Investec

2006 Investec Bank Limited Group and Company Annual Financial Statements

Investec Bank Limited

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Registration number
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Reg. No. 1969/004763/06

Auditors
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Investec in perspective

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, 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

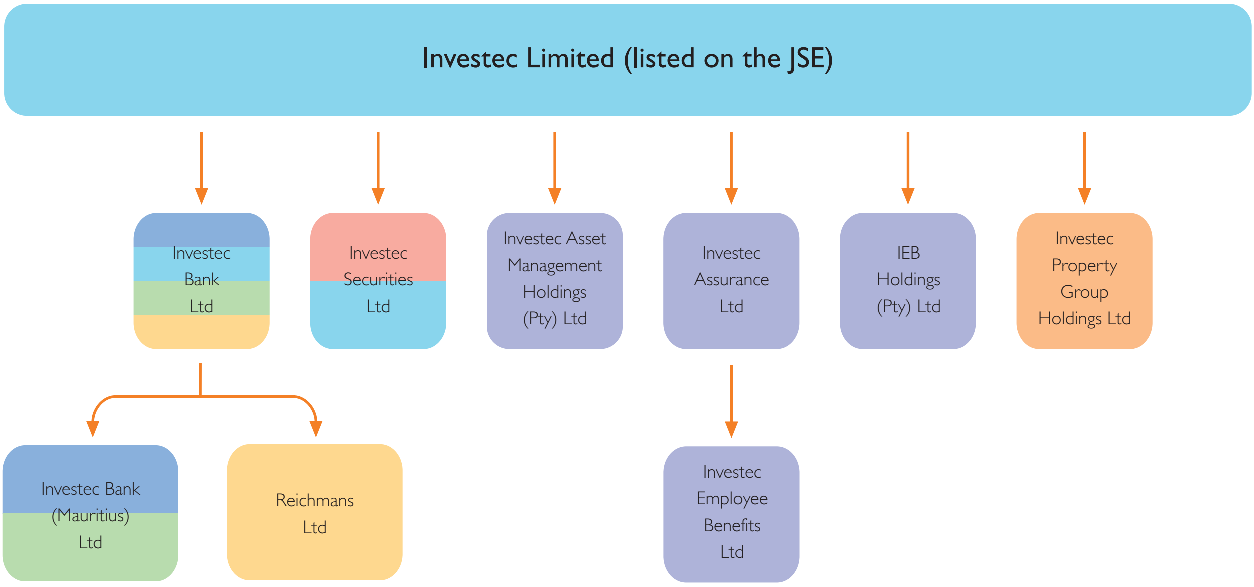
Philosophies

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

Investec Limited and Investec Bank Limited

In terms of the implementation of the DLC structure (refer to page 4) Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius. Investec Limited is listed on the JSE Limited South Africa. Investec Bank Limited (referred to in this report as the bank) is a subsidiary of Investec Limited.

As at 31 March 2006



Key: activities conducted

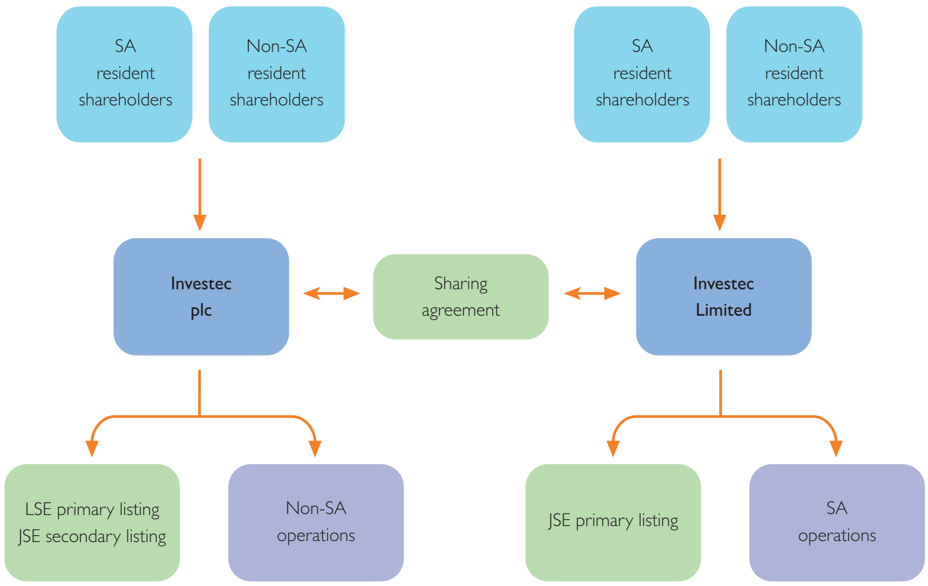
- Private Banking
- Private Client Portfolio Management and Stockbroking
- Treasury and Specialised Finance
- Investment Banking
- Asset Management and Assurance Activities
- Property Activities
- Other Activities

Note:
All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

Introduction

During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore business on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002.

DLC structure



Salient features:

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

Further information on our DLC structure is available in the circular mentioned above, as well as in the preliminary offering circular issued on 8 July 2002. A copy of these circulars can be found on our website.

Overview of Investec Bank Limited activities

Introduction

The bank's structure comprises three principal business units: Private Banking, Treasury and Specialised Finance and Investment Banking. Each division provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions, including Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisation Development. The office is also responsible for our central funding as well as other activities such as trade finance.

Private Banking

Investec Private Bank provides a range of private banking services, targeting select high income and net worth individuals in chosen niche markets. These services include:

- Banking
- Structured Property Finance
- Growth and Acquisition Finance
- Investment Management and Advisory
- Trust and Fiduciary

We position ourselves as "an investment bank for private clients" in the high value advisory market, striving to "out think" not "out muscle" our competitors.

The division's distinctive focus is on wealth creation through gearing, driven by the predominance of active over passive high net worth individuals in South Africa. These individuals gain access to structured property and growth and acquisition finance. Ultra high net worth clients receive these products and services, as well as a comprehensive wealth management, advisory and trust and fiduciary service. In addition, we provide banking products and services to high income earning clients.

This unique offering has a strong franchise among successful entrepreneurs, high earning employees and self-directed internationally mobile clients. Our principal private banking products and services are described in further detail below.

One of our key strengths is the ability to originate new business by leveraging off our strong client relationships, which we establish through our lending activities. This sets us apart from other private banks that are dependent on the more traditional asset-gathering model.

Finally, not only do we have a presence in each of the major centres of South Africa, but we are strongly integrated with the group's UK and Australian operations.

Banking

This offering comprises a wide range of onshore and offshore banking services from a range of jurisdictions in multiple currencies. These include lending, foreign exchange, daily transactional banking, short-term insurance and treasury. The treasury area spans currency deposits, money market deposits, structured deposits and cash management services.

Structured Property Finance

Structured property finance, a key part of our business, provides senior debt, mezzanine and equity to high net worth individuals involved in residential and commercial property markets.

Growth and Acquisition Finance

We provide private empowerment consortia, family businesses, entrepreneurs and management teams with senior, mezzanine or composite debt funding and minority equity investment solutions. Flexible and bespoke finance is available for implanting acquisition and organic growth strategies for South African based, privately owned, mid-market companies with a net asset value of less than R125 million.

Investment Management

We offer ultra high net worth private clients an independent wealth management service. Driven by an individual's specific requirements, the offering represents a bespoke strategic asset allocation where a dedicated investment practitioner proactively partners clients in line with their changing needs.

Through an open architecture, this highly disciplined yet personal service encapsulates a wide range of asset types, blending both traditional and alternative investments in accordance with the targeted risk profile and agreed objectives.

Our investment methodology, detailed qualitative and quantitative due diligence process and access to the expertise of some of the world's leading financial institutions enable us to offer clients products and services that are often exclusive and institutional in nature.

Trust and Fiduciary Services

Critical to our offering is the ability to implement appropriate structures on behalf of clients. Investec Trust operates in a unique space in the fiduciary market, as a bank owned trust company with the independence to work with partners best suited to client needs. Working alongside these partners, the focus is on the delivery and administration of complex and effective international financial structures.

Treasury and Specialised Finance

Our 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 our wholesale debt, structuring, proprietary trading, capital markets and derivatives business.

We focus on the following activities:

Corporate treasury and asset and liability management

Treasury provides South African Rand, Sterling, Euro and US Dollar funding to the group and manages liquidity and interest rate risk for the group. We offer a broad range of treasury products and services to the corporate and public sector markets.

Financial Products

We are involved in commercial paper and bond origination, securitisation, financial engineering, preference share investments and structures, equities scrip lending, collateralised debt obligation structures, credit derivatives and the development of investment products.

Structured and Asset Finance

This area focuses on structured and conventional lending, bond origination, securitisation and advice, asset leasing and finance, preference share finance, mezzanine debt financing, leveraged buy-out funding, executive share schemes and financing solutions for corporate, government and public sector clients.

Project Finance

We provide advisory services, debt arranging and underwriting and equity raising in the infrastructure, power and industrial sectors with a focus on healthcare, defence projects, transport and power.

Commodities and Resource Finance

We are a participant in the precious and base metals markets, and provide hedging and structured trades for clients in the spot and derivatives markets. We also offer advisory services, debt arranging and underwriting, equity raising in the mining resources industry and structured hedging solutions.

Interest Rates

This unit is involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements.

Foreign Exchange

We are a participant in the spot, forward exchange, currency swaps and currency derivatives markets, principally in Rand and G7 currencies and certain emerging markets currencies.

Equity Derivatives

Our focus is on major equity index options, certain single stock options, equity structured products, futures index arbitrage and equity warrants. We provide hedging and structuring services to financial intermediaries, institutions and companies.

Investment Banking

We engage in a range of investment banking activities, including corporate finance, direct investments and private equity.

We are established as one of South Africa's leading domestic corporate finance houses, focusing on the provision of corporate advisory services to large and mid-capitalisation companies. In addition, as a result of our local knowledge and expertise, we are well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which we have been involved.

Corporate Finance

Since 1999, domestic capital market activity in South Africa has been limited. Accordingly, we have focused on the development of our domestic financial advisory business, in particular regarding black economic empowerment transactions, mergers and acquisitions, divestitures, restructurings and the provision of innovative and creative deal structures and advice.

Direct Investments

As a result of our in-depth market knowledge and local expertise, we are well positioned to take direct positions in predominantly JSE listed shares where we believe that the market is mispricing the value of underlying portfolio of assets. These investment positions will be carefully researched with the intent to stimulate corporate activity. We also continue to pursue opportunities to help to create and grow black owned and controlled companies.

Private Equity

We actively seek and select expansion and buy-out investments as principal in unlisted South African companies. Investments are selected based on the track record of the management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy.

Group Services and Other Activities

Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations. While these services do not form part of the operating divisions, we have a policy in place whereby a portion of these costs are allocated to the divisions.

Our principal Central Services, relating to the operations and control of our business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisation Development. Other group support services include: Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information and Business Intelligence Centre, Regulatory and Facilities. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

Central Funding

Our business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. We use various sources of funding, depending on the specific financial and strategic requirements we face at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to our principal operating divisions.

Other Activities

Other Activities include those operations that are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. Also included are those operations that do not yet fall into one of our principal business divisions and that we have grown organically or retained following acquisition due to their profitability and diversifying effect on our income streams.

International Trade Finance

We acquired our International Trade Finance business, ReichmansCapital, in South Africa in 1990. Clients are small to medium-sized owner managed businesses. We offer trade, asset and debtor finance to provide clients with working capital and funding for the acquisition of assets, and to facilitate growth.

Financial review

Transition to International Financial Reporting Standards

From 1 April 2005 the bank has been required to prepare its consolidated results in accordance with International Financial Reporting Standards (IFRS). Previously these were prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA 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.

In accordance with the provisions of IFRS 1, we have elected not to apply the requirements of IAS 32, "Financial Instruments: Disclosure and Recognition" and IAS 39, "Financial Instruments: Recognition and Measurement" 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 the revised IAS 39 in respect of the recognition of certain fees on an effective yield basis.

The consolidated income statements and analysis that follows represents the bank'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 35 to 41 for the reasons explained above. All income statement comparatives referred to on pages 10 to 14 relate to the pro forma 2005 results.

Consolidated income statement

R'million	Year to 31 March 2006	Pro forma IFRS restated year to March 2005
Interest receivable	7 827	6 905
Interest payable	(5 827)	(5 050)
Net interest income	**2 000**	**1 855**
Fees and commissions receivable	647	392
Fees and commissions payable	(28)	(22)
Principal transactions	637	558
Other operating income	-	-
Other income	**1 256**	**928**
Total operating income	**3 256**	**2 783**
Impairment losses on loans and advances	17	(134)
Net operating income	**3 273**	**2 649**
Administrative expenses	(1 722)	(1 369)
Depreciation and impairment of property, plant and equipment	(38)	(49)
Operating profit before goodwill impairment	**1 513**	**1 231**
Loss on disposal/termination of group operations	-	(2)
Profit before taxation	**1 513**	**1 229**
Taxation	(305)	(203)
Profit after taxation	**1 208**	**1 026**
Earnings attributable to minority interests	32	19
Earnings attributable to shareholders	1 176	1 007
Profit attributable to shareholders' equity	**1 208**	**1 026**
Calculation of headline earnings		
Earnings attributable to shareholders	1 176	1 007
Headline adjustments	(1)	14
Realisation of available for sale instrument	(1)	-
Loss on disposal of subsidiaries	-	2
Loss on the impairment of owner occupied property	-	12
Headline earnings attributable to shareholders	**1 175**	**1 021**
Preference dividends paid	(121)	(131)
Compulsorily convertible debenture interest	-	(214)
Headline earnings attributable to ordinary shareholders	**1 054**	**676**

Consolidated balance sheet

R'million	31 March 2006	1 April 2005
Assets		
Cash and balances at central banks	1 930	1 113
Loans and advances to banks	12 473	6 075
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	2 148
Cash equivalent advances to customers	5 217	3 960
Trading securities	12 208	10 419
Derivative financial instruments	9 032	9 414
Loans and advances to customers	62 885	45 983
Investment securities	31	195
Deferred taxation assets	241	188
Other assets	682	634
Property and equipment	83	91
Investment property	7	13
Intangible assets	26	17
Loans to group companies	6 508	8 478
	112 547	**88 728**
Liabilities		
Deposits by banks	7 776	4 008
Repurchase agreements and cash collateral on securities lent	919	2 005
Derivative financial instruments	7 138	8 725
Other trading liabilities	266	262
Customer accounts	56 201	44 661
Debt securities in issue	23 502	12 735
Deferred taxation liabilities	164	192
Current taxation liabilities	422	275
Other liabilities	4 207	4 202
	100 595	77 065
Subordinated liabilities (including convertible debt)	3 140	3 204
	103 735	**80 269**
Equity		
Called up share capital	16	16
Share premium account	4 731	4 731
Equity portion of convertible debentures	229	229
Perpetual preference shares	1 491	1 491
Other reserves	513	284
Profit and loss account	1 824	1 628
Shareholders' equity excluding minority interests	8 804	8 379
Minority interests	8	80
Total shareholders' equity	**8 812**	**8 459**
Total liabilities and shareholders' equity	**112 547**	**88 728**

Segmental information

For the year to 31 March 2006 R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Group Services and Other	Total
Net operating income after headline adjustments	1 110	909	643	610	3 272
Operating expenses	(730)	(468)	(159)	(403)	(1 760)
Operating profits before taxation and after headline adjustments	**380**	**441**	**484**	**207**	**1 512**
Headline adjustments	1	-	-	-	1
Operating profit before taxation	**381**	**441**	**484**	**207**	**1 513**
Cost to income ratio (%)	66.1	48.0	25.0	76.0	54.3

Pro forma for the year to 31 March 2005 R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Group Services and Other	Total
Net operating income after headline adjustments	843	727	448	643	2 661
Operating expenses	**(528)**	**(405)**	**(118)**	**(367)**	**(1 418)**
Operating profits before taxation and after headline adjustments	315	322	330	276	1 243
Headline adjustments	-	-	-	(14)	(14)
Operating profit before taxation	**315**	**322**	**330**	**262**	**1 229**
Cost to income ratio (%)	57.0	56.1	25.9	54.1	51.0

Commentary on the results of Investec Bank Limited for the year ended 31 March 2006

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the pro forma results for the year ended 31 March 2005.

Introduction

The bank increased headline earnings attributable to ordinary shareholders by 55.9% from R676 million to R1 054 million. We benefited from continued focus on driving profitable growth in our core businesses supported by favourable economic conditions.

Financial highlights

	31 March 2006	31 March 2005	% Change
Profit before taxation (R'million)	1 513	1 229	23.1%
Headline earnings attributable to ordinary shareholders (R'million)	1 054	676	55.9%
Cost to income ratio	54.3%	51.0%	
	31 March 2006	**1 April 2005**	
Total capital resources (including subordinated liabilities) (R'million)	11 952	11 663	2.5%
Total shareholders' equity (excluding minority interests) (R'million)	8 804	8 379	5.1%
Total assets (R'million)	112 547	88 728	26.8%
Capital adequacy ratio	16.1%	19.2%	
Tier 1 ratio	10.0%	11.4%	

Business unit review

An analysis of the performance of each business unit is provided below.

Private Banking

Overview of performance

The Private Bank posted an increase of 20.6% in operating profit before taxation and after headline adjustments from R315 million to R380 million. The Private Bank has benefited from strong growth in total advances and recorded sound performances across the division's areas of specialisation.

Since 1 April 2005, the Private Bank has shown good growth in all of its key earnings drivers:

- Loans and advances have increased 39.9% to R40.7 billion.
- The deposit book has grown 45.7% to R17.7 billion.
- Funds under advice have increased by 72.6% to R10.8 billion.

Developments

- 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 our growth strategy bore fruit and was reflected by an increase in all of our key earnings drivers as discussed above.
- The Growth and Acquisition Finance team completed 24 transactions, providing R758 million of funding for black economic empowerment initiatives.

Outlook

The earnings outlook remains positive, with strong deal pipelines in each of our areas of activity. There are planned growth strategies which include the expansion of distribution capability together with new strategic initiatives.

Treasury and Specialised Finance

Overview of performance

The Treasury and Specialised Finance division posted operating profit before taxation and after headline adjustments of R441 million (2005: R322 million), an increase of 36.9%. Growth was underpinned by a strong performance from the division's advisory, structuring, asset creation, distribution and trading activities. The lending book increased by 32.6% to R19.9 billion since 1 April 2005.

Developments

- 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 Derivatives 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.

Outlook

The deal pipeline and general momentum are positive and 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.

Investment Banking

Overview of performance

Operating profit before taxation and after headline adjustments increased by 46.7% to R484 million (2005: R330 million). The Corporate Finance division benefited from a high level of activity and the Direct Investments and Private Equity divisions continued to perform strongly reflecting the bank's increasing presence in this activity.

Developments

Corporate Finance

- 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).

Private Equity and Direct Investments

- 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).

Outlook

- The corporate finance pipeline remains positive. Black economic empowerment and M&A transactions are expected to continue to drive activity.
- The outlook for the Private Equity division 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.

Group Services and Other Activities

Overview of performance

The Group Services and Other division posted a 25.0% decrease in operating profit before taxation and after headline adjustments from R276 million to R207 million as a result of the redemption of R1.3 billion of debentures in the latter part of the prior year.

Risk management and corporate governance

Risk management

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 South Africa and the UK 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.

A detailed account of our risk management philosophies and processes can be found in the Investec group's Annual Report for the year ended 31 March 2006.

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 Dual Listed Companies structure, there are essentially two group Internal Audit divisions located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. 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.

Further details on our Internal Audit division can be found in the Investec group's Annual Report for the year ended 31 March 2006.

Compliance

Under the Dual Listed Companies 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. 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.

Further details on our Compliance division can be found in the Investec group's Annual Report for the year ended 31 March 2006.

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 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

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

Corporate governance

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's Annual Report for the year ended 31 March 2006.

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.

Board statement

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

- The Chairman of the board is not considered to be independent, but continued to enhance his status as a non-executive director.

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec Bank Limited financial statements, accounting policies and the information contained in the Annual Report.

Our financial statements were prepared on the going concern basis. The board is of the opinion, based on its knowledge of the bank, key processes in operation and specific enquiries, that there are adequate resources to support the bank on a going concern basis over the next year.

Board of directors

The composition of the board of Investec Bank Limited is set out on page 21.

The majority of the board members are non-executive directors. 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.

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.

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.

Board committees

The board is supported by specialist committees, as follows:

- 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 Forum
  - Legal Risk Forum
- Directors' Affairs Committee
- Nomination Committee
- Remuneration Committee
- 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.

Directors' Affairs Committee

Investec Bank Limited has established a Directors' Affairs Committee, as required by the South African Banks Act.

The role of the committee is to assist the board:

- Through regular interaction with the board and management in the determination and evaluation of the adequacy, efficiency and appropriateness of corporate governance structures and practices of the bank on an ongoing basis.
- To ensure that the bank and its subsidiaries (the group) are complying with the applicable laws and regulations as well as codes of conduct.

- To ensure that the board operates effectively by regularly reviewing the composition of skills and experience of all directors.
- To establish and maintain a continuity programme to regularly review the succession plan for all directors and senior management.
- By updating the board on any emerging issues relating to corporate governance.
- To assess annually the effectiveness of the board and the contribution of each director. Where necessary, advise the board whether the employment of any director should be terminated.
- By reviewing policies, procedures and matters that the board may refer to the committee.
- To review and ensure that any conflicts of interest relating to directors have been dealt with appropriately.
- By reviewing all corporate governance related documents which need board approval (e.g. Annual Report disclosures, Regulation 38 and 39 of the Banks Act).
- To ensure that adequate succession plans are in place for the key positions of the bank.

Membership

Chairman	HS Herman
Members	**Non-executive directors** D Motsepe (resigned 30 September 2005) Dr MZ Nkosi (retired 4 April 2006) F Titi RAP Upton (retired 4 April 2006)
Meeting frequency	Twice

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.

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 bank during the year under review. Cognisance has also been taken of the King II Code requirements.

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 bank 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 bank 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.

External audit

Our external auditors are Ernst & Young 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.

Non-audit services are dealt with in terms of an agreed policy.

Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities - the main ones being the South African Reserve Bank (SARB), the Financial Services Board and the Bank of Mauritius.

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.

Communication 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. 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.

Sustainable business practices

In keeping with our entrepreneurial spirit, our sustainability efforts focus on issues that are most relevant to our business. As people are our most important asset, we have comprehensive policies and procedures in place, aimed at providing a stimulating work environment that attracts, nurtures and retains high-calibre individuals. We strive to inspire entrepreneurship through a flat integrated structure that encourages individuality. Material employee ownership is one of our fundamental philosophies. The staff share schemes enable employees to participate in our long-term growth, encouraging motivation, commitment and loyalty. By aligning our employees' interests with those of our shareholders, we aim to stimulate the entrepreneurial spirit, growing a culture dedicated to creating wealth for all stakeholders and employees. New employees across all gender and race groups participate in the staff share schemes, by being allocated options to acquire equity.

This, together with our culture, values and human resources practices, creates a working environment that stimulates extraordinary performance. In this way, employees are able to be positive contributors to the group, clients and their communities.

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.

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 our Sustainability message into the main body of the Investec group 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 standalone Sustainability Report will now be presented as an electronic document, to be sourced on our new Sustainability website (www.investec.com/grouplinks/sustainability).

Executive directors

David M Lawrence (54)
BA(Econ) (Hons) MCom
Deputy Chairman

Glynn R Burger (49)
BAcc CA(SA) H Dip BDP MBL

Bernard Kantor (56)
Managing Director

Stephen Koseff (54)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer

Bradley Tapnack (59)
BCom CA(SA)

Non-executive directors

Hugh S Herman (65)
BA LLB LLD (hc)
Non-Executive Chairman

Sam E Abrahams (67)
FCA CA(SA)

Donn E Jowell (64)
BCom LLB

M Peter Malungani (48)
BCom MAP LDP

Daphne R Motsepe (48)*
BR BCompt MBA

Dr Morley Z Nkosi (70)**
BSc MBA PhD

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.

Remuneration report

A remuneration committee comprising non-executive directors is responsible for determining the overall reward packages of executive directors. The policy on remuneration packages for non-executive directors is agreed and determined by the board.

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.

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 remuneration 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 remuneration 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 finally 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 remuneration 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 remuneration committee undertook a thorough assessment of the executive remuneration structure during the 2006 financial year. As part of this review, the remuneration 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 remuneration 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 remuneration 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 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 remuneration committee. The remuneration 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 remuneration 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.

Details with respect to the share option and long-term share incentive plans in operation, and in which the directors are eligible to participate are provided on our website.

Share Matching Plan 2005

Following the maturity of one of our leveraged equity plans in December 2004, the remuneration committee established a share matching plan for executive directors of Investec plc and Investec Limited. 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 remuneration 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 remuneration committee that reflect the Investec group's consolidated performance over three consecutive financial years (the "performance period").
- The performance conditions will be based on the Investec group's consolidated 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 RPI targets.

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 the tables below.

Policy on non-executive directors' remuneration

Non-executive directors receive fees for being a member of the Investec Bank Limited board and fees are also payable for any additional time committed to the group including attendance of certain other meetings. Furthermore, 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.

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	Annual bonus 2006	Total remuneration expense 2006	Salaries, directors fees and other remuneration 2005	Annual bonus 2005	Total remuneration expense 2005
Executive directors						
S Koseff (Chief Executive Officer)	1 242 787	7 661 672	8 904 459	1 183 269	4 000 000	5 183 269
B Kantor (Managing Director)	641 283	4 286 250	4 927 533	347 675	3 669 127	4 016 802
GR Burger (Group Risk and Finance Director)	1 250 000	6 686 550	7 936 550	1 125 000	4 750 000	5 875 000
DM Lawrence (Deputy Chairman)	1 663 898	3 212 093	4 875 991	1 575 000	2 113 497	3 688 497
B Tapnack	1 093 249	2 393 221	3 486 470	1 032 000	1 598 700	2 630 700
Total Rands	**5 891 217**	**24 239 786**	**30 131 003**	**5 262 944**	**16 131 324**	**21 394 268**
Non-executive directors						
HS Herman (Chairman)	1 371 600	-	1 371 600	1 261 262	-	1 261 262
SE Abrahams	1 027 565	-	1 027 565	883 518	-	883 518
DE Jowell	997 425	-	997 425	973 787	-	973 787
MP Malungani	478 980	-	478 980	382 778	-	382 778
DR Motsepe	33 000	-	33 000	39 000	-	39 000
Dr. MZ Nkosi	171 000	-	171 000	91 100	-	91 100
PRS Thomas	1 091 013	-	1 091 013	667 681	-	667 681
F Titi	465 476	-	465 476	407 070	-	407 070
Total Rands	**5 636 059**	**-**	**5 636 059**	**4 706 196**	**-**	**4 706 196**
Total Rands	**11 527 276**	**24 239 786**	**35 767 062**	**9 969 140**	**16 131 324**	**26 100 464**

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

Name	Beneficial and non-beneficial interest Investec plc		% of shares in issue Investec plc	Beneficial and non-beneficial interest Investec Limited		% of shares in issue Investec Limited
	1 April 2005	31 March 2006	31 March 2006	1 April 2005	31 March 2006	31 March 2006
Executive directors						
S Koseff (Chief Executive Officer)	1 087 017	1 057 573	1.4%	185 636	185 636	0.4%
B Kantor (Managing Director)	100	300	-	1 195 288	1 666 044	3.8%
GR Burger (Group Risk and Finance Director)	605 460	550 658	0.7%	85 227	86 477	0.2%
DM Lawrence (Deputy Chairman)	202 431	226 169	0.3%	19 260	40 118	0.1%
B Tapnack	106 996	92 108	0.1%	1 303	-	-
Total number	**2 002 004**	**1 926 808**	**2.5%**	**1 486 714**	**1 978 275**	**4.5%**
Non-executive directors						
HS Herman (Chairman)	380 079	308 301	0.4%	48 905	8 905	-
SE Abrahams	8 000	6 000	-	-	-	-
DE Jowell	62 340	62 340	0.1%	-	-	-
MP Malungani	-	-	-	1 545 778	1 545 778	3.5%
DR Motsepe	-	-	-	-	-	-
Dr. MZ Nkosi	-	-	-	-	-	-
PRS Thomas	156 219	100 330	0.1%	51 191	51 191	0.1%
F Titi	-	-	-	308 000	308 000	0.7%
Total number	**606 638**	**476 971**	**0.6%**	**1 953 874**	**1 913 874**	**4.3%**
Total number	**2 608 642**	**2 403 779**	**3.1%**	**3 440 588**	**3 892 149**	**8.8%**

Notes:

- 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.
- The market price of an Investec plc share as at 31 March 2006 was £29.41 (2005: £15.55).
- The market price of an Investec Limited share as at 31 March 2006 was R313.00 (2005: R178.00).
- 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		Investec Bank Limited	
	1 April 2005	31 March 2006	1 April 2005	31 March 2006
Executive directors				
S Koseff	-	-	3 000	3 000
B Kantor[1]	70 904	-	-	-
DM Lawrence	5 400	5 400	4 000	4 000
B Tapnack	1 900	1 900	1 000	1 000
Non-executive directors				
HS Herman	-	-	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] 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.

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%
DM Lawrence [2]	47 445	-	27 865	-	1 April 2006 to 31 July 2008	-
B Tapnack	33 491	33 491	19 669	19 669	1 April 2006 to 31 July 2008	1.5%
Non-executive directors						
HS Herman	90 209	90 209	52 980	52 980	1 April 2006 to 31 July 2008	4.0%
Total number	**480 733**	**433 288**	**427 257**	**298 771**		**20.5%**

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.

2 DM Lawrence took up his entitlement in respect of 47 445 Investec plc shares and 27 865 Investec Limited shares in terms of the Fintique II scheme on 15 February 2006 for a cash amount of R55.39 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
	20 Dec 2002	R111.96	24 750	8 250	-	16 500	to 20 Mar 2008
DM Lawrence	20 June 2002	R164.50	23 625	7 875	-	15 750	20 Dec 2006
	20 Dec 2002	R111.96	17 325	5 775	-	11 550	to 20 Mar 2008
B Tapnack	20 June 2002	R164.50	23 625	7 875	-	15 750	20 Dec 2006
	20 Dec 2002	R111.96	17 325	5 775	-	11 550	to 20 Mar 2008

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
Executive directors						
S Koseff	20 Dec 2002	R111.32	12 750	4 250	-	8 500
GR Burger	20 June 2002	R164.50	27 750	9 250	-	18 500
	20 Dec 2002	R111.32	12 750	4 250	-	8 500
DM Lawrence	20 June 2002	R164.50	13 875	4 625	-	9 250
	20 Dec 2002	R111.32	8 925	2 975	-	5 950
B Tapnack	20 June 2002	R164.50	13 875	4 625	-	9 250
	20 Dec 2002	R111.32	8 925	2 975	-	5 950

Notes:

No new grants were made during the financial year. The market price of an Investec plc share as at 31 March 2006 was £29.41 (2005: £15.55). 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.
- DM Lawrence exercised his options and sold 7 875 Investec plc shares and 4 625 Investec Limited shares on 20 June 2005, when the share price was R218.51 and R217.00, respectively. The performance conditions with respect to these options were met.
- Furthermore, DM Lawrence exercised and sold 5 775 Investec plc shares and 2 975 Investec Limited shares on 12 January 2006, when the share price was R285.31 and R283.69, respectively. The performance conditions with respect to these options were met.
- B Tapnack exercised his options and sold 7 875 Investec plc shares and 4 625 Investec Limited shares on 24 June 2005, when the share price was R209.81 and R204.10, respectively. The performance conditions with respect to these options were met.
- Furthermore, B Tapnack exercised and sold 5 775 Investec plc shares and 2 975 Investec Limited shares on 20 December 2005, when the share price was R272.42 and R273.78, respectively. The performance conditions with respect to these options were met.

Directors' interest in the Share Matching Plan 2005 as at 31 March 2006

Investec plc shares

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

Details on this plan are discussed above.

Directors' interest in long-term share incentive plans as at 31 March 2006

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2005	Balance at 31 March 2006	Period exercisable
Executive directors					
DM Lawrence	20 June 2005	nil cost	-	30 000	75% in June 2009 and 25% in June 2010
B Tapnack	20 June 2005	nil cost	-	30 000	75% in June 2009 and 25% in June 2010

DM Lawrence and B Tapnack were both granted nil cost options of 30 000 Investec Limited shares on 20 June 2005, in terms of the Investec Limited Share Incentive Plan. The options are not subject to any performance conditions.

Financial statements

Directors' responsibility statement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies Act of South Africa. The directors are satisfied that the information contained in the financial statements fairly presents the operations for the year and the financial position of the company and group at the year end.

The directors' consider that in preparing the financial statements, the company and group has used appropriate accounting policies supported by reasonable and prudent judgements and estimates.

The financial statements of the company and group have been prepared on the going concern basis. The directors are of the opinion, based on their knowledge of the company and group, key processes in operation and specific enquiries, that adequate resources exist to support the company and group 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 group and to enable them to ensure that the financial statements comply with the Companies Act of South Africa. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements appearing on pages 33 to 78 were approved by the Board of Directors on 16 June 2006 and are signed on its behalf by

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer

Furthermore, the group's external auditors have audited the financial statements and their unqualified report appears on page 32.

Declaration by the company secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2006, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

S Noik
Group Secretary
16 June 2006

To the Shareholders of Investec Bank Limited

We have audited the annual financial statements and group annual financial statements of Investec Bank Limited set out on pages 33 to 78 for the year ended 31 March 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 31 March 2006, and of the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the manner required by the Companies Act of South Africa.

KPMG Inc.

KPMG Inc.
Registered Auditors

Ernst + Young

Ernst & Young
Registered Auditors

Johannesburg
16 June 2006

Nature of business

Investec Bank Limited is a specialised bank providing a diverse range of financial products and services, including Private Banking, Treasury and Specialised Finance and Investment Banking, to a niche client base in South Africa and Mauritius.

Group results

The results of Investec Bank Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2006.

A review of the operations for the year can be found on pages 9 to 14.

Authorised and issued share capital

Details of the share capital are set out in note 21 to the financial statements.

Ordinary dividends

A dividend of R440 000 000 was declared on 31 July 2005 and was paid on 1 August 2005.

A dividend of R200 000 000 was declared on 16 November 2005 and paid on 30 November 2005.

Preference dividends

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

Preference dividend number 4 for the six months ended 31 March 2005 amounting to 411,37 cents per share was declared on 19 May 2005 to members holding preference shares registered on 1 July 2005 and was paid on 4 July 2005.

Preference dividend number 5 for the six months ended 30 September 2005 amounting to 396,99 cents per share was declared on 18 November 2005 to members holding preference shares registered on 9 December 2005 and was paid on 12 December 2005.

Preference dividend number 6 for the six months ended 31 March 2006 amounting to 392,67 cents per share was declared on 17 May 2006 to members holding preference shares registered on 30 June 2006 and will be paid on 3 July 2006.

Directors

Details of the directors are reflected on page 21.

Ms D Motsepe resigned as a director on 30 September 2005. Dr MZ Nkosi and Mr RAP Upton retired on 4 April 2006. Messrs DE Jowell, DM Lawrence, MP Malungani, PRS Thomas and F Titi retire by rotation in terms of the articles of association and being eligible, offer themselves for re-election.

Directors' shareholdings

No director holds any ordinary shares in Investec Bank Limited.

Directors' shareholdings in Investec Limited and Investec plc and in Investec Bank Limited preference shares are set out on page 26.

Directors' remuneration

Directors' remuneration is disclosed on pages 22 to 29.

Company Secretary and registered office

The company secretary is Selwyn Noik.

The registered office is 4th floor, 100 Grayston Drive, Sandown, Sandton, 2196

Audit committee

An 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 responsibilities of the Audit Committee are set out in the Investec group's Annual Report for the year ended 31 March 2006.

Auditors

Ernst & Young and KPMG Inc. have expressed their willingness to continue in office as joint auditors. A resolution to re-appoint Ernst & Young and KPMG Inc. as joint auditors, will be proposed at the annual general meeting.

Holding company

The bank's holding company is Investec Limited.

Subsidiary and associated companies

Details of principal and associated companies are reflected on page 66.

The interest of the company in the aggregate profits after tax of its subsidiary companies is R194 million (2005: R251 million) and its share in aggregate losses is R432 million (2005: R90 million).

Major shareholders

Investec Limited owns 100% of the issued ordinary shares.

Special resolutions

At the general meeting of members held on 8 August 2005, a special resolution was passed in terms of which a general approval was granted for the acquisition by Investec Bank Limited or its subsidiaries of ordinary shares and non-redeemable, non-cumulative, non-participating preference shares issued by Investec Bank Limited.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with the applicable accounting standards. These policies are set out on pages 42 to 48.

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.

Basel II

Basel II is designed to differentiate minimum regulatory capital requirements in a risk sensitive manner and incentivise and recognise sound risk management, internal control and governance practices. Management have actively concentrated on ensuring that investor management will be ready for the implementation of Basel II in its activities around the world.

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.

Empowerment and transformation

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 Charter Council guidelines and our own internal assessment we are pleased that we achieved our target of an "A" rating in terms of the Financial Sector Charter.

Environment

Investec Bank Limited 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 communities in which it operates.

Subsequent events

There are no material facts or circumstances which occurred between the accounting date and the date of this report.

For the year to 31 March R'million	Notes	Group 2006	Group 2005	Company 2006	Company 2005
Interest receivable		7 827	6 764	6 824	5 556
Interest payable		(5 827)	(5 050)	(5 071)	(4 095)
Net interest income		**2 000**	**1 714**	**1 753**	**1 461**
Fees and commissions receivable		647	605	560	561
Fees and commissions payable		(28)	(22)	(27)	(19)
Principal transactions	3	637	558	1 098	511
Other income		**1 256**	**1 141**	**1 631**	**1 053**
Total operating income		**3 256**	**2 855**	**3 384**	**2 514**
Impairment losses on loans and advances		17	(134)	29	(79)
Net operating income		**3 273**	**2 721**	**3 413**	**2 435**
Administrative expenses	4	(1 722)	(1 369)	(1 640)	(1 297)
Depreciation and impairment of property, equipment and software	18/20	(38)	(49)	(37)	(36)
Operating profit		**1 513**	**1 303**	**1 736**	**1 102**
Loss on termination of group operations		-	(2)	-	-
Profit before taxation		**1 513**	**1 301**	**1 736**	**1 102**
Taxation	6	(305)	(221)	(290)	(203)
Profit after taxation		**1 208**	**1 080**	**1 446**	**899**
Earnings attributable to minority interests		32	19	-	-
Earnings attributable to shareholders		1 176	1 061	1 446	899
Earnings attributable to shareholders' equity		**1 208**	**1 080**	**1 446**	**899**

At 31 March R'million	Notes	Group 2006	Group 2005	Company 2006	Company 2005
Assets					
Cash and balances at central banks		1 930	1 113	1 926	1 112
Loans and advances to banks		12 473	6 075	12 411	5 927
Cash equivalent advances to customers		5 217	3 960	5 217	3 960
Reverse repurchase agreements and cash collateral on securities borrowed		1 224	2 148	1 224	2 148
Trading securities	10	12 208	10 046	10 057	8 119
Derivative financial instruments	12	9 032	9 499	8 839	9 334
Loans and advances to customers	13	62 885	45 737	53 906	38 576
Investment securities	14	31	568	30	169
Deferred taxation assets	15	241	128	229	118
Other assets	16	682	636	479	426
Property and equipment	18	83	91	75	81
Investment properties	19	7	13	5	11
Intangible assets	20	26	17	26	17
Loans to group companies	22	6 508	8 455	4 077	7 002
Investment in subsidiaries	23	-	-	2 305	3 279
		112 547	**88 486**	**100 806**	**80 279**
Liabilities					
Deposits by banks		7 776	4 011	6 966	3 919
Repurchase agreements and cash collateral on securities lent		919	2 005	899	1 980
Derivative financial instruments	12	7 138	8 725	6 871	8 558
Other trading liabilities	24	266	262	266	262
Customer accounts		56 201	44 322	55 237	43 133
Debt securities in issue	25	23 502	12 728	16 682	8 983
Current taxation liabilities	26	422	275	405	266
Deferred taxation liabilities	15	164	192	147	173
Other liabilities	27	4 207	4 199	1 931	2 152
		100 595	76 719	89 404	69 426
Subordinated liabilities (including convertible debt)	28	3 140	2 961	3 140	2 961
		103 735	**79 680**	**92 544**	**72 387**
Equity					
Ordinary share capital	29	16	16	16	16
Share premium		4 732	4 732	4 732	4 732
Compulsorily convertible debentures		229	681	229	681
Perpetual preference shares	30	1 491	1 491	1 491	1 491
Other reserves		512	411	472	384
Retained income		1 824	1 395	1 322	588
Shareholders' equity excluding minority interests		8 804	8 726	8 262	7 892
Minority interests	31	8	80	-	-
Total equity		**8 812**	**8 806**	**8 262**	**7 892**
Total liabilities and shareholders' equity		**112 547**	**88 486**	**100 806**	**80 279**

For the year to 31 March R'million	Notes	Group 2006	Group 2005	Company 2006	Company 2005
Cash flows from operating activities					
Cash generated by operating activities	33.1	1 470	1 512	1 680	1 245
Taxation (paid)/received	33.2	(239)	(10)	(228)	14
Cash available from operating activities		1 231	1 502	1 452	1 259
Dividends paid		(761)	(526)	(761)	(526)
Other equity distributions		-	(214)	-	(214)
Net cash inflow from operating activities		**470**	**762**	**691**	**519**
Cash flows from banking activities					
Increase in deposits and other accounts	33.4	23 411	7 247	19 518	5 620
Increase in income earning assets	33.3	(23 489)	(12 701)	(21 696)	(9 844)
Net cash outflow from banking activities		**(78)**	**(5 454)**	**(2 178)**	**(4 224)**
Cash flows from investing activities					
Net (investment)/disposal of property and equipment		(34)	520	(34)	522
Net cash (outflow)/inflow from investing activities		**(34)**	**520**	**(34)**	**522**
Cash flows from financing activities					
Redemption of CCD's		-	(1 257)	-	(1 257)
Payments to minorities		-	(99)	-	-
Net decrease in subsidiaries and loans to group companies		1 963	4 229	3 924	2 992
Net cash inflow from financing activities		**1 963**	**2 873**	**3 924**	**1 735**
Net increase/(decrease) in cash and cash equivalents		**2 321**	**(1 299)**	**2 403**	**(1 448)**
Cash and cash equivalents at beginning of year		5 358	6 657	5 209	6 657
Cash and cash equivalents at end of year		**7 679**	**5 358**	**7 612**	**5 209**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		1 930	1 113	1 926	1 112
On demand loans and advances to banks		532	285	469	137
Cash equivalent advances to customers		5 217	3 960	5 217	3 960
Cash and cash equivalents at the end of year		**7 679**	**5 358**	**7 612**	**5 209**

(Cash and cash equivalents have a maturity profile of less than three months.)

R'million	Ordinary share capital	Share premium	Compulsorily convertible debentures
Group			
At 31 March 2004 - restated	16	4 732	1 938
At 31 March 2004 - as previously reported	16	4 732	1 938
Reclassifications			
IAS 21 - foreign currency (IFRS 1 election)	-	-	-
Minority interests included within reconciliation of reserves	-	-	-
Restatements			
IAS 17 - leases	-	-	-
IAS 27/28/31 - consolidations, associates and joint ventures	-	-	-
Movement in reserves 1 April 2004 - 31 March 2005			
Foreign currency adjustments	-	-	-
Retained income for the year	-	-	-
Share based payments adjustments	-	-	-
Dividends paid to ordinary shareholders	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-
Buy-back of debentures	-	-	(1 257)
Fair value movement on cash flow hedging reserve	-	-	-
Transfer from retained income to regulatory general risk reserve	-	-	-
Other equity distributions	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-
Restated at 31 March 2005	16	4 732	681
Adoption of IAS 32/39 - financial instruments	-	-	(452)
Restated at 1 April 2005	16	4 732	229
Movement in reserves 1 April - 31 March 2006			
Foreign currency adjustments	-	-	-
Retained income for the year	-	-	-
Dividends paid to ordinary shareholders	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-
Transfer from retained income to regulatory general risk reserve	-	-	-
Minorities share of income	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-
Release of cash flow hedging reserve to income statement	-	-	-
At 31 March 2006	**16**	**4 732**	**229**

Perpetual preference shares	Cash flow hedging reserve	Regulatory general risk reserve	Foreign currency reserves	Minority interests	Retained income	Total
1 491	10	455	-	160	1 023	9 825
1 491	10	455	19	-	1 010	9 671
-	-	-	(19)	-	19	-
-	-	-	-	29	-	29
-	-	-	-	-	(6)	(6)
-	-	-	-	131	-	131
-	-	-	(6)	-	-	(6)
-	-	-	-	-	1 061	1 061
-	-	-	-	-	29	29
-	-	-	-	-	(395)	(395)
-	-	-	-	-	(131)	(131)
-	-	-	-	-	-	(1 257)
-	(26)	-	-	-	-	(26)
-	-	(22)	-	-	22	-
-	-	-	-	-	(214)	(214)
-	-	-	-	(80)	-	(80)
1 491	(16)	433	(6)	80	1 395	8 806
-	-	(128)	4	-	229	(347)
1 491	(16)	305	(2)	80	1 624	8 459
-	-	-	(6)	-	-	(6)
-	-	-	-	-	1 176	1 176
-	-	-	-	-	(640)	(640)
-	-	-	-	-	(121)	(121)
-	-	215	-	-	(215)	-
-	-	-	-	32	-	32
-	-	-	-	(104)	-	(104)
-	16	-	-	-	-	16
1 491	**-**	**520**	**(8)**	**8**	**1 824**	**8 812**

R'million	Ordinary share capital	Share premium
Company		
At 31 March 2004 - restated	16	4 732
At 31 March 2004 - as previously reported	16	4 732
Reclassifications		
IAS 21 - foreign currency (IFRS 1 election)	-	-
Restatements		
IAS 17 - leases	-	-
Movement in reserves 1 April 2004 - 31 March 2005		
Foreign currency adjustments	-	-
Retained income for the year	-	-
Share based payments adjustments	-	-
Dividends paid to ordinary shareholders	-	-
Dividends paid to perpetual preference shareholders	-	-
Buy-back of debentures	-	-
Fair value movement on cash flow hedging reserve	-	-
Transfer from retained income to regulatory general risk reserve	-	-
Other equity distibutions	-	-
Restated at 31 March 2005	16	4 732
Adoption of IAS 32/39 - financial instruments	-	-
Restated at 1 April 2005	16	4 732
Movement in reserves 1 April 2005 - 31 March 2006		
Foreign currency adjustments	-	-
Retained income for the year	-	-
Dividends paid to ordinary shareholders	-	-
Dividends paid to perpetual preference shareholders	-	-
Transfer from retained income to regulatory general risk reserve	-	-
Release of cash flow hedging reserve to income statement	-	-
At 31 March 2006	**16**	**4 732**

Compulsorily convertible debentures	Perpetual preference shares	Cash flow hedging reserve	Regulatory general risk reserve	Foreign currency reserves	Retained income	Total
1 938	1 491	10	378	-	428	8 993
1 938	1 491	10	378	5	429	8 999
						-
-	-	-	-	(5)	5	-
-	-	-	-	-	(6)	(6)
						-
-	-	-	-	(3)	-	(3)
-	-	-	-	-	899	899
-	-	-	-	-	27	27
-	-	-	-	-	(395)	(395)
-	-	-	-	-	(131)	(131)
(1 257)	-	-	-	-	-	(1 257)
-	-	(27)	-	-	-	(27)
-	-	-	26	-	(26)	-
-	-	-	-	-	(214)	(214)
681	1 491	(17)	404	(3)	588	7 892
(452)	-	-	(122)	-	241	(333)
229	1 491	(17)	282	(3)	829	7 559
-	-	-	-	1	-	1
-	-	-	-	-	1 446	1 446
-	-	-	-	-	(640)	(640)
-	-	-	-	-	(121)	(121)
-	-	-	192	-	(192)	-
-	-	17	-	-	-	17
229	**1 491**	**-**	**474**	**(2)**	**1 322**	**8 262**

1. Accounting policies

Basis of presentation

The group and company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa.

The financial statements are presented in South African Rand, rounded to the nearest million. They are prepared on the historical cost basis except where indicated otherwise.

First time adoption of IFRS

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 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, plant 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.

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 early adopted the 'Amendment to IAS 39: Fair value option', with effect from 1 April 2005.

Basis of consolidation

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 to the asset.

Investments in subsidiaries are held at the lower of cost and impaired value in the company accounts.

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).

No geographical analysis is presented for the group as Investec Bank Limited mainly operates within the Southern African region.

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 the income statement.

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of Investec Bank Limited (South African Rand) 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 income statement until such time as the liability is settled.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Foreign currency transactions and foreign operations

The presentation and functional currency of the group is South African Rand, being the currency in which the group mainly operates.

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 the income statement on disposal of the foreign operation;
- cash flow items are translated at the exchange rates ruling at the date of the transaction.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction. At each balance sheet date foreign currency items are translated as follows:

- foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in the income statement;
- exchange differences arising on monetary items that form part of the net investment in a foreign operation are 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 recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument, and, where this estimate is not readily available, the contractual life.

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 settlement 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 instruments 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 basis to the group's key management personnel; and
- if a contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit 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, which shall be classified as available for sale.

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 recognised in the income statement are not reversed once recognised.

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, which represents and effective hedge of the hedging derivative 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 the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

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 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 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 income statement on a straight line basis over the lease term. Contingent rentals (if any) are recognised in the income statement when incurred.

Property, plant 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 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

Employee benefits

The group operates various defined contribution 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 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, amortisation 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 amortisation, however they are tested for impairment on an annual basis.

