Investec

2006 Investec Limited Group and Company Annual Financial Statements

Investec Limited

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Reg. No.1925/002833/06

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Refer to pages 36 to 39.

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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 South Africa and the UK 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

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

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

Distinctive Performance

Client Focus

Dedicated Partnerships

Cast-iron Integrity

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

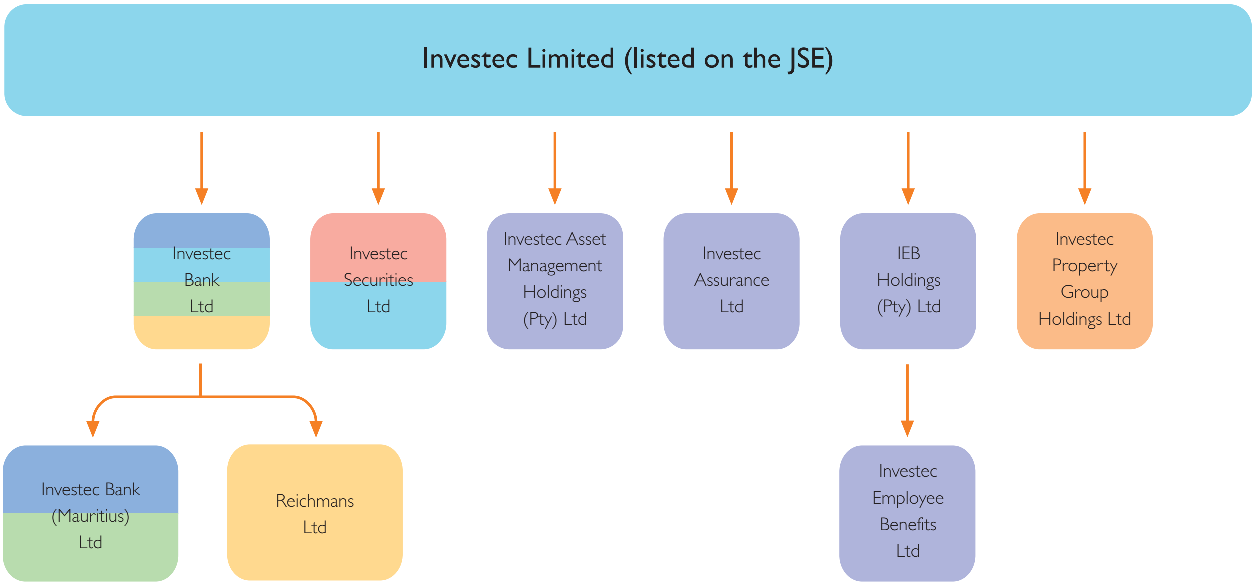
- Moral strength
- Risk consciousness
- Highest ethical standards

Philosophies

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

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.

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

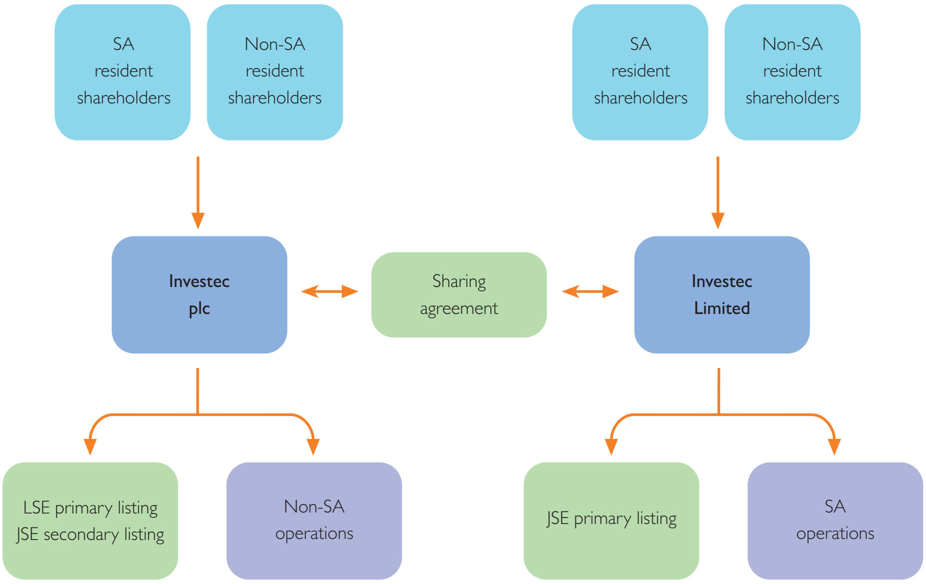
Note:

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 Limited activities

The activities conducted by the significant "operating" subsidiaries of Investec Limited are discussed below.

1. Investec Bank Limited

Investec Bank Limited'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 head 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.

2. Investec Asset Management

Investec Asset Management provides a comprehensive range of portfolio management services and products to institutional and retail clients.

We have grown significantly since inception in 1991 in South Africa with R225 million of assets under management. Today, we are one of the largest managers of third party assets in Southern Africa, managing funds on behalf of individuals, retirement funds, insurance companies, government bodies, universities, corporations and other institutions. We are a multi-specialist investment manager and a market leader in specialist equity, fixed interest, balanced and absolute return funds. As at 31 March 2006, South African assets under management amounted to R212.7 billion.

We are committed to achieving excellent investment performance, delivering quality client service and creating appropriate investment solutions that fulfil the needs of our clients.

3. Investec Securities Limited

Private Client Portfolio Management and Stockbroking

The Private Client Portfolio Management and Stockbroking division offers a selection of personal investment and stockbroking services to a client base comprising predominantly high net worth individuals.

We began operating in South Africa in 1996 through the acquisition of Fergusson Bros, and now operate under the name of Investec Securities Limited.
Measured by assets under management, we are one of the largest private client stockbrokers and one of the largest private client portfolio managers in South Africa. Our growth has come primarily through strategic acquisitions, supplemented with good discretionary portfolio management returns for managed clients. Our acquisitions include:

- the June 1999 purchase of HSBC's Johannesburg private client operation (resulting in the addition of approximately R4.5 billion in assets under management).
- the October 2000 purchase of Quyn Martin Asset Management (adding R1.8 billion in assets under management).
- the January 2002 purchase of Merrill Lynch South Africa's private client operation in Cape Town (adding R4.3 billion in assets under management).
- the March 2005 acquisition of HSBC's Cape Town private client operation, (adding approximately R13.4 billion to assets under management).

As at 31 March 2006, assets under management amounted to R84.1 billion.

Institutional Research, Sales and Trading

Institutional Securities offers an integrated research, sales and execution capability in South African stocks for domestic and international fund managers with an interest in, and exposure to, South Africa. We are also represented in the UK and USA to promote South African stocks to a global emerging market client base.

4. Investec Property Group

Services provided by our Property business in South Africa include management of property investment funds (listed and unlisted), property trading and development, property administration and listed property portfolio management.

Property assets under administration grew to approximately R19.8 billion (2005: R14.7 billion) by financial year-end, an increase of 34.4%, making us one of the largest property managers in South Africa.

Financial review

Transition to International Financial Reporting Standards

From 1 April 2005 Investec Limited 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).

These consolidated income statements, balance sheets and the analysis that follows have been prepared in accordance with IFRS as if Investec Limited were a standalone component of the DLC structure as explained in the Directors' report, but with earnings per share disclosed in the DLC combined consolidated financial statements by virtue of the sharing arrangement.

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 Investec Limited's actual reported results for the year ended 31 March 2006 relative to the 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 45 to 52 for the reasons explained above. All income statement comparatives referred to on pages 10 to 16 relate to the pro forma 2005 results.

Consolidated income statement

R'million	Year to 31 March 2006	Pro forma IFRS restated year to 31 March 2005
Interest receivable	7 122	5 459
Interest payable	(5 599)	(4 476)
Net interest income	**1 523**	**983**
Fees and commissions receivable	2 623	1 801
Fees and commissions payable	(129)	(75)
Principal transactions	2 553	1 513
Operating income from associates	-	164
Investment income on assurance activities	1 521	2 151
Premiums and reinsurance recoveries on insurance contracts	1 770	2 113
Other operating income	15	5
Other income	**8 353**	**7 672**
Claims and reinsurance premiums on insurance business	(3 151)	(4 044)
Total operating income net of insurance claims	**6 725**	**4 611**
Impairment losses on loans and advances	(23)	(119)
Net operating income	**6 702**	**4 492**
Administrative expenses	(3 147)	(2 488)
Depreciation and impairment of property,equipment and software	(51)	(52)
Operating profit before goodwill impairment	**3 504**	**1 952**
Impairment of goodwill	(233)	(538)
Operating profit	**3 271**	**1 414**
(Loss)/profit on termination or disposal of group operations	(1)	223
Profit before taxation	**3 270**	**1 637**
Taxation	(917)	(465)
Profit after taxation	**2 353**	**1 172**
Earnings attributable to minority interests	80	18
Earnings attributable to shareholders	2 273	1 154
Earnings attributable to shareholders' equity	**2 353**	**1 172**

Consolidated income statement (continued)

R'million	Year to 31 March 2006	Pro forma IFRS restated year to 31 March 2005
Calculation of headline earnings		
Earnings attributable to shareholders	2 273	1 154
Headline adjustments	(28)	259
Goodwill impairment	233	538
Revaluation of investment properties	(260)	(64)
Loss on sale of subsidiaries	-	9
Reversal of impairment of subsidiaries	-	-
Impairment of owner occupied property	-	12
Profit on disposal of Investec Employee Benefits Risk business	-	(250)
Costs on closure of Traded endowment business	-	83
Disposal of available for sale instruments	(1)	-
Profit on disposal of associate	-	(82)
Share of associate's headline adjustments	-	13
Headline earnings attributable to shareholders	**2 245**	**1 413**
Preference dividends paid	(224)	(131)
Debenture equity costs	-	(216)
Headline earnings attributable to ordinary shareholders	**2 021**	**1 066**

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	13 207	7 251
Cash equivalent advances to customers	7 400	6 256
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	2 148
Trading securities	16 585	11 844
Derivative financial instruments	9 187	10 334
Investment securities	284	133
Loans and advances to customers	64 032	45 884
Deferred taxation assets	350	286
Other assets	3 696	4,978
Property and equipment	104	112
Investment properties	1 748	2 375
Goodwill	499	683
Intangible assets	92	77
	120 338	93 474
Other financial instruments at fair value through income in respect of		
- liabilities to customers	38 906	33 035
- assets related to reinsurance contracts	15 353	14 189
	174 597	**140 698**
Liabilities		
Deposits by banks	7 775	4 135
Derivative financial instruments	7 064	8 700
Other trading liabilities	3 575	1 819
Repurchase agreements and cash collateral on securities lent	919	2,005
Customer accounts	5 162	44 662
Debt securities in issue	23 502	12 735
Current taxation liabilities	999	524
Deferred taxation liabilities	265	220
Other liabilities	7 787	7 768
	108 048	82 568
Liabilities to customers under investment contracts	37 407	31 267
Insurance liabilities, including unit-linked liabilities	1 499	1 703
Reinsured liabilities	15 353	14 189
	162 307	129 727
Subordinated liabilities (including convertible debt)	3 069	3 101
	165 376	**132 828**
Equity		
Called up share capital	1	1
Share premium account	4 701	4 701
Treasury shares	(833)	(686)
Equity portion of convertible debentures	22	22
Perpetual preference shares	2 309	2 309
Other reserves	629	327
Profit and loss account	827	(507)
Shareholders' equity excluding minority interests	7 656	6 167
Minority interests	1 565	1 703
-Perpetual preferred securities issued by subsidiaries	1 491	1 492
-Other	74	211
Total shareholders' equity	**9 221**	**7 870**
Total liabilities and shareholders' equity	**174 597**	**140 698**

Segmental information

For the year to 31 March 2006 R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Manage-ment	Property Activities	Group Services and Other	Total
Net operating income	1 445	1 026	1 095	1 203	406	1 527	6 702
Operating expenses	(981)	(526)	(361)	(651)	(223)	(456)	(3 198)
Operating profit before taxation and headline adjustments	**464**	**500**	**734**	**552**	**183**	**1 071**	**3 504**
Headline adjustments	-	-	-	(147)	(81)	(6)	(234)
Operating profit before goodwill impairment, non-operating items and taxation	**464**	**500**	**734**	**405**	**102**	**1 065**	**3 270**
Cost to income ratio	67.8%	48.2%	33.2%	54.1%	54.9%	30.6%	47.6%

Pro forma for the year to 31 March 2005 R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Manage-ment	Property Activities	Group Services and Other	Total
Net operating income	1 033	736	549	876	237	1 061	4 492
Operating expenses	(682)	(436)	(240)	(519)	(156)	(507)	(2 540)
Operating profit before taxation and headline adjustments	**351**	**300**	**309**	**357**	**81**	**554**	**1 952**
Headline adjustments	-	-	-	(200)	-	(115)	(315)
Operating profit before goodwill impairment, non-operating items and taxation	**351**	**300**	**309**	**157**	**81**	**439**	**1 637**
Cost to income ratio	60.9%	59.6%	43.1%	59.2%	65.8%	46.5%	55.1%

Commentary on the results of Investec 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.

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

Introduction

Investec Limited increased headline earnings attributable to ordinary shareholders by 89.6% from R1 066 million to R2 021 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
Operating profit (R'million)	3 270	1 637	99.8%
Headline earnings attributable to ordinary shareholders (R'million)	2 021	1 066	89.6%
Cost to income ratio	47.6%	55.1%	
	31 March 2006	**1 April 2005**	
Total capital resources (including subordinated liabilities) (R'million)	12 290	10 971	12.0%
Total shareholders' equity (including minority interests) (R'million)	9 221	7 870	17.2%
Total assets (R'million)	174 597	140 698	24.1%
Capital adequacy ratio	16.3%	17.9%	
Tier 1 ratio	11.1%	10.9%	

Business unit review

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

Private Client Activities

Overview of performance

Private Client Activities, comprising Private Banking and Private Client Portfolio Management and Stockbroking posted an operating profit of R464 million (2005: R351 million), an increase of 32.2%.

