital in Investec plc following the subdivision of the Investec plc ordinary shares and the special converting shares

41 Ordinary Resolution: Investec plc: Directors' authority to take action in respect of the resolutions

Resolved that:

- any director or the company secretary of Investec plc be and is hereby authorised to do all things and sign all documents which may be necessary to carry into effect the aforesaid resolutions to the extent same have been passed and, where applicable, registered.

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

Richard Vardy
Secretary

Date: 30 June 2006

Registered No: 3633621

Registered Office:
2 Gresham Street
London
EC2V 7QP

Notes:

1. All of the above resolutions are Joint Electorate Actions under the Articles of Association of Investec plc and, accordingly, both the holders of ordinary shares in Investec plc and the holder of the special voting share in Investec plc are entitled to vote. Voting will be on a poll which will remain open for sufficient time to allow the Investec Limited Annual General Meeting to be held and for the votes of the holder of the Investec plc special voting share to be ascertained and cast on a poll.
2. On the poll:
   (a) each fully paid ordinary share in Investec plc (other than those subject to voting restrictions) will have 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 resolution 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 shareholders at the Investec Limited Annual General Meeting will be reflected at Investec plc's Annual General Meeting in respect of each Joint Electorate Action; and
   (e) The results of the Joint Electorate Action will be announced after both polls have closed.
3. A member entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him/her. A proxy need not be a member of Investec plc or Investec Limited. A proxy may not speak at the meeting except with permission from the Chairman of the meeting.
4. A form of proxy (green) is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
5. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it 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 Pavillions, Bridgwater Road, Bristol BS99 3FA, not less than 48 (forty eight) hours before the time for holding the meeting or adjourned meeting (or in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
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 plc's register of members at 14:00 (UK time) on Tuesday, 8 August 2006 or, if the meeting is adjourned, 48 (forty eight) hours before the time fixed for the adjourned meeting, as the case may be.
7. Copies of all contracts of service under which the directors of Investec plc are employed by Investec plc or any of its subsidiaries, the Investec plc's new Articles of Association and the Investec Limited Security Purchase Scheme 2003 Trust Deed are available for inspection at Investec plc'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's Annual General Meeting to be convened on Thursday 10 August 2006 and, along with a copy of the register of interests of the directors, will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting.