Investec

2006 Investec plc silo (excluding Investec Limited) Annual Financial Statements

Investec plc

Secretary and Registered Office
Richard Vardy
2 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4485
Facsimile (44) 20 7597 4491

Internet address
www.investec.com

Registration number
Investec plc
Reg. No. 3633621

Auditors
Ernst & Young LLP

Investec directors
Refer to pages 37 to 40.

Transfer Secretaries in the UK
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol B599 7NH
United Kingdom
Telephone (44) 870 702 0001

Investec offices - contact details
Refer to page 104.

For queries regarding information in this document:

Investor Relations
Ursula Nobrega
Margaret Arnold
Telephone (44) 20 7597 5546
e-mail: investorrelations@investec.com
Internet address: www.investec.com/grouplinks/investorrelations

Contents

Investec in perspective

Investec (comprising Investec plc and Investec Limited) is an international, specialist banking group that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974, we acquired a banking licence in 1980 and were listed on the JSE Limited South Africa in 1986.

In July 2002, we implemented a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg. A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, we have an efficient integrated international business platform, offering all our core activities in the UK and South Africa and select activities in Australia.

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

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

Mission statement

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

Values

Distinctive Performance

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

Client Focus

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

Dedicated Partnerships

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

Cast-iron Integrity

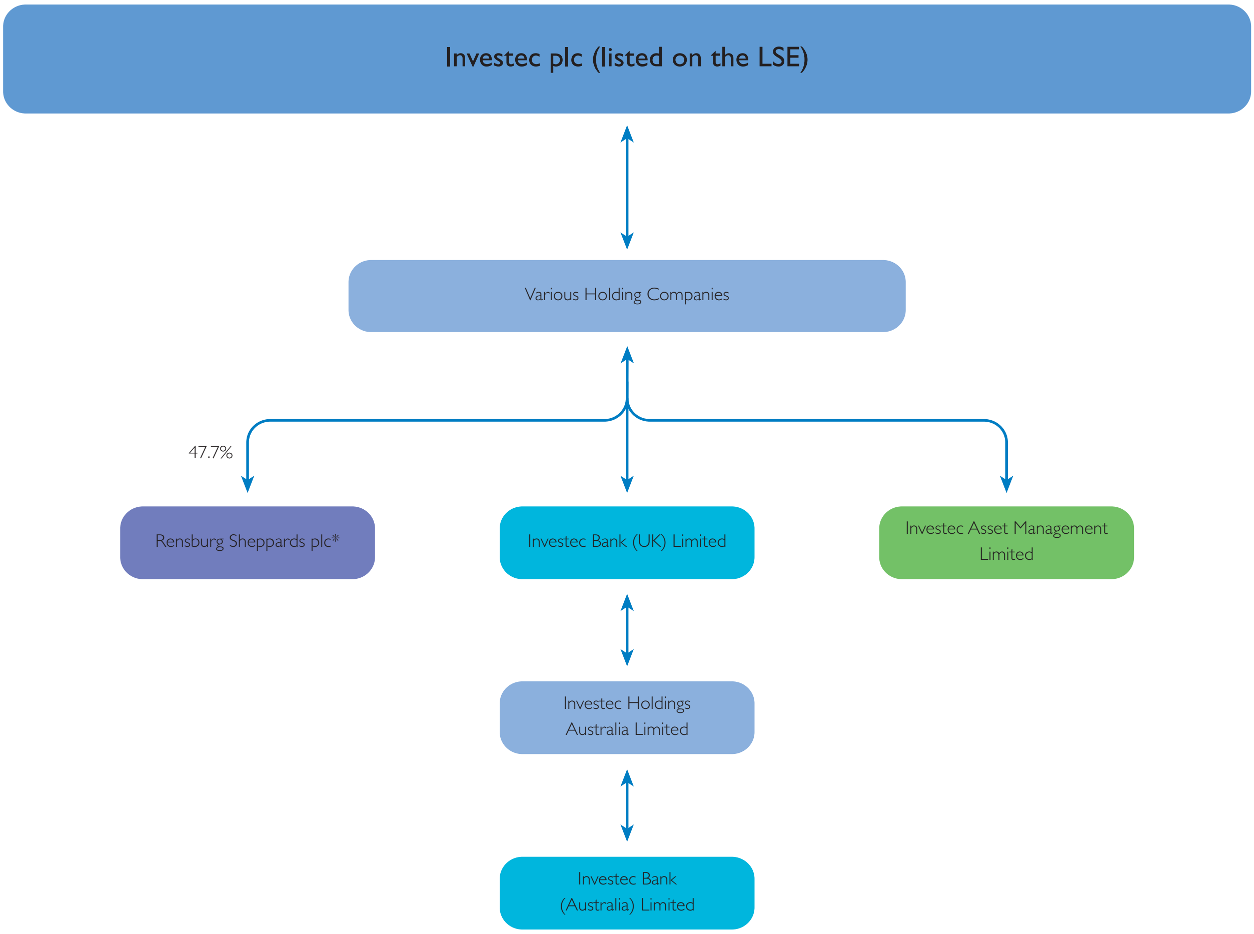
- Moral strength
- Risk consciousness
- Highest ethical standards

Philosophies

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

In terms of the implementation of the DLC structure (refer to page 4), Investec plc is the controlling company of the majority of our non-Southern African operations. Investec plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE Limited South Africa.

As at 31 March 2006



Key: activities conducted

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

Note:

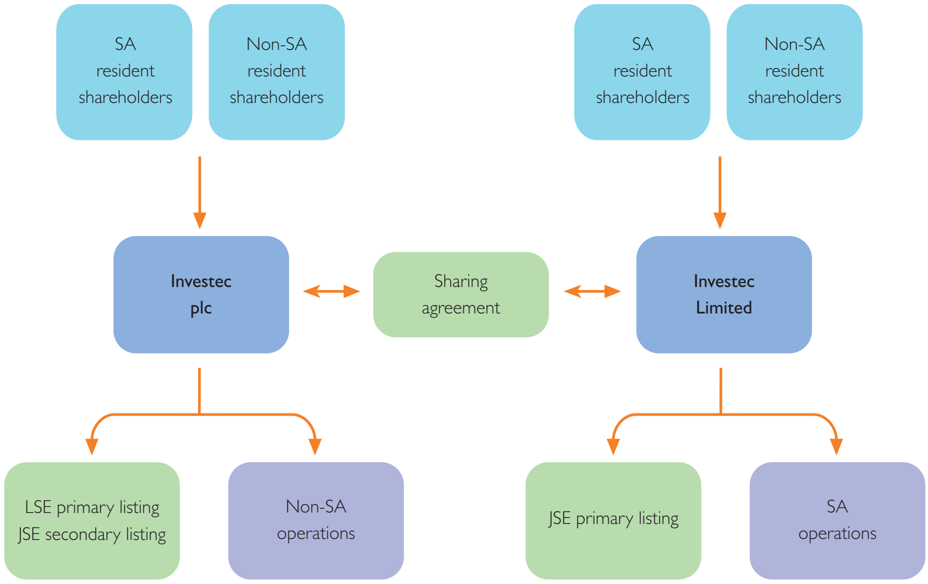
All shareholdings are 100%, unless otherwise stated.

* Carr Sheppards Crosthwaite Limited was sold to Rensburg plc in May 2005. Investec retains a 47.7% interest in the combined entity, Rensburg Sheppards plc.

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 seperate 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 plc activities

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

1. Investec Bank (UK) Limited

Investec Bank (UK) Limited's principal business units comprise: Private Banking, Treasury and Specialised Finance, Investment Banking and Property Activities. 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 Organisational Development. The head office is also responsible for our central funding.

Investec Bank (Australia) Limited is one of our subsidiaries

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:

- Structured Property Finance
- Specialised Lending
- Trust and Fiduciary
- Treasury and Banking
- Investment Management
- Growth and Acquisition Finance

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

We are based in London, with offshore subsidiaries in the Channel Islands, Switzerland and Ireland. Our target market comprises high income and high net worth individuals, including property developers and investors and management buy-out/buy-in candidates of owner managed businesses. Our unique offering has a strong franchise among successful entrepreneurs and self-directed internationally mobile clients, with a specific focus on select niches and community groups.

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 the residential and commercial property markets across the UK and Europe.

Specialised Lending

We provide credit facilities and hedging solutions to sophisticated clients with bespoke financing requirements. Our core skill is the ability to implement complex transactions, often with an international dimension.

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 operate 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 Banking Services

We provide a wide range of onshore and offshore banking services from a range of jurisdictions in multiple currencies. These include currency deposits, money market deposits, transactional accounts, foreign exchange, structured deposits and cash management services. We also provide a specialist and bespoke approach to preserving capital and enhancing yield for pension schemes and trustees, discretionary asset managers, professional intermediaries and private clients.

Investment Management

We offer ultra high net worth private clients an independent wealth management service. Driven by each individual's specific requirements, the offering represents a bespoke strategic asset allocation where a dedicated investment practitioner proactively partners each client on an ongoing basis.

Through an open architecture, this highly disciplined yet personal service encapsulates a wide range of asset types, blending 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 our clients products and services that are often exclusive and institutional in nature.

Growth and Acquisition Finance

We provide entrepreneurs, management teams and private equity houses with mezzanine or composite debt funding and minority equity investment solutions. Our flexible and purpose-created finance products are aimed at UK-based mid-market companies implementing acquisition and organic growth strategies with an enterprise value of £8 million to £20 million.

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 Sterling, Euro, US Dollar and Rand 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, credit structuring, 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 G7 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

In the UK, we operate our Investment Banking division under the name Investec Investment Banking and Securities, which trades as Investec. We focus on two distinct activities: corporate finance and institutional broking, both specialising in mid-market companies. We also provide institutional broking services to large capitalisation companies where we have strong research capabilities and additionally have a small managed private equity portfolio.

Corporate Finance

We provide financial advisory services, particularly for mergers and acquisitions. We also advise on and participate in equity capital market fundraisings for our clients. Our corporate client list currently comprises 84 quoted companies and a number of private company advisory roles and we also continue to expand our client base. The average market capitalisation of these clients at 31 March 2006 was £257 million.

Institutional Broking

Our Institutional broking activities in the UK are carried out under the name of Investec Securities. We provide research, sales, trading and market making services to a full range of UK and international institutional clients. A team of 29 equity analysts compiles research coverage on approximately 244 companies in the UK, focusing on 26 sectors. We also act as market maker for approximately 154 small to mid cap stocks and offer price making in selected large cap stocks. The quality of our research has been confirmed by a number of surveys. In the Sunday Times/Starmine survey, which is based on actual stock picking and earnings forecasting accuracy rather than subjective rankings, we were placed 5th across all UK brokers, including best stock picker in the whole of the UK. In the Investors Chronicle survey of Aim brokers we were rated 1st out of 30 brokers by UK small cap fund managers, based on the quality of the IPO's we have undertaken, the related research and ongoing feedback to clients.

Private Equity

In 1998 we inherited a UK managed private equity portfolio as part of the Guinness Mahon and Hambros acquisitions.

Property Activities

Our Property Activities in the UK have scaled down over the year as we have taken advantage of a seller's market by selling stock. Our direct property portfolio consists of two investment properties with prospects for value enhancement through active management. Our re-investment strategy remains opportunistic and we will wait, as necessary, until value adding opportunities arise.

We have devoted an increasing amount of time to assisting the Private Bank with mezzanine investments in client transactions. These niche investments have attractive risk/reward profiles.

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

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 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.

Investec Bank (Australia) Limited

We entered the Australian investment banking market in March 2001, with the acquisition of Wentworth Associates (since renamed Investec Wentworth), one of the leading corporate finance boutiques in Australia. This acquisition provided a platform to expand our activities into the corporate finance and private equity arenas in Australia.

In August 2002, we received a banking licence which opened up many growth opportunities. These included expansion of the Private Client division, specialising in property investment banking, investment management services and more recently, growth and acquisition finance.

Furthermore, we have established a project finance capability which, coupled with a limited range of treasury activities, has led to significant strategic diversification of our Australian operation.

2. Carr Sheppards Crosthwaite Limited

Our UK Private Client Portfolio Management and Stockbroking business, Carr Sheppards Crosthwaite Limited, was sold to Rensburg plc on 6 May 2005. Further details are provided on page 14.

3. Investec Asset Management

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

Our operation in the UK was launched in 1998, following Investec's acquisition of Guinness Flight Hambro. This provided us with, as at the date of the acquisition, approximately £7 billion of additional assets, and the infrastructure of Guinness Flight Hambro's operations. During 1999 and 2000, the product platform was redesigned to focus on the creation of a domestic franchise in the UK for both the institutional and mutual fund businesses. We emerged from the restructuring as a multi-specialist investment manager with key strengths in UK and global equities and UK and global fixed income. Today, we have a strong brand in the UK and European mutual funds market and continue to penetrate the UK institutional market. As at 31 March 2006, UK and international assets under management amounted to £11.8 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.

Financial review

Transition to International Financial Reporting Standards

Under the contractual arrangements implementing the Dual Listed Companies Structure (DLC) structure, Investec plc and Investec Limited effectively form a single economic enterprise, in which the economic and voting rights of shareholder are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards (IFRS) is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined financial statements are prepared separately so as to show a true and fair view in accordance with IFRS.

As explained in Note 1 of the financial statements, the consolidated financial statements included in this report have been prepared to present the financial position, results and cash flows of Investec plc and its directly owned subsidiaries. For the avoidance of doubt, they exclude Investec Limited and the subsidiaries directly owned by Investec Limited.

From 1 April 2005 Investec plc has been required to prepare its consolidated results in accordance with IFRS. Previously these were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

Our transition to IFRS has been performed in accordance with IFRS 1 "First-Time Adoption of International 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 Presentation" in these financial statements. Furthermore the requirements of IAS 39, "Financial Instruments: Recognition and Measurement" have not been applied to the 2005 comparative period. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005.

To facilitate comparability, a pro forma income statement is presented which incorporates the impact of the adoption of IAS 39 in the following respects:
- recognising certain fees on an effective yield basis.
- the release of general provisions on loans and advances .
- fair value adjustments for embedded derivatives.

The consolidated income statements and analysis that follows represents Investec plc'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 44 to 48 for the reasons explained above. All income statement comparatives referred to on pages 10 to 17 relate to the pro forma 2005 results.

Consolidated income statement

£'000	Year to 31 March 2006	Pro forma IFRS restated year to 31 March 2005
Interest receivable	328 920	251 875
Interest payable	(203 734)	(170 574)
Net interest income	**125 186**	**81 301**
Fees and commissions receivable	247 508	245 701
Fees and commissions payable	(30 270)	(19 204)
Principal transactions	64 312	35 968
Operating income from associates	6 677	159
Other operating income	1 578	255
Other income	**289 805**	**262 879**
Total operating income	**414 991**	**344 180**
Impairment losses on loans and advances	(7 241)	(1 589)
Net operating income	**407 750**	**342 591**
Administrative expenses	(281 009)	(263 312)
Depreciation and impairment of property, plant and equipment	(3 289)	(4 474)
Operating profit before goodwill impairment	**123 452**	**74 805**
Impairment of goodwill	-	(10 298)
Operating profit	**123 452**	**64 507**
Profit/(loss) on termination or disposal of group operations	74 164	(6 207)
Profit before taxation	**197 616**	**58 300**
Taxation	(33 238)	(16 957)
Profit after taxation	**164 378**	**41 343**
Earnings attributable to minority shareholders		
Earnings attributable to shareholders	6 893	808
Earnings attributable to shareholders' equity	157 485	40 535
	164 378	**41 343**

Consolidated balance sheet

£'000	31 March 2006	1 April 2005
Assets		
Cash and balances at central banks	10 875	10 319
Loans and advances to banks	693 634	951 515
Cash equivalent advances to customers	54	52
Reverse repurchase agreements and cash collateral on securities borrowed	642 465	2 157 401
Trading securities	160 670	303 407
Derivative financial instruments	254 332	128 015
Investment securities	1 240 187	1 100 350
Loans and advances to customers	3 633 428	2 657 980
Interests in associated undertakings	63 122	13 218
Deferred taxation asset	27 417	28 361
Other assets	957 612	537 590
Property and equipment	17 203	19 155
Goodwill	137 072	140 785
Intangible assets	1 493	1 294
	7 839 564	**8 049 442**
Liabilities		
Deposits by banks	1 274 144	813 568
Derivative financial instruments	48 289	97 226
Other trading liabilities	123 791	1 737 758
Repurchase agreements and cash collateral on securities lent	272 584	337 407
Customer accounts	3 469 036	2 668 441
Debt securities in issue	758 224	649 264
Current taxation liabilities	37 932	18 199
Deferred taxation liabilities	1 536	1 772
Other liabilities	852 080	995 439
Pension fund liabilities	2 013	10 991
	6 839 629	7 330 065
Subordinated liabilities	225 683	222 196
	7 065 312	**7 552 261**
Equity		
Called up share capital	119	119
Share premium account	393 267	393 823
Treasury shares	(21 656)	(24 330)
Other reserves	51 928	51 687
Profit and loss account	210 959	75 677
Shareholders' equity excluding minority interests	634 617	496 976
Minority interests	139 635	205
-Perpetual preferred securities issued by subsidiaries	139 402	-
-Other	233	205
Total shareholders' equity	**774 252**	**497 181**
Total liabilities and shareholders' equity	**7 839 564**	**8 049 442**

Segmental information

For the year to 31 March 2006

£'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management	Property Activities	Group Services and Other	Total
Net operating income	159 431	80 051	85 890	65 250	2 477	14 651	407 750
Operating expenses	(82 509)	(56 691)	(50 847)	(54 641)	(454)	(39 156)	(284 298)
Operating profit before goodwill impairment and taxation	**76 922**	**23 360**	**35 043**	**10 609**	**2 023**	**(24 505)**	**123 452**
Cost to income ratio	52.3%	65.5%	59.2%	83.7%	18.3%	228.9%	68.5%

Pro forma for the year to 31 March 2005

£'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management	Property Activities	Group Services and Other	Total
Net operating income	156 070	59 793	62 095	49 629	7 200	7 804	342 591
Operating expenses	(105 377)	(44 757)	(40 800)	(44 585)	(2 086)	(30 181)	(267 786)
Operating profit before goodwill impairment and taxation	**50 693**	**15 036**	**21 295**	**5 044**	**5 114**	**(22 377)**	**74 805**
Cost to income ratio	65.9%	73.6%	65.7%	89.8%	29.2%	419.6%	77.8%

Commentary on the results of Investec plc 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 plc increased operating profit by 65.0% from £74.8 million to £123.5 million. Earnings attributable to ordinary shareholders increased significantly from £40.5 million to £157.5 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 (£'000)	123 452	74 805	65.0%
Earnings attributable to ordinary shareholders (£'000)	157 485	40 535	288.5%
Cost to income ratio	68.5%	77.8%	
	31 March 2006	**1 April 2005**	
Total capital resources (including subordinated liabilities) (£'000)	999 935	719 377	39.0%
Total shareholders' equity (including minority interests) (£'000)	774 252	497 181	55.7%
Total assets (£'000)	7 839 564	8 049 442	(2.6%)
Capital adequacy ratio	17.7%	16.1%	
Tier 1 ratio	11.6%	10.3%	

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 £76.9 million (2005: £50.7 million), an increase of 51.7%.

Private Banking

Overview of performance

The Private Bank recorded an increase in operating profit of 66.7% to £69.5 million (2005: £41.7 million). Most areas of specialisation within the Private Bank performed strongly.

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

- Loans and advances have increased 29.6% to £2.4 billion.
- The deposit book has grown 40.1% to £3.1 billion.
- Funds under advice have increased by 63.0% to £882 million.

Developments

UK and Europe

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

Australia

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

Outlook

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

Private Client Portfolio Management and Stockbroking

Developments

Our UK Private Client Stockbroking business, Carr Sheppards Crosthwaite Limited was sold to Rensburg plc on 6 May 2005. We retain a 47.7% interest in the combined entity, Rensburg Sheppards plc. Prior to 6 May 2005 the results of Carr Sheppards Crosthwaite Limited have been consolidated into Investec plc's results. Post 6 May 2005 the results of the combined entity Rensburg Sheppards plc have been equity accounted and are included in the line item "operating income from associates".

Operating profit for the division for the period was £7.4 million (2005: £9.0 million) and is shown net of tax of £3.6 million.

The net profit on the sale of Carr Sheppards Crosthwaite Limited (after taking into account Investec's share of integration costs relating to the transaction) amounted to £76.5 million and is included in non-operating items.

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

- "It is pleasing to report such good progress even during the major integration of Carr Sheppards Crosthwaite Limited. I look forward to the year ahead with considerable optimism…
- Profit before tax, amortisation of both goodwill and the Employee Benefit Trust ('EBT') prepayment and exceptional items* for the 16 months ended 31 March 2006 of £29.3 million (12 months ended 30 November 2004: £8.8 million).
- Basic earnings per share before amortisation of both goodwill and the EBT prepayment and exceptional items* for the 16 months ended 31 March 2006 of 55.6p (12 months ended 30 November 2004: 27.9p).

- In respect of the acquisition of Carr Sheppards Crosthwaite Limited, we continue to expect to achieve annualised pre-tax cost synergies of approximately £5.5 million per annum by the year ending 31 March 2008.
- Group funds under management at 31 March 2006 of £13.1 billion (30 November 2004: £4.2 billion).

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

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

Treasury and Specialised Finance

Overview of performance

The Treasury and Specialised Finance division posted an operating profit of £23.4 million (2005: £15.0 million), an increase of 55.4%. Growth was underpinned by a strong performance from the division's advisory, structuring, asset creation and distribution activities. The lending book increased by 47.1% to £1.1 billion since 1 April 2005.

Developments

UK and Europe

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

Australia

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

Outlook

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

Investment Banking

Overview of performance

The Investment Banking division posted a 64.6% increase in operating profit to £35.0 million (2005: £21.3 million), driven by solid performances from the division's areas of specialisation.

Developments

Corporate Finance

UK and Europe

- We benefited from a high level of merger and acquisition (M&A) activity and an active IPO market.
- Seven IPOs were concluded during the period, the most significant being Land of Leather (a furniture retailer) and Aurora Russia (a vehicle that invests in Russian financial services companies).
- We completed 14 M&A transactions with a value of £1.9 billion (2005: 19 transactions with a value of £1.1 billion).
- We completed 21 fundraisings during the year, raising in aggregate £634 million (2005: 12 transactions raising £376 million). This included a £200 million fundraising for Melrose's acquisition of McKechnie and Dynacast.
- We were involved in two syndicated transactions that raised £151 million.

- We continue to build the quality and size of the corporate client list, gaining 24 new brokerships with the total number of quoted clients now at 84. Average market capitalisation of these clients is £257 million.

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

Institutional Research, Sales and Trading

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

Direct Investments and Private Equity

UK, Europe and Hong Kong
- We benefited from the sale of investments in the underlying funds of the Private Equity portfolio.
- We are developing a Direct Investments business in Hong Kong driven by Richard Forlee.
- Total value of the on-balance sheet portfolio at 31 March 2006 was £28 million (2005: £10 million).

Australia
- The investment portfolio continued to perform strongly, with four new investments made over the past year.
- The strong IPO and takeover markets provided some attractive exit opportunities.
- Direct Investments profits were driven primarily by good performance from underlying investments and an increase in the market value of the portfolio.
- Total value of the on-balance sheet portfolio at 31 March 2006 was £8 million (2005: £1 million).

Outlook

- We continue to build our corporate client base in the UK and have pitched and won a number of brokerships with larger corporates.
- Continuing sound levels of M&A activity within the Australian market together with increased brand awareness provide a solid platform for ongoing growth.
- Investec Securities remains well positioned to capitalise on healthy market conditions. International leverage from revenue stream diversification will add to future franchise strength.
- The UK business continues to strengthen its broking franchise with the introduction of three new sectors (Speciality and Other Financials, Biotech and Building and Construction) and the expansion of product into the US and Europe.
- We remain active in seeking direct investment and private equity opportunities.

Asset Management

Overview of performance

Investec Asset Management delivered a significant increase in operating profit to £10.6 million (2005: £5.0 million). The growth of the business was underpinned by favourable conditions for financial markets and substantial net inflows into our mutual funds. Assets under management increased by 27.9% to £11.8 billion on the back of net inflows in excess of £1 billion for the reporting period.

Developments

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

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 recorded an operating profit of £2.0 million (2005: £5.1 million), down 60.4% due to several exit fees earned in the prior year.

Developments

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

Group Services and Other Activities

The Group Services and Other Activities division posted an operating loss of £24.5 million compared to a loss of £22.4 million in the previous year. An improvement in the operating profit of the Central Funding division was offset by an increase in Central Services Costs.

Central Services Costs

The increase in central services costs is largely 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.
- A shortfall in the recovery of costs due to the sale of Carr Sheppards Crosthwaite Limited.
- An increase in infrastructural costs relating to certain projects underway to improve efficiency which should result in long-term cost savings.

Central Funding

The Central Funding division posted an improvement in operating profit largely as a result of the following transactions:

- The £60 million loan to Rensburg plc arising from the sale of Carr Sheppards Crosthwaite Limited accruing interest at approximately 7.0% from 6 May 2005.
- A subsidiary of Investec plc issued €200 million preferred securities on 24 June 2005. The dividends of approximately 7.0% are accounted for as part of dividends payable when declared and paid.

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 the UK and Europe

The UK and European group comprises businesses in the UK, including a branch in Ireland and banking businesses in the Channel Islands and Switzerland.

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

Private Bank

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

The Structured Property Lending area provides senior debt, mezzanine and equity funding for property transactions covering the residential and commercial markets. Our exposure to the property market is well diversified with no individual concentration risk. Our properties are well located residential or good quality commercial assets with recognised tenant covenant. Our property assets are located in the UK, with limited exposure to retail properties in Germany and Switzerland which are anchored by major European retail covenants. Client quality and expertise are at the core of our credit philosophy, ensuring a low probability of default. Furthermore, robust debt service cover ratios and reasonable loan to values ensure a low level of expected loss, which is supported by low historical actual losses. Where a more commercial view is taken on debt structure and leverage, significantly increased returns are expected. All facilities are reviewed at least annually and property values are monitored by our appointed panel of valuation firms. Committees review and monitor our mezzanine and equity property funding exposure on a quarterly basis.

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

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

Treasury and Specialised Finance

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

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

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

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

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

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

Credit risk in Australia

Investec Bank (Australia) Limited operates within a clearly defined framework for managing credit risk. The policies and procedures for credit risk management are consistent with those of the group and comply with the prudential standards issued by the Australian Prudential Regulatory Authority.

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

Asset quality and impairments

£'million	31 March 2006	1 April 2005
Total loans and advances to customers (gross of impairments)	3 643	2 664
Managed book	(45)	(33)
Net loans and advances to customers	**3 598**	**2 631**
Specific impairments	9	5
Portfolio impairments	1	1
Total impairments	**10**	**6**
Gross non-performing loans	39	22
Less: security	(27)	(17)
Net non-performing loans	**12**	**5**
Adequacy of impairments		
Specific impairments as a % of loans and advances to customers	0.25%	0.19%
Portfolio impairments as a % of net loans and advances to customers	0.03%	0.04%
Total impairments as a % of loans and advances to customers	0.27%	0.23%
Total impairments as a % of gross non-performing loans	25.64%	27.27%
Total impairments as a % of net non-performing loans	83.33%	120.00%
Specific impairments as a % of gross non-performing loans	23.08%	22.72%
Specific impairments as a % of net non-performing loans	75.00%	100.00%
Gross non-performing loans as a % of loans and advances to customers	1.07%	0.83%

Asset quality by geography

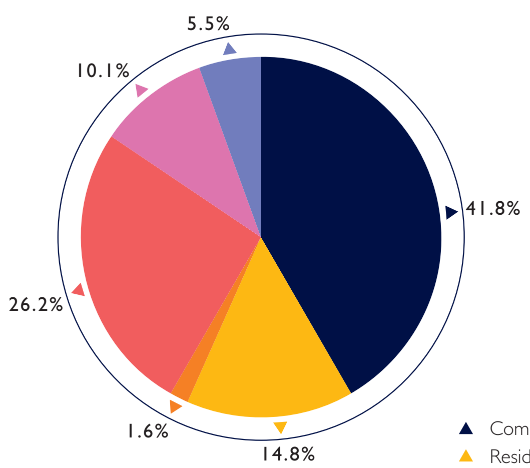
£'million	Loans and advances	Portfolio impairments	Specific impairments	Total impairments	Gross NPLs	Security held against NPLs	Net NPLs
31 March 2006							
UK and Europe	3 239	1	8	9	26	19	7
Australia	404	-	1	1	13	8	5
Total	**3 643**	**1**	**9**	**10**	**39**	**27**	**12**
1 April 2005							
UK and Europe	2 341	1	4	5	21	17	4
Australia	323	-	1	1	1	-	1
Total	**2 664**	**1**	**5**	**6**	**22**	**17**	**5**

Where: NPLs are gross non-performing loans.