The Private Bank recorded an increase in operating profit of 23.5% from R290 million to R359 million. Strong performances were recorded across all areas of specialisation within the Private Bank.

Private Client Securities benefited from good equity market conditions as well as a healthy flow of net new business resulting in an increase in operating profit of 71.0% from R61 million to R105 million.

Private Banking

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.
- 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.

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.

Private Client Portfolio Management and Stockbroking

Developments

- Revenue increased substantially over the prior year, assisted by robust market conditions and the successful integration of HSBC.
- Managed client portfolios again benefited from superior returns.
- Total funds under management increased significantly from R42.0 billion to R84.1 billion (including HSBC funds acquired of R13.4 billion).

Outlook

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

Treasury and Specialised Finance

Overview of performance

The Treasury and Specialised Finance division posted an operating profit of R500 million (2005: R300 million), an increase of 66.7%. 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

The Investment Banking division posted a significant increase in operating profit to R734 million (2005: R309 million), driven by strong performances from all of the division's areas of specialisation.

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).

Institutional Research, Sales and Trading

- This was the first year that we ran the South African and UK Securities operations as a fully integrated and unified business. The alignment of the businesses has enabled us to serve our clients far more effectively – as we have integrated our offering, optimised the use of our risk capital, created leverage across sales and research (especially on dual listed stocks) and better facilitated South African and UK product distribution into the US and Europe.
- Strong agency performance was driven by healthy market conditions.
- Excellent progress was made on the development of the international franchise (US and UK).
- There was healthy progress in diversifying revenue streams (for example prime broking and algorithmic trading).
- The mid-market offering was enhanced.
- In the Institutional Investor survey for 2006 our South African offering was rated number 2 in the UK and, after only one year, 7th in the US.

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.
- Investec Securities remains well positioned to capitalise on healthy market conditions. International leverage from revenue stream diversification will add to future franchise strength.
- 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.

Asset Management

Overview of performance

Investec Asset Management delivered operating profit of R552 million (2005: R357 million), an increase of 54.6%. Assets under management grew 32.7% to R212.7 billion. The increase in operating profit can be attributed to higher asset levels as well as substantial growth in performance fees.

Developments

- There was good specialist equity investment performance and steady improvement in fixed income investment performance. The investment team was bolstered by additional appointments, with a positive effect on balanced investment performance.
- Outstanding retail investment performance was endorsed by industry awards:
  - Best Larger Group (over one, three and five years) and Best Overall Group, Standard & Poor's Fund Awards 2006.
  - First place overall in the PlexCrown Survey March 2006 (measuring risk adjusted performance across full range).
  - ACI/Personal Finance Raging Bull Award for the top-performing fund over 10 years.

- The successful conversion of high alpha propositions to performance based mandates created a new axis for revenue generation. This had a minimal impact on base levels but will result in an increased variability in revenue.
- Strong net retail sales were boosted by the implementation of a retail fund manager team and new sales channels.
- The successful acquisition of Alliance Capital Management (Pty) Limited in South Africa consolidated our leadership in the market for growth style specialist equity portfolios.
- The launch of our Africa manufacturing capability and subsequent initial asset raising was successful. This initiative provides a unique calling card to many of the world's leading institutional investors.
- A solid foundation for the domestic hedge fund range was established.

Outlook

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

Property Activities

Overview of performance

The Property division delivered a significant increase in operating profit to R183 million (2005: R81 million), benefiting from favourable equity and property market conditions.

Developments

- Funds under management increased by 34.4% from R14.7 billion to R19.8 billion.
- The division benefited from realised gains on the sale of properties and an increase in the revaluation of investment properties.

Outlook

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

Group Services and Other Activities

Overview of performance

The Group Services and Other division posted a significant increase in operating profit to R1 071 million (2005: R554 million).

Central Funding

The Central Funding area benefited from a number of transactions carried out during the financial year including:

- The issue of R2.3 billion preference shares in February 2005. The cost of the preference dividends of approximately 7% is reflected as part of dividends payable.
- The sale of Capital Alliance Holdings Limited (CAL) to Liberty Group Limited.
- The reinsurance of the group risk business conducted by Investec Employee Benefits to CAL.

The division also benefited from a solid performance from the assets within the division’s portfolio, particularly equity and listed property holdings, revaluations and realisations.

Central Costs

There was an increase in central services costs largely as a result of:

- An increase in variable remuneration given increased profitability.
- The introduction of a long-term incentive plan for a group of senior employees.
- Increased headcount in Central Services areas.
- An increase in infrastructural costs relating to certain projects underway to improve efficiency which should result in long-term cost savings.

International Trade Finance

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

Risk management and corporate governance

Philosophy and approach

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

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

An independent function, Group Risk Management (part of Group Services) independently monitors, manages and reports on our risk as mandated by the board through the Board Risk Review Committee. Business units are ultimately responsible for managing risks that will arise.

We monitor and control risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. Group Risk Management has specialist divisions in the UK and South Africa and smaller risk divisions in other regions, to promote sound risk management practices.

Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives.

Group Risk Management continually seeks new ways to enhance its techniques. However, no bank can completely or accurately predict or fully assure the effectiveness of its policies and procedures for managing risk.

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

This section provides an overview of these types of risks and related developments that occurred during the period under review. Further detail on our risk management framework, committees and forums as well as our risk management and measurement techniques can be found in the Investec group's 2006 Annual Report.

Credit risk management

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

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

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

Credit risk in South Africa

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

Private Bank

Our lending product offered through our structured property and growth and acquisition finance activities supports the needs of our clients. Central to our credit philosophy is the concept of sustainability of income through the cycle. As such, the client base has been defined to include high net worth clients (who through diversification of income streams would reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of the stage in the economic cycle. The combination of low probability of default clients (due to niche focus) and low and decreasing loan to value ratios results in a low level of expected loss, which has been borne out by historical experience of actual losses.

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

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

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

Treasury and Specialised Finance

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

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

Typical assets that are funded include property, plant and equipment, infrastructure and movable assets. Specific credit limits are set for each counterparty and monitored to ensure risk is mitigated. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying security, cash flow and, in the case of trading products, the nature of the underlying security traded.

The Resource Finance business may be exposed to countries presenting complex legal and political risks. Extensive knowledge of Africa (which represents the bulk of the exposure in this business unit), good technical and financial skills, and strong adherence to prudent country risk limits ensure that concentration risks are well managed. Exposures are monitored continuously and assets provided as security in support of borrowing facilities are generally easily realisable. Most of the Resource Finance business activities form part of the corporate asset class (as defined by Basel II) since recourse in the event of default will be to the total assets of the corporate and not merely the resources being financed. Transactions are structured so that scenarios resulting in increased level of exposure coincide with increased profitability of the entity being financed and thus a relatively stable expected loss.

ReichmansCapital

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

Credit risk in Mauritius

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

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

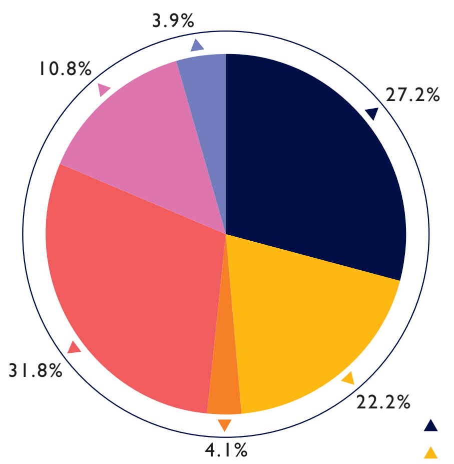
Asset quality and impairments

At 31 March R'million	2006	2005
Total loans and advances to customers (gross of impairments)	64 365	45 963
Managed book	(671)	(932)
Net loans and advances to customers	**63 694**	**45 031**
Specific impairments	240	252
Portfolio impairments	93	73
Total impairments	**333**	**325**
Gross non-performing loans	354	406
Less: security	(183)	(208)
Net non-performing loans	**171**	**198**
Adequacy of impairments		
Specific impairments as a % of loans and advances to customers	0.37%	0.55%
Portfolio impairments as a % of net loans and advances to customers	0.15%	0.16%
Total impairments as a % of loans and advances to customers	0.52%	0.71%
Total impairments as a % of gross non-performing loans	94.07%	80.05%
Total impairments as a % of net non-performing loans	194.74%	164.14%
Specific impairments as a % of net non-performing loans	140.35%	127.27%
Gross non-performing loans as a % of loans and advances to customers	0.55%	0.88%

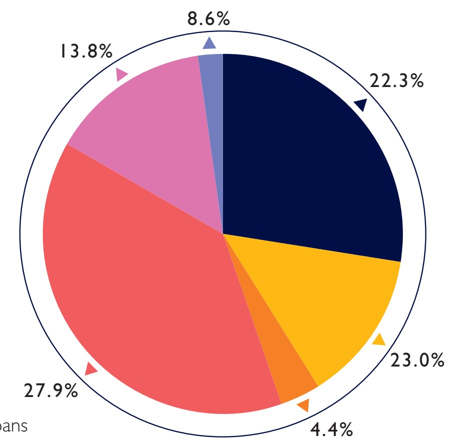
Loans and advances to customers by loan type

At 31 March R'million	2006	2005
Category analysis		
Commercial property loans	17 498	10 220
Residential mortgages	14 280	10 594
Leases and instalment debtors	2 665	2 042
Corporate and public sector loans and advances	20 493	12 846
Other private bank lending	6 927	6 325
Other loans and advances	2 502	3 936
	64 365	**45 963**
Specific impairment	(240)	(252)
Portfolio impairment	(93)	(73)
	64 032	**45 638**

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



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



- ▲ Commercial property loans
- ▲ Residential mortgages
- ▲ Leases and instalment debtors
- ▲ Corporate and public sector loans and advances
- ▲ Other private bank lending
- ▲ Other loans and advances

Credit risk year in review

Basel II

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

Southern Africa

The loan portfolio increased by 40.3% to R64.0 billion driven by strong performances in the Private Banking and Treasury and Specialised Finance divisions.

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

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

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

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

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

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

The quality of the overall loan portfolio in Southern Africa remains satisfactory with the percentage of gross non-performing loans to total loans improving from 0.88% to 0.55%.

Market risk management

Market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting in changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel II and policies determined by the board.

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

Measurement techniques used to quantify the market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR) and Expected Tail Loss (ETL). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR is the amount by which a portfolio will change in a certain time frame no more than a certain percentage of the time. For example, a 99% one-day VaR of R50 000 means that 99% of the time we do not expect the loss on a portfolio to exceed R50 000. ETL starts where VaR ends, i.e. where the VaR threshold is exceeded. In the example above, we can ask how much we expect to lose 1% of the time? A 99% ETL of R62 000 means that 1% of the time, the portfolio will lose R62 000 on average.

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

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

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the actual trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a "back testing breach" is considered to have occurred.

VaR 95% (one-day)

At 31 March R'million	2006	2005
Commodities	-	-
Equity derivatives	2.3	8.1
Foreign exchange	1.6	3.0
Interest rates	1.1	2.1
Consolidated*	**3.1**	**8.8**

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

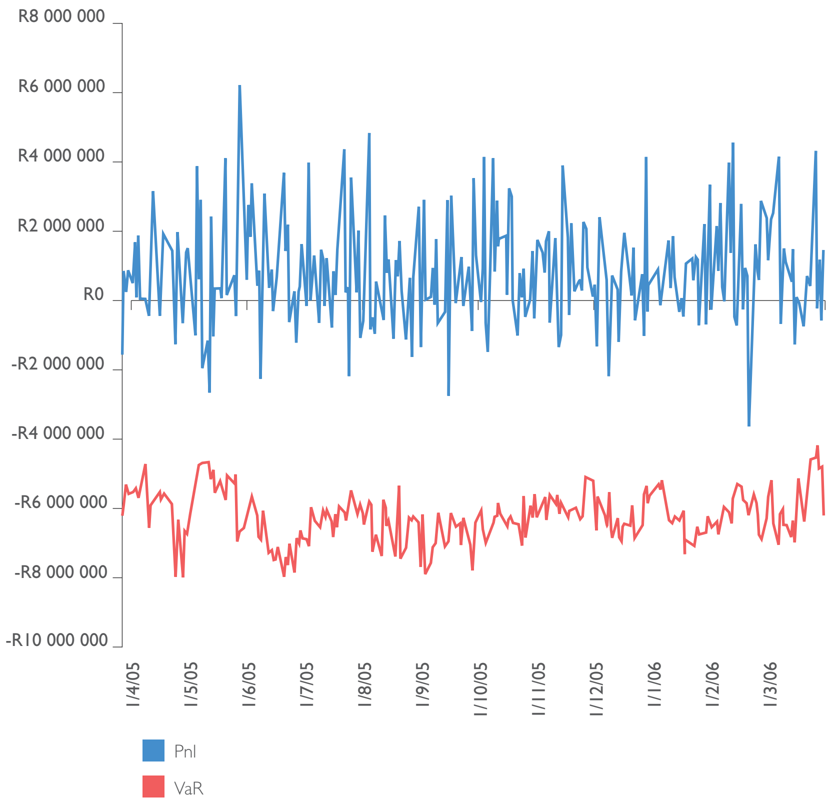
ETL 95% (one-day)

At 31 March R'million	2006	2005
Commodities	-	-
Equity derivatives	3.5	10.0
Foreign exchange	2.1	4.5
Interest rates	1.7	14.3
Consolidated*	**4.1**	**22.6**

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

The graph below details total daily VaR and profit and loss figures for the trading activities of Investec Limited over the reporting period. The values are for the 99% one-day VaR, i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on the graph, we can gauge the accuracy of the VaR figures.

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



Stress testing

The portfolio stress tested under extreme conditions (15 standard deviations) will result in a loss of R23.7 million in Investec Limited (based on a one-day holding period).

At 31 March R'million	2006	2005
Commodities	-	-
Equity derivatives	17.6	62.0
Foreign exchange	12.2	23.0
Interest rates	8.4	16.1
Consolidated	**23.7**	**67.3**

Market risk year in review

We applied to the South African Reserve Bank for approval of our internal model for market risk. Should this application be successful, this will put us at the level of the advanced approach for Basel II. In terms of this model, trading capital will be calculated as a function of VaR at the 99% confidence level and back testing results will be submitted to the regulator monthly.

Over the past year, the equity and commodity markets performed strongly and the rand strengthened marginally. These market conditions coupled with good client flows and product sales resulted in strong performances from the South African trading desks.

Balance sheet risk management

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

Non-trading interest rate risk

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

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

South Africa - interest rate sensitivity gap

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

Liquidity risk

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

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

South Africa - liquidity view

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

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

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

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

Balance sheet risk year in review

The year in review was again characterised by a low global interest rate environment.

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

Operational risk management

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

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

Operational risk year in review

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

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

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

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

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered into.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

Reputational risk management

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

We have various policies and practices to mitigate reputational risk, including a strong values statement that is regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

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

Capital management

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

The Investec Board of Directors is ultimately responsible for the bank's capital and effective management. At the highest level, the boards have delegated direct responsibility for capital management to the DLC Capital Committee to oversee the components contributing to effective control and use of capital.

Basel II

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

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

In terms of the current process, the following features exist:

- Board and senior management oversight in relation to the nature and level of risk taken and how this risk relates to the adequate capital levels. Strategic plans outline our capital needs, anticipated capital expenditure, desirable capital level and external capital sources.
- Sound capital assessment through the establishment of capital adequacy goals supported by a process of internal controls, reviews and audits to ensure the integrity of the overall management process.

- Comprehensive assessment of risks by a number of governance committees guided by methodologies and policies, supported by sophisticated systems which ensure the adequacy and completeness of information on which decisions are based. To this end, detailed reports are prepared regularly on our risk profile and capital needs.

Our key challenge in terms of Pillar II compliance will be twofold:

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

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.

Further details on the internal audit function can be found in the Investec group's 2006 Annual Report.

Compliance

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

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

Further details on the compliance function can be found in the Investec group's 2006 Annual Report.

South Africa year in review

Implementation of the Financial Intelligence Centre Act (FICA)

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

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

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

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

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

Compliance monitoring

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

Mauritius year in review

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

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 - a subsidiary of Investec Limited

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

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 2006 Annual Report.

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 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 Limited is set out on pages 36 to 39.

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 fulfiling 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 (for Investec Bank Limited)
- 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.

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, 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).

Additional information

The group has implemented a Dual Listed Companies (DLC) structure in terms of which it has primary listings both in Johannesburg and London. Investec plc, which houses the majority of the group's non-Southern African businesses, was listed on the London Stock Exchange on 29 July 2002. Investec plc also has a secondary listing on the JSE Limited (JSE). Investec Limited, which houses the group's Southern African and Mauritius operations, has been listed in South Africa since 1986.

As at 31 March 2006 Investec Limited had 43 999 527 ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2006

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
4 835	1 to 500	74.3	748 922	1.7
578	501 - 1 000	8.9	433 758	1.0
620	1 001 - 5 000	9.5	1 442 504	3.3
160	5 001 - 10 000	2.5	1 155 129	2.6
224	10 001 - 50 000	3.4	5 206 421	11.8
33	50 001 - 100 000	0.5	2 412 034	5.5
60	100 001 and over	0.9	32 600 759	74.1
6 510		**100.0**	**43 999 527**	**100.0**

Shareholder classification as at 31 March 2006

	Investec Limited number of shares	% holding
Public*	33 505 002	76.2
Non-public	10 494 525	23.8
Non-executive directors of Investec Limited**	62 396	0.1
Executive directors of Investec Limited	1 975 178	4.5
Investec staff share schemes	3 045 840	6.9
Tiso Group Limited**	2 800 000	6.4
Peu Group (Proprietary) Limited**	2 611 111	5.9
Total	**43 999 527**	**100.0**

* As per the JSE listing requirements

** In November 2003, Investec Limited implemented an empowerment transaction. The shareholdings held by F Titi and MP Malungani (non-executive directors of Investec) are shown under the holdings of Tiso Group Limited and Peu Group (Proprietary) Limited, respectively.

Largest beneficial shareholders as at 31 March 2006

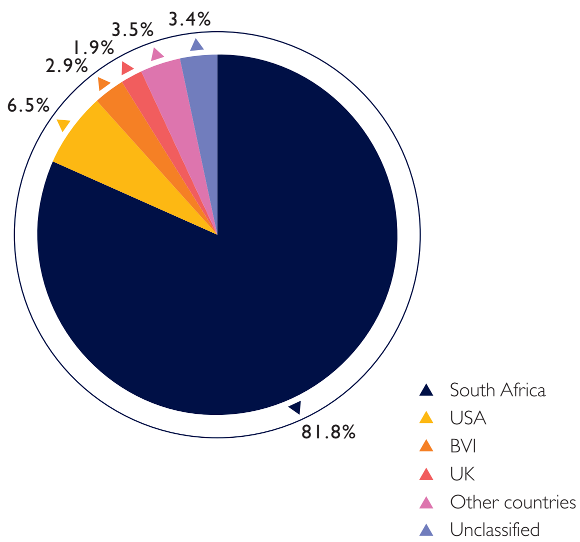
In accordance with the terms provided for in Section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

	Shareholders	Number of shares	% of issued share capital
1	Public Investment Commissioner	5 315 086	12.1
2	Investec Group Staff Share Schemes	3 045 840	6.9
3	Entrepreneurial Development Trust*	2 800 000	6.4
4	Tiso INL Investments (Pty) Ltd*	2 800 000	6.4
5	Peu INL Investments 1 (Pty) Ltd*	2 611 111	5.9
6	Old Mutual Asset Managers	1 705 419	3.9
7	Metropolitan Asset Managers	1 436 033	3.3
8	Stanlib Asset Management	1 432 977	3.3
9	Spurwing-L Investments Ltd	1 291 179	2.9
10	Sanlam Investment Management	1 142 013	2.6
	Cumulative total	**23 579 658**	**53.7**

The top 10 shareholders account for 53.7% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited.

Geographic holding by beneficial owner as at 31 March 2006



Share statistics

Investec Limited ordinary shares in issue

For the year ended 31 March	2006	2005	2004	2003	2002	2001	2000
Closing market price per share (cents)							
- year end	31 300	17 800	12 530	7 650	13 000	19 700	26 020
- highest	33 250	19 000	15 100	17 440	24 580	27 800	30 000
- lowest	17 050	10 780	7 750	7 650	13 000	19 200	18 440
Number of ordinary shares in issue (million)[1]	44.0	44.0	44.0	38.4	96.2	81.0	80.6
Market capitalisation (R'million)[2]	37 121	21 111	14 860	8 645	14 196	19 286	24 095
Daily average volume of shares traded ('000)[3]	95.6	102.1	99.0	105.4	-	-	-
Number of shareholders[4]	6 510	13 728	15 611	17 957	19 445	3 454	3 070

Notes:

1 The number of shares in issue has reduced significantly following the implementation of the DLC structure, in terms of which Investec plc was unbundled from Investec Group Limited (now Investec Limited).

2 The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation i.e. a total of 118.6 million shares in issue.

3 Information prior to the implementation of the DLC structure is not comparable.

4 The number of shareholders has decreased following an odd-lot offer undertaken by the group.

Executive directors

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Chief Executive Officer						
Stephen Koseff	54	BCom CA (SA) H Dip BDP MBA	The Bidvest Group Limited, JSE Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer and General Manager of Banking, Treasury and Merchant Banking.	Finance
Managing director						
Bernard Kantor	56	-	Phumelela Gaming and Leisure Limited, Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Bernard joined Investec in 1980. He has had varied experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer.	Finance
Group Risk and Finance director						
Glynn R Burger	49	BAcc CA(SA) H Dip BDP MBL	Investec Bank Limited and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Glynn joined Investec in 1980. His positions within Investec have included Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa.	Finance
Alan Tapnack	59	BCom CA (SA)	Investec Bank (UK) Limited and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Alan is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and has held the positions of Chief Finance Officer and Chief Executive Officer of Investec Bank (UK) Limited and Chief Executive Officer of Investec's UK operations.	Finance

Non-executive directors

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Non-executive Chairman						
Hugh S Herman	65	BA LLB LLD (hc)	Growthpoint Properties Limited, Metboard Holdings Limited, Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and a number of Investec subsidiaries	Nomination Committee	Hugh practised as an attorney before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director.	Law
Sam E Abrahams	67	FCA CA (SA)	Investec Bank Limited, Foschini Limited, Super Group Limited and Phumelela Gaming and Leisure Limited	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Nomination Committee, Board Risk Review Committee and DLC Capital Committee	Sam is a former international partner and South African Managing Partner of Arthur Andersen.	Finance Auditing
George FO Alford	57	BSc (Econ) FCIS FIPD MSI	Investec Bank (UK) Limited	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk Review Committee	George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority.	Banking Regula-tions Finance
Cheryl A Carolus	47	BA (Law) B Ed	De Beers Consolidated Mines Limited, IQ Business Group (Pty) Limited, Fenner Conveyor Belting South Africa (Pty) Limited, Ponhalo Holdings (Pty) Limited, Investec Asset Management Holdings (Pty) Ltd and Executive Chairperson of Peotona Group Holdings (Pty) Limited	-	Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was Chief Executive Officer of South African Tourism. She is Chairperson of South African National Parks.	Sustain-able develop-ment Educa-tion

Non-executive directors (continued)

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Haruko Fukuda OBE	59	MA (Cantab) DSc	AB Volvo, Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Metro AG.	-	Haruko was previously Chief Executive Officer of the World Gold Council.	Finance Asset Manage-ment
Geoffrey MT Howe	56	MA (Hons)	Jardine Lloyd Thompson Group plc (Chairman), The JP Morgan Fleming Overseas Investment Trust plc and Nationwide Building Society	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk Review Committee	Geoffrey is a former Managing Partner of Clifford Chance LLP and was Director and Group General Counsel of Robert Fleming Holdings Ltd. He is also a former Chairman of Railtrack Group plc.	Law
Donn E Jowell	64	BCom LLB	Jowell, Glynn and Marais Inc, Investec Bank Limited, Wits Donald Gordon Medical Centre and JCI Limited	Combined group/DLC Audit Committee, Investec Limited Audit Committee, Board Risk Review Committee and DLC Capital Committee	Donn is Chairman of and a consultant to Jowell Glynn Marais Inc, the South African legal advisers to Investec Limited.	Law
Ian R Kantor	59	BSc (Eng) MBA	Insinger de Beaufort Holdings SA (in which Investec holds an 8.6% interest), Bank Insinger de Beaufort NV where he is Chairman of the management board	-	Former Chief Executive of Investec Limited.	Finance
Senior independent director						
Sir Chips Keswick	66	-	Investec Bank Limited, De Beers SA, De Beers Consolidated Mines Limited, Arsenal Holdings Plc and Arsenal Football Club Plc.	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee, Nomination Committee and Board Risk Review Committee	Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc. He was on the Court of the Bank of England.	Finance

Name	Age at 31 March 2006	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
M Peter Malungani	48	BCom MAP LDP	Super Group Limited (Chairman), Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited and a number of Peu subsidiaries	-	Peter is Chairman and founder of Peu Group (Proprietary) Limited.	Finance
Sir David Prosser	62	BSc (Hons) FIA	Pippbrook Limited, Epsom Downs Racecourse Limited, The Royal Automobile Club Limited and Intercontinental Hotels Group PLC	Combined group/DLC Audit Committee, Investec plc Audit Committee and Investec Limited Audit Committee	Sir David was previously Chief Executive of Legal & General Group PLC, joining Legal & General in 1998 as Group Director (Investments) becoming Deputy Chief Executive in January 1991 and Group Chief Executive in September 1991. Sir David was previously Chairman of the Financial Services Skills Council.	Finance
Peter RS Thomas	61	CA (SA)	Investec Bank Limited, various Investec companies and JCI Limited	Combined group/DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee and Board Risk Review Committee	Peter was the former Managing Director of The Unisec Group Limited.	Finance
Fani Titi	43	BSc (Hons) MA MBA	Kumba Resources Limited, AECI Limited and Investec Asset Management Holdings (Pty) Ltd	-	Fani is Chief Executive Officer of Tiso Group Limited.	Finance

Note:

- Sir David Prosser was appointed as an independent non-executive director to the boards of Investec plc and Investec Limited on 23 March 2006.

Financial statements

Directors responsibility statement

The annual financial statements and the group annual financial statements of Investec Limited are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, in the absence of a DLC structure, and are prepared in accordance with International Financial Reporting Standards on this basis, as further discussed in the purpose and basis of preparation of financial statements in the directors' report on page 43.

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 in the absence of a DLC structure. 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 43 to 93 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 42.

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 Limited

We have audited the annual financial statements and group annual financial statements of Investec Limited set out on pages 43 to 93 for the year ended 31 March 2006. The directors' report explains the purpose and basis of preparation of these financial statements which 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 annual financial statements and group annual financial statements are properly prepared to present, in all material respects, the financial position of the company and the group at 31 March 2006, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the DLC structure, as explained in the directors' report.

For an understanding of the financial position, results and cash flows of the DLC structure the user is referred to the combined consolidated financial statements of Investec Limited and Investec plc (combined financial statements).

KPMG Inc.

KPMG Inc.
Registered Auditors

Ernst + Young

Ernst & Young
Registered Auditors

Johannesburg
16 June 2006

Directors report

Business review

Investec Limited is a specialist banking group that provides a diverse range of financial products and services to a niche client base in Southern Africa. It is organised into five principal business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities. In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as trade finance. A review of the operations for the year can be found on pages 14 to 16.

Authorised and issued share capital

Details of the share capital are set out in note 31 to the financial statements.

During the year no shares, convertible instruments or debentures were issued by Investec Limited.

1 750 redeemable cumulative preference shares of 60 cents each were redeemed at R100 000 per share on 29 November 2005. 600 redeemable cumulative preference shares of 60 cents each were redeemed at R1 000 000 per share on 22 March 2006. 633 redeemable cumulative preference shares of 60 cents each were redeemed at R1 000 000 per share on 31 March 2006.

Financial results

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

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and are set out on pages 53 to 60.

Purpose and basis of preparation of financial statements

Under the contractual arrangements implementing the Dual Listed Companies (DLC) structure, Investec Limited and Investec plc, the latter a company incorporated in the United Kingdom, effectively form a single economic enterprise, in which the economic and voting rights of shareholders are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined financial statements have been separately prepared.

The Companies Act of South Africa does not specifically envisage a reporting structure such as the DLC structure. The combined consolidated financial statements of Investec Limited and Investec plc are considered the statutory financial statements of Investec Limited and Investec plc.

The attached annual financial statements and the group annual financial statements of Investec Limited are prepared to present the financial position, results and cash flows of Investec Limited and its directly owned subsidiaries in the manner required by the Companies Act of South Africa, in the absence of a DLC structure, and are prepared in accordance with International Financial Reporting Standards on this basis, but with earnings per share disclosed in the DLC combined consolidated financial statements by virtue of the sharing arrangement. For an understanding of the financial position, results and cash flows of the Investec DLC structure the user is referred to the combined consolidated financial statements of Investec Limited and Investec plc (combined financial statements).

Ordinary dividends

An interim dividend of 446 cents per ordinary share (2005: 335 cents) was declared to shareholders registered on 15 December 2005 and was paid on 23 December 2005.

The directors have proposed a final dividend of 627 cents per ordinary share (2005: 437 cents) to shareholders registered on 28 July 2006 to be paid on 14 August 2006. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 10 August 2006.

The holders of 740 000 Investec Limited shares have agreed to waive their rights to the proposed final dividend.

Preference dividends

Non-redeemable, non-cumulative, non-participating reference shares

Preference dividend number 2 for the six months ended 30 September 2005 amounting to 370.14 cents per share was declared to members holding preference shares registered on 9 December 2005 and was paid on 12 December 2005.

Preference dividend number 3 for the six months ended 31 March 2006 amounting to 366.49 cents per share was declared to members holding preference shares registered on 30 June 2006 and will be paid on 3 July 2006.

Redeemable cumulative preference shares

Dividends amounting to R150.7 million were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and the secretary of Investec Limited are reflected on pages 36 to 39 and at the beginning of the Annual Report.

Sir David Prosser was appointed as a non-executive director to the board of Investec Limited with effect from 23 March 2006.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in the Investec group's 2006 Annual Report.

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

Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the Group's Finance and Accounting division, to consider the nature and scope of the audit reviews and the effectiveness of the Group's risk and control systems. Further details on the role and responsibility of the Audit Committee are set out in the Investec group's 2006 Annual Report.

Auditors

Ernst & Young and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited. A resolution to re-appoint them as auditors will be proposed at the next annual general meeting scheduled to take place on 10 August 2006.

Subsidiary companies

Details of principal subsidiary companies are reflected on page 79.

Major shareholders

The largest beneficial shareholders of Investec Limited are reflected on page 34.

Special resolutions

At the annual general meeting held on 11 August 2005, a special resolution was passed in terms of which Investec Limited and its subsidiaries were granted a renewable general authority to acquire Investec Limited ordinary shares and non-redeemable, non-cumulative, non-participating preference shares of Investec Limited.

At the extraordinary general meeting held on 14 November 2005, special resolutions were passed in terms of which:

- amendments were made to the Articles of Association to provide the authority to make Odd-lot Offers.
- an authority was granted to Investec Limited or its subsidiaries to make repurchases of Investec Limited ordinary shares under the terms of the Odd-lot Offer in terms of Section 89 of the Companies Act, 1973.
- amendments were made to the Articles of Association to ensure that the joint takeover provisions of Investec plc and Investec Limited comply with the EU Takeover Directive.

Creditor payment policy

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

Employees

The group's policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled, every effort is made to ensure their continued employment. The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and motivating staff involvement in the group's performance by means of Employee Share Schemes.

Donations

During the year, Investec Limited made donations for charitable purposes, totalling R18.1 million. Investec Limited made no political donations during the year.

Environment

The group is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates. Further information on the group's sustainability practices can be found in the group's 2006 Annual Report and our website.

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	2005	Company 2006	2005
Interest receivable		7 122	5 318	168	64
Interest payable		(5 599)	(4 476)	(173)	(313)
Net interest income/expense		**1 523**	**842**	**(5)**	**(249)**
Fees and commissions receivable		2 623	2 013	-	(6)
Fees and commissions payable		(129)	(75)	-	-
Principal transactions	3	2 553	1 513	951	448
Operating income from associates		-	164	-	-
Investment income on assurance activities	25	1 521	2 151	-	-
Premiums and reinsurance recoveries on insurance contracts	25	1 770	2 113	-	-
Other operating income	4	15	5	-	-
Other income		**8 353**	**7 884**	**951**	**442**
Claims and reinsurance premiums on insurance business	25	(3 151)	(4 044)	-	-
Total operating income net of insurance claims		**6 725**	**4 682**	**946**	**193**
Impairment losses on loans and advances	15	(23)	(119)	-	-
Net operating income		**6 702**	**4 563**	**946**	**193**
Administrative expenses	5	(3 147)	(2 488)	(7)	(3)
Depreciation and impairment of property, equipment and software	19/22	(51)	(52)	-	-
Operating profit before goodwill impairment		**3 504**	**2 023**	**939**	**190**
Impairment of goodwill	21	(233)	(538)	-	-
Operating profit		**3 271**	**1 485**	**939**	**190**
(Loss)/profit on termination or disposal of group operations		(1)	223	119	(20)
Profit before taxation		**3 270**	**1 708**	**1 058**	**170**
Taxation	7	(917)	(484)	(59)	(1)
Profit after taxation		**2 353**	**1 224**	**999**	**169**
Earnings attributable to minority interests					
Earnings attributable to shareholders		80	18	-	-
Earnings attributable to shareholders' equity		2 273	1 206	999	169
		2 353	**1 224**	**999**	**169**

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	-	-
Loans and advances to banks		13 207	7 251	27	15
Cash equivalent advances to customers		7 400	6 256	-	-
Reverse repurchase agreements and cash collateral on securities borrowed		1 224	2 148	-	-
Trading securities	12	16 585	12 349	-	4
Derivative financial instruments	13	9 187	9 583	-	-
Investment securities	14	284	506	-	-
Loans and advances to customers	15	64 032	45 638	5	34
Deferred taxation assets	16	350	209	-	-
Other assets	17	3 696	4 950	2	3
Property and equipment	19	104	112	-	-
Investment properties	20	1 748	2 375	-	-
Goodwill	21	499	683	-	-
Intangible assets	22	92	77	-	-
Investment in subsidiaries	24	-	-	6 023	7 178
		120 338	93 250	6 057	7 234
Other financial instruments at fair value through income in respect of					
- liabilities to customers	25	38 906		-	
- assets related to reinsurance contracts	25	15 353		-	
Long-term assurance assets attributable to policyholders	25		33 035		-
		174 597	**126 285**	**6 057**	**7 234**
Liabilities					
Deposits by banks		7 775	4 135	-	125
Derivative financial instruments	13	7 064	8 724	-	-
Other trading liabilities	26	3 575	1 819	-	-
Repurchase agreements and cash collateral on securities lent		919	2 005	-	-
Customer accounts		56 162	44 321	-	-
Debt securities in issue	27	23 502	12 728	-	-
Current taxation liabilities	28	999	524	84	68
Deferred taxation liabilities	16	265	218	-	-
Other liabilities	29	7 787	7 645	767	2 176
		108 048	82 119	851	2 369
Liabilities to customers under investment contracts	25	37 407		-	
Insurance liabilities, including unit-linked liabilities	25	1 499		-	
Reinsured liabilities	25	15 353		-	
Long-term assurance liabilities attributable to policyholders	25		33 035		-
		162 307	115 154	851	2 369
Subordinated liabilities (including convertible debt)	30	3 069	2 961	379	-
		165 376	**118 115**	**1 230**	**2 369**

At 31 March R million	Notes	Group 2006	Group 2005	Company 2006	Company 2005
Equity					
Ordinary share capital	31	1	1	1	1
Share premium		4 701	4 701	4 811	4 811
Treasury shares	32	(833)	(710)	-	-
Compulsorily convertible debentures		22	282	-	379
Perpetual preference shares	33	2 309	3 800	2 309	2 309
Other reserves		629	367	62	62
Retained income/(loss)		827	(484)	(2 356)	(2 697)
Shareholders' equity excluding minority interests		7 656	7 957	4 827	4 865
Minority interests	34	1 565	213	-	-
- Perpetual preferred securities issued by subsidiaries		1 491		-	
- Other		74		-	
Total equity		**9 221**	**8 170**	**4 827**	**4 865**
Total liabilities and shareholders' equity		**174 597**	**126 285**	**6 057**	**7 234**

R million	Ordinary share capital	Share premium	Treasury shares	Capital reserve account	Compulsorily convertible debentures
Group					
At 31 March 2004 - restated	1	4 680	(464)	62	322
At 31 March 2004 - as previously reported	1	4 680	(360)	62	322
Reclassifications					
- IAS 21 - Foreign currency election (IFRS 1)	-	-	-	-	-
- Goodwill written off reserves transferred to retained income	-	-	-	-	-
- Minority interests	-	-	-	-	-
Restatements					
Equity accounted earnings transferred to retained income	-	-	-	-	-
IAS 17 - Leases	-	-	-	-	-
IAS 27/28/31 - Consolidations, associates and joint ventures	-	-	(104)	-	-
Movement in reserves 1 April 2004 - 31 March 2005					
Foreign currency adjustments	-	-	-	-	-
Earnings attributable to shareholders	-	-	-	-	-
Share based payments	-	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-	-
Earnings attributable to minority interests	-	-	-	-	-
Issue of perpetual preference shares	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Re-issue of treasury shares	-	21	-	-	-
Purchase of treasury shares	-	-	(246)	-	-
Transfer from retained income to regulatory general risk reserve	-	-	-	-	-
Fair value movement on cash flow hedging reserve	-	-	-	-	-
Other equity distributions	-	-	-	-	-
Movement in equity revaluations	-	-	-	-	-
Transfer between reserves	-	-	-	-	-
Repurchase of debentures	-	-	-	-	(40)
Restated at 31 March 2005	**1**	**4 701**	**(710)**	**62**	**282**
Adoption of IAS32/39	-	-	24	-	(260)
Restated at 1 April 2005	**1**	**4 701**	**(686)**	**62**	**22**
Movement in reserves 1 April 2005 - 31 March 2006					
Foreign currency adjustments	-	-	-	-	-
Earnings attributable to shareholders	-	-	-	-	-
Share based payments	-	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-	-
Minority share of profits	-	-	-	-	-
Purchase of treasury shares	-	-	(147)	-	-
Transfer from retained income to regulatory general risk reserve	-	-	-	-	-
Release of cash flow hedging reserve to income statement	-	-	-	-	-
Movement in equity revaluations	-	-	-	-	-
At 31 March 2006	**1**	**4 701**	**(833)**	**62**	**22**

Perpetual preference shares	Available for sale reserve	Cash flow hedging reserve	Regulatory general risk reserve	Equity accounted reserves	Foreign currency reserves	Goodwill written off	Retained income/ (loss)	Shareholders equity excluding minority interests	Minority interests	Total equity
1 491	(72)	10	455	-	-	-	(1 111)	5 374	425	5 799
1 491	(72)	10	455	244	271	(540)	(1 077)	5 487	-	5 487
-	-	-	-	-	(271)	-	271	-	-	-
-	-	-	-	-	-	540	(540)	-	-	-
-	-	-	-	-	-	-	-	-	297	297
-	-	-	-	(244)	-	-	244	-	-	-
-	-	-	-	-	-	-	(4)	(4)	(3)	(7)
-	-	-	-	-	-	-	(5)	(109)	131	22
-	-	-	-	-	(8)	-	-	(8)	-	(8)
-	-	-	-	-	-	-	1 206	1 206	-	1 206
-	-	-	-	-	-	-	55	55	-	55
-	-	-	-	-	-	-	(371)	(371)	-	(371)
-	-	-	-	-	-	-	(131)	(131)	-	(131)
-	-	-	-	-	-	-	-	-	(230)	(230)
-	-	-	-	-	-	-	-	-	18	18
2 318	-	-	-	-	-	-	-	2 318	-	2 318
(9)	-	-	-	-	-	-	-	(9)	-	(9)
-	-	-	-	-	-	-	-	21	-	21
-	-	-	-	-	-	-	-	(246)	-	(246)
-	-	-	(22)	-	-	-	22	-	-	-
-	-	(27)	-	-	-	-	-	(27)	-	(27)
-	-	-	-	-	-	-	(216)	(216)	-	(216)
-	31	-	-	-	-	-	-	31	-	31
-	(62)	-	-	-	-	-	62	-	-	-
-	-	-	-	-	-	-	-	(40)	-	(40)
3 800	**(103)**	**(17)**	**433**	**-**	**(8)**	**-**	**(484)**	**7 957**	**213**	**8 170**
(1 491)	89	-	(129)	-	-	-	(24)	(1 791)	1 491	(300)
2 309	**(14)**	**(17)**	**304**	**-**	**(8)**	**-**	**(508)**	**6 166**	**1 704**	**7 870**
-	-	-	-	-	(28)	-	-	(28)	-	(28)
-	-	-	-	-	-	-	2 273	2 273	-	2 273
-	-	-	-	-	-	-	138	138	-	138
-	-	-	-	-	-	-	(636)	(636)	-	(636)
-	-	-	-	-	-	-	(224)	(224)	-	(224)
-	-	-	-	-	-	-	-	-	(219)	(219)
-	-	-	-	-	-	-	-	-	80	80
-	-	-	-	-	-	-	-	(147)	-	(147)
-	-	-	216	-	-	-	(216)	-	-	-
-	-	17	-	-	-	-	-	17	-	17
-	97	-	-	-	-	-	-	97	-	97
2 309	**83**	**-**	**520**	**-**	**(36)**	**-**	**827**	**7 656**	**1 565**	**9 221**