Assets held for sale

Assets are 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 IFRS5 (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 which 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 statement 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 R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Group Services and Other Activities	Total
2. Segmental analysis					
Group					
Business analysis 2006					
Interest receivable	6 028	7 959	31	(6 191)	7 827
Interest payable	(5 115)	(7 494)	(2)	6 784	(5 827)
Net interest income	**913**	**465**	**29**	**593**	**2 000**
Fees and commissions receivable	192	291	107	57	647
Fees and commissions payable	(6)	(22)	-	-	(28)
Principal transactions	18	240	499	(120)	637
Other income	**204**	**509**	**606**	**(63)**	**1 256**
Total operating income	**1 117**	**974**	**635**	**530**	**3 256**
Impairment losses on loans and advances	(6)	(65)	8	80	17
Net operating income	**1 111**	**909**	**643**	**610**	**3 273**
Administrative expenses	(717)	(466)	(159)	(380)	(1 722)
Depreciation and impairment of property, equipment and software	(13)	(2)	-	(23)	(38)
Profit before taxation	**381**	**441**	**484**	**207**	**1 513**
Cost to income ratio	65.4%	48.0%	25.0%	(76.0%)	54.1%
Total assets	23 167	76 339	584	12 457	112 547
Business analysis 2005					
Interest receivable	4 745	7 167	30	(5 178)	6 764
Interest payable	(4 141)	(6 709)	(4)	5 804	(5 050)
Net interest income	**604**	**458**	**26**	**626**	**1 714**
Fees and commissions receivable	348	182	67	8	605
Fees and commissions payable	(3)	(18)	-	(1)	(22)
Principal transactions	43	106	363	46	558
Other income	**388**	**270**	**430**	**53**	**1 141**
Total operating income	**992**	**728**	**456**	**679**	**2 855**
Impairment losses on loans and advances	(83)	5	(8)	(48)	(134)
Net operating income	**909**	**733**	**448**	**631**	**2 721**
Administrative expenses	(514)	(403)	(118)	(334)	(1 369)
Depreciation and impairment of property, equipment and software	(14)	(2)	-	(33)	(49)
Operating profit	**381**	**328**	**330**	**264**	**1 303**
Loss on termination of group operations	-	-	-	(2)	(2)
Profit before taxation	**381**	**328**	**330**	**262**	**1 301**
Cost to income ratio	53.2%	55.6%	25.9%	(54.1%)	49.7%
Total assets	15 270	54 531	531	18 154	88 486

For the year to 31 March R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Group Services and Other Activities	Total

2. Segmental analysis (continued)

Company

Business analysis 2006

Interest receivable	5 720	6 957	31	(5 884)	6 824
Interest payable	(4 840)	(6 574)	(2)	6 345	(5 071)
Net interest income	**880**	**383**	**29**	**461**	**1 753**
Fees and commissions receivable	174	274	107	5	560
Fees and commissions payable	(6)	(22)	-	1	(27)
Principal transactions	18	251	473	356	1 098
Other income	**186**	**503**	**580**	**362**	**1 631**
Total operating income	**1 066**	**886**	**609**	**823**	**3 384**
Impairment losses on loans and advances	4	(62)	8	79	29
Net operating income	**1 070**	**824**	**617**	**902**	**3 413**
Administrative expenses	(697)	(450)	(159)	(334)	(1 640)
Depreciation and impairment of property, equipment and software	(13)	(2)	-	(22)	(37)
Profit before taxation	**360**	**372**	**458**	**546**	**1 736**
Cost to income ratio	66.6%	51.0%	26.1%	43.3%	49.6%
Total assets	18 262	69 954	581	12 009	100 806

Business analysis 2005

Interest receivable	4 423	6 133	30	(5 030)	5 556
Interest payable	(3 852)	(5 764)	(3)	5 524	(4 095)
Net interest income	**571**	**369**	**27**	**494**	**1 461**
Fees and commissions receivable	338	163	67	(7)	561
Fees and commissions payable	(3)	(17)	-	1	(19)
Principal transactions	43	122	345	1	511
Other income	**378**	**268**	**412**	**(5)**	**1 053**
Total operating income	**949**	**637**	**439**	**489**	**2 514**
Impairment losses on loans and advances	(68)	5	(8)	(8)	(79)
Net operating income	**881**	**642**	**431**	**481**	**2 435**
Administrative expenses	(501)	(390)	(118)	(288)	(1 297)
Depreciation and impairment of property, equipment and software	(14)	(2)	-	(20)	(36)
Profit before taxation	**366**	**250**	**313**	**173**	**1 102**
Cost to income ratio	54.3%	61.5%	26.9%	63.0%	53.0%
Total assets	12 770	49 461	452	17 596	80 279

For the year to 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005

2. Segmental analysis (continued)

Further breakdown of business line operating profit before non-operating items and taxation are shown below:

	Group 2006	Group 2005	Company 2006	Company 2005
Private Client Activities				
Private Banking	381	355	360	340
Private Client Portfolio Management and Stockbroking	-	26	-	26
	381	**381**	**360**	**366**
Treasury and Specialised Finance	**441**	**328**	**372**	**250**
Investment Banking				
Corporate Finance	48	30	48	30
Direct Investments	258	186	232	189
Private Equity	178	114	178	94
	484	**330**	**458**	**313**
Group Services and Other Activities				
International Trade Finance	26	30	-	-
Central Funding	535	507	893	439
Central Costs	(354)	(273)	(347)	(266)
	207	**264**	**546**	**173**
	1 513	**1 303**	**1 736**	**1 102**

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally.

No geographical analysis has been presented as Investec Bank Limited only operates in one geographical segment, namely Southern Africa.

3. Principal transactions

	Group 2006	Group 2005	Company 2006	Company 2005
Principal transaction income includes:				
Gross trading income	383	712	425	667
Funding cost set-off against trading income	(189)	(534)	(189)	(534)
Net trading income	194	178	236	133
Net income from financial instruments designated as fair value through profit and loss	393	274	390	272
Dividend income	50	106	472	106
	637	**558**	**1 098**	**511**
Net income from financial instruments designated as held at fair value through profit and loss includes:				
Fair value gains on designated equity positions	492	264	488	262
Fair value loss on designated loans and receivables	(1)	-	-	-
Fair value (loss)/gain on related derivative instruments	(98)	10	(98)	10
	393	**274**	**390**	**272**

For the year to 31 March R'million	Group 2006	 2005	Company 2006	 2005
4. Administrative expenses				
Staff costs	1 130	905	1 081	867
- Salaries and wages (including directors' remuneration)	1 078	860	1 029	823
- Social security costs	5	4	5	3
- Pensions and provident fund contributions	47	41	47	41
Premises (excluding depreciation)	201	193	195	187
Equipment (excluding depreciation)	86	54	80	49
Business expenses	224	140	207	120
Marketing expenses	81	77	77	74
	1 722	**1 369**	**1 640**	**1 297**
The following amounts were paid to the auditors				
Audit fees	28	17	27	15
Audit related fees	1	-	1	-
Other services	4	1	4	1
	33	**18**	**32**	**16**
Audit fees by audit firm				
Ernst & Young	22	12	21	11
KPMG Inc	10	5	10	5
Other	1	1	1	-
	33	**18**	**32**	**16**

Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration report on pages 25 to 29.

For the year to 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
5. Share based payments				
Expense charged to income statement:				
Equity settled	95	31	93	31
Total income statement charge	**95**	**31**	**93**	**31**
Fair value of options granted in the year	**133**	**368**	**129**	**358**

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 in the remuneration report.

Details of options outstanding during the year	Group				Company			
	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	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	7 090 205	122.21	7 399 715	157.29	6 893 062	122.21	7 193 967	157.29
Granted during the year	542 285	92.62	2 066 600	41.27	527 207	92.62	2 009 138	41.27
Exercised during the year*	(1 493 533)	151.56	(651 769)	136.00	(1 452 005)	151.56	(633 647)	136.00
Expired during the year	(411 667)	163.41	(1 724 341)	170.54	(400 221)	163.41	(1 676 396)	170.54
Outstanding at the end of the year	**5 727 290**	**108.79**	**7 090 205**	**122.21**	**5 568 043**	**108.79**	**6 893 062**	**122.21**
Exercisable at the end of the year	**714 632**	**205.21**			**694 762**	**205.21**		

* Weighted average share price during the year

The exercise price range and weighted average remaining contractual life for the options outstanding at 31 March 2006, were as follows:

Exercise price range	R100.00 - R272.05
Weighted average remaining contractual life	5 - 9 years

The fair value 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:

	2006	2005
- Share price at date of grant	R167.30 - R274.13	R117.50 - R125.20
- Exercise price	R167.30 - R272.05	R115.45 - R121.71
- Expected volatility	28% -30%	30%
- Option life	5 - 5.75 years	5 - 7 years
- Expected dividend yield	3.36% - 4.67%	4.51% - 6.39%
- Risk-free rate	6.74% - 7.78%	5.6% - 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 R'million	Group 2006	 2005	Company 2006	 2005
6. Taxation				
Taxation on income	**302**	**221**	**287**	**203**
South Africa	288	209	287	203
- current taxation	369	218	362	217
- deferred taxation	(81)	(5)	(75)	(11)
- change in normal tax rate	-	(4)	-	(3)
Foreign current taxation	14	12	-	-
- Mauritius	6	11	-	-
- Botswana	8	1	-	-
Secondary taxation on companies	3	-	3	-
Total tax charge for the year	**305**	**221**	**290**	**203**
Tax rate reconciliation				
Profit before taxation as per income statement	1 513	1 303	1 736	1 102
Less: Debenture equity costs	-	(214)	-	(214)
	1 513	**1 089**	**1 736**	**888**
Total taxation charge per income statement	305	221	290	203
Less: Secondary taxation on companies	(3)	-	(3)	-
Total taxation on income	**302**	**221**	**287**	**203**
Effective rate of taxation	20.0%	20.3%	16.5%	22.9%
The standard rate of South African normal taxation has been affected by:				
- dividend income	1.0%	3.0%	7.9%	3.1%
- foreign earnings*	2.8%	2.0%	-	-
- change in normal tax rate	-	0.3%	-	0.3%
- other permanent differences	5.2%	4.4%	4.6%	3.7%
	29.0%	**30.0%**	**29.0%**	**30.0%**

* Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.

7. Miscellaneous income statement items

Total foreign currency losses recognised in income excluding financial instruments measured at fair value through income	**2**	**18**	**-**	**(6)**
Minimum operating lease payments recognised in administrative expenses	**199**	**192**	**198**	**192**

For the year to 31 March	Group 2006 R'million	Group 2005 R'million	Company 2006 R'million	Company 2005 R'million
8. Dividends				
Ordinary dividend				
2005 final dividend	440	-	440	-
Interim dividend for current year	200	395	200	395
Total dividend attributable to ordinary shareholders recognised in current financial year	**640**	**395**	**640**	**395**

Perpetual preference dividend	Group 2006 Cents per share	Group 2006 R'million	Group 2005 Cents per share	Group 2005 R'million	Company 2006 Cents per share	Company 2006 R'million	Company 2005 Cents per share	Company 2005 R'million
2005 final dividend	411.37	62	446.00	67	411.37	62	446.00	67
Interim dividend for current year	396.99	59	427.70	64	396.99	59	427.70	64
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**808.36**	**121**	**873.70**	**131**	**808.36**	**121**	**873.70**	**131**

The directors have declared a final dividend in respect of the financial year ended 31 March 2006 of 392.67 cents per 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.

9. Headline earnings

For the year to 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
Headline earnings attributable to ordinary shareholders				
Earnings attributable to shareholders	1 176	1 061	1 446	899
Headline adjustments	(1)	14	(1)	-
Realisation of available for sale instruments	(1)	-	(1)	-
Loss on disposal of subsidiaries	-	2	-	-
Loss on the impairment of owner occupied property	-	12	-	-
Headline earnings attributable to shareholders	**1 175**	**1 075**	**1 445**	**899**
Preference dividends paid	(121)	(131)	(121)	(131)
Compulsorily convertible debenture interest	-	(214)	-	(214)
Headline earnings attributable to ordinary shareholders	**1 054**	**730**	**1 324**	**554**

At 31 March R'million	Group 2006 Carrying value	Group 2006 Cumulative unrealised gains	Group 2005 Carrying value	Group 2005 Cumulative unrealised gains	Company 2006 Carrying value	Company 2006 Cumulative unrealised gains	Company 2005 Carrying value	Company 2005 Cumulative unrealised gains
10. Trading Securities								
Listed equities	497	175	390	162	412	187	289	169
Unlisted equities	814	385	709	204	811	415	706	279
Promissory notes	799	213	3 082	161	799	213	3 082	161
Liquid asset bills	3 779	30	2 578	147	3 779	30	2 578	147
Debentures	4 223	63	451	12	3 778	59	451	12
Bonds	2 096	245	2 836	81	478	245	1 013	98
	12 208	**1 111**	**10 046**	**767**	**10 057**	**1 149**	**8 119**	**866**

11. Analysis of assets and liabilities by classification

At 31 March 2006 R'million	At fair value through income statement: Trading	At fair value through income statement: Designated at inception	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total
Group							
Assets							
Cash and balances at central banks	1 930	-	-	-	-	-	1 930
Loans and advances to banks	-	-	12 473	-	-	-	12 473
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	-	-	-	-	-	1 224
Trading securities	9 149	3 059	-	-	-	-	12 208
Derivative financial instruments	9 032	-	-	-	-	-	9 032
Cash equivalent advances to customers	405	-	4 812	-	-	-	5 217
Investment securities	-	30	-	1	-	-	31
Loans and advances to customers	-	12 935	49 619	331	-	-	62 885
Loans and advances to group companies	-	-	6 508	-	-	-	6 508
Other assets	-	46	636	-	-	-	682
Deferred taxation assets	-	-	-	-	-	241	241
Property and equipment	-	-	-	-	-	83	83
Investment properties	-	-	-	-	-	7	7
Intangible assets	-	-	-	-	-	26	26
	21 740	**16 070**	**74 048**	**332**	**-**	**357**	**112 547**
Liabilities							
Deposits by banks	-	-	-	-	7 776	-	7 776
Derivative financial instruments	7 138	-	-	-	-	-	7 138
Other trading liabilities	266	-	-	-	-	-	266
Repurchase agreements and cash collateral on securities lent	919	-	-	-	-	-	919
Customer accounts	16	3 918	-	-	52 267	-	56 201
Debt securities in issue	4 602	6 702	-	-	12 198	-	23 502
Other liabilities	520	-	-	-	3 687	-	4 207
Current taxation liabilities	-	-	-	-	-	422	422
Deferred taxation liabilities	-	-	-	-	-	164	164
	13 461	10 620	-	-	75 928	586	100 595
Subordinated liabilities (including convertible debt)	-	-	-	-	3 140	-	3 140
	13 461	**10 620**	**-**	**-**	**79 068**	**586**	**103 735**

At 31 March 2006 R'million	At fair value through profit and loss Trading	 Designated at inception	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments	Total
11. Analysis of assets and liabilities by classification (continued)						
Company						
Assets						
Cash and balances at central banks	1 926	-	-	-	-	1 926
Loans and advances to banks	-	-	12 411	-	-	12 411
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	-	-	-	-	1 224
Trading securities	8 832	1 225	-	-	-	10 057
Derivative financial instruments	8 839	-	-	-	-	8 839
Cash equivalent advances to customers	405	-	4 812	-	-	5 217
Investment securities	-	30	-	-	-	30
Loans and advances to customers	-	12 935	40 971	-	-	53 906
Loans and advances to group companies	-	-	4 077	-	-	4 077
Other assets	-	-	479	-	-	479
Deferred taxation assets	-	-	-	-	229	229
Property and equipment	-	-	-	-	75	75
Investment properties	-	-	-	-	5	5
Intangible assets	-	-	-	-	26	26
Investment in subsidiaries	-	-	-	-	2 305	2 305
	21 226	**14 190**	**62 750**	**-**	**2 640**	**100 806**
Liabilities						
Deposits by banks	-	-	-	6 966	-	6 966
Derivative financial instruments	6 871	-	-	-	-	6 871
Other trading liabilities	266	-	-	-	-	266
Repurchase agreements and cash collateral on securities lent	899	-	-	-	-	899
Customer accounts	16	3 918	-	51 303	-	55 237
Debt securities in issue	-	4 484	-	12 198	-	16 682
Other liabilities	330	-	-	1 601	-	1 931
Current taxation liabilities	-	-	-	-	405	405
Deferred taxation liabilities	-	-	-	-	147	147
	8 352	8 402	-	72 068	552	89 404
Subordinated liabilities (including convertible debt)	-	-	-	3 140	-	3 140
	8 382	**8 402**	**-**	**75 208**	**552**	**92 544**

12. Derivative financial instruments

The bank enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. 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 bank in an orderly market transaction at balance sheet date.

			Group		
At 31 March	Notional principal amounts 2006	Positive fair value 2006	Negative fair value 2006	Notional principal amounts 2005	Positive fair value 2005
R'million					
Foreign exchange derivatives					
Forward foreign exchange	55 522	1 561	-	31 725	1 095
Currency swaps	4 989	678	159	5 961	919
OTC options bought and sold	4 422	90	96	3 248	140
OTC derivatives	64 933	2 329	255	40 934	2 154
Exchange traded futures	-	-	-	-	1
	64 933	**2 329**	**255**	**40 934**	**2 155**
Interest rate derivatives					
Caps and floors	13 726	21	112	11 359	33
Swaps	317 300	3 681	4 144	241 823	5 662
Forward rate agreements	606 259	180	192	469 872	686
OTC options bought and sold	19 540	10	9	3 198	34
Other interest rate contracts	13 185	-	57	-	-
OTC derivatives	970 010	3 892	4 514	726 252	6 415
Exchange traded futures	16 022	5	5	6 467	4
	986 032	**3 897**	**4 519**	**732 719**	**6 419**
Equity and stock index derivatives					
OTC options bought and sold	92	1 254	1 069	850	898
OTC derivatives	92	1 254	1 069	850	898
Exchange traded futures	28	-	12	8 108	-
Exchange traded options	1	3	-	835	8
	121	**1 257**	**1 081**	**9 793**	**906**
Commodity derivatives					
OTC options bought and sold	4 701	1 100	1 073	9 768	674
Commodity swaps and forwards	1 882	242	210	952	62
OTC derivatives	6 583	1 342	1 283	10 720	736
	6 583	**1 342**	**1 283**	**10 720**	**736**
Collateral received/paid	**-**	**-**	**-**	**-**	**(717)**
Credit derivatives					
Credit linked notes bought and sold	40	-	-	-	-
	40	**-**	**-**	**-**	**-**
Embedded derivatives	**-**	**207**	**-**	**-**	**-**
Gross fair values		**9 032**	**7 138**		**9 499**
Effect of master netting agreements		(4 495)	(4 495)		(6 636)
Net balances after master netting agreements		**4 537**	**2 643**		**2 863**

The notional principal amounts represent the volume of transactions outstanding at the balance sheet date and does not represent amounts at risk.

	Company					
Negative fair value 2005	Notional principal amounts 2006	Positive fair value 2006	Negative fair value 2006	Notional principal amounts 2005	Positive fair value 2005	Negative fair value 2005
1 085	55 355	1 625	-	30 915	1 064	1 003
85	4 857	646	159	5 587	895	68
90	4 422	90	96	3 248	140	90
1 260	64 634	2 361	255	39 750	2 099	1 161
173	-	-	-	-	1	173
1 433	**64 634**	**2 361**	**255**	**39 750**	**2 100**	**1 334**
40	13 726	21	112	11 359	33	40
6 174	317 114	3 616	4 076	241 264	5 645	6 170
700	606 259	180	192	469 872	688	700
18	19 540	10	9	3 198	34	18
-	13 185	-	57	-	-	-
6 932	969 824	3 827	4 446	725 693	6 400	6 928
7	16 022	5	5	6 467	4	7
6 939	**985 846**	**3 832**	**4 451**	**732 160**	**6 404**	**6 935**
882	1	1 252	996	758	842	857
882	1	1 252	996	758	842	857
-	28	-	12	8 108	-	-
-	1	3	-	835	8	-
882	**30**	**1 255**	**1 008**	**9 701**	**850**	**857**
665	4 701	1 100	1 072	9 206	661	652
123	1 178	168	85	952	36	97
788	5 879	1 268	1 157	10 158	697	749
788	**5 879**	**1 268**	**1 157**	**10 158**	**697**	**749**
(1 317)		**-**	**-**	**-**	**(717)**	**(1 317)**
-	40	-	-			
-	-	-	-			
-	**40**	**-**	**-**	**-**	**-**	**-**
-	**-**	**123**	**-**	**-**	**-**	**-**
8 725		**8 839**	**6 871**		**9 334**	**8 558**
(6 636)		(4 495)	(4 495)		(6 636)	(6 636)
2 089		**4 344**	**2 376**		**2 698**	**1 922**

At 31 March R'million	Group 2006	 2005	Company 2006	 2005
13. Loans and advances to customers				
Category analysis				
Commercial property loans	17 455	10 176	19 141	9 881
Residential mortgages	14 280	10 594	9 345	7 899
Leases and instalment debtors	2 617	2 042	2 330	1 816
Corporate and public sector loans and advances	19 241	12 828	15 532	11 093
Other private bank lending	6 928	6 498	6 862	5 347
Other loans and advances	2 692	3 906	941	2 770
	63 213	**46 044**	**54 151**	**38 806**
Specific impairment	(237)	(234)	(190)	(184)
Portfolio impairment	(91)	(73)	(55)	(46)
	62 885	**45 737**	**53 906**	**38 576**
Specific and portfolio impairments				
Reconciliation of movements in specific and portfolio impairments for bad and doubtful debts.				
Specific impairment				
Balance at beginning of year	234	258	184	218
IAS 39 adjustments	11		11	
Balance as at 1 April 2005	245		195	
Charge to the income statement	(18)	105	(27)	77
Utilised	10	(129)	22	(111)
Balance at end of year	**237**	**234**	**190**	**184**
Portfolio impairment				
Balance at beginning of year	73	44	46	44
IAS 39 adjustments	17		11	
Balance as at 1 April 2005	90		57	
Charge to the income statement	1	29	(2)	2
Balance at end of year	**91**	**73**	**55**	**46**

Securitisations

Investec Bank Limited enters into securitisation 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 group and company accounts.

	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Nature of securitisation transactions				
Residential mortgages	**4 538**	**4 700**	**2 210**	**2 300**

At 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
14. Investment securities				
Listed equities	1	23	-	-
Unlisted equities	1	144	1	144
Bonds	29	25	29	25
Other investments	-	376	-	-
	31	**568**	**30**	**169**
15. Deferred taxation				
15.1 Deferred tax asset				
Income and expenditure accruals	145	40	133	30
Arising on STC credits	96	88	96	88
	241	**128**	**229**	**118**
15.2 Deferred tax liability				
Unrealised fair value adjustments on financial instruments	145	190	147	173
Other temporary differences	19	2	-	-
	164	**192**	**147**	**173**
Net deferred tax asset/(liability)	**77**	**(64)**	**82**	**(55)**
Reconciliation of net deferred tax asset/(liability)				
Opening balance	(64)	(69)	(55)	(66)
Restatement on 1 April 2005 as a result of adoption of IAS 39	60	-	62	-
Charge to the income statement	81	5	75	11
Closing balance	**77**	**(64)**	**82**	**(55)**

Deferred tax assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

16. Other assets	Group 2006	Group 2005	Company 2006	Company 2005
Settlement debtors	34	170	34	90
Dealing properties	-	27	-	27
Other debtors	648	439	445	309
	682	**636**	**479**	**426**

At 31 March 2006 R'million	Carrying value	Fair value gain/(loss) Life to date	Year to date
17. Financial assets and liabilities designated at fair value through profit and loss			
Group			
Investment securities	30	4	4
Loans and advances to customers	12 935	904	17
Trading securities	3 059	561	144
Other assets	46	(9)	(5)
	16 070	**1 460**	**160**
Customer accounts	3 918	285	53
Debt securities in issue	6 702	(1)	-
	10 620	**284**	**53**
Company			
Investment securities	30	4	4
Loans and advances to customers	12 935	904	125
Trading securities	1 225	572	36
	14 190	**1 480**	**165**
Customer accounts	3 918	285	53
Debt securities in issue	4 484	(1)	-
	8 402	**284**	**53**

For the year ended 31 March R'million	Freehold properties	Leasehold improvements	Furniture & vehicles	Equipment	Total
18. Property and equipment					
Group					
2006					
Cost					
At beginning of year	5	4	113	148	270
Additions	-	-	9	15	24
Disposals	-	-	(15)	(7)	(22)
At end of year	**5**	**4**	**107**	**156**	**272**
Accumulated depreciation and impairments					
At beginning of year	-	(2)	(69)	(108)	(179)
Disposals	-	-	7	9	16
Depreciation	-	(1)	(3)	(22)	(26)
At end of year	**-**	**(3)**	**(65)**	**(121)**	**(189)**
Net book value	**5**	**1**	**42**	**35**	**83**
2005					
Cost					
At beginning of year	17	3	108	147	275
Additions	-	1	21	2	24
Disposals	-	-	(15)	-	(15)
At end of year	**17**	**4**	**114**	**149**	**284**
Accumulated depreciation and impairments					
At beginning of year	-	(1)	(64)	(104)	(169)
Depreciation	-	(1)	(6)	(5)	(12)
Impairment losses	(12)	-	-	-	(12)
At end of year	**(12)**	**(2)**	**(70)**	**(109)**	**(193)**
Net book value	**5**	**2**	**44**	**40**	**91**

At 31 March R'million	Leasehold improvements	Furniture & vehicles	Equipment	Total
18. Property and equipment (continued)				
Company				
2006				
Cost				
At beginning of year	4	109	141	254
Additions	-	7	15	22
Disposals	-	(13)	(5)	(18)
At end of year	**4**	**103**	**151**	**258**
Accumulated depreciation and impairments				
At beginning of year	(2)	(66)	(105)	(173)
Disposals	-	7	8	15
Depreciation	(1)	(3)	(21)	(25)
At end of year	**(3)**	**(62)**	**(118)**	**(183)**
Net book value	**1**	**41**	**33**	**75**
2005				
Cost				
At beginning of year	3	107	134	244
Additions	1	18	-	19
Disposals	-	(15)	-	(15)
At end of year	**4**	**110**	**134**	**248**
Accumulated depreciation and impairments				
At beginning of year	(1)	(62)	(93)	(156)
Depreciation	(1)	(5)	(5)	(11)
At end of year	**(2)**	**(67)**	**(98)**	**(167)**
Net book value	**2**	**43**	**36**	**81**

19. Investment properties

	Group		Company	
At 31 March R'million	2006	2005	2006	2005
At fair value				
At beginning of year	13	562	11	557
Additions	-	11	-	14
Disposals	(6)	(560)	(6)	(560)
At end of year	**7**	**13**	**5**	**11**

The bank values its investment properties twice annually. The properties were valued by directors who are sworn valuators of the company concerned. 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 R'million	Acquired software	Group internally generated software	Total	Acquired software	Company internally generated software	Total
20. Intangible assets						
2006						
Cost or valuation						
At beginning of year	77	7	84	75	6	81
Additions	15	6	21	15	7	22
Disposals	(1)	-	(1)	(1)	-	(1)
At end of year	**91**	**13**	**104**	**89**	**13**	**102**
Accumulated amortisation and impairments						
At beginning of year	(65)	(2)	(67)	(62)	(2)	(64)
Disposals	1	-	1	-	-	-
Impairment	1	-	1	-	-	-
Amortisation	(9)	(4)	(13)	(8)	(4)	(12)
At end of year	**(72)**	**(6)**	**(78)**	**(70)**	**(6)**	**(76)**
Net book value	**19**	**7**	**26**	**19**	**7**	**26**
2005						
At beginning of year	71	6	77	69	6	75
Additions	6	1	7	6	-	6
At end of year	**77**	**7**	**84**	**75**	**6**	**81**
Accumulated amortisation and impairments						
At beginning of year	(40)	(2)	(42)	(37)	(2)	(39)
Amortisation	(25)	-	(25)	(25)	-	(25)
At end of year	**(65)**	**(2)**	**(67)**	**(62)**	**(2)**	**(64)**
Net book value	**12**	**5**	**17**	**13**	**4**	**17**

21. Acquisitions and disposals

Disposals

Certain immaterial subsidiaries were disposed of during the year at net asset value.

At 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
22. Loans to group companies				
Loans from holding company - Investec Limited	(13)	(11)	(20)	(12)
Loans to fellow subsidiaries	2 558	3 218	2 164	5 081
Preference share investment in Investec Limited	728	2 113	-	-
Preference share investment in fellow subsidiaries	3 235	3 135	1 933	1 933
	6 508	**8 455**	**4 077**	**7 002**

Loans to group companies are interest bearing, with no fixed terms of repayment.

23. Investment in subsidiaries

	Nature of business	Issued ordinary capital	Holding %	Shares at book value 2006	Shares at book value 2005	Net indebtedness 2006	Net indebtedness 2005
Principal subsidiaries companies							
Direct subsidiaries of Investec Bank Limited							
Investec Bank (Mauritius) Limited ^	Banking institution	R281 630 447	100	280	280	871	1 145
Grayinvest Limited	Investment holding	R 1 000	100	1	1	-	-
Reichmans Limited	Trade financing	R 10	100	112	60	348	419
Investec Holdings (Botswana) Ltd •	Investment holding	Pula360	75	3	3	-	(30)
Sibvest Limited	Investment holding	R 1 485	100	*	*	-	-
Secfin Finance Ltd	Investment holding	R 200	100	*	*	-	-
Securities Equities (Pty) Ltd	Investment holding	R26 500 000	100	*	*	(5)	7
Sechold Finance Services (Pty) Ltd	Investment holding	R 1 000	100	*	*	320	(242)
KWJ Investments (Pty) Ltd	Investment holding	R 100	100	*	*	644	650
AEL Investment Holdings (Pty) Ltd	Investment holding	R 1 000	100	*	*	(599)	778
Investpref Ltd	Investment holding	R 1 000	100	*	*	(15)	69
Pvt Mortgages 1 (Pty) Ltd	Securitised vehicles			-	77	-	(41)
Pvt Mortgages 2 (Pty) Ltd	Securitised vehicles			98	98	(71)	(52)
Other				*	*	318	57
				494	**519**	**1 811**	**2 760**

Details of subsidiary and associated companies which are not material to the financial position of the group are not stated above.

^ Mauritius

• Botswana

* Less than R1 million

Loans to/(from) subsidiaries are interest bearing, with no fixed terms of repayment.

At 31 March R'million	Group 2006	 2005	Company 2006	 2005
24. Other trading liabilities				
Short positions				
- equities	-	15	-	15
- gilts	266	247	266	247
	266	**262**	**266**	**262**
25. Debt securities in issue				
Bonds and medium term notes repayable				
Up to one year	3 218	1 520	-	-
Greater than one year but less than five years	3 602	2 225	-	-
	6 820	3 745	-	-
Other unlisted debt securities in issue repayable				
Not more than three months	5 959	4 548	5 959	4 548
Over three months but not more than one year	10 463	4 304	10 463	4 304
Over one year but not more than five years	260	131	260	131
	16 682	8 983	16 682	8 983
	23 502	**12 728**	**16 682**	**8 983**

Bonds that are listed on the Bond Exchange of South Africa have maturity dates as noted below:

R1.0 billion

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.

R1.4 billion

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.

R2.2 billion

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.

	Group 2006	Group 2005	Company 2006	Company 2005
26. Taxation				
Income taxation payable	407	264	390	257
Indirect taxes payable	15	11	15	9
	422	**275**	**405**	**266**
27. Other liabilities				
Settlement liabilities	711	1 234	711	1 234
Cumulative redeemable preference shares including accrued dividends	2 123	1 969	-	-
Other non-interest bearing liabilities	352	275	262	242
Other creditors and accruals	1 021	721	958	676
	4 207	**4 199**	**1 931**	**2 152**

At 31 March R'million	Group 2006	 2005	Company 2006	 2005
28. Subordinated debt				
Issued by Investec Bank Limited				
Unsecured subordinated CCDs	108	-	108	-
Class "C" Unsecured subordinated CCDs	71	-	71	-
16% subordinated bonds 2012 issued in South African Rands	1 961	1 961	1 961	1 961
IV02 12.55% Subordinated unsecured callable bonds	1 000	1 000	1 000	1 000
	3 140	**2 961**	**3 140**	**2 961**
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand				
Remaining maturity:				
In more than one year, but not more than two years	71	-	71	-
In more than two years, but not more than five years	108	-	108	-
In more than five years	2 961	2 961	2 961	2 961
	3 140	**2 961**	**3 140**	**2 961**

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 compulsorily convertible debentures 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.

Unsecured subordinated compulsorily convertible debentures (CCDs)

The CCDs 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 A unsecured, Class A Series II, Class B and Class C unsecured CCDs

The 5 000 000 Class A unsecured, 1 000 000 Class A Series II, 1 500 000 Class B and 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 9 500 000 Investec Group 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: R556 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 R'million	Group 2006	Group 2005	Company 2006	Company 2005
29. Ordinary share capital				
Authorised 105 000 000 (2005: 105 000 000) ordinary shares of 50 cents each.				
Issued 31 700 000 (2005: 31 700 000) ordinary shares of 50 cents each.	16	16	16	16

The unissued shares are under the control of the directors until the next annual general meeting.

At 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
30. Perpetual preference shares				
Authorised 70 000 000 (2005: 70 000 000) non redeemable, non cumulative, non-participating preference shares of one cent each.				
Issued 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.	1 491	1 491	1 491	1 491

Preference shareholders will be entitled to receive dividends, if declared, 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.

31. Minority interest

At 31 March R'million	Group 2006	Group 2005
Minority interest attributable to holders of ordinary shares in subsidiaries	8	80

At 31 March R'million	Group 2006 Total future minimum payments	Present value	Group 2005 Total future minimum payments	Present value	Company 2006 Total future minimum payments	Present value	Company 2005 Total future minimum payments	Present value
32. Miscellaneous balance sheet items								
Finance lease receivables included in loans and advances to customers								
Lease receivables in:								
< than 1 year	253	193	181	128	92	74	47	25
1-5 years	278	242	312	265	84	77	165	142
	531	**435**	**493**	**393**	**176**	**151**	**212**	**167**
Unearned finance income	**89**		**96**		**27**		**45**	

At 31 March 2006 and 31 March 2005 there were no unguaranteed residual values.

33. Notes to cash flow statements

At 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
33.1 Cash generated from operating activities is derived as follows:				
Profit before taxation	1 513	1 301	1 736	1 102
Adjustments for:				
Interest expense on subordinated debt (including convertible debt)	(64)	-	(64)	-
Depreciation and impairment of property and equipment	38	49	37	36
Impairment of loans and advances	(17)	134	(29)	79
Share based payments	-	28	-	28
Cash generated by operating activities	**1 470**	**1 512**	**1 680**	**1 245**
33.2 Taxation paid				
Opening balance on net taxation liability*	(279)	(128)	(261)	(104)
Current year normal taxation charge	(305)	(221)	(290)	(203)
Closing balance on net taxation liability	345	339	323	321
Taxation (paid)/received	**(239)**	**(10)**	**(228)**	**14**
33.3 Increase in income earning assets				
Loans and advances to banks	(6 151)	(1 448)	(6 152)	(1 826)
Repurchase agreements and cash collateral on securities borrowed	924	(1 063)	924	(1 063)
Trading securities	(1 893)	(2 280)	(1 804)	(1 727)
Derivative financial instruments	382	1 617	410	1 654
Investment securities	164	(23)	1	973
Loans and advances to customers	(16 885)	(9 686)	(15 039)	(8 106)
Other assets	(30)	182	(36)	251
	(23 489)	**(12 701)**	**(21 696)**	**(9 844)**
33.4 Increase in deposits and other accounts				
Deposits by banks	3 768	(152)	3 043	(46)
Derivative financial instruments	(1 587)	(208)	(1 687)	219
Other trading liabilities	4	(307)	4	(307)
Repurchase agreements and cash collateral on securities lent	(1 086)	1 345	(1 082)	1 321
Customer accounts	11 540	(2 253)	11 765	(2 274)
Debt securities in issue	10 767	8 416	7 699	6 896
Other liabilities	5	406	(224)	(189)
	23 411	**7 247**	**19 518**	**5 620**

* Opening balance has been restated for the adoption of IAS 32.

At 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
34. Commitments				
Undrawn facilities	4 050	3 395	2 096	3 294
Other commitments	114	104	113	104
	4 164	**3 499**	**2 209**	**3 398**

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

	Group 2006	Group 2005	Company 2006	Company 2005
Future minimum lease payments under non-cancellable operating leases:				
< than 1 year	133	110	133	110
1-5 years	635	560	635	560
> than 5 years	2 911	3 141	2 911	3 141
	3 679	**3 811**	**3 679**	**3 811**

At 31 March 2006, Investec was obligated under a number of non-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% per annum. The majority of the leases have renewal options. Contingent rent represents payments made to landlords for operating, tax and other escalation expenses.

	Group 2006	Group 2005	Company 2006	Company 2005
35. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
- guarantees and irrevocable letters of credit	3 246	1 894	3 099	1 687
Other contingent liabilities	-	472	-	472
	3 246	**2 366**	**3 099**	**2 159**

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 Bank Limited on behalf of third parties and other group companies.
The guarantees are issued as part of the banking business.

Legal proceedings
Investec Bank Limited is party to various legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the group.

At 31 March R'million	Group 2006	Group 2005	Company 2006	Company 2005
36. Related party transactions				
Compensation to the Board of Directors and other key management personnel*				
Short-term employee benefits	51	32	51	32
Share-based payments	11	3	11	3
	62	**35**	**62**	**35**

* Key management personnel include the Board of Directors and members of the Global Operations Forum.

R'million	Group 2006 Highest balance during the year#	Group 2006 Balance at end of year#	Group 2005 Balance at end of year#	Company 2006 Highest balance during the year#	Company 2006 Balance at end of year#	Company 2005 Balance at end of year#
Transactions, arrangements and agreements involving directors and others						
Particulars of transactions, arrangements and agreements entered into by the bank 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	140	134	74	140	134	74
Guarantees on behalf of	21	21	11	21	21	11
Other	(106)	(70)	(39)	(106)	(70)	(39)
	55	**85**	**46**	**55**	**85**	**46**

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.

At 31 March R'million	Group 2006 Highest balance during the year#	 Balance at end of year#	 2005 Balance at end of year#	Company 2006 Highest balance during the year#	 Balance at end of year#	 2005 Balance at end of year#
36. Related party transactions (continued)						
Transactions with other related parties						
F Titi has a 11% holding in Tiso Group. At 31 March Investec Bank Limited group had the following total investments in Tiso Group and its affiliate companies.	83	83	98	83	83	98
S Koseff, GR Burger, B Kantor, B Tapnack, HS Herman, PRS Thomas, DE Jowell and DM Lawrence have an interest in Spurwig-P Investments Limited and Spurwing-L Investments Limited, which jointly amount to a holding of 40.7% and 61.7% respectively. Loans are provided to these entities by Investec Bank (Mauritius) Limited on an arm's length, fully secured basis as follows:						
Spurwing-P Investments Limited	44	40	41			
Spurwing-L Investments Limited	12	11	12			

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.

Refer to note 22 for loans to group companies and note 23 for loans to subsidiary companies.

Other transactions relating to directors, refer to pages 25 to 29 in directors' remuneration report.

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.

At 31 March 2006 R'million	Fair value or value of collateral held

37. Analysis of collateral

Group	
Assets	
Derivative financial instruments	23
Loans and advances to customers	34 723
Other assets	5 598
	40 344
Company	
Assets	
Derivative financial instruments	22
Loans and advances to customers	24 932
	24 954

38. Hedges

The bank uses derivatives for management of financial risks relating to its asset and liabilities 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. 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 a hedging instrument. This relationship is established in limited circumstances based on the manner in which the bank manages its risk exposure. Below is a description of each category of accounting hedge achieved by the bank.

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 R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Gains or losses on hedging instrument	Gains or losses on hedging item
Interest rate swaps				
- liabilities	Subordinated bonds	175	17	(16)
		175	**17**	**(16)**

There were no cash flow hedges at year end.

At 31 March R'million	Group 2006	 2005
39. Asset quality, specific and portfolio impairments		
Total loans and advances to customers (gross of impairments)	63 213	46 044
Managed book	(671)	(932)
Net loans and advances to customers	**62 542**	**45 112**
Income statement impairment charge	17	(134)
Specific impairment	237	234
Portfolio impairment	91	73
Total impairments	**328**	**307**
Gross non-performing loans	354	422
Less: security	(183)	(247)
Net non-performing loans	**171**	**175**
Adequacy of impairments		
Specific impairments as a % of total loans and advances to customers	0.37%	0.51%
Portfolio impairments as a % of net loans and advances to customers	0.15%	0.16%
Total impairments as a % of total loans and advances to customers	0.52%	0.67%
Total impairments as a % of gross non-performing loans	92.66%	72.75%
Total impairments as a % of net non-performing loans	191.81%	175.43%
Specific impairments as a % of net non-performing loans	138.60%	133.71%

40. Capital adequacy

R'million	Company 2006	 2005
The regulatory capital of the bank as reported to the South African Reserve Bank is detailed below:		
Primary capital (Tier 1)	7 298	6 761
Secondary capital (Tier 2)	4 209	4 285
Total	11 507	11 046
Less : Impairments	(472)	(491)
Net qualifying capital	**11 035**	**10 555**
Risk weighted assets (banking and trading assets)	**68 517**	**54 194**
Capital adequacy ratio	**16.1%**	**19.5%**

At 31 March 2006 R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One year to five years	Greater than five years	Total
41. Maturity analysis								
Group								
Assets								
Cash and balances at central banks	1 930	-	-	-	-	-	-	1 930
Loans and advances to banks	532	11 941	-	-	-	-	-	12 473
Cash equivalent advances to customers	5 217	-	-	-	-	-	-	5 217
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	-	-	-	-	-	-	1 224
Trading securities	5 834	1 814	2 977	-	1 583	-	-	12 208
Derivative financial instruments	8 496	12	13	15	30	342	124	9 032
Loans and advances to customers	510	1 098	1 789	2 189	6 236	31 591	19 472	62 885
Investment securities	1	-	-	-	-	30	-	31
Other assets *	245	136	91	13	438	6 508	116	7 547
	23 989	**15 001**	**4 870**	**2 217**	**8 287**	**38 471**	**19 712**	**112 547**
Liabilities								
Deposits by banks	116	2 440	478	593	867	3 282	-	7 776
Repurchase agreements and cash collateral on securities lent	919	-	-	-	-	-	-	919
Derivative financial instruments	6 247	-	195	2	312	151	231	7 138
Customer accounts	12 107	21 499	11 496	4 833	4 075	1 629	562	56 201
Debt securities in issue	-	2 228	5 948	3 430	8 033	3 863	-	23 502
Other liabilities	1 126	186	553	738	931	1 190	335	5 059
	20 515	26 353	18 670	9 596	14 218	10 115	1 128	100 595
Subordinated liabilities (including convertible debt)	-	-	-	-	-	179	2 961	3 140
Equity	-	-	-	-	-	229	8 583	8 812
	20 515	**26 353**	**18 670**	**9 596**	**14 218**	**10 523**	**12 672**	**112 547**
Liquidity gap	3 474	(11 352)	(13 800)	(7 379)	(5 931)	27 948	7 040	-
Cumulative liquidity gap	**3 474**	**(7 878)**	**(21 678)**	**(29 057)**	**(34 988)**	**(7 040)**	**-**	**-**

* Includes other assets, loans and advances to group companies, deferred tax assets, property and equipment, investment properties and intangible assets.

\# Includes other trading liabilities, current taxation liabilities, deferred tax liabilities and other liabilities.

42. Transition to International Financial Reporting Standards

Overview

From 1 April 2005 the bank has been required to prepare its consolidated results in accordance with International Financial Reporting Standards (IFRS). Previously these were prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA 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 as 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 Investec Bank Limited's 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	IFRS restated	Group Audited SA GAAP (as previously reported)	% change	IFRS restated	Company Audited SA GAAP (as previously reported)	% change
Operating profit before non-operating items and tax (R'million)	1 301	1 404	(7.3%)	1 102	1 225	(10.0%)
Profit attributable to shareholders* (R'million)	1 061	1 154	(8.1%)	899	994	(9.6%)
Headline earnings (R'million)	730	823	(11.3%)	554	649	(14.6%)
Total equity including minority interest as at 1 April 2005 (R'million)	8 459	8 801	(3.9%)	7 559	7 965	(5.1%)

Note:
* After tax, minority interests and non-operating items.

An analysis of key adjustments

An assessment of the key statements and their impact on Investec Bank Limited's attributable profit, assets, liabilities and equity for the year ended 31 March 2005 is provided in the tables below:

At 31 March 2005 R'million	Earnings attributable to shareholders	Assets	Liabilities	Total equity, including minorities
Group				
As previously reported	1 154	88 376	79 575	8 801
IFRS 2 - share based payments	(29)	-	-	-
IAS 17 - leases	(67)	30	103	(73)
IAS 27/28/31 - consolidations	3	80	2	78
Restated to 31 March 2005	**1 061**	88 486	79 680	8 806
IAS 32/39 - financial instruments		242	589	(347)
Restated to 1 April 2005		**88 728**	**80 269**	**8 459**
Company				
As previously reported	994	80 251	72 286	7 965
IFRS 2 - share based payments	(28)	-	-	-
IAS 17 - leases	(67)	30	103	(73)
Restated to 31 March 2005	**899**	80 281	72 389	7 892
IAS 32/39 - financial instruments		255	588	(333)
Restated to 1 April 2005		**80 536**	**72 977**	**7 559**

On 21 September 2005 the Investec group released a stock exchange announcement and a transition to IFRS report detailing the impact of IFRS on our previously reported consolidated results. This information can be found on our website at www.investec.com

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.

The most significant adjustments arising from the transition from SA 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
- IAS 27 - consolidations (including special purpose vehicles)
- Refinement to principles applied under SIC 12 which results in the consolidation of certain special purpose vehicles and a gross up of assets and liabilities on the group balance sheet
- IAS 32/39 - financial instruments (applied from 1 April 2005)
  Refinements to the requirements under AC 133 which include:
  - Revised interpretation relating to the recognition of certain fees as part of the effective yield of a financial instrument
  - Designation of financial instruments at fair value through profit and loss was early adopted. Application of this resulted in more stringent rules applied to the designation of financial instruments at fair value through profit and loss.

Further restatement to prior year disclosures

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 (consistent with the equivalent SA GAAP standard) 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. In terms of the revised application of IAS 17 in the South African market place these increments have been taken into consideration in determining a straight line cost over the term of the lease. This adjustment represents a correction to prior year disclosures in accordance with IAS 8 - Accounting policies, changes in accounting estimates and errors.

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Investec Bank Limited
Registration number: 1969/004763/06

Notice is hereby given that the annual general meeting of Investec Bank Limited will be held at 14:00 on Monday, 07 August 2006 in the boardroom, 2nd floor, 100 Grayston Drive, Sandown, Sandton to transact the following business:

1. To receive and adopt the audited financial statements for the year ended 31 March 2006.
2. To re-appoint Ernst & Young and KPMG Inc. as joint auditors for the ensuing year and fix their remuneration.
3. To sanction the dividends paid on the ordinary and preference shares for the year ended 31 March 2006.
4. To sanction the debenture interest paid for the year ended 31 March 2006.
5. To sanction the interest paid on the IV01 bonds and IV02 class A notes for the year ended 31 March 2006.
   - 5.1 To re-elect the directors by way of a single resolution.
   - 5.2 To elect directors. Messrs DE Jowell, DM Lawrence, MP Malungani, PRS Thomas and F Titi retire by rotation in terms of the articles of association and being eligible, offer themselves for re-election.

     For brief biographical details of the directors to be re-elected, please refer to page 21 of the annual report.
6. To approve the remuneration of the directors for the year ended 31 March 2006.
7. To place all the un-issued ordinary and preference shares under the control of the directors as a general authority in terms of section 221 of the Companies Act, 1973, who are authorised to allot and issue such shares in their discretion until the next annual general meeting, subject to the provisions of the Companies Act, No 61 of 1973, the Banks Act, No 94 of 1990, and the Listings Requirements of the JSE Limited.
8. To consider and, if deemed fit, to pass with or without modification the following resolution as a special resolution of the company :

Special Resolution No. 1

- Resolved that in terms of Article 4(a)(i) of the articles of association and with effect from 07 August 2006, Investec Bank Limited hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act No 61 of 1973, the acquisition by Investec Bank Limited or its subsidiaries from time to time, of the issued ordinary shares and non-redeemable non-cumulative non-participating preference shares of Investec Bank Limited, upon such terms and conditions and in such amounts as the directors of Investec Bank Limited or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act, No 61 of 1973, the Banks Act, No 94 of 1990 and the Listings Requirements of the JSE Limited, provided that this general authority shall be valid until the next annual general meeting, and shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

The reason for this special resolution is to grant a renewable general authority to Investec Bank Limited to acquire ordinary shares and non-redeemable non-cumulative non-participating preference shares which are in issue from time to time. The effect of the Special Resolution No 1 is that Investec Bank Limited and its subsidiaries will be able to acquire ordinary shares and non-redeemable non-cumulative non-participating shares of Investec Bank Limited.

The directors of Investec Bank Limited have no present intention of making any purchases, but believe that Investec Bank Limited should retain the flexibility to take action if future purchases were considered desirable and in the best interests of its shareholder.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 21 of the Annual Report of which this notice forms part, 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.

Voting and proxies

Holders of the non-redeemable non-cumulative non-participating preference shares, debentures, IV01 bonds and IV02 Class A notes shall be entitled to attend the meeting, but not to vote on any of the resolutions. Accordingly a proxy form is not included with this notice.

By order of the Board.

S Noik
Company Secretary
Sandown

30 June 2006

Registered office:
100 Grayston Drive
Sandown
Sandton 2196