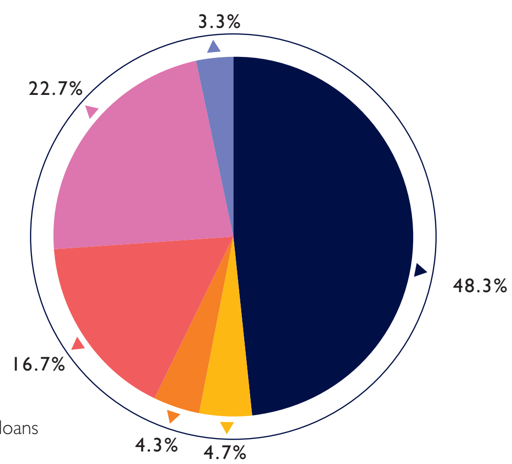
Loans and advances to customers by loan type

At 31 March £'000	2006	2005
Category analysis		
Commercial property loans	1 524 372	1 186 306
Residential mortgages	540 754	116 181
Leases and instalment debtors	58 400	105 822
Corporate and public sector loans and advances	953 010	411 146
Other private bank lending	366 158	556 964
Other loans and advances	200 782	78 738
	3 643 476	**2 455 157**
Customer loans - trading book	-	800 836
Specific impairment	(8 679)	(4 994)
Portfolio impairment	(1 369)	(25 899)
	3 633 428	**3 225 100**

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.

UK and Europe

The loan portfolio increased by 38.4% to £3.2 billion largely driven by solid growth in our Structured Property Lending and Acquisition Finance businesses.

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

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

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

The quality of the overall loan portfolio in the UK and Europe remains satisfactory.

Australia

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

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 £50 000 means that 99% of the time we do not expect the loss on a portfolio to exceed £50 000. ETL starts where VaR ends, i.e.where the VaR threshold is exceeded. In the example above, we can ask how much we expect to lose 1% of the time? A 99% ETL of £62 000 means that 1% of the time, the portfolio will lose £62 000 on average.

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

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

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

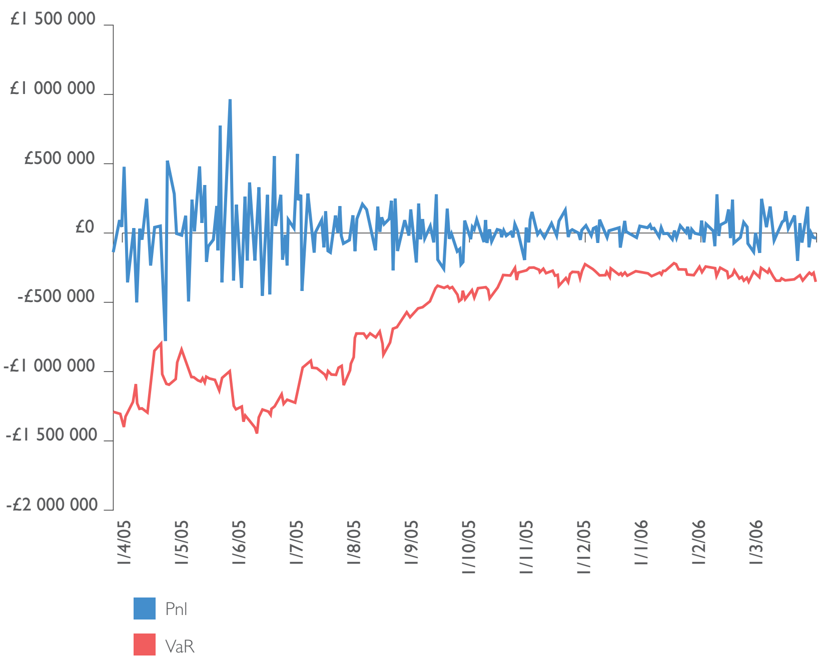
VaR 95% (one-day)

At 31 March £'000	2006	2005
Commodities	36	24
Equity derivatives	212	856
Foreign exchange	8	11
Interest rates	14	10
Consolidated*	**203**	**836**

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

The graph below details total daily VaR and profit and loss figures for the trading activities of Investec plc 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 this graph, we can gauge the accuracy of the VaR figures.

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



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

ETL 95% (one-day)

At 31 March £'000	2006	2005
Commodities	46	36
Equity derivatives	268	1 180
Foreign exchange	10	14
Interest rates	23	15
Consolidated*	**219**	**1 160**

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

Stress testing

The portfolio stress tested under extreme conditions (15 standard deviations) will result in a loss of £2.1 million in Investec plc (based on a one-day holding period).

At 31 March £'000	2006	2005
Commodities	277	182
Equity derivatives	1 626	6 551
Foreign exchange	62	84
Interest rates	109	77
Consolidated	**2 074**	**6 894**

Market risk year in review

In the UK, all desks are currently at Capital Adequacy (CAD) 1 level and are in the process of applying for CAD 11.

In the UK, the Equity Derivatives desk went through a consolidation and restructuring phase with the hiring of a total new team. The UK business model is to build a presence in the exchange traded markets and then on the back of the price discovery to offer a suite of products to generate annuity income (similar to the South African model). Phase one is currently operational after extensive testing and implementation of a new trade execution system.

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.

The tables on page 25 show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs.

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.

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.

UK and Europe - interest rate sensitivity gap

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

Australia - interest rate sensitivity gap

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

UK and Europe - liquidity view

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

At 31 March 2006 £'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < a year	> 1 year but < 5 years	> 5 years	Total non-trading
Assets						
Cash and short-term funds (banks and non-banks)	523	-	-	4	-	527
Investment and trading securities	741	6	13	8	34	802
Negotiable securities	1 003	32	43	16	10	1 104
Derivative financial instruments	222	1	1	11	3	238
Loans and advances to customers (net of provisions)	508	180	468	1 539	534	3 229
All other assets	866	14	17	58	-	955
Total	3 863	233	542	1 636	581	6 855
Funding						
Private client deposits	(1 888)	(53)	(443)	(88)	(12)	(2 484)
Wholesale deposits	(492)	(78)	(24)	(113)	(18)	(725)
Deposits by banks	(329)	(148)	(97)	(441)	(139)	(1 154)
Debt securities in issue	(198)	(9)	(6)	(298)	-	(511)
All other liabilities	(1 247)	(13)	(63)	(3)	(655)	(1 981)
Total	(4 154)	(301)	(633)	(943)	(824)	(6 855)
Liquidity gap	(291)	(68)	(91)	693	(243)	-
Cumulative liquidity gap	(291)	(359)	(450)	243	-	-

Australia - liquidity view

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

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

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.

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.

UK and Europe year in review

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

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

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

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

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

Instruments Directive and other EU legislation are clear in 2006.

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

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

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

Australia year in review

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

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

USA year in review

Regulatory scrutiny and awareness of anti-money laundering regulations remain a priority by the industry. US self-regulatory organisations are focusing on internal controls and supervision, research analyst qualifications and the execution of short sale

Credit ratings

In general, we were assigned strong ratings for credit quality, capacity for timely repayment and financial strength. In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank (UK) Limited, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

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

Ratings for Investec plc

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

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

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

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

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

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 section 1 of the London Combined Code (2003) 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 plc financial statements, accounting policies and the information contained in this 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 plc is set out on pages 37 to 40.

The majority of the board members are non-executive directors. The board is responsible for reviewing and guiding corporate strategy, approving key policies and objectives, understanding the key risks we face, and determining our risk tolerance and approving and reviewing the processes in operation to mitigate these.

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

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

The board is of the view that the majority of the non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that no one person or group can dominate board processes. The board believes that it functions effectively and evaluates its performance annually.

The board considers that the skills, knowledge, experience and attributes of the directors are appropriate to their responsibilities and our activities. The directors bring a range of skills to the board.

Board committees

The board is supported by specialist committees, as follows:

- Audit Committee
  - Audit sub-committees
  - Audit and Compliance Implementation Forum
- Board Risk Review Committee
  - Executive Risk Review Forum
  - Group Credit Committees
  - Asset and Liability Committees
  - Group Market Risk Forum
  - Group Deal Forum
  - Operational Risk Forum
  - Legal Risk Forum
- 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 group during the year under review.

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 LLP. 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 UK Financial Services Authority, the South African Reserve Bank and the Australian Prudential Regulatory Authority.

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 plc had 74 633 746 ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2006

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
6 316	1 to 500	68.7	1 180 704	1.6
1 121	501 - 1 000	12.2	830 873	1.1
1 049	1 001 - 5 000	11.4	2 265 558	3.0
235	5 001 - 10 000	2.5	1 713 802	2.3
325	10 001 - 50 000	3.5	7 480 125	10.0
82	50 001 - 100 000	0.9	5 886 849	7.9
71	100 001 and over	0.8	55 275 835	74.1
9 199		**100.0**	**74 633 746**	**100.0**

Shareholder classification as at 31 March 2006

	Investec plc number of shares	% holding
Public*	68 679 825	92.1
Non-public	5 953 921	7.9
Non-executive directors of Investec plc	797 832	1.0
Executive directors of Investec plc	1 608 528	2.1
Investec staff share schemes	3 547 561	4.8
Total	**74 633 746**	**100.0**

* As per the JSE listing requirements.

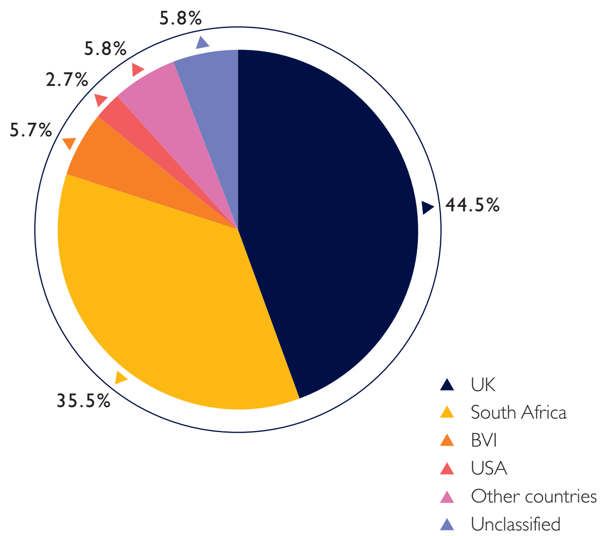
Largest beneficial shareholders as at 31 March 2006

In accordance with the terms provided for in Section 212 of the UK Companies Act 1985, Investec plc 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	5 503 114	7.4
2	Spurwing-P Investments Ltd	3 932 883	5.3
3	Old Mutual Asset Managers	3 257 810	4.4
4	Barclays Group	3 041 262	4.1
5	Legal & General Investment Management	2 709 438	3.6
6	Jupiter Asset Management	2 272 276	3.0
7	Citigroup Asset Management	2 071 078	2.8
8	JP Morgan Asset Management	1 917 879	2.5
9	Investec Group Staff Share Schemes	1 857 619	2.5
10	Investec Employee Benefits Ltd	1 689 942	2.3
	Cumulative total	28 253 301	37.9

The top 10 shareholders account for 37.9% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Geographic holding of Investec plc shares by beneficial owner as at 31 March 2006



Share statistics

Investec plc ordinary shares in issue

For the year ended 31 March[1]	2006	2005	2004	2003
Closing market price per share (pence)				
- year end	2 941	1 555	1 089	615
- highest	3 034	1 735	1 181	960
- lowest	1 522	920	612	607
Number of ordinary shares in issue (million)	74.6	74.6	74.6	74.6
Market capitalisation (£'million)[2]	2 194	1 160	812	459
Daily average volume of shares traded ('000)	297.8	148.2	99.6	69.9
Number of shareholders[3]	9 199	15 951	18 174	20 684

Notes:

1 Investec plc has been listed on the LSE since 29 July 2002.

2 The LSE only include the shares in issue for Investec plc i.e. 74.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

3 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

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

Non-executive directors (continued)

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

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

Independent auditors' report to the board of Investec plc

We have audited these special purpose financial statements of Investec plc for the year ended 31 March 2006 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Recognised Income and Expenses, Statement of Changes in Equity, and the related notes 1 to 42. These financial statements have been prepared on the basis of the accounting policies set out therein.

Under the contractual arrangements implementing the Dual Listed Companies structure, Investec plc and Investec Limited effectively form a single economic enterprise, in which the economic and voting rights of shareholder 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 are prepared separately so as to show a true and fair view in accordance with International Financial Reporting Standards.

As explained in Note 1, these consolidated financial statements have been prepared to present the financial position, results and cash flows of Investec plc and its directly owned subsidiaries. For the avoidance of doubt, they exclude Investec Limited and the subsidiaries directly owned by Investec Limited.

This report is made solely to the board of Investec plc as a body, in accordance with the terms of our engagement. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of Investec plc as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of partners and auditors

As described in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements in accordance with the accounting policies as set out in note 1.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with the accounting policies as set out in note 1.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements for the period ended 31 March 2006 have been properly prepared in accordance with the accounting policies as set out in note 1.

Restriction on use of the auditors' report

These special purpose financial statements have been prepared in accordance with the accounting policies as set out in note 1 for regulatory purposes. These special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the board of Investec plc.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor

London
16 June 2006

Directors' responsibility statement

The following statement, which should be read in conjunction with the Auditors' report set out on page 42, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that financial year.

The directors consider that in preparing the financial statements and the additional information contained in this report, the company has used appropriate accounting policies which have been consistently applied and have been supported by reasonable and prudent judgements and estimates, and that all accounting standards which the directors consider to be applicable have been followed.

The financial statements of the company have been prepared on the going concern basis. The directors are of the opinion, based on their knowledge of the company, key processes in operation and specific enquiries, that adequate resources exist to support the company on a going concern basis over the next year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Furthermore, as far as the directors are aware, there is no relevant audit information of which the companies' auditors are unaware.

All steps which ought to have been taken as directors have been completed in order to be aware of the relevant audit information and to establish that the companies' auditors are aware of that information.

Signed on behalf of the board

Stephen Koseff	**Bernard Kantor**
Chief Executive Officer	Managing Director

16 June 2006

For the year to 31 March £'000	Notes	2006	2005
Interest receivable		328 920	237 341
Interest payable		(203 734)	(170 574)
Net interest income		**125 186**	**66 767**
Fees and commissions receivable		247 508	262 596
Fees and commissions payable		(30 270)	(19 204)
Principal transactions	3	64 312	35 968
Operating income from associates		6 677	159
Other operating income		1 578	255
Other income		**289 805**	**279 774**
Total operating income		**414 991**	**346 541**
Impairment losses on loans and advances		(7 241)	(4 604)
Net operating income		**407 750**	**341 937**
Administrative expenses	4	(281 009)	(262 828)
Depreciation and impairment of property, plant and equipment		(3 289)	(4 473)
Operating profit before goodwill impairment		**123 452**	**74 636**
Impairment of goodwill		-	(10 298)
Operating profit		**123 452**	**64 338**
Profit/(loss) on termination or disposal of group operations		74 164	(6 207)
Profit before taxation		**197 616**	**58 131**
Taxation	6	(33 238)	(17 810)
Profit after taxation		**164 378**	**40 321**
Earnings attributable to minority shareholders		6 893	808
Earnings attributable to shareholders		157 485	39 513
Earnings attributable to shareholders' equity		**164 378**	**40 321**

For the year to 31 March £'000	2006	2005
Earnings attributable to shareholders	164 378	40 321
Fair value movements on available for sale assets	(2 713)	-
Foreign currency movements	1 436	(3 933)
Gain on pension fund liabilities recognised directly in equity net of tax	2 035	2 370
Total recognised income and expenses	**165 136**	**38 758**
Earnings attributable to minority shareholders	6 910	808
Earnings attributable to shareholders	158 226	37 950
	165 136	**38 758**

Consolidated balance sheet

At 31 march £'000	Notes	2006	2005
Assets			
Cash and balances at central banks		10 875	10 319
Treasury bills and other eligible bills	10		142 182
Loans and advances to banks		693 634	2 275 875
Cash equivalent advances to customers		54	
Reverse repurchase agreements and cash collateral on securities borrowed		642 465	
Trading securities	11	160 670	
Derivative financial instruments	12	254 332	
Investment securities	13	1 240 187	
Loans and advances to customers	14	3 633 428	3 225 100
Debt securities	15		1 146 052
Equity shares	16		282 507
Interests in associated undertakings	18	63 122	13 218
Deferred taxation assets	19	27 417	31 277
Other assets	20	957 612	683 680
Property and equipment	21	17 203	19 155
Goodwill	22	137 072	140 785
Intangible assets	23	1 493	1 294
		7 839 564	**7 971 444**
Liabilities			
Deposits by banks		1 274 144	856 551
Derivative financial instruments	12	48 289	
Other trading liabilities	25	123 791	
Repurchase agreements and cash collateral on securities lent		272 584	
Customer accounts		3 469 036	2 954 037
Debt securities in issue	26	758 224	647 498
Current taxation liabilities		37 932	18 199
Deferred taxation liabilities	19	1 536	21
Other liabilities	27	852 080	2 663 427
Accruals and deferred income			116 052
Pension fund liabilities	28	2 013	10 991
		6 839 629	7 266 776
Subordinated liabilities	29	225 683	219 516
		7 065 312	**7 486 292**
Equity			
Called up share capital	30	119	119
Share premium		393 267	393 823
Treasury shares	31	(21 656)	(16 783)
Other reserves		51 928	41 312
Profit and loss account		210 959	65 282
Shareholders' equity excluding minority interests		634 617	483 753
Minority interests	32	139 635	1 399
-Perpetual preferred securities issued by subsidiaries		139 402	-
-Other		233	1 399
Total equity		**774 252**	**485 152**
Total liabilities and shareholders' equity		**7 839 564**	**7 971 444**

The directors approved the financial statements on 16 June 2006

S Koseff
Chief Executive Officer

£'000	Share capital	Share premium account	Treasury shares	Capital reserve account	Available for sale reserve	Foreign currency reserves	Profit and loss account	Share-holders' equity excluding minority interests	Minority interests	Total share-holders' equity
At 31 March 2004 - restated for prior year adjustments	**119**	**393 823**	**-**	**12 006**	**-**	**-**	**87 221**	**493 169**	**13 616**	**506 785**
At 31 March 2004 - as previously reported	119	393 823	-	12 006	-	6 279	61 174	473 401	-	473 401
Reclassifications										
IAS 21 - foreign currency (IFRS 1 election)	-	-	-	-	-	(6 279)	6 279	-	-	-
Minority interests included within reconciliation of reserves	-	-	-	-	-	-	-	-	13 616	13 616
Remeasurements										
IFRS 2 - share based payments	-	-	-	-	-	-	(158)	(158)	-	(158)
IAS 10 - events after balance sheet date	-	-	-	-	-	-	20 166	20 166	-	20 166
IAS 12 - income taxes	-	-	-	-	-	-	82	82	-	82
IAS 17 - leases	-	-	-	-	-	-	(33)	(33)	-	(33)
IAS 19 - employee benefits	-	-	-	-	-	-	(140)	(140)	-	(140)
IAS 27/28/31 - consolidations, associates and joint ventures	-	-	-	-	-	-	(149)	(149)	-	(149)
Movements in reserves 1 April 2004 - 31 March 2005										
Foreign currency adjustments	-	-	-	(27)	-	(3 906)	-	(3 933)	-	(3 933)
Profit for the year	-	-	-	-	-	-	39 513	39 513	808	40 321
Decrease in pension fund deficit	-	-	-	-	-	-	2 370	2 370	-	2 370
Total recognised gains and losses for the year	-	-	-	(27)	-	(3 906)	41 883	37 950	808	38 758
Share based payments adjustments	-	-	1 570	-	-	-	2 341	3 911	-	3 911
Dividends paid to ordinary shareholders	-	-	-	-	-	-	(32 847)	(32 847)	-	(32 847)
Share issue expenses	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(18 353)	(77)	-	-	-	(18 430)	-	(18 430)
Transfer from capital reserves	-	-	-	33 316	-	-	(33 316)	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-	-	-	-	-	(13 025)	(13 025)
Restated at 31 March 2005	**119**	**393 823**	**(16 783)**	**45 218**	**-**	**(3 906)**	**65 282**	**483 753**	**1 399**	**485 152**
IAS 32/39 - financial instruments	-	-	(7 547)	1 680	8 695	-	10 395	13 223	(1 194)	12 029
Restated at 1 April 2005	**119**	**393 823**	**(24 330)**	**46 898**	**8 695**	**(3 906)**	**75 677**	**496 976**	**205**	**497 181**

£'000	Share capital	Share premium account	Treasury shares	Capital reserve account	Available for sale reserve	Foreign currency reserves	Profit and loss account	Share-holders' equity excluding minority interests	Minority interests	Total share-holders' equity
Movements in reserves 1 April 2005 - 31 March 2006										
Fair value movements on available for sale assets	-	-	-	-	(2 713)	-	-	(2 713)	-	(2 713)
Decrease in pension fund deficit	-	-	-	-	-	-	2 035	2 035	-	2 035
Foreign currency adjustments	-	-	-	-	-	1 419	-	1 419	17	1 436
Net gains and losses recognised directly in equity	-	-	-	-	(2 713)	1 419	2 035	741	17	758
Profit for the year	-	-	-	-	-	-	157 485	157 485	6 893	164 378
Total recognised gains and losses for the year	-	-	-	-	(2 713)	1 419	159 520	158 226	6 910	165 136
Share based payments adjustments	-	-	4 334	-	-	-	5 791	10 125	-	10 125
Dividends paid to ordinary shareholders	-	-	-	-	-	-	(28 544)	(28 544)	-	(28 544)
Issue of equity by subsidiaries	-	-	-	-	-	-	-	-	132 520	132 520
Share issue expenses	-	(556)	-	-	-	-	-	(556)	-	(556)
Purchase of treasury shares	-	-	(1 660)	50	-	-	-	(1 610)	-	(1 610)
Transfer from capital reserves	-	-	-	1 485	-	-	(1 485)	-	-	-
At 31 March 2006	**119**	**393 267**	**(21 656)**	**48 433**	**5 982**	**(2 487)**	**210 959**	**634 617**	**139 635**	**774 252**

1. Accounting policies

Basis of presentation

Under the contractual arrangements implementing the Dual Listed Companies (DLC) structure, Investec plc and Investec Limited, the latter a company incorporated in South Africa, 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 (IFRS) 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.

These financial statements have been prepared to present the financial position and results of Investec plc and its directly owned subsidiaries as if the contractual arrangements which create the DLC structure did not exist and with this exception and the exclusion of a cash flow statement and certain other disclosures are prepared in accordance with IFRS. 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 plc and Investec Limited (combined financial statements).

Where comparative information is prepared on previous accounting policies applied by Investec, note 42 details the differences in those policies from the policies applied from 1 April 2005.

First time adoption of IFRS

In accordance with the transitional provisions contained in IFRS 1, the group has retrospectively adopted IFRS for the financial year ended 31 March 2006, except for certain elections made in accordance with IFRS 1 - First-time adoption of International Financial Reporting Standards ("IFRS 1") as noted below.

Elections made under IFRS 1

The group has applied the following transition provisions as contained in IFRS in arriving at the opening balances:

Business combinations

The group has elected not to apply IFRS 3, "Business Combinations" retrospectively to business combinations prior to the date of transition (1 April 2004). The net carrying value of goodwill at 31 March 2004 has therefore been brought forward, except for identified intangible assets which have been separately identified and tested for impairment.

Property, plant and equipment

The group has brought forward the carrying values of property, plant and equipment at date of transition as previously determined as the carrying values are materially aligned with the carrying values as determined by IAS 16.

Employee benefits

The group has elected to recognise all cumulative actuarial gains and losses at the date of transition to IFRS as an adjustment to opening retained earnings.

Cumulative foreign currency translation reserve

The group has elected to deem the cumulative foreign currency translation differences for foreign operations to be nil at the date of transition.

Share based payment transactions

The group has applied the provisions of IFRS 2, "Share based payments" 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" in these financial statements. Furthermore the requirements of IAS 39, "Financial Instruments: Recognition and Measurement" have not been applied to the 2005 comparative period. The impact of adoption of this standard 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.

1. Accounting policies (continued)

Early adoption of amendments to accounting standards

The group has adopted the 'Amendment to IAS 39: Fair value option', Amendment to IAS 19: Actuarial Gains and Losses, Group Plans and Disclosures with effect from 1 March 2005, ahead of their effective dates.

Basis of consolidation

As noted above under basis of preparation, these financial statements consolidate the results and financial position of Investec plc and its directly owned subsidiaries but do not consolidate Investec Limited and its subsidiaries.

All subsidiaries in which the group holds more than one half of the voting rights 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 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. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases, except as noted below.

In circumstances where associates or joint venture holdings arise in which the group has no strategic intention, these investments are classified as "venture capital" holdings and are designated as held at fair value through profit and loss.

All intergroup balances and unrealised gains and losses within the group are eliminated to the extent that they do not reflect an impairment in the asset.

Segmental reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments.

The group's primary segmental reporting is presented in the form of a business analysis (primary segment).

The business analysis is presented in terms of the group's five principal business divisions and Group Services and Other Activities.

A geographical analysis is presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments.

Goodwill

Goodwill represents the net excess of the purchase consideration over the fair value of net identifiable assets of entities acquired. Goodwill is capitalised and tested for impairment at balance sheet dates or when there is an indication of impairment. Goodwill is allocated to cash generating units for the purposes of testing impairment based on the synergies expected in the business combination, with any impairments arising being recognised immediately in the income statement. Impairments recognised are not reversed in subsequent periods.

In circumstances where the group acquires an interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost, the group reassess the identification and measurement of all assets and liabilities (including contingent liabilities) following which any remaining excess is recognised immediately in profit and loss.

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the 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 currency of the group is sterling, being the functional currency of Investec plc.

Foreign operations are subsidiaries, associates, joint ventures or branches of the group, the activities of which are based in a functional currency other than that of reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expense items are translated at exchange rates ruling at the date of the transaction;
- all resulting exchange differences are recognised in equity (foreign currency translation reserve), which is recognised in profit and loss on disposal of the foreign operation.
- cash flow items are translated at the exchange rates ruling at the date of the transaction.

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

- foreign currency monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in profit and loss;
- exchange differences arising on monetary items that form part of the net investment in a foreign operation are translated using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation, and is recognised in the income statement upon disposal of the net investment;
- non-monetary items that are measured at historical 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 held at fair value and fair value gains and losses on investment properties.

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Trading profits gross of funding costs is disclosed in note 3.

Financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial 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 held at fair value through profit and loss.

Financial instruments classified as held for trading or designated as held at fair value through profit and loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with intention of generating short-term profits, or are derivatives which are not designated as part of effective

1. Accounting policies (continued)

hedges. Financial instruments designated as held at fair value through profit and loss are designated as such on initial recognition of the instrument (or on initial adoption of IFRS) and remain in this classification until derecognition.

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

Non-trading liabilities are recorded at amortised cost applying the effective interest method.

Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

Valuation of financial instruments

The following financial instruments are held at fair value:
- Fixed maturity securities classified as trading, held at fair value through profit or loss and available for sale,
- Equity securities,
- Private equity investments,
- Derivative positions,
- Loans and advances designated as held at fair value through profit and loss/available for sale, and
- Financial liabilities classified as trading or designated as held at fair value through profit and loss.

Where available, market prices provide the best basis of fair value. Where market prices are not available, the fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment. In certain instances model pricing may be used to determine fair values. For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or 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 allowance for 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 the 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.

1. Accounting policies (continued)

Offsetting of assets and liabilities

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

Issued debt and equity financial instruments

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

Equity instruments issued by subsidiaries of Investec plc 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 equity financial instruments are recognised as a deduction from equity in the period in which they are declared and paid.

Sale and repurchase agreements (including stock 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".

Stock lending and borrowing transactions that are not cash collateralised are not included in the balance sheet. Stock 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 installment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable under operating leases are charged/credited in the profit and loss account on a straight line basis over the lease term. Contingent rentals (if any) are accrued to profit and loss account when incurred.

Property, plant and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairments.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life of the asset.

The current annual depreciation rates for each class of property and equipment is as follows:

• Computer and related equipment	20-33%
• Motor vehicles	20-25%
• Furniture and fittings	10-20%
• Freehold buildings	2%
• Leasehold improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.

No depreciation is provided on freehold land, however, similar to other property related assets, it is subject to impairment testing when deemed necessary.

Routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment property

Properties held by the group which are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under "principal transactions" 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 higher 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 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 tax 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.

Employee benefits

The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme all employer contributions are charged to income, as incurred in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus or deficit in the balance sheet (to the extent that it is considered recoverable). Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in equity.

The group has no liabilities for other post retirement benefits.

Intangible assets

Intangible assets are recorded at cost less accumulated depreciation and impairments.

For intangible assets with a finite life, depreciation is provided on the depreciable amount of each intangible assets on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Intangible assets with an indefinite life are not depreciated, however they are tested for impairment on an annual basis.

Assets held for sale

Assets are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale and affected by the measurement requirement of IFRS5 (non-current assets held for sale and discontinued operations) are measured at the lower of its carrying amount and fair value less costs to sell.

Borrowing costs

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

1. Accounting policies (continued)

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 have been issued which are applicable to the group but have not yet been adopted. The group intends to comply with these standards from the effective dates.

IFRS 7 - Financial Instruments: Disclosures (effective for the financial year beginning 1 April 2007)

The standard is related to disclosure requirements for financial instruments and replaces IAS 30 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.

Other standards or interpretations have been issued, none of which are expected to result in a change to current group accounting practices.

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.

For the year to 31 March £'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Manage-ment	Property Activities	Group Services & Other Activities	Total group
2. Segmental analysis							
Business analysis 2006							
Interest receivable	286 272	231 702	1 595	2 084	217	(192 950)	328 920
Interest payable	(199 821)	(201 181)	(1 531)	-	(895)	199 694	(203 734)
Net interest income	**86 451**	**30 521**	**64**	**2 084**	**(678)**	**6 744**	**125 186**
Fees and commissions receivable	58 181	33 272	62 993	87 415	107	5 540	247 508
Fees and commissions payable	(3 230)	(464)	(2 037)	(24 249)	-	(290)	(30 270)
Principal transactions	10 085	23 264	24 584	-	3 048	3 331	64 312
Operating income from associates	6 240	(75)	307	-	-	205	6 677
Other operating income	-	-	-	-	-	1 578	1 578
Other income	**71 276**	**55 997**	**85 847**	**63 166**	**3 155**	**10 364**	**289 805**
Total operating income	**157 727**	**86 518**	**85 911**	**65 250**	**2 477**	**17 108**	**414 991**
Impairment losses on loans and advances	1 704	(6 467)	(21)	-	-	(2 457)	(7 241)
Net operating income	**159 431**	**80 051**	**85 890**	**65 250**	**2 477**	**14 651**	**407 750**
Administrative expenses	(80 993)	(56 552)	(50 753)	(54 527)	(454)	(37 730)	(281 009)
Depreciation and impairment of property, plant and equipment	(1 516)	(139)	(94)	(114)	-	(1 426)	(3 289)
Operating profit before goodwill impairment	**76 922**	**23 360**	**35 043**	**10 609**	**2 023**	**(24 505)**	**123 452**
Impairment of goodwill	-	-	-	-	-	-	-
Operating profit	**76 922**	**23 360**	**35 043**	**10 609**	**2 023**	**(24 505)**	**123 452**
Profit/(loss) on termination of group operations	-	-	(1 071)	-	-	75 235	74 164
Profit before taxation	**76 922**	**23 360**	**33 972**	**10 609**	**2 023**	**50 730**	**197 616**
Net intersegment revenue	2 409	(20 610)	(837)	-	(525)	19 563	-
Cost to income ratio	52.3%	65.5%	59.2%	83.7%	18.3%	228.9%	68.5%
Number of employees	481	228	166	207	3	254	1 339
Total assets (£'million)	2 888	4 233	269	110	7	333	7 840

2. Segmental analysis (continued)

Business analysis 2005

For the year to 31 March £'000	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Manage-ment	Property Activities	Group Services & Other Activities	Total group
Interest receivable	220 144	138 922	6 110	1 264	478	(129 577)	237 341
Interest payable	(167 501)	(125 792)	(5 012)	(248)	(1 266)	129 245	(170 574)
Net interest income	**52 643**	**13 130**	**1 098**	**1 016**	**(788)**	**(332)**	**66 767**
Fees and commissions receivable	108 461	33 568	48 693	60 804	6 229	4 841	262 596
Fees and commissions payable	(2 481)	(1 186)	(3 122)	(12 191)	-	(224)	(19 204)
Principal transactions	684	15 584	15 584	-	1 713	2 403	35 968
Operating income from associates	451	(304)	(158)	-	-	170	159
Other operating income	35	-	-	-	-	220	255
Other income	**107 150**	**47 662**	**60 997**	**48 613**	**7 942**	**7 410**	**279 774**
Total operating income	**159 793**	**60 792**	**62 095**	**49 629**	**7 154**	**7 078**	**346 541**
Impairment losses on loans and advances	(2 713)	(128)	-	-	3	(1 766)	(4 604)
Net operating income	**157 080**	**60 664**	**62 095**	**49 629**	**7 157**	**5 312**	**341 937**
Administrative expenses	(103 217)	(44 195)	(40 566)	(44 360)	(2 086)	(28 404)	(262 828)
Depreciation and impairment of property, plant and equipment	(2 160)	(562)	(234)	(225)	-	(1 292)	(4 473)
Operating profit before goodwill impairment	**51 703**	**15 907**	**21 295**	**5 044**	**5 071**	**(24 384)**	**74 636**
Impairment of goodwill	(2 569)	5 024	(2 170)	(6 668)	-	(3 915)	(10 298)
Operating profit	**49 134**	**20 931**	**19 125**	**(1 624)**	**5 071**	**(28 299)**	**64 338**
Profit/(loss) on termination of group operations	(1 000)	-	-	-	-	(5 207)	(6 207)
Profit before taxation	**48 134**	**20 931**	**19 125**	**(1 624)**	**5 071**	**(33 506)**	**58 131**
Net intersegment revenue	(712)	(19 419)	(631)	22	(797)	21 537	-
Cost to income ratio	65.9%	73.6%	65.7%	89.8%	29.2%	419.6%	77.1%
Number of employees	722	168	141	190	5	289	1 515
Total assets (£'million)	2 650	4 700	275	148	25	173	7 971

For the year to 31 March £'000	UK, Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2006				
Interest receivable	277 849	50 514	557	328 920
Interest payable	(176 764)	(26 970)	-	(203 734)
Net interest income	**101 085**	**23 544**	**557**	**125 186**
Fees and commissions receivable	226 577	16 322	4 609	247 508
Fees and commissions payable	(29 311)	(680)	(279)	(30 270)
Principal transactions	57 572	3 664	3 076	64 312
Operating income from associates	6 885	(207)	(1)	6 677
Other operating income	1 578	-	-	1 578
Other income	**263 301**	**19 099**	**7 405**	**289 805**
Total operating income	**364 386**	**42 643**	**7 962**	**414 991**
Impairment losses on loans and advances	(6 291)	(950)	-	(7 241)
Net operating income	**358 095**	**41 693**	**7 962**	**407 750**
Administrative expenses	(247 657)	(25 376)	(7 976)	(281 009)
Depreciation and impairment of property, plant and equipment	(2 607)	(574)	(108)	(3 289)
Operating profit before goodwill impairment	**107 831**	**15 743**	**(122)**	**123 452**
Impairment of goodwill	-	-	-	-
Operating profit	**107 831**	**15 743**	**(122)**	**123 452**
Profit/(loss) on termination of group operations	74 291	-	(127)	74 164
Profit before taxation	**182 122**	**15 743**	**(249)**	**197 616**
Taxation	(28 387)	(4 851)	-	(33 238)
Profit after taxation	**153 735**	**10 892**	**(249)**	**164 378**
Earnings attributable to minority shareholders	6 893	-	-	6 893
Earnings attributable to shareholders	146 842	10 892	(249)	157 485
Earnings attributable to shareholders' equity	**153 735**	**10 892**	**(249)**	**164 378**
Cost to income ratio	68.7%	60.9%	-	68.5%
Number of employees	1 166	168	5	1 339

At 31 March £'million	UK, Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2006				
Assets				
Cash and balances at central banks	9	2	-	11
Loans and advances to banks	613	81	-	694
Cash equivalent advances to customers	-	-	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	643	-	-	643
Trading securities	160	1	-	161
Derivative financial instruments	252	2	-	254
Loans and advances to customers	1 104	136	-	1 240
Investment securities	3 230	403	-	3 633
Interests in associated undertakings	62	1	-	63
Deferred taxation assets	24	3	-	27
Other assets	955	3	-	958
Property and equipment	15	2	-	17
Goodwill	125	12	-	137
Intangible assets	2	-	-	2
	7 194	**646**	**-**	**7 840**
Liabilities				
Deposits by banks	1 274	-	-	1 274
Derivative financial instruments	47	1	-	48
Other trading liabilities	124	-	-	124
Repurchase agreements and cash collateral on securities lent	273	-	-	273
Customer accounts	3 216	253	-	3 469
Debt securities in issue	511	247	-	758
Current taxation liabilities	37	1	-	38
Deferred taxation liabilities	-	1	-	1
Other liabilities	841	11	-	852
Pension fund liabilities	2	-	-	2
	6 325	**514**	**-**	**6 839**
Subordinated liabilities	226	-	-	226
	6 551	**514**	**-**	**7 065**

For the year to 31 March £'000	UK, Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2005				
Interest receivable	179 295	36 114	21 932	237 341
Interest payable	(133 570)	(22 338)	(14 666)	(170 574)
Net interest income	**45 725**	**13 776**	**7 266**	**66 767**
Fees and commissions receivable	235 112	16 078	11 406	262 596
Fees and commissions payable	(16 777)	(1 499)	(928)	(19 204)
Principal transactions	31 715	1 122	3 131	35 968
Operating income from associates	71	(81)	169	159
Other operating income	-	-	255	255
Other income	**250 121**	**15 620**	**14 033**	**279 774**
Total operating income	**295 846**	**29 396**	**21 299**	**346 541**
Impairment losses on loans and advances	(4 087)	(82)	(435)	(4 604)
Net operating income	**291 759**	**29 314**	**20 864**	**341 937**
Administrative expenses	(227 963)	(17 876)	(16 989)	(262 828)
Depreciation and impairment of property, plant and equipment	(3 308)	(449)	(716)	(4 473)
Operating profit before goodwill impairment	**60 488**	**10 989**	**3 159**	**74 636**
Impairment of goodwill	(10 298)	-	-	(10 298)
Operating profit	**50 190**	**10 989**	**3 159**	**64 338**
Profit/(loss) on termination of group operations	(1 000)	-	(5 207)	(6 207)
Profit before taxation	**49 190**	**10 989**	**(2 048)**	**58 131**
Taxation	(13 229)	(3 118)	(1 463)	(17 810)
Profit after taxation	**35 961**	**7 871**	**(3 511)**	**40 321**
Earnings attributable to minority shareholders	252	-	556	808
Earnings attributable to shareholders	35 709	7 871	(4 067)	39 513
Earnings attributable to shareholders' equity	**35 961**	**7 871**	**(3 511)**	**40 321**
Cost to income ratio	78.2%	62.3%	83.1%	77.1%
Number of employees	1 308	140	67	1 515

At 31 March £'million	UK, Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2005				
Assets				
Cash and balances at central banks	9	1	-	10
Treasury bills and other eligible bills	7	135	-	142
Loans and advances to banks	2 254	22	-	2 276
Loans and advances to customers	2 905	320	-	3 225
Debt securities	1 089	47	10	1 146
Equity shares	273	3	7	283
Interests in associated undertakings	12	-	1	13
Deferred taxation assets	29	2	-	31
Other assets	677	5	2	684
Property and equipment	17	2	-	19
Goodwill	129	12	-	141
Intangible assets	1	-	-	1
	7 402	**549**	**20**	**7 971**
Liabilities				
Deposits by banks	857	-	-	857
Customer accounts	2 741	213	-	2 954
Debt securities in issue	442	205	-	647
Current taxation liabilities	18	-	-	18
Deferred taxation liabilities	-	-	-	-
Other liabilities	2 660	3	-	2 663
Accruals and deferred income	103	9	4	116
Pension fund liabilities	11	-	-	11
	6 832	430	4	7 266
Subordinated liabilities	220	-	-	220
	7 052	**430**	**4**	**7 486**

A geographical breakdown of business operating profit before goodwill impairment, non-operating items and taxation is shown below:

For the year to 31 March £'000	UK, Europe	Australia	Other geographies	Total group
2006				
Private Client Activities	68 913	8 009	-	76 922
Treasury and Specialised Finance	22 511	849	-	23 360
Investment Banking	29 631	5 412	-	35 043
Asset Management	10 609	-	-	10 609
Property Activities	2 023	-	-	2 023
Group Services and Other Activities	(25 856)	1 473	(122)	(24 505)
Total group	**107 831**	**15 743**	**(122)**	**123 452**
2005				
Private Client Activities	45 310	4 342	2 051	51 703
Treasury and Specialised Finance	14 924	1 193	(210)	15 907
Investment Banking	15 615	3 515	2 165	21 295
Asset Management	4 859	-	185	5 044
Property Activities	5 071	-	-	5 071
Group Services and Other Activities	(25 291)	1 939	(1 032)	(24 384)
Total group	**60 488**	**10 989**	**3 159**	**74 636**

For the year to 31 March £'000	2006	2005
2. Segmental analysis (continued)		
A further breakdown of business operating profit before goodwill impairment, non-operating items and taxation is shown below:		
Private Client Activities		
Private Banking	69 539	42 683
Private Client Portfolio Management and Stockbroking	7 383	9 020
	76 922	**51 703**
Treasury and Specialised Finance	**23 360**	**15 907**
Investment Banking		
Corporate Finance	8 255	7 921
Institutional Research and Sales and Trading	10 066	2 165
Direct Investments	7 115	(1 015)
Private Equity	9 607	12 224
	35 043	**21 295**
Asset Management	**10 609**	**5 044**
Property Activities	**2 023**	**5 071**
Group Services and Other Activities		
International Trade Finance	2 192	1 635
US continuing operations	(4)	(1 025)
	2 188	610
Central Funding	(245)	(8 743)
Central Costs	(26 448)	(16 251)
	(24 505)	**(24 384)**
Total group	**123 452**	**74 636**

3. Principal transactions

Principal transaction income includes:		
Gross trading income	41 473	16 083
Funding cost against trading income	(5 633)	5 365
Net trading income	35 840	21 448
Net income from financial instruments designated as held at fair value	28 898	
Realised income on available for sale instruments	(803)	
Dividend income	377	437
Gains on disposal/reclassification of investment securities		14 083
	64 312	**35 968**

Net income from financial instruments designated as held at fair value includes:		
Fair value of designated equity positions	13 402	
Fair value of designated loans and receivables	251	
Fair value of designated securities	15 245	
	28 898	

For the year to 31 March £'000	2006	2005
4. Administrative expenses		
Staff costs	188 870	170 960
Salaries and wages (including directors' remuneration)	165 965	147 844
Social security costs	16 480	15 599
Pensions and provident fund contributions	6 425	7 517
Premises (excluding depreciation)	5 175	4 582
Operating rental expenses	11 174	12 081
Equipment (excluding depreciation and operating rental expenses)	2 111	1 514
Business expenses	62 641	65 236
Marketing expenses	11 038	8 455
	281 009	**262 828**
The following amounts were paid to the auditors:		
Audit fees	1 795	
Audit related fees	68	
Other services	326	
	2 189	
Audit fees by audit firm:		
Ernst & Young	1 753	
KPMG	424	
Other	12	
	2 189	

5. Share based payments

The group operates share option and share purchase schemes for employees, the majority of which is on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the group's 2006 Annual Report.

	2006	2005
Expense charged to profit and loss:		
Equity settled	1 454	2 609
Cash settled	575	761
Total profit and loss charge	**2 029**	**3 370**
Liabilities on cash settled options:		
Total liability included in other liabilities	495	481
Total intrinsic value for vested appreciation rights	2 064	966
Weighted average fair value of options granted in the year	**12 500**	**32 977**

5. Share based payments (continued)

At 31 March	2006 Number of share options	2006 Weighted average exercise price	2005 Number of share options	2005 Weighted average exercise price
Outstanding at the beginning of the year	6 261 564	£8.12	7 720 933	£12.11
Granted during the year	1 034 027	£4.13	2 114 322	£1.75
Exercised during the year*	(1 316 342)	£12.01	(966 033)	£10.79
Expired during the year	(404 248)	£11.58	(2 607 658)	£13.92
Outstanding at the end of the year	**5 575 001**	**£6.36**	**6 261 564**	**£8.12**
Exercisable at the end of the year	**272 361**	**£18.36**		

* Weighted average share price during the year

The fair values of options granted where calculated on 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	£17.06 - £24.96	£10.26 - £15.90
-Exercise price	£7.76 - £21.52	£7.76 - £15.73
-Expected volatility	28% -30%	30%
-Option life	5 years	5 - 9 years
-Expected dividend yields	3.15% - 4.27%	4.21% - 4.27%
-Risk-free rate	4.23% - 4.69%	5.60%

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 with an adjustment to actual attrition on final vesting.

For the year to 31 March £'000	2006	2005
6. Taxation		
Corporation tax		
UK		
-current tax on income for the year	20 124	3 060
-adjustments in respect of prior years	6 286	(11)
-corporation tax before double tax relief	26 410	3 049
-double tax relief	(3 710)	(2 621)
	22 700	428
Overseas current tax charge		
Current tax on income for the year		
Europe	4 096	1 115
Australia	5 804	3 599
Israel	-	1 463
USA	19	(3)
Other	1 408	2 207
Total corporation tax	**34 027**	**8 809**
Deferred tax		
UK	(123)	9 505
Europe	287	-
Australia	(953)	(504)
Israel	-	-
USA		
Total deferred tax	**(789)**	**9 001**
Total tax charge for the year	**33 238**	**17 810**
Deferred tax comprises:		
Origination and reversal of temporary differences	(570)	14 107
Adjustment in respect of prior years	(219)	(5 106)
	(789)	**9 001**
Items which affect the tax rate going forward are:		
Estimated tax losses arising from trading activities available for relief against future taxable income		
UK	Nil	
Europe	Nil	
The rates of corporation tax for the relevant years are:	**%**	**%**
UK	30	30
Europe (average)	20	20
Australia	30	30
Israel	-	36
USA	35	35
Profit on ordinary activities before taxation	**197 616**	**58 131**
Tax on profit on ordinary activities	**33 238**	**17 810**
Effective tax rate	**17%**	**31%**

For the year to 31 March £'000	2006	2005
6. Taxation (continued)		
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation at UK rate of 30%	59 285	17 439
Tax calculated at a rate of 30%		
Non taxable (gain)/loss on sale of subsidiaries	(23 551)	1 862
Tax adjustments relating to foreign earnings	856	3 607
Taxation relating to prior years	6 067	(5 166)
Goodwill and non-operating items	321	2 794
Share options accounting expense	2 240	831
Share options exercised during the year	(1 950)	-
Unexpired share options future tax deduction	(4 918)	(1 140)
Non-taxable income	(2 285)	-
Double tax relief	(3 710)	(2 621)
Other permanent differences	883	203
Current tax charge	**33 238**	**17 810**

For the year to 31 March	2006		2005	
	Pence per share	Total (£'000)	Pence per share	Total (£'000)
7. Dividends				
Final dividend in previous year	37	14 014	30	20 174
Interim dividend for current year	38	14 530	30	12 673
Total dividend attributable to ordinary shareholder recognised in current financial year	**75**	**28 544**	**60**	**32 847**

A proportion of the dividend payable to shareholders of Investec plc on the South African register has been paid by Investec Limited.

The directors have declared a final dividend in respect of the financial year ended 31 March 2006 of 53 pence per ordinary share, a distribution of £34.78 million. 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 £'000	2006	2005
8. Miscellaneous income statement items		
Total foreign currency gains and (losses) recognised in income except financial instruments measured at fair value through income	(690)	(1 736)
Operating lease expenses recognised in administrative expenses split as follows:		
Minimum lease payments	16 020	15 179
Contingent rents	9	7
	16 029	**15 186**
Operating lease income recognised in income split as follows:		
Sublease payments	5 809	6 249
	5 809	**6 249**

At 31 March 2006 £'000	At fair value through profit and loss: Trading	At fair value through profit and loss: Designated at inception	Held-to-maturity	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Non financial instruments	Total
9. Analysis of assets and liabilities by classification basis								
Assets								
Cash and balances at central banks	-	-	-	10 875	-	-	-	10 875
Loans and advances to banks	8 371	-	-	604 001	81 262	-	-	693 634
Cash equivalent advances to customers	54	-	-	-	-	-	-	54
Reverse repurchase agreements and cash collateral on securities borrowed	642 465	-	-	-	-	-	-	642 465
Trading securities	94 270	66 400	-	-	-	-	-	160 670
Derivative financial instruments	254 332	-	-	-	-	-	-	254 332
Investment securities	-	-	123 615	-	1 116 572	-	-	1 240 187
Loans and advances to customers	-	190 861	-	3 041 938	400 629	-	-	3 633 428
Interests in associated undertakings	-	-	-	-	-	-	63 122	63 122
Deferred taxation assets	-	-	-	-	-	-	27 417	27 417
Other assets	571 777	-	-	346 175	-	-	39 660	957 612
Property, plant and equipment	-	-	-	-	-	-	17 203	17 203
Goodwill	-	-	-	-	-	-	137 072	137 072
Intangible assets	-	-	-	-	-	-	1 493	1 493
	1 571 269	**257 261**	**123 615**	**4 002 989**	**1 598 463**	**-**	**285 967**	**7 839 564**
Liabilities								
Deposits by banks	-	-	-	-	-	1 274 144	-	1 274 144
Derivative financial instruments	48 289	-	-	-	-	-	-	48 289
Other trading liabilities	123 791	-	-	-	-	-	-	123 791
Repurchase agreements and cash collateral on securities lent	272 584	-	-	-	-	-	-	272 584
Customer accounts	88 737	4 929	-	-	-	3 375 370	-	3 469 036
Debt securities in issue	-	-	-	-	-	758 224	-	758 224
Current taxation liabilities	-	-	-	-	-	-	37 932	37 932
Deferred taxation liabilities	-	-	-	-	-	-	1 536	1 536
Other liabilities	519 723	-	-	-	-	273 622	58 735	852 080
Pension fund liabilities	-	-	-	-	-	-	2 013	2 013
	1 053 124	**4 929**	**-**	**-**	**-**	**5 681 360**	**100 216**	**6 839 629**
Subordinated liabilities	-	-	-	-	-	225 683	-	225 683
	1 053 124	**4 929**	**-**	**-**	**-**	**5 907 043**	**100 216**	**7 065 312**

At 31 March £'000	2005
10. Treasury bills and other eligible bills	
Investment securities held at cost	
Other eligible bills - banks	135 369
Other eligible bills - other	6 813
	142 182
Investment securities:	
Opening balance	144 781
Purchases	1 013 937
Maturities	(1 014 935)
Exchange adjustments	(1 601)
Closing balance	**142 182**

Treasury bills and other eligible bills are unlisted, mainly short term in maturity and have a book value not materially different from market value.

At 31 March £'000	2006 Fair value	 Unrealised gains/losses
11. Trading securities		
Listed equities	95 607	10 561
Unlisted equities	1 700	-
Bonds	63 363	414
	160 670	**10 975**

12. Derivative financial instruments

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

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. Detailed below is the derivative exposure for the trading portfolios.

At 31 March	2006			2005		
£'000	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange	1 171 619	6 678	(5 767)	2 555 236	6 709	(6 252)
Currency swaps	1 515 827	3 267	(3 269)	-	-	-
OTC options bought and sold	40 238	103	(24)	20 640	197	-
Other foreign exchange contracts	550 037	425	(388)	-	-	-
OTC derivatives	3 277 721	10 473	(9 448)	2 575 875	6 906	(6 252)
Exchange traded futures	142 200	2	-	1 199	-	(1)
	3 419 921	**10 475**	**(9 448)**	**2 577 074**	**6 906**	**(6 253)**
Interest rate derivatives						
Caps and floors	140 620	107	(122)	91 304	-	-
Swaps	3 036 078	18 590	(16 661)	1 502 867	7 961	(7 188)
Other interest rate contracts	830	3	(3)	-	-	-
OTC derivatives	3 177 528	18 700	(16 786)	1 594 172	7 961	(7 188)
Exchange traded futures	43 540	48	(115)	524 377	1	-
	3 221 068	**18 748**	**(16 901)**	**2 118 549**	**7 962**	**(7 188)**
Equity and stock index derivatives						
OTC options bought and sold	31 600	13 077	(28)	861 866	13 357	(2 204)
Equity swaps and forwards	4 053	183	(2 537)	331 435	3 593	(17 701)
OTC derivatives	35 653	13 260	(2 565)	1 193 301	16 950	(19 905)
Exchange traded futures	15 930	20	12	-	-	-
Exchange traded options	50 726	672	(331)	608 763	4 634	(80)
Warrants	45 987	32 946	-	43 932	28 492	-
	148 296	**46 898**	**(2 884)**	**1 845 996**	**50 076**	**(19 985)**
Commodity derivatives						
OTC options bought and sold	209 155	64 684	(3 777)	359 002	21 722	(2 065)
Commodity swaps and forwards	602 307	109 425	(30 300)	534 883	23 362	(4 266)
OTC derivatives	811 462	174 109	(34 077)	893 885	45 084	(6 331)
Exchange traded futures	695 327	169 734	(167 946)	1 392 504	3 157	(4 130)
Exchange traded options	1 321 183	41 095	(39 260)	1 177 101	1 244	(1 550)
	2 827 972	**384 938**	**(241 283)**	**3 463 490**	**49 485**	**(12 011)**

At 31 March £'000	2006 Notional principal amounts	Positive fair value	Negative fair value	2005 Notional principal amounts	Positive fair value	Negative fair value
12. Derivative financial instruments (continued)						
Credit derivatives						
Credit linked notes bought and sold	6 043	-	(121)	-	-	-
Credit swaps bought and sold	5 756	-	(3)	43 350	51	(344)
	11 799	**-**	**(124)**	**43 350**	**51**	**(344)**
Embedded derivatives	**128 832**	**15 624**	**-**	**-**	**-**	**-**
Gross fair values	9 757 888	476 683	(270 640)	10 048 459	114 482	(45 781)
Effect of on balance sheet netting	-	(222 351)	222 351	-	(11 482)	11 482
Trading derivatives per balance sheet	**9 757 888**	**254 332**	**(48 289)**	**10 048 459**	**103 000**	**(34 299)**

The replacement values of these contracts are their positive fair values.
The notional principal amounts represent the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

13. Investment securities

At 31 March £'000	2006 Available for sale instruments	Held to maturity instruments
Listed equities	16 081	-
Unlisted equities	16 051	-
Commercial paper	782 573	123 615
Bonds	163 840	-
Floating rate notes	32 385	-
Other investments	105 641	-
	1 116 572	**123 615**

At 31 March £'000	2006	2005
14. Loans and advances to customers		
Category analysis		
Commercial property loans	1 524 372	1 186 306
Residential mortgages	540 754	116 181
Leases and instalment debtors	58 400	105 822
Corporate and public sector loans and advances	953 010	411 146
Other private bank lending	366 158	556 964
Other loans and advances	200 782	78 738
	3 643 476	2 455 157
Customer loans- trading book	-	800 836
Specific impairment	(8 679)	(4 994)
Portfolio impairment/general provision	(1 369)	(25 899)
	3 633 428	**3 225 100**
Specific and portfolio impairments		
2006		
Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.		
Specific impairment		
Balance at beginning of year	5 219	
Charge to the income statement	6 811	
Bad debts written off	(3 318)	
Exchange adjustment	(33)	
Balance at end of year	**8 679**	
Portfolio Impairment		
Balance at beginning of year	929	
Charge to the income statement	430	
Exchange adjustment	10	
Balance at end of year	**1 369**	

To meet minimum regulatory provision requirements an additional regulatory reserve is maintained

2005

Reconciliation of movements in group specific and general provisions for bad and doubtful debts.

Specific provisions		
At beginning of year		10 757
Charged against income		1 267
-increase in provisions		1 267
-recoveries		-
Utilised		(824)
Acquired or disposed with subsidiary undertakings		(6 189)
Exchange adjustments		(17)
At end of year		**4 994**

At 31 March £'000	2006	2005
14. Loans and advances to customers (continued)		
General provisions		
At beginning of year		22 884
Charged against income		4 070
Acquired or Disposed with subsidiaries		(1 047)
Exchange adjustment		(8)
At end of year		**25 899**
Analysis of past due accounts but not impaired per ageing category		
30-90 days	17 071	
90-180 days	15 688	
180 days-1 year	4 110	
Longer than 1 year	769	
	37 638	

At 31 March £'000	2005
15. Debt securities	
Dealing and market making securities at market value	
Government securities	10 104
Unlisted bank and building society certificates of deposit	-
Other debt securities	23 639
	33 743
Investment securities at cost	
Government securities	1 930
Unlisted bank and building society certificates of deposit	705 460
Other unlisted debt securities	404 919
	1 112 309
Total debt securities	**1 146 052**
Amounts include:	
Unamortised net premiums on investment securities	68
The fair value of unlisted investment securities	1 116 587

No active or liquid market exists for the majority of the other unlisted debt securities held as investment securities by the group. In the view of the directors the fair value of these securities is not materially different to their cost.

Remaining maturity	
Up to one year	646 820
Greater than one year	499 232
	1 146 052

The cost of dealing and market making securities has not been disclosed as it cannot be determined without unreasonable expense.

Investment securities:	
Opening balance	676 934
By acquisition or disposal of subsidiary undertaking	(73 233)
Additions	1 414 138
Sold/matured	(905 053)
Amortisation of discounts and premiums	-
Exchange adjustment	(477)
Closing balance	**1 112 309**

At 31 March £'000	2005

16. Equity shares

Trading securities at market value	
Listed	263 886
Unlisted	5 362
	269 248
Investment securities at book value	
Listed	2 962
Unlisted	10 297
	13 259
	282 507
Investment securities at market value	
Listed	3 138

The market value of unlisted investment securities in 2005 is not disclosed as its determination is not practicable. Unlisted investment securities are valued by the directors for impairment at each reporting date. This valuation is based on predicted cash flows.

The cost of dealing securities has not been disclosed as its cost cannot be determined without unreasonable expense.

Investment securities at book value	
At beginning of year	26 881
Additions	6 982
Acquisitions	-
Provisions	12 144
Disposals	(32 522)
Reclassifications	-
Exchange movements	(226)
At end of year	**13 259**
Provisions on investment securities	
Opening balance	(31 647)
Movement	12 144
Closing balance	**(19 503)**

At 31 March 2006 £'000	Carrying value	Fair value adjustment Life to date	 Year to date
17. Financial assets and liabilities designated at fair value			
Trading securities	66 400	13 945	16 344
Loans and advances to customers	190 861	56	104
	257 261	**14 001**	**16 448**
Customer accounts	4 929	49	49
	4 929	**49**	**49**

At 31 March £'000	2006	2005
18. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	(1 797)	4 992
Goodwill	64 919	8 226
Investment in associated undertaking	**63 122**	**13 218**
Analysis of the movement in our share of net assets:		
At beginning of year	4 992	4 825
Exchange adjustments	131	(62)
Acquisitions	(11 653)	229
Disposed with subsidiary undertakings	-	(258)
Operating profits (net of dividends)	5 239	608
Non-operating items	(3 268)	-
Gains recognised in equity	2 762	-
Capital reduction	-	(350)
At end of year	**(1 797)**	**4 992**
Analysis of the movement in goodwill:		
At beginning of year	8 226	7 590
Exchange adjustments	25	(127)
Acquisitions	57 739	1 123
Disposed with subsidiary undertakings	-	(17)
Goodwill impairment	(1 071)	(343)
At end of year	**64 919**	**8 226**
Associated undertakings:		
Listed	49 045	215
Unlisted	14 077	13 003
	63 122	**13 218**
Market value of listed investments	**166 289**	**287**

The only significant associate in the year was Rensburg Sheppards plc ("RS"). RS is listed on the London Stock Exchange and conducts the business of private client stockbroking. RS became an associate in the current year. On 6 May 2005 the group sold the entire share capital of Carr Sheppards Crosthwaite Limited to RS. The purchase consideration was satisfied by the creation of a loan of £60 million due by RS to Investec 1 Limited and the issue of shares giving Investec 1 Limited a 47.7% holding in RS.

	2006
At 31 March 2006 RS had the following shares of 10 90/91p:	43 314 068
Holding in RS ordinary share (%)	47.7*

* Investec has undertaken not to vote in excess of 30% of the issued capital of RS in the five year period ending 6 May 2010.

The significant transactions between the group and RS, all of which are on arm's length basis are: During the period ended 31 March 2006 Investec received rent of £1.58 million and a contribution of £0.2 million in respect of RS occupation of 2 Gresham Street. A further £0.4 million was received in relation to other services provided including IT and Internal Audit.

The group has no holdings of securities issued by significant associated undertakings, except as listed above.

18. Interests in associated undertakings (continued)

At 31 March 2006	Country of incorporation	Assets	Liabilities	Revenues*	Profit*
Rensburg Sheppards plc	England & Wales	404 542	250 867	109 385	29 347

* revenues and profits are for the 16 months ended 31 March 2006. Profits are before tax, amortisation of both goodwill and the Employee Benefit Trust prepayment and exceptional items.

At 31 March £'000	2006	2005
19. Deferred tax		
Deferred tax asset		
Deferred capital allowances	13 251	15 663
Asset in respect of pensions liability	2 420	3 297
Other timing differences	11 746	12 317
	27 417	**31 277**
Deferred tax liability		
Other timing differences	1 536	21
Deferred tax liability	**1 536**	**21**
Net deferred tax asset	25 881	31 256
Reconciliation of net deferred tax asset		
Opening balance	31 256	29 769
Adoption of IAS 32/39	(4 667)	-
Charge to profit and loss	789	(9 001)
(Charge)/ credit directly in equity	1 364	(482)
Included within pension fund deficit liability	(874)	3 987
Arising on acquisitions	-	7 006
Arising on disposals	(2 281)	-
Exchange adjustments	294	(23)
Closing balance	**25 881**	**31 256**
Deferred tax on available for sale instruments recognised directly in equity	(217)	(583)
Deferred tax on unexpired share options recognised directly in equity	1 576	100
20. Other assets		
Settlement debtors	809 511	429 647
Dealing properties	7 739	21 588
Pension fund asset	3 248	-
Other debtors	137 114	127 248
Derivative instruments positive fair value		103 000
Other investments		2 197
	957 612	**683 680**

At 31 March £'000	Freehold properties	Leasehold improvements	Furniture & vehicles	Equipment	Total
21. Property and equipment					
2006					
Cost or valuation					
At beginning of year	615	24 378	10 858	14 698	50 549
Exchange adjustments	-	370	164	59	593
Disposal of a subsidiary undertaking	-	(2 497)	(560)	(2 153)	(5 210)
Reclassifications	(17)	-	(635)	(265)	(917)
Additions	-	403	526	281	1 210
Disposals	-	(7)	(1 021)	(75)	(1 103)
At end of year	**598**	**22 647**	**9 332**	**12 545**	**45 122**
Accumulated depreciation and amortisation					
At beginning of year	(45)	(9 252)	(9 463)	(12 634)	(31 394)
Exchange adjustments	-	(333)	(157)	(54)	(544)
Disposal of a subsidiary undertaking	-	2 188	529	1 887	4 604
Reclassifications	-	-	657	240	897
Disposals	-	(114)	907	29	822
Depreciation	(8)	(1 084)	(654)	(558)	(2 304)
Impairment losses					
At end of year	**(53)**	**(8 595)**	**(8 181)**	**(11 090)**	**(27 919)**
Net book value	**545**	**14 052**	**1 151**	**1 455**	**17 203**
2005					
Cost or valuation					
At beginning of year	18 308	27 061	18 817	15 447	79 633
Exchange adjustments	160	(78)	73	82	237
Disposal of a subsidiary undertaking	(17 963)	-	(8 487)	-	(26 450)
Reclassifications	-	-	(113)	-	(113)
Additions	110	990	1 153	657	2 910
Disposals	-	(3 595)	(585)	(1 488)	(5 668)
At end of year	**615**	**24 378**	**10 858**	**14 698**	**50 549**
Accumulated depreciation and amortisation					
At beginning of year	(6 810)	(11 395)	(15 316)	(13 004)	(46 525)
Exchange adjustments	(62)	103	(45)	(78)	(82)
Disposal of a subsidiary undertaking	7 029	-	6 693	-	13 722
Reclassifications	-	-	23	-	23
Disposals	-	3 373	403	1 436	5 212
Depreciation	(202)	(1 333)	(1 221)	(988)	(3 744)
At end of year	**(45)**	**(9 252)**	**(9 463)**	**(12 634)**	**(31 394)**
Net book value	**570**	**15 126**	**1 395**	**2 064**	**19 155**

At 31 March £'000	2006	2005
22. Goodwill		
At the beginning of the year	156 179	156 065
Additions	5 334	-
Disposals	(9 080)	-
Exchange adjustments	19	114
Cost at the end of the year	**152 452**	**156 179**
Accumulated impairments		
Accumulated impairment at the beginning of the year	(15 394)	-
Impairment losses (see below)	-	(15 322)
Disposals	-	-
Exchange adjustments	14	(72)
Accumulated impairments at the end of the year	**(15 380)**	**(15 394)**
Net book value	**137 072**	**140 785**
Analysis of goodwill by line of business and geography		
UK and Europe	**125 479**	**129 200**
Private Banking	17 536	14 582
Private Client Portfolio Management and Stockbroking	-	9 080
Treasury and Specialised Finance	13 787	11 382
Investment Banking	6 111	6 111
Asset Management	88 045	88 045
Australia	**11 593**	**11 585**
Investment Banking	11 593	11 585
Total group	**137 072**	**140 785**

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 profitability 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 to the cash generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on most recent financial budgets for the next financial year and are extrapolated for a period of 3 years, adjusted for expected future events.

2005

Impairment losses comprise:

- £6.1 million in respect of the Private Equity business acquired as part of Hambros plc.
- £6.6 million in respect of the Asset Management business acquired as part of Hambros plc and Guinness Mahon.
- £2.6 million in respect of the Swiss Trust and Fiduciary business.

Impairment of goodwill in the income statement for the year ended 31 March 2005, includes the release of £5.0 million of negative goodwill in addition to the impairment losses of £15.3 million shown above.

At 31 March £'000	Acquired software
23. Intangible fixed assets	
2006	
Cost	
At beginning of year	5 919
Exchange adjustments	14
Disposal of a subsidiary undertaking	(1 665)
Reclassifications	917
Additions	1 369
Disposals	(24)
At end of year	**6 530**
Accumulated depreciation and amortisation	
At beginning of year	(4 625)
Exchange adjustments	(13)
Disposal of a subsidiary undertaking	1 462
Reclassifications	(898)
Disposals	23
Amortisation	(986)
At end of year	**(5 037)**
Net book value	**1 493**
2005	
Cost	
At beginning of year	5 816
Exchange adjustments	(5)
Reclassifications	113
Additions	641
Disposals	(646)
At end of year	**5 919**
Accumulated depreciation and amortisation	
At beginning of year	(4 356)
Exchange adjustments	2
Reclassifications	(23)
Disposals	646
Amortisation	(894)
At end of year	**(4 625)**
Net book value	**1 294**

Charge to the profit and loss account of £986 000 comprises amortisation of acquired contacts and computer software.

24. Acquisitions

For the year ended 31 March 2006

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

i. In June 2005 £2.4 million of goodwill arose on the acquisition of a leasing book.

iii. In October 2005 the group acquired 100% of Jersey based trust group, Quorum Holdings Limited, resulting in £2.9 million of goodwill.

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

£'000	Book value at date acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	853		853
Loans and advances to customer	89 254		89 254
Other assets	629	93	722
Total assets	90 736	93	90 829
Other liabilities	(271)		(271)
Accruals and deferred income	(18)		(18)
	(289)	-	(289)
Net assets/fair value of net assets	**90 447**	**93**	90 540
Goodwill arising on acquisition			5 334
Fair value of consideration			**95 874**

The post acquisition profits after tax were £26 000.

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. On 7 June 2004 Investec Group Investments (UK) Limited acquired 100% of the issued share capital of ICF Investments Limited (formerly ING UK Corporate Finance Holdings Limited) by way of a cash consideration.

24. Acquisitions (continued)

Assets and liabilities at the date of acquisition and total consideration paid are as follows:

£'000	Book value at date acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	38 817	-	38 817
Debt securities	989	-	989
Other assets - deferred tax	-	8 880	8 880
Prepayments and accrued income	14	-	14
Total assets	39 820	8 880	48 700
Other liabilities	(38 000)	-	(38 000)
Accruals and deferred income	(294)	(2 000)	(2 294)
Total liabilities	(38 294)	(2 000)	(40 294)
Net assets / fair value of net assets	1 526	6 880	8 406
Goodwill			(5 024)
Fair value of consideration			3 382

The fair value adjustments relate mainly to deferred tax assets available to the acquirer but not recognised by the company acquired.

Disposals

For the year ended 31 March 2006

The group disposed of its interest in Carr Sheppard Crosthwaite Limited ("CSC") to Rensburg plc (now renamed Rensburg Sheppards plc) on 6 May 2005.

£'000		
22.7million Rensburg shares issued at £4.99	113 273	
Subordinated loan	60 000	
Total consideration for sale of CSC	173 273	
Apportionment - gain equals 52.3% of total (as Investec retains 47.7% of Rensburg plc)		90 622
Less 52.3% of CSC's net assets		(11 092)
Net assets	12 128	
Goodwill	9 080	
	21 208	
Net gain on disposal of CSC		79 530
Net loss on disposal of other group undertakings		(1 027)
Net gain on disposal of group undertakings		**78 503**

The group completed the disposal of its broker dealer in the United States, Investec (US) Inc, on 17 March 2006. There was no impact on goodwill.

For the year ended 31 March 2005:

The group disposed of its interest in Investec Bank (Israel) Limited in December 2004. There was no impact on goodwill.

At 31 March £'000	2006
25. Other trading liabilities	
Short positions:	
-equities	123 791
	123 791

At 31 March £'000	2006	2005
26. Debt securities in issue		
Bonds and medium term notes repayable:		
Over one year but not more than two years	298 489	-
Over two years but not more than five years	-	295 211
Over five years	-	-
	298 489	295 211
Other unlisted debt securities in issue repayable:		
Not more than three months	406 059	195 722
Over three months but not more than one year	45 483	118 359
Over one year but not more than two years	-	38 206
Over two years but not more than five years	8 193	-
Over five years	-	-
	459 735	352 287
	758 224	**647 498**
27. Other liabilities		
Settlement liabilities	689 570	828 587
Other creditors and accruals	162 510	62 783
Derivatives negative fair value		34 299
Short positions in securities		1 737 758
	852 080	**2 663 427**

At 31 March £'000	2006	2005
28. Pension commitments		
Charge in the profit and loss account		
Defined benefit obligations	266	690
Defined contributions	6 159	6 827
Pension and provident fund contributions	**6 425**	**7 517**

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes, with the exception of the Guinness Mahon Pension Fund Scheme ("GM Scheme") and the Investec Asset Management Pension scheme ("IAM Scheme"). Both these schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002.

The schemes have been valued at 31 March 2006 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions, in relation to the defined contribution schemes, outstanding at the year end.

The major assumptions used were:

	2006	2005
Discount rate	5.00%	5.50%
Rate of increase in salaries	3.00%	3.50%
Rate of increase in pensions in payment	2.70%	2.70%
Inflation	2.90%	2.90%

The assets held in the schemes and the expected rates of return were:

At 31 March	Value at 2006 £'000	Long term rate of return expected	Value at 2005 £'000	Long term rate of return expected
GM Scheme				
Equities	41 931	7.70%	25 357	7.70%
Gilts	47 462	4.70%	43 484	4.70%
Cash	3 782	4.75%	5 606	4.75%
Total market value of assets	**93 175**		**74 447**	
IAM Scheme				
Equities	6 231	7.30%	4 743	7.70%
Gilts	2 256	4.30%	2 051	4.70%
Cash	519	4.50%	496	4.75%
Total market value of assets	**9 006**		**7 290**	

28. Pension commitments (continued)

The following amounts have been recognised in the financial statements in accordance with IAS 19 :

£'000	2006 GM	2006 IAM	2006 Total	2005 GM	2005 IAM	2005 Total
Recognised in the balance sheet						
Fair value of fund assets	93 175	9 006	102 181	74 447	7 290	81 737
Present value of obligations	(89 927)	(11 019)	(100 946)	(82 871)	(9 857)	(92 728)
Net asset/(liability)	**3 248**	**(2 013)**	**1 235**	**(8 424)**	**(2 567)**	**(10 991)**
Amounts in balance sheet						
Assets	3 248	-	3 248	-	-	-
Liability	-	(2 013)	(2 013)	(8 424)	(2 567)	(10 991)
Net asset/(liability)	**3 248**	**(2 013)**	**1 235**	**(8 424)**	**(2 567)**	**(10 991)**
Recognised in the income statement						
Past service cost	-	(187)	(187)	-	-	-
Expected return on pension scheme assets	4 452	487	4 939	3 920	464	4 384
Interest on pension obligations	(4 471)	(547)	(5 018)	(4 571)	(503)	(5 074)
Net return	**(19)**	**(247)**	**(266)**	**(651)**	**(39)**	**(690)**
Recognised in the statement of recognised income and expense						
Actuarial gains on plan assets	8 125	1 177	9 302	1 905	192	2 097
Actuarial (losses)/gains	(5 765)	(630)	(6 395)	1 731	(442)	1 289
Actuarial gain/(loss)	2 360	547	2 907	3 636	(250)	3 386
Deferred tax	(708)	(164)	(872)	(1 091)	75	(1 016)
Actuarial gain/(loss) in statement of recognised income and expense	**1 652**	**383**	**2 035**	**2 545**	**(175)**	**2 370**

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expense is £9.6 million (£6.7 million net of deferred tax).

£'000	GM	IAM	Total
Changes in the fair value of defined benefit obligations			
Defined benefit obligation at 31 March 2004	83 186	9 047	92 233
Interest cost	4 571	503	5 074
Actuarial losses/(gains)	(1 731)	442	(1 289)
Benefits paid	(3 155)	(135)	(3 290)
Defined benefit obligation at 31 March 2005	82 871	9 857	92 728
Interest cost	4 471	547	5 018
Actuarial losses/(gains)	5 765	630	6 395
Past service cost	-	187	187
Benefits paid	(3 180)	(202)	(3 382)
Defined benefit obligation at 31 March 2006	**89 927**	**11 019**	**100 946**

28. Pension commitments (continued)

£'000	GM	IAM	Total
Changes in the fair value of plan assets			
Assets at 31 March 2004	68 165	6 773	74 938
Expected return	3 920	464	4 384
Actuarial gains	1 905	192	2 097
Contributions by the employer	3 612	53	3 665
Other outgoings	-	(57)	(57)
Benefits paid	(3 155)	(135)	(3 290)
Assets at 31 March 2005	74 447	7 290	81 737
Expected return	4 452	487	4 939
Actuarial gains	8 125	1 177	9 302
Contributions by the employer	9 331	254	9 585
Benefits paid	(3 180)	(202)	(3 382)
Assets at 31 March 2006	**93 175**	**9 006**	**102 181**

The group expects to make £4.1 million of contributions to defined benefit schemes in 2007.

At 31 March £'000	2006	2005
29. Subordinated debt		
Dated subordinated debt		
Issued by Investec Finance plc		
- a wholly owned subsidiary of Investec Bank (UK) Limited which is a wholly owned subsidiary of Investec plc		
Guaranteed subordinated step-up notes	200 306	196 254
Issued by Investec Bank (UK) Limited		
Zero coupon bonds	25 377	23 262
	225 683	**219 516**
Remaining maturity:		
In one year or less, or on demand	9 585	-
In more than one year, but not more than two years	-	8 494
In more than two years, but not more than five years	15 792	14 768
In more than five years	200 306	196 254
	225 683	**219 516**

Guaranteed subordinated step-up notes

On 1 March 2004 Investec Finance plc issued £200 000 000 of 7.75% guaranteed subordinated step-up notes due 2016 at a discount. Interest is paid annually. The notes are guaranteed by Investec Bank (UK) Limited and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 1 March 2011, subject to the prior consent of the Financial Services Authority. On 1 March 2011 the interest rate will be reset to become the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt.

29. Subordinated debt (continued)

Zero coupon bonds

On 29 March 2004 Investec Bank (UK) Limited issued 9 253 zero coupon bonds of £1 000 each at an effective yield of 6.89094%. The bonds mature on 25 March 2009.

On 29 July 2004 Investec Bank (UK) Limited issued 17 000 zero coupon bonds of US$1 000 each at an effective yield of 4.57%. The bonds mature on 31July 2006.

On 16 November 2004 Investec Bank (UK) Limited issued 10 434 zero coupon bonds of £1 000 each at an effective yield of 6.948%. The bonds mature on 16 November 2009.

At 31 March	2006	2005
30. Called up share capital		
Investec plc		
Authorised		
The authorised share capital of Investec plc comprises: 112 000 000 ordinary shares of £0.001 each (2005: 112 000 000 shares of £0.001 each), 55 500 000 Special Converting Shares of £0.001 each (2005: 55 500 000), 1 Special Voting share of £0.001 each (2005: 1), 1 UK DAN Share of £0.001 (2005: 1) and 1 UK DAS Share of £0.001 (2005: 1) 1 000 000 non-cumulative perpetual Preference Shares of 0.01 (2005: nil)		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At beginning and end of year	74 633 746	74 633 746
Nominal value of ordinary shares - GBP	£	£
At beginning and end of year	74 634	74 634
Number of special converting shares	Number	Number
At beginning and end of year	43 999 527	43 999 527
Nominal value of special converting shares - GBP	£	£
At beginning and end of year	44 000	44 000
Number of UK DAN shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAN share - GBP	£'000	£'000
At beginning and end of year	*	*
Number of UK DAS shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAS share - GBP	£'000	£'000
At beginning and end of year	*	*
Number of special voting shares	Number	Number
At beginning and end of year	1	1
Nominal value of special voting share - GBP	£'000	£'000
At beginning and end of year	*	*

* Less than £1 000

30. Called up share capital (continued)

The holder of 1 260 000 Investec plc shares has agreed to waive its right to dividends until 31 March 2008.

In terms of the Dual Listed Companies structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right voting and equivalent position on the termination of either company.

The UK DAS shares, UK DAN share and the special converting shares have been issued to achieve this.

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

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in the note 5.

Movements in the number of share options issued for 1 share each, held by employees are as follows:

	2006 Number	2005 Number
Outstanding at 1 April	6 261 564	7 720 933
Issued during the year	1 034 027	2 114 322
Exercised	(1 316 342)	(966 033)
Lapsed	(404 248)	(2 607 658)
Outstanding at 31 March	**5 575 001**	**6 261 564**

The purpose of the staff share scheme is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes shares or debentures available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the group and stock market conditions.

In addition to the staff share scheme, other incentive schemes are operated by the group. Whilst the objectives of such schemes are identical to the staff share scheme, membership of them is not extended to all staff members but to key members of the group whom executive management believe are in a position to add significant value to the group. Whilst housed in different structures from the staff share scheme the underlying assets in them are group instruments. Any benefit derived by the members from such schemes is thus totally dependent on the performance of the group.

At 31 March	2006	2005
31. Treasury shares		
Treasury shares held by subsidiaries of Investec plc	**£'000**	**£'000**
Investec plc ordinary shares	14 047	16 783
Investec plc - options held over ordinary shares	7 609	-
	21 656	**16 783**
Total number of Investec plc ordinary shares held by subsidiaries	**1 399 710**	**1 695 566**
Reconciliation of treasury shares	**Number**	**Number**
Opening balance	1 695 566	-
Purchase of own shares by subsidiary companies	1 081 907	1 815 652
Shares disposed of by subsidiaries	(1 377 763)	(120 086)
Closing balance	**1 399 710**	**1 695 566**
	£'000	**£'000**
Market value of treasury shares	**41 165**	**26 366**
32. Minority interests	**£'000**	**£'000**
Perpetual preferred securities issued by subsidiary	139 402	-
Minority interests attributable to holders of ordinary shares in subsidiaries	233	205
Minority interests attributable to holders of preference shares in subsidiaries	-	1 194
	139 635	**1 399**

€200 000 000 fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities ("Preferred Securities") were issued by Investec Tier 1 (UK) LP, a limited partnership organised under the laws of England and Wales) on 24 June 2005. The Preferred Securities, which are guaranteed by Investec plc, are callable at the option of the issuer, subject to the approval of the Financial Services Authority, on the tenth anniversary of the issue and, if not called, are subject to a step up in coupon of one and a half times the initial credit spread above the three month euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the Preferred Securities is fixed at 7.075 per cent. The first annual dividend will be paid on the 26 June 2006. The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of Ordinary dividends by the company.

Under the terms of the issue there are provisions for the Preferred Securities to be substituted for Preference Shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the Regulator.

Minority interests attributable to holders of preference shares in subsidiaries have been reclassified as liabilities on the adoption of IAS 32 on 1 April 2005.

33. Miscellaneous balance sheet items

At 31 March £'000	2006 Total future minimum payments	2006 Present value	2005 Total future minimum payments	2005 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables in:				
Less than 1 year	18 144	15 191	78 198	75 944
1-5 years	28 566	23 939	19 359	17 049
Later than 5 years	12 054	10 837	5 220	4 039
	58 764	**49 967**	**102 777**	**97 032**
Unearned finance income	**11 154**		**6 290**	

At 31 March 2006, unguaranteed residual values of £2 117 000 (2005: £348 000) had been accrued.

At 31 March £'000	2006	2005
34. Commitments		
Forward repurchase agreements	-	64
Undrawn facilities	690 838	362 002
Other commitments	400	4 696
	691 238	**366 762**

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business.

	2006	2005
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	15 643	14 993
1-5 years	54 363	56 422
Later than 5 years	59 674	69 233
	129 680	**140 648**

At 31 March 2006, future minimum sublease payments of £20 997 000 (2005: £19 193 000) were expected to be received under non-cancellable subleases at the balance sheet date.

At 31 March 2006, Investec was obligated under a number of non-operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years.

	2006	2005
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than 1 year	946	1 498
1-5 years	1 730	3 678
Later than 5 years	122	762
	2 798	**5 938**

Investec leases assets to third parties under operating and finance lease arrangements including plant and equipment. The term of the leases range between 3 and 5 years.

At 31 March £'000	2006	2005
35. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
-guarantees and irrevocable letters of credit	93 821	62 108
-assets pledged as collateral security	403	-
Other contingent liabilities	2 200	123
	96 424	**62 231**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec plc on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Legal proceedings

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

Following falls in the value of assets in the split capital investment trust sector, Carr Sheppards Crosthwaite Limited ("CSC"), in common with other firms in the industry, has received a number of complaints. Each complaint has been investigated in accordance with CSC's complaints procedures and within guidelines set by the applicable regulatory authority. A number of complaints are still in the process of adjudication by the Financial Ombudsman Service. Meanwhile in December 2004 a group of firms, of which CSC is not a member, together agreed to make a contribution of £194 million towards the settlement of claims received to date, a reliable estimate cannot yet be made of any compensation payable by CSC in respect of this issue. As part of the arrangements for the sale of CSC to Rensburg plc, Investec 1 Limited has indemnified Rensburg plc for any loss CSC incurs in relation