R million	Ordinary share capital	Share premium	Capital reserve account	Compulsorily convertible debentures
Company				
At 31 March 2004 - restated	1	4 811	62	379
At 31 March 2004 - as previously reported	1	4 811	62	379
Reclassifications				
- IAS 21 - Foreign currency (IFRS 1 election)	-	-	-	-
Movement in reserves 1 April 2004 - 31 March 2005				
Foreign currency adjustments	-	-	-	-
Earnings attributable to shareholders	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Issue of perpetual preference shares	-	-	-	-
Share issue expenses	-	-	-	-
Other equity distributions	-	-	-	-
Restated at 31 March 2005	**1**	**4 811**	**62**	**379**
Adoption of IAS32/39	-	-	-	(379)
Restated at 1 April 2005	**1**	**4 811**	**62**	**-**
Movement in reserves 1 April 2005 - 31 March 2006				
Earnings attributable to shareholders	-	-	-	-
Share based payments	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-
At 31 March 2006	**1**	**4 811**	**62**	**-**

Perpetual preference shares	Foreign currency reserve	Retained income/ (loss)	Total equity
-	-	(2 468)	2 785
-	34	(2 502)	2 785
-	(34)	34	-
-	-	-	-
-	-	169	169
-	-	(376)	(376)
2 318	-	-	2 318
(9)	-	-	(9)
-	-	(22)	(22)
2 309	**-**	**(2 697)**	**4 865**
-	-	-	(379)
2 309	**-**	**(2 697)**	**4 486**
-	-	999	999
-	-	132	132
-	-	(687)	(687)
-	-	(103)	(103)
2 309	**-**	**(2 356)**	**4 827**

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	36	3 392	2 034	939	149
Taxation paid		(461)	(233)	(43)	-
Cash available from operating activities		2 931	1 801	896	149
Dividends paid		(860)	(502)	(790)	(376)
Other equity distributions		-	(216)	-	(22)
Net cash inflow/(outflow) from operating activities		**2 071**	**1 083**	**106**	**(249)**
Cash flows from banking activities					
Increase/(decrease) in deposits and other accounts		32 059	9 067	1 534	(2 073)
(Increase)/decrease in income earning assets		(32 790)	(10 005)	(34)	28
Net cash outflow from banking activities		**(731)**	**(938)**	**(1 500)**	**(2 045)**
Cash flows from investing activities					
Net cash flow on acquisition of group businesses		(58)	-	-	-
Net disposal/(investment) of property and equipment		751	(1 539)	-	-
Net cash inflow/(outflow) from investing activities		**693**	**(1 539)**	**-**	**-**
Cash flows from financing activities					
Repurchase of treasury shares		(147)	(246)	-	-
Redemption of compulsorily convertible debentures		-	(40)	-	-
Issue of perpetual preference shares		-	2 309	-	2 309
Payment to minority shareholders		-	(27)	-	-
Net decrease in subsidiaries and loans to group companies		-	-	1 406	-
Net cash (outflow)/inflow from financing activities		**(147)**	**1 996**	**1 406**	**2 309**
Net increase in cash and cash equivalents		**1 886**	**602**	**12**	**15**
Cash and cash equivalents at beginning of year		8 273	7 671	15	-
Cash and cash equivalents at end of year		**10 159**	**8 273**	**27**	**15**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		1 930	1 113	-	-
On demand loans and advances to banks		829	904	27	15
Cash equivalent advances to customers		7 400	6 256	-	-
Cash and cash equivalents at end of year		**10 159**	**8 273**	**27**	**15**

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

1. Accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards as if Investec Limited were a standalone component of the DLC structure, as explained in the directors' report, but with earnings per share disclosed in the DLC combined consolidated financial statements by virtue of the sharing arrangement.

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 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.

The group has adopted the 'Amendment to IAS 39: Fair value option', with effect from 1 April 2005, ahead of its effective date.

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 in 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 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 profit and loss.
Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentational currency of the group (pound sterling) at the applicable closing rate.

Share based payments to employees

The group engages in equity settled share-based payments and in certain limited circumstances cash-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share based payment is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on an estimate of the amount of instruments that will eventually vest.

A liability and expense in respect of cash settled share based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the liability that will eventually vest. The liability is recognised at the current fair value as at each balance sheet date, based on an estimate of the number of instruments that will eventually vest. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the profit and loss account until such time as the liability is settled.

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

Foreign currency transactions and foreign operations

The presentation 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 the 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 costs 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 at fair value through profit and loss 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 liabilities.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Financial assets and liabilities held at fair value through profit and loss

Financial instruments held at fair value through profit and loss include all instruments classified as held as trading and those instruments designated as at fair value through profit and loss. Financial instruments classified as held for trading or designated as 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 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 at fair value through profit and loss only if:

- it eliminates or significantly reduces an inconsistent measurement or recognition that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that bases to the group's key management personnel; and
- if a contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit and loss.

Held-to-maturity assets

Held-to-maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates. Financial assets that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortised cost using the effective interest method, less impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- those that the group intends to trade in, which are classified as held for trading, and those that the group designates as at fair value through profit and loss;
- those that the group designates as available for sale; and
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are measured at amortised cost less impairment losses subsequent to initial recognition.

Available for sale assets
Financial assets classified as available for sale are measured at fair value on the balance sheet, with unrealised gains and losses recognised in equity. Realised gains and losses are recognised in income in the period in which the asset is realised.

If an available for sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in equity are included in the income statement in the period in which the impairment is identified.

Impairments on available for sale equity instruments are not reversed once recognised in the income statement.

Financial liabilities
Financial liabilities are classified as non-trading, held for trading or designated as 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 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 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 provision 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 profits and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

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 an 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 profit or loss. Any ineffective portion of the hedge is immediately recognised in profit and loss.

Derivative instruments transacted as economic hedges but which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held for trading.

To the extent that a derivative may be embedded in a host contract and the host contract is not carried at fair value with changes in fair value recorded in the income statement , the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec Limited are recorded as minority interests on balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity in the period in which they are declared to the Investec Limited shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under "repurchase agreements and cash collateral on securities lent". Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under "reverse repurchase agreements and cash collateral on securities borrowed".

Securities lending and borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Instalment credit, leases and rental agreements

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the entity is the lessor and included in liabilities where the entity is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable under operating leases are charged/credited to 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 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" in the income statement.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of selling price and value in use is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that the asset is not revalued to a carrying value higher than that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current taxation payable is provided on taxable profits at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:
- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit or loss.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums / claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Employee benefits

The group operates various defined contribution schemes. 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 amortised, 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 IFRS 5 (non-current assets held for sale and discontinued operations) are measured at the lower of its carrying amount and fair value less costs to sell.

Borrowing costs

Borrowing costs in respect of property developments that take a substantial period of time to get ready for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Contingent assets and contingent liabilities are not recognised.

Standards and interpretations not yet effective

The following standards and interpretations which have been issued but 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 their 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 replacing IAS 30 and elements of IAS 32. 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	Asset Manage-ment	Property Activities	Group Services and Other Activities	Total

2. Segmental analysis

Group

Business analysis 2006

Interest receivable	6 015	8 071	35	23	27	(7 049)	7 122
Interest payable	(5 116)	(7 604)	(10)	(1)	(63)	7 195	(5 599)
Net interest income	**899**	**467**	**25**	**22**	**(36)**	**146**	**1 523**
Fees and commissions receivable	608	291	270	1 165	232	57	2 623
Fees and commissions payable	(86)	(26)	(24)	-	-	7	(129)
Principal transactions	25	359	816	16	204	1 133	2 553
Investment income on assurance activities	-	-	-	-	-	1 521	1 521
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	1 770	1 770
Other operating income	-	-	-	-	6	9	15
Other income	**547**	**624**	**1 062**	**1 181**	**442**	**4 497**	**8 353**
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(3 151)	(3 151)
Total operating income net of insurance claims	**1 446**	**1 091**	**1 087**	**1 203**	**406**	**1 492**	**6 725**
Impairment losses on loans and advances	(1)	(65)	8	-	-	35	(23)
Net operating income	**1 445**	**1 026**	**1 095**	**1 203**	**406**	**1 527**	**6 702**
Administrative expenses	(966)	(524)	(360)	(642)	(222)	(433)	(3 147)
Depreciation and impairment of property, equipment and software	(15)	(2)	(1)	(9)	(1)	(23)	(51)
Operating profit before goodwill impairment	**464**	**500**	**734**	**552**	**183**	**1 071**	**3 504**
Impairment of goodwill	-	-	-	(147)	(81)	(5)	(233)
Operating profit	**464**	**500**	**734**	**405**	**102**	**1 066**	**3 271**
Loss on termination or disposal of group operations	-	-	-	-	-	(1)	(1)
Profit before taxation	**464**	**500**	**734**	**405**	**102**	**1 065**	**3 270**
Cost to income ratio	67.8%	48.2%	33.2%	54.1%	54.9%	30.6%	47.6%
Total assets	26 563	78 473	1 736	1 571	425	65 829	174 597

For the year to 31 March R million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Manage-ment	Property Activities	Group Services and Other Activities	Total
2. Segmental analysis (continued)							
Business analysis 2005							
Interest receivable	4 725	7 250	30	23	23	(6 733)	5 318
Interest payable	(4 146)	(6 791)	(4)	(2)	(54)	6 521	(4 476)
Net interest income	**579**	**459**	**26**	**21**	**(31)**	**(212)**	**842**
Fees and commissions receivable	598	185	176	854	209	(9)	2 013
Fees and commissions payable	(40)	(20)	(13)	-	-	(2)	(75)
Principal transactions	48	113	368	1	134	849	1 513
Operating income from associates	-	-	-	-	-	164	164
Investment income on assurance activities	-	-	-	-	-	2 151	2 151
Premiums and reinsurance recoveries on insurance contracts	-	-	-	-	-	2 113	2 113
Other operating income	-	-	-	-	(5)	10	5
Other income	**606**	**278**	**531**	**855**	**338**	**5 276**	**7 884**
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(4 044)	(4 044)
Total operating income net of insurance claims	**1 185**	**737**	**557**	**876**	**307**	**1 020**	**4 682**
Impairment losses on loans and advances	(86)	5	(8)	-	-	(30)	(119)
Net operating income	**1 099**	**742**	**549**	**876**	**307**	**990**	**4 563**
Administrative expenses	(665)	(433)	(239)	(511)	(155)	(485)	(2 488)
Depreciation and impairment of property, equipment and software	(17)	(3)	(1)	(8)	(1)	(22)	(52)
Operating profit before goodwill impairment	**417**	**306**	**309**	**357**	**151**	**483**	**2 023**
Impairment of goodwill	-	-	-	(200)	-	(338)	(538)
Operating profit	**417**	**306**	**309**	**157**	**151**	**145**	**1 485**
Profit on termination or disposal of group operations	-	-	-	-	-	223	223
Profit before taxation	**417**	**306**	**309**	**157**	**151**	**368**	**1 708**
Cost to income ratio	57.6%	59.2%	43.1%	59.2%	50.8%	49.7%	54.3%
Total assets	16 448	55 372	2 396	1 366	325	50 378	126 285

For the year to 31 March R million	Group 2006	 2005

2. Segmental analysis (continued)

A further breakdown of business line operating profit before goodwill impairment, non-operating items and taxation are shown below:

Private Client Activities		
Private Banking	359	356
Private Client Portfolio Management and Stockbroking	105	61
	464	**417**
Treasury and Specialised Finance	**500**	**306**
Investment Banking		
Corporate Finance	48	29
Institutional Research and Sales and Trading	55	11
Direct Investments	294	179
Private Equity	337	90
	734	**309**
Asset Management	**552**	**357**
Property Activities	**183**	**151**
Group Services and Other Activities		
International Trade Finance	26	31
Assurance activities	124	243
UK Traded Endowments	(1)	(10)
	149	264
Central Funding	1 273	492
Central Costs	(351)	(273)
	1 071	**483**
Total group	**3 504**	**2 023**

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 Limited only operates in one geographical segment, namely Southern Africa.

The company's activities mainly comprises of central funding activities within the Group Services and Other Activities segment.

For the year to 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
3. Principal transactions				
Principal transaction income includes:				
Gross trading income	1 588	1 521	1	2
Funding cost set-off against trading income	(128)	(536)	2	(2)
Net trading income	1 460	985	3	-
Net income from financial instruments designated as held at fair value through profit and loss	684	338	-	-
Fair value income on investment properties	307	64	-	-
Dividend income	102	126	948	448
	2 553	**1 513**	**951**	**448**
Net income from financial instruments designated at fair value through profit and loss includes:				
Fair value gain on designated equity positions	783	328	-	-
Fair value loss on designated loans and receivables	(1)	-	-	-
Fair value (loss)/gain on related derivative instruments	(98)	10	-	-
	684	**338**	**-**	**-**
4. Other operating income				
Rental income from properties	6	5	-	-
Gains on realisation of properties	9	-	-	-
	15	**5**	**-**	**-**
5. Administrative expenses				
Staff costs	2 081	1 462	-	-
- Salaries and wages (including directors' remuneration)	1 990	1 390	-	-
- Social security costs	12	10	-	-
- Pensions and provident fund contributions	79	62	-	-
Premises (excluding depreciation)	265	265	-	-
Equipment (excluding depreciation)	201	144	-	1
Business expenses	469	502	7	2
Marketing expenses	131	115	-	-
	3 147	**2 488**	**7**	**3**
The following amounts were paid to the auditors				
Audit fees	34	20	-	-
Audit related fees	2	2	-	-
Other services	4	-	-	-
	40	**22**	**-**	**-**
Audit fees by audit firm				
Ernst & Young	25	14	-	-
KPMG Inc	14	7	-	-
Other	1	1	-	-
	40	**22**	**-**	**-**

Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration report in the combined consolidated financial statements of Investec plc and Investec Limited.

For the year to 31 March R million	Group 2006	2005

6. Share based payments

The group operates share option and share purchase schemes for employees, which are on an equity settled basis. The purpose of the staff share schemes are 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 of the combined consolidated financial statements of Investec plc and Investec Limited.)

	2006	2005
Expense charged to income statement:		
Equity settled	138	55
Total income statement charge	**138**	**55**
Fair value of options granted in the year	**179**	**445**

	Group 2006 Number of share options	Weighted average exercise price R	2005 Number of share options	Weighted average exercise price R
Details of options outstanding during the year				
Outstanding at the beginning of the year	8 103 016	120.13	8 456 207	157.40
Granted during the year	717 035	75.57	2 593 050	37.26
Exercised during the year*	(1 702 179)	151.64	(729 185)	135.74
Expired during the year	(291 557)	163.09	(2 217 056)	171.86
Outstanding at the end of the year	**6 826 315**	**104.73**	**8 103 016**	**120.13**
Exercisable at the end of the year	**791 561**	**203.55**		

* 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	Group 2005	Company 2006	Company 2005
7. Taxation				
Taxation on income	867	482	16	-
South Africa	853	472	16	-
- current taxation	884	295	16	-
- capital gains taxation	-	16	-	-
- deferred taxation	(31)	166	-	-
- change in normal tax rate	-	(5)	-	-
Foreign current taxation	14	10	-	-
- Mauritius	6	9	-	-
- Botswana	8	1	-	-
Secondary taxation on companies	50	2	43	1
Total tax charge for the year	**917**	**484**	**59**	**1**
Tax rate reconciliation				
Profit before taxation as per income statement	3 270	1 708	1 086	167
Less : Debenture equity costs	-	(216)	-	(22)
	3 270	**1 492**	**1 086**	**145**
Total taxation charge in income statement	917	484	59	1
Less: secondary taxation on companies	(50)	(2)	(43)	(1)
Total taxation on income	**867**	**482**	**16**	**-**
Effective rate of taxation	26.5%	32.3%	1.5%	-
The standard rate of South African normal taxation has been affected by:				
- dividend income	0.9%	3.0%	27.0%	91.4%
- foreign earnings*	0.1%	1.5%	-	-
- change in normal tax rate	-	0.3%	-	-
- other permanent differences	1.5%	(7.1%)	0.5%	(61.4%)
	29.0%	**30.0%**	**29.0%**	**30.0%**

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

8. Ordinary dividend

For the year to 31 March	Group 2006 Cents per share	Group 2006 Total R million	Group 2005 Cents per share	Group 2005 Total R million	Company 2006 Cents per share	Company 2006 Total R million	Company 2005 Cents per share	Company 2005 Total R million
Final dividend from prior year	437.00	322	360.00	151	437.00	342	360.00	151
Interim dividend for current year	446.00	314	335.00	220	446.00	345	335.00	225
Total dividend attributable to ordinary shareholders recognised in current financial year	**883.00**	**636**	**695.00**	**371**	**883.00**	**687**	**695.00**	**376**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2006 of 627 cents per ordinary share. The final dividend will be payable on 14 August 2006 to shareholders on the register at the close of business on 28 July 2006.

The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on 10 August 2006.

For the year to 31 March	Group				Company			
	2006		2005		2006		2005	
	Cents per share	Total R million	Cents per share	Total R million	Cents per share	Total R million	Cents per share	Tota R mill
8. Ordinary dividend (continued)								
Perpetual preference dividend								
Final dividend from prior year	504.19	82	446.00	67	92.82	21	-	
Interim dividend for current year	767.13	142	427.70	64	370.14	82	-	
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**1 271.32**	**224**	**873.70**	**131**	**462.96**	**103**	**-**	

The directors have declared a final dividend in respect of the financial year ended 31 March 2006 of 366.49 cents per perpetual preference share (Investec Limited) and 392,67 cents per perpetual preference share (Investec Bank Limited). 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. Miscellaneous income statement items

For the year to 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
Total foreign currency losses recognised in income excluding financial instruments measured at fair value through income	**6**	**17**	**-**	**(1)**
Minimum operating lease payments recognised in administrative expenses	**199**	**192**	**-**	**-**
10. Headline earnings				
Headline earnings attributable to ordinary shareholders				
Earnings attributable to shareholders	2 273	1 206	1 027	169
Headline adjustments	(28)	259	(119)	(20)
Goodwill impairment	233	538	-	-
Revaluation of investment properties	(260)	(64)	-	-
Loss on sale of subsidiaries	-	9	-	(20)
Reversal of impairment of subsidiaries	-	-	(119)	-
Impairment of owner occupied property	-	12	-	-
Profit on disposal of Investec Employee Benefits Risk business	-	(250)	-	-
Costs on closure of Traded endowment business	-	83	-	-
Disposal of available for sale instruments	(1)	-	-	-
Profit on disposal of associate	-	(82)	-	-
Share of associate's headline adjustments	-	13	-	-
Headline earnings attributable to shareholders	**2 245**	**1 465**	**908**	**149**
Preference dividends paid	(224)	(131)	(103)	-
Debenture equity costs	-	(216)	-	(22)
Headline earnings attributable to ordinary shareholders	**2 021**	**1 118**	**805**	**127**

At 31 March R million	At fair value through profit and loss Trading	Designated at inception	Held-to-maturity	Loans and receivables
11. Analysis of assets and liabilities by classification				
Group				
Assets				
Cash and balances at central banks	1 930	-	-	-
Loans and advances to banks	-	-	-	13 207
Cash equivalent advances to customers	2 269	-	-	5 131
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	-	-	-
Trading securities	12 736	3 849	-	-
Derivative financial instruments	9 187	-	-	-
Investment securities	-	104	-	1
Loans and advances to customers	-	12 935	-	50 766
Deferred taxation assets	-	-	-	-
Other assets	-	302	-	3 394
Property and equipment	-	-	-	-
Investment properties	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
	27 346	17 190	-	72 499
Other financial instruments at fair value through income in respect of				
- liabilities to customers	-	-	-	-
- assets related to reinsurance contracts	-	-	-	-
	27 346	**17 190**	**-**	**72 499**
Liabilities				
Deposits by banks	-	-	-	-
Derivative financial instruments	7 064	-	-	-
Other trading liabilities	3 575	-	-	-
Repurchase agreements and cash collateral on securities lent	919	-	-	-
Customer accounts	16	3 918	-	-
Debt securities in issue	4 602	6 702	-	-
Current taxation liabilities	-	-	-	-
Deferred taxation liabilities	-	-	-	-
Other liabilities	1 336	25	-	-
	17 512	10 645	-	-
Liabilities to customers under investment contracts	-	-	-	-
Insurance liabilities, including unit-linked liabilities	-	-	-	-
Reinsured liabilities	-	-	-	-
	17 512	10 645	-	-
Subordinated liabilities (including convertible debt)	-	-	-	-
	17 512	**10 645**	**-**	**-**
Company				
Assets				
Loans and advances to banks	-	-	-	27
Loans and advances to customers	-	-	-	5
Other assets	-	-	-	2
Investment in subsidiaries	-	-	-	-
	-	**-**	**-**	**34**
Liabilities				
Current taxation liabilities	-	-	-	-
Other liabilities	-	-	-	-
	-	-	-	-
Subordinated liabilities (including convertible debt)	-	-	-	-
	-	**-**	**-**	**-**

Available for sale	Financial liabilities at amortised cost	Insurance related	Non-financial instruments	Total
-	-	-	-	1 930
-	-	-	-	13 207
-	-	-	-	7 400
-	-	-	-	1 224
-	-	-	-	16 585
-	-	-	-	9 187
179	-	-	-	284
331	-	-	-	64 032
-	-	-	350	350
-	-	-	-	3 696
-	-	-	104	104
-	-	-	1 748	1 748
-	-	-	499	499
-	-	-	92	92
510	-	-	2 793	120 338
-	-	38 906	-	38 906
-	-	15 353	-	15 353
510	**-**	**54 259**	**2 793**	**174 597**
-	7 775	-	-	7 775
-	-	-	-	7 064
-	-	-	-	3 575
-	-	-	-	919
-	52 228	-	-	56 162
-	12 198	-	-	23 502
-	-	-	999	999
-	-	-	265	265
-	6 426	-	-	7 787
-	78 627	-	1 264	108 048
-	-	37 407	-	37 407
-	-	1 499	-	1 499
-	-	15 353	-	15 353
-	78 627	54 259	1 264	162 307
-	3 069	-	-	3 069
-	**81 696**	**54 259**	**1 264**	**165 376**
-	-	-	-	27
-	-	-	-	5
-	-	-	-	2
-	-	-	6 023	6 023
-	**-**	**-**	**6 023**	**6 057**
-	-	-	84	84
-	767	-	-	767
-	767	-	84	851
-	379	-	-	379
-	**1 146**	**-**	**84**	**1 230**

At 31 March R million	Group 2006 Carrying value	Group 2006 Cumulative unrealised gains/(losses)	Group 2005 Carrying value	Group 2005 Cumulative unrealised gains/(losses)	Company 2006 Carrying value	Company 2006 Cumulative unrealised gains/(losses)	Company 2005 Carrying value	Company 2005 Cumulative unrealised gains/(losses)
12. Trading securities								
Listed equities	3 341	17	2 620	(159)	-	-	-	-
Unlisted equities	1 832	578	1 671	204	-	-	4	-
Promissory notes	799	213	3 082	161	-	-	-	-
Liquid asset bills	3 779	30	1 678	147	-	-	-	-
Debentures	4 223	63	451	12	-	-	-	-
Bonds	2 611	245	2 847	81	-	-	-	-
	16 585	**1 146**	**12 349**	**446**	**-**	**-**	**4**	**-**

* Listed equity assets are partially offset by short positions in listed equity as included in other trading liabilities in note 26.

13. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as a customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

At 31 March R million	2006 Notional principal amounts	2006 Positive fair value	2006 Negative fair value	2005 Notional principal amounts	2005 Positive fair value	2005 Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange	55 522	1 560	-	31 725	1 095	1 085
Currency swaps	4 989	678	159	5 961	919	84
OTC options bought and sold	4 422	90	96	3 248	140	90
OTC derivatives	64 933	2 328	255	40 934	2 154	1 259
Exchange traded futures	-	-	-	-	1	173
	64 933	**2 328**	**255**	**40 934**	**2 155**	**1 432**
Interest rate derivatives						
Caps and floors	13 726	21	112	11 359	33	40
Swaps	317 300	3 682	4 145	241 823	5 653	6 174
Forward rate agreements	606 259	180	192	469 872	686	700
OTC options bought and sold	19 540	10	9	3 198	34	18
Other interest rate contracts	13 185	-	57	-	-	-
OTC derivatives	970 010	3 893	4 515	726 252	6 406	6 932
Exchange traded futures	16 022	5	5	6 467	4	7
	986 032	**3 898**	**4 520**	**732 719**	**6 410**	**6 939**
Equity and stock index derivatives						
OTC options bought and sold	80	1 409	1 006	850	991	882
Equity swaps and forwards	-	-	-	-	-	-
OTC derivatives	80	1 409	1 006	850	991	882
Exchange traded futures	40	-	-	8 108	-	-
Exchange traded options	1	3	-	835	8	-
	121	**1 412**	**1 006**	**9 793**	**999**	**882**
Commodity derivatives						
OTC options bought and sold	4 701	1 100	1 073	9 768	674	665
Commodity swaps and forwards	1 882	242	210	952	62	123
	6 583	**1 342**	**1 283**	**10 720**	**736**	**788**

At 31 March R million	2006 Notional principal amounts	 Positive fair value	 Negative fair value	2005 Notional principal amounts	 Positive fair value	 Negative fair value
13. Derivative financial instruments (continued)						
Collateral received/paid	**-**	**-**	**-**	**-**	**(717)**	**(1 317)**
Credit derivatives						
Credit swaps bought and sold	40	-	-	-	-	-
	40	**-**	**-**	**-**	**-**	**-**
Embedded derivatives	**-**	**207**	**-**	**-**	**-**	**-**
Gross fair values		**9 187**	**7 064**		**9 583**	**8 724**
Effect of on balance sheet netting		-	-		-	-
Derivatives per balance sheet		**9 187**	**7 064**		**9 583**	**8 724**
Effect of master netting agreements		(4 495)	(4 495)		(6 636)	(6 636)
Net balances after master netting		**4 692**	**2 569**		**2 947**	**2 088**

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

14. Investment securities

At 31 March R million	Group 2006	 2005	Company 2006	 2005
Listed equities	174	101	-	-
Unlisted equities	80	3	-	-
Bonds	30	25	-	-
Other investments	-	377	-	-
	284	**506**	**-**	**-**

At 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
15. Loans and advances to customers				
Category analysis				
Commercial property loans	17 498	10 220	-	-
Residential mortgages	14 280	10 594	-	-
Leases and instalment debtors	2 665	2 042	-	-
Corporate and public sector loans and advances	20 493	12 846	-	34
Other private bank lending	6 927	6 325	-	-
Other loans and advances	2 502	3 936	5	-
	64 365	**45 963**	**5**	**34**
Specific impairment	(240)	(252)	-	-
Portfolio impairment	(93)	(73)	-	-
	64 032	**45 638**	**5**	**34**
Specific and portfolio impairments				
Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.				
Specific impairment				
Balance at beginning of year	252	285	-	-
IAS 39 adjustment	12		-	
Balance as at 1 April 2005	264		-	
Charge to the income statement	22	111	-	-
Utilised	(46)	(144)	-	-
Balance at end of year	**240**	**252**	**-**	**-**
Portfolio impairment				
Balance at beginning of year	73	65		-
IAS 39 adjustment	19			
Balance as at 1 April 2005	92		-	
Charge to the income statement	1	8	-	-
Balance at end of year	**93**	**73**	**-**	

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 consolidated accounts.

At 31 March 2006 R million	Carrying amount of transferred asset	Carrying amount of associated liabilities
Nature of securitisation transactions		
Residential mortgages	**4 538**	**4 700**

At 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
16. Deferred taxation				
16.1 Deferred tax assets				
Income and expenditure accruals	254	121	-	-
Arising from available STC credits	96	88	-	-
	350	**209**	**-**	**-**
16.2 Deferred tax liabilities				
Unrealised fair value adjustments on financial instruments	246	216	-	-
Other temporary differences	19	2	-	-
Deferred tax liabilities	**265**	**218**	**-**	**-**
Net deferred tax assets/(liabilities)	85	(9)	-	-
Reconciliation of net deferred tax assets/(liabilities)				
Opening balance	(9)	152	-	-
Restatement on 1 April 2005 as a result of adoption of IAS 39	74	-	-	-
Charge to the income statement	31	(161)	-	-
Charged directly to equity	(11)	-	-	-
Closing balance	**85**	**(9)**	**-**	**-**
Deferred tax on available for sale instruments recognised directly in equity	(11)	-	-	-

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.

17. Other assets

	Group 2006	Group 2005	Company 2006	Company 2005
Settlement debtors	2 035	3 326	-	-
Dealing properties	236	137	-	-
Other debtors	1 425	1 487	2	3
	3 696	**4 950**	**2**	**3**

18. Financial assets and liabilities designated at fair value through profit and loss

At 31 March 2006 R million	Carrying value	Fair value gain/(loss) Life to date	Fair value gain/(loss) Year to date
Group			
Investment securities	104	20	20
Loans and advances to customers	12 935	904	17
Trading securities	3 849	390	387
Other assets	302	(35)	95
	17 190	**1 279**	**519**
Customer accounts	3 918	285	53
Debt securities in issue	6 702	(1)	-
Other liabilities	25	-	-
	10 645	**284**	**53**

At 31 March R million	Freehold properties	Leasehold improvements	Furniture & vehicles	Equipment	Total
19. Property and equipment					
Group					
2006					
Cost					
At beginning of year	17	5	124	209	355
Additions	-	-	14	26	40
Disposals	-	-	(13)	(15)	(28)
At end of year	**17**	**5**	**125**	**220**	**367**
Accumulated depreciation and impairments					
At beginning of year	(12)	(2)	(79)	(150)	(243)
Disposals	-	-	3	15	18
Depreciation	-	(1)	(9)	(28)	(38)
At end of year	**(12)**	**(3)**	**(85)**	**(163)**	**(263)**
Net book value	**5**	**2**	**40**	**57**	**104**
2005					
Cost					
At beginning of year	**17**	**4**	**122**	**195**	**338**
Additions	-	1	16	16	33
Disposals	-	-	(14)	(2)	(16)
At end of year	**17**	**5**	**124**	**209**	**355**
Accumulated depreciation and impairments					
At beginning of year	-	(1)	(73)	(126)	(200)
Disposals	-	-	-	2	2
Depreciation	-	(1)	(6)	(26)	(33)
Impairment losses	(12)	-	-	-	(12)
At end of year	**(12)**	**(2)**	**(79)**	**(150)**	**(243)**
Net book value	**5**	**3**	**45**	**59**	**112**

20. Investment properties

At 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
At fair value				
At beginning of year	2 375	1 171	-	-
Additions	147	1 260	-	-
Disposals	(1 081)	(120)	-	-
Revaluation	307	64	-	-
At end of year	**1 748**	**2 375**	**-**	

The group 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	Group 2006	2005
21. Goodwill		
Cost		
At beginning of year	1 221	1 342
Additions	49	41
Disposals	-	(162)
At end of year	**1 270**	**1 221**
Accumulated impairments		
At beginning of year	(538)	-
Impairments	(233)	(538)
At end of year	**(771)**	**(538)**
Net book value	**499**	**683**
Analysis of goodwill by line of business		
Private Client Portfolio Management and Stockbroking	36	37
Asset Management	430	532
Property Activities	33	114
Total group	**499**	**683**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired.

The recoverable amount of goodwill is determined based on expected cash flows within the cash generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure.

Discount rates are arrived at based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of 3 years and adjusted for expected future events.

2006

Impairment losses comprises:

- R233 million in respect of the portfolio of businesses acquired from the Fedsure Group. The impairment calculation was based on a discounted cashflow valuation, utilising a discount rate of 12.3%.

2005

Impairment losses comprises:

- R278.6 million in respect of the portfolio of business acquired from the Fedsure Group.
- R233.8 million arising from the disposal of the risk business of Investec Employee Benefits Limited.
- R8.8 million arising from the closure of the Traded Endowment business.
- Other impairments of R16.8 million.

At 31 March R million	Acquired contracts	Acquired software	Internally generated software	Total
22. Intangible assets				
Group				
2006				
Cost				
At beginning of year	64	83	7	154
Additions	35	16	5	56
Disposals	(12)	(1)	-	(13)
At end of year	**87**	**98**	**12**	**197**
Accumulated amortisation and impairments				
At beginning of year	(5)	(70)	(2)	(77)
Impairment	(1)	-	-	(1)
Amortisation	(14)	(9)	(4)	(27)
At end of year	**(20)**	**(79)**	**(6)**	**(105)**
Net book value	**67**	**19**	**6**	**92**
2005				
Cost				
At beginning of year	-	78	6	84
Additions	64	9	1	74
Disposals	-	(4)	-	(4)
At end of year	**64**	**83**	**7**	**154**
Accumulated amortisation and impairments				
At beginning of year	-	(63)	(2)	(65)
Amortisation	(5)	(7)	-	(12)
At end of year	**(5)**	**(70)**	**(2)**	**(77)**
Net book value	**59**	**13**	**5**	**77**

Charge to the income statement of R27 million comprises the following:

- Amortisation of acquired contacts and computer software of R26 million.
- Acquired contracts impairment of R1 million in respect of a property management company. The impairment calculation was based on discounted cashflow valuation, using a discount rate of 13.5%.
- The amortisation and impairments of acquired contracts is included in business expenses.

23. Acquisitions and disposals

Acquisitions

For the year ended 31 March 2006:
The group made the following acquisitions of subsidiary undertakings or net assets and operations during the year ended 31 March 2006 which were accounted for on an acquisition basis:

i. In January 2006 Alliance Capital Management (Pty) Ltd was acquired resulting in the recognition of R45 million of goodwill.
ii. Other immaterial acquisitions giving raise to net goodwill of R4 million.

The acquisitions were satisfied by the payment of cash. Assets and liabilities at the date of acquisition and total consideration paid are disclosed in the table below.

R million	
Total assets	13
Total liabilities	(4)
	9
Goodwill arising on acquisition	49
Fair value of consideration	**58**

For the year ended 31 March 2005:
The group made the following acquisitions of subsidiary undertakings or net assets and operations in the year ended 31 March 2005 which were accounted for on an acquisition basis:

i. R64 million of acquired contracts relating to the acquisition of two property management companies in South Africa.
ii. R36 million of goodwill relating to the acquisition of the South African private client business of HSBC.
iii. R5.1 million goodwill arising on the acquisition of an Asset Management company.

Disposals

For the year ended 31 March 2006:
Certain immaterial subsidiaries were disposed of during the year at net asset value.

For the year ended 31 March 2005:
i. During the year Capital Alliance Limited was sold to Liberty Group Limited. The proceeds on the disposal was R17.50 per share plus a final dividend distribution of R1 per share. A profit of R69 million was recorded on the disposal and a reduction of R130 million in goodwill.
ii. R32 million of goodwill was written off as a result of the closure of the Traded Endowment business.

At 31 March R million	Nature of Business	Issued Ordinary Capital	Holding %	2006	2005	2006	2005
				Shares at book value		Net Indebtedness	
24. Investment in subsidiaries							
Direct subsidiaries of Investec Limited							
Investec Bank Ltd Ä	Bank	R 15 850 000	100	5 173	5 173	18	11
Investec Asset Management Holdings (Pty) Ltd Ä	Investment holding	R 200	100	(110)	(139)	-	-
Investec Assurance Ltd Ä	Insurance company	R 10 000 000	100	10	10	-	-
Investec Employee Benefits Holdings (Pty) Ltd Ä	Investment holding	R 1	100	-	*	-	708
Investec Hong Kong (Pty) Ltd _	Investment holding	HKD 2	100	(1)	(1)	-	-
Investec Int. (Gibraltor) Ltd §	Investment holding	£1 000 00	100	280	304	-	-
Investec Personal Financial Services (Pty) Ltd Ä	Stockbroking	R 7 000 00	100	36	-	-	-
Investec Securities Ltd Ä	Stockbroking	R 172 000	100	132	132	4	-
Sibvest Ltd Ä	Investment holding	R100	100	97	97	(98)	(94)
Fedsure International Ltd Ä	Investment holding	R 1 012 456	100	149	65	-	124
Investec Property Group Holdings Ltd Ä	Investment holding	R 3 000	100	-	*	-	-
Other subsidiaries				(84)	(48)	417	836
				5 682	**5 593**	**341**	**1 585**

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

Indirect subsidiaries of Investec Limited			
Grayinvest Limited Ä	Investment holding	R 1 000	100
Investec Asset Management (Pty) Ltd Ä	Asset management	R 50 000	100
Investec Insurance Brokers (Pty) Ltd Ä	Insurance broking	R 2	100
Investec International Holdings (Pty) Ltd Ä	Investment holding	R 102	100
Investec Fund Managers SA Ltd Ä	Unit trust management	R 8 000 000	100
Investec Bank (Mauritius) Ltd i	Bank	R 281 630 447	100
Investec Property Group Ltd Ä	Property trading	R 1 174	100
Reichmans Ltd Ä	Trade financing	R 10	100
Investec Employee Benefits Ltd Ä	Long-term Insurance	R 7 544 000	100
Traded Endowment Policies Ltd (Formerly Fedsure Traded Endowments Ltd)^	Endowments trading	£28 530 787	100

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

Investec Limited has no equity interest in the following special purpose vehicles, but they are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities:

- Peu 11 Ltd
- Securitisation entities
    - Private Mortgages 1 (Pty) Ltd
    - Private Mortgages 2 (Pty) Ltd
    - Private Mortgages 3 (Pty) Ltd

i Mauritius Ä South Africa _ Hong Kong § Gibraltar ^United Kingdom

* Less than R1 million.

At 31 March R million	2006	2005
25.Long-term assurance business attributable to policyholders		
2006		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited ("IEB")	10 015	
Investec Assurance Limited	27 392	
Insurance liabilities, including unit-linked liabilities - IEB	1 499	
Reinsured liabilities - IEB	15 353	
Total policyholder liabilities	**54 259**	
2005		
Long-term assurance business attributable to policyholders		
Investec Employee Benefits Limited		13 128
Investec Assurance Limited		19 907
		33 035
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	11 147	13 128
Reinsured assets	15 353	
Other assets	367	
	26 867	**13 128**
Investments shown above comprise:-		
Interest bearing securities	1 528	1 252
Stocks, shares, and unit trusts	6 192	7 863
Deposits	3 427	4 013
	11 147	**13 128**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	26 832	19 469
Debtors and prepayments	82	377
Other assets	478	61
Assets of long term assurance fund attributable to policyholders	**27 392**	**19 907**
Investments shown above comprise:-		
Interest bearing securities	3 529	4 152
Stocks, shares, and unit trusts	15 431	9 326
Deposits	7 872	5 991
	26 832	**19 469**

The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.

	2006	2005
Income statement items related to assurance activities		
Investment income on assurance activities	1 521	2 151
Premiums and reinsurance recoveries on insurance contracts	1 770	2 113
Claims and reinsurance premiums on insurance business	(3 151)	(4 044)
Operating expenses	(16)	(128)
Net income before taxation	124	92
Taxation	(112)	(76)
Net income after taxation	**12**	**16**

At 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
26. Other trading liabilities				
Short positions-				
- equities	2 729	1 573	-	-
- gilts	846	246	-	-
	3 575	**1 819**	**-**	**-**
27. Debt securities in issue				
Bonds and medium term notes:				
Not more than 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:				
Not more than three months	5 958	4 548	-	-
Over three months but not more than one year	10 463	4 304	-	-
Over one year but not more than five years	261	131	-	-
	16 682	8 983	-	-
	23 502	**12 728**	**-**	**-**

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 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 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.

28. Taxation

	Group 2006	Group 2005	Company 2006	Company 2005
Income taxation payable	913	513	84	68
Indirect taxes payable	86	11	-	-
	999	**524**	**84**	**68**
29. Other liabilities				
Settlement liabilities	2 185	2 452	-	-
Cumulative redeemable preference shares including accrued dividends	3 073	2 820	732	2 117
Other non interest bearing liabilities	975	787	12	38
Other creditors and accruals	1 554	1 586	23	21
	7 787	**7 645**	**767**	**2 176**

At 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
30. Subordinated liabilities				
Issued by Investec Limited				
Class "A" Series I Unsecured subordinated compulsorily convertible debentures (CCDs)	-	-	154	-
Class "A" Series II Unsecured subordinated CCDs	-	-	225	-
Issued by Investec Bank Limited				
- a wholly owned subsidiary of Investec Limited				
Unsecured subordinated CCDs	108	-	-	-
16% subordinated bonds 2012 issued in South African Rands	1 961	1 961	-	-
IV02 12.55% subordinated unsecured callable bonds	1 000	1 000	-	-
	3 069	**2 961**	**379**	**-**
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand				
Remaining maturity:				
In more than two years, but not more than five years	108	-	379	-
In more than five years	2 961	2 961	-	-
	3 069	**2 961**	**379**	**-**

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.

Series I & II Class "A" debentures

Interest is payable six monthly in arrears on 1 May and 1 November of each year at a variable rate of 3% below the official rate as defined in the 7th schedule of the South African Income Tax Act of 1962. The debentures convert into ordinary shares, on a one for one basis, at the election of the holders. If not converted by election, the Series I debentures will automatically convert on 1 October 2008. The Series II debentures will automatically convert on 4 December 2010.

The debentures are all held by the staff share schemes and are eliminated on consolidation. The unissued debentures are under control of the directors until the next annual general meeting.

Unsecured subordinated CCDs

The CCD's will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date.

The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 3 573 994 Investec Limited ordinary shares.

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
31. Ordinary share capital				
Authorised				
55 500 000 (2005: 55 500 000) ordinary shares of R0.001 (2005: R0.001) cents each.				
Issued				
43 999 527 (2005: 43 999 527) ordinary shares of R0.001 (2005: R0.001) cents each.	1	1	1	1

The unissued shares are not under the control of the directors.

32. Treasury shares

At 31 March	Group 2006	Group 2005
Treasury shares held by subsidiaries of Investec Limited	R million	R million
Investec Limited ordinary shares	854	710
Options held to acquire Investec Limited shares	(21)	-
	833	**710**
	Number	Number
Investec Limited ordinary shares held by subsidiaries	**4 624 421**	**4 357 588**
Reconciliation of treasury shares	Number	Number
Opening balance	4 357 588	4 033 393
Purchase of own shares by subsidiary companies	363 591	1 378 695
Shares disposed of by subsidiaries	(96 758)	(1 054 500)
Closing balance	**4 624 421**	**4 357 588**
	R million	R million
Market value of treasury shares	**1 447**	**781**

At 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
33. Perpetual preference shares				
Authorised				
100 000 000 (2005-100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each.				
Issued				
22 182 000 (2005 - 22 182 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R104.49 per share.	2 309	2 309	2 309	2 309
Preference shareholders will be entitled to receive dividends if declared, at a rate of 70% of prime interest rate on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.				
An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.				
Perpetual preference shares issued by subsidiary company	*	1 491	-	-
	2 309	**3 800**	**2 309**	**2 309**

* Perpetual preference shares issued by subsidiary company were reclassified to minority interests on the adoption of IAS32 on 1 April 2005. Refer to note 34.

At 31 March R million	Group 2006	 2005	Company 2006	 2005
34. Minority interests				
Minority interests attributable to holders of ordinary shares in subsidiaries	74	213	-	-
Perpetual preference shares issued by subsidiary	1 491	*	-	-
Authorised 70 000 000 (2005: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.				
Issued 15 000 000 (2005 - 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each, issued at a premium of R99,99 per share.				
Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of prime interest rate on the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.				
An ordinary dividend will not be declared by Investec 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.				
	1 565	**213**	**-**	**-**

* Perpetual preference shares issued by subsidiaries were reclassified to minority interests on the adoption of IAS32 on 1 April 2005. Refer to note 33.

At 31 March R million	2006 Total future minimum payments	2006 Present value	2005 Total future minimum payments	2005 Present value
35. Miscellaneous balance sheet items				
Group				
Finance lease receivables included in loans and advances to customers				
Lease receivables in:				
Less than 1 year	253	193	181	128
1-5 years	278	242	312	265
	531	**435**	**493**	**393**
Unearned finance income	**89**		**96**	

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

There were no finance lease receivables in Investec Limited company at 31 March 2006 and 31 March 2005.

36. Notes to cash flow statements

For the year to 31 March R million	Group 2006	Group 2005	Company 2006	Company 2005
Cash generated from operating activities is derived as follows:				
Profit before taxation	3 270	1 708	1 058	169
Adjustments for:				
Interest expense on subordinated debt (including convertible debt)	(32)	-	-	-
Equity accounted income of associates	-	(152)	-	-
Dividends from associates	-	52	-	-
Depreciation and impairment of property and equipment	38	45	-	-
Fair value gains on investment properties	(306)	(64)	-	-
Amortisation of intangible assets	28	12	-	-
Impairment of goodwill	233	569	-	-
Impairment of loans and advances	23	119	-	-
Share based payments expense	138	55	-	-
Loss on sale of subsidiaries	-	9	-	(20)
Impairment of investment in subsidiary companies	-	-	(119)	-
Profit on disposal of Investec Employee Benefits Risk business	-	(250)	-	-
Profit on disposal of associate	-	(69)	-	-
Cash generated by operating activities	**3 392**	**2 034**	**939**	**149**

For the year to 31 March R million	Group 2006	 2005

37. Related party transactions

Compensation to the Board of Directors and other key management personnel*	2006	2005
Short-term employee benefits	233	157
Share-based payment	34	8
	267	**165**

* Key management personnel includes the Board of Directors and members of the global operations forum.

For the year to 31 March R million	2006 Highest balance during the year**	 Balance at year end**	2005 Balance at year end**

Transactions, arrangements and agreements involving directors and others:

Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:

Directors, key management and connected persons and companies controlled by them	Highest balance during the year** (2006)	Balance at year end** (2006)	Balance at year end** (2005)
Loans to	212	197	74
Guarantees on behalf of	21	21	11
Other	(123)	(79)	(39)
	110	**139**	**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.

Transactions with other related parties

	Highest balance during the year** (2006)	Balance at year end** (2006)	Balance at year end** (2005)
F Titi has a 11% holding in Tiso Group Limited. At 31 March Investec Limited group had the following total investments in Tiso Group Limited and its affiliate companies.	83	83	98
S Koseff, G R Burger, B Kantor, I R Kantor, H S Herman, P R S Thomas and DE Jowell have an interest in Spurwing P-Investments Limited and Spurwing L-Investments Limited, which jointly amount to a holding of 32.3% and 12.02% respectively. Loans were provided to these entities by Investec Bank (Mauritius) Limited on an 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.

** 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.

Refer to note 24 for loans to/from subsidiaries.

At 31 March R million	Group 2006	 2005
38. Commitments		
Undrawn facilities	4 050	3 395
Other commitments	114	261
	4 164	**3 656**

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
< than 1 year	134	115
1-5 years	639	578
> than 5 years	2 911	3 154
	3 684	**3 847**

At 31 March 2006, Investec Limited was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% percent per annum.
The majority of the leases have renewal options.

39. Contingent liabilities

Guarantees and assets pledged as collateral security:		
- guarantees and irrevocable letters of credit	3 246	1 894
Other contingent liabilities	631	472
	3 877	**2 366**

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

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

At 31 March 2006 R million	Fair value or value of collateral held	Value of liabilities secured by assets
40. Analysis of collateral		
Group		
Assets		
Derivative financial instruments	23	
Loans and advances to customers	34 727	
Other assets	5 601	
	40 351	
Liabilities		
Other liabilities		1
		1

41. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the central Treasury in the Treasury and Specialised Finance business. Once aggregated and netted, Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges, cash flow hedges and in particular, accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March 2006 R million	Description of financial instrument being hedged	Fair value of hedging instrument	Gains or losses on hedging instrument	Gains or losses on hedged item
Interest rate swaps				
-liabilities	Subordinated bonds	175	17	(16)
		175	**17**	**(16)**

At year end there were no cash flow hedges.

At 31 March R million	Group 2006	 2005
42. Asset quality, specific and portfolio impairments		
Total loans and advances to customers (gross of impairments)	64 365	45 963
Managed book	(671)	(932)
Net loans and advances to customers	**63 694**	**45 031**
Income statement impairment charge	(23)	(119)
Specific impairment	240	252
Portfolio impairment	93	73
Total impairments	**333**	**325**
Gross non-performing loans	354	406
Less: security	(183)	(208)
Net non-performing loans	**171**	**198**
Adequacy of impairments		
Specific impairments as a % of total loans and advances to customers	0.37%	0.55%
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%	0.71%
Total impairments as a % of gross non-performing loans	94.07%	80.05%
Total impairments as a % of net non-performing loans	194.74%	164.14%
Specific impairments as a % of net non-performing loans	140.35%	127.27%
43. Capital adequacy		
The regulatory capital of Investec Limited group as reported to the South African Reserve Bank is detailed below:		
Primary capital (Tier 1)	8 335	7 416
Secondary capital (Tier 2)	3 856	3 932
Total	12 191	11 348
Less : Impairments	(58)	(26)
Net qualifying capital	**12 133**	**11 322**
Risk weighted assets (banking and trading assets)	**74 560**	**56 290**
Capital adequacy ratio	**16.3%**	**20.1%**

44. Transition to International Financial Reporting Standards

Overview

From 1 April 2005 the group 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 Limited's consolidated results of the transition to IFRS for the year ended 31 March 2005 is provided in the table on the following page:

For the year to 31 March 2005 R million	IFRS restated	SA GAAP (as previously reported)	% change
44. Transition to International Financial Reporting Standards (continued)			
Operating profit before goodwill impairment, non-operating items and tax	2 023	2 202	(8%)
Profit attributable to shareholders*	1 206	1 353	(11%)
Headline earnings	1 118	1 256	(11%)
Total equity including minority interest as at 1 April 2005	**7 870**	**8 303**	**(5%)**

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

An analysis of key adjustments

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

At 31 March 2005 R million	Earnings attributable to shareholders	Assets	Liabilities	Total equity, including minorities
As previously reported	1 353	125 653	117 350	8 303
IFRS 1 -reclassification adjustments	-	643	643	-
IFRS 2 - share based payments	(55)	-	-	-
IAS 17 - leases	(71)	43	121	(78)
IAS 18 - revenue recognition	(6)	(8)	(2)	(6)
IAS 27/28/31 - consolidations	(15)	(46)	3	(49)
Restated to 31 March 2005	**1 206**	126 285	118 115	8 170
IFRS 4 - insurance contracts		14 189	14 189	-
IAS 32/39 - financial instruments		224	524	(300)
Restated to 1 April 2005		**140 698**	**132 828**	**7 870**

In accordance with the provisions of IFRS 1, we have elected not to apply the requirements of IAS 32, "Financial Instruments: Presentation", IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 4, "Insurance Contracts" to the 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 provisions 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 amendment resulted in more stringent rules applied to the designation of financial instruments at fair value through the income statement.

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.

Transition to International Financial Reporting Standards for Investec Limited company.

The company has transitioned from SA GAAP to International Financial Reporting Standards with the only change being that the opening foreign currency reserves at the date of transition (1 April 2004) were transferred to retained income.

At 31 March 2006 R million	Demand	Up to One Month	One Month to Three Months	Three Months to Six Months
45. Maturity analysis				
Group				
Assets				
Cash and balances at central banks	1 930	-	-	-
Loans and advances to banks	829	12 378	-	-
Cash equivalent advances to customers	7 081	319	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	1 224	-	-	-
Trading securities	6 893	4 567	2 977	2 148
Derivative financial instruments	8 497	12	13	75
Investment securities	1	68	3	-
Loans and advances to customers	1 840	1 097	1 789	2 189
Other assets*	978	1 422	269	13
	29 273	**19 863**	**5 051**	**4 425**
Liabilities				
Deposits by banks	116	2 440	478	593
Derivative financial instruments	6 248	-	195	2
Repurchase agreements and cash collateral on securities lent	919	-	-	-
Customer accounts	12 107	21 499	11 496	4 833
Debt securities in issue	-	2 228	5 948	3 430
Other liabilities**	5 353	1 463	1 479	1 030
	24 743	27 630	19 596	9 888
Subordinated liabilities (including convertible debt)	-	-	-	-
Equity	-	-	-	-
	24 743	**27 630**	**19 596**	**9 888**
Liquidity gap	**4 530**	**(7 767)**	**(14 545)**	**(5 463)**
Cumulative liquidity gap	**4 530**	**(3 237)**	**(17 782)**	**(23 245)**

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

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

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

Six Months to One Year	One Year to Five Years	Greater than Five Years	Total
-	-	-	1 930
-	-	-	13 207
-	-	-	7 400
-	-	-	1 224
-	-	-	16 585
30	436	124	9 187
-	33	179	284
6 236	31 421	19 460	64 032
672	692	2 443	6 489
6 938	**32 582**	**22 206**	**120 338**
867	3 281	-	7 775
312	76	231	7 064
-	-	-	919
4 075	1 590	562	56 162
8 033	3 863	-	23 502
1 204	1 749	348	12 626
14 491	10 559	1 141	108 048
-	108	2 961	3 069
-	-	9 221	9 221
14 491	**10 667**	**13 323**	**120 338**
(7 553)	21 915	8 883	-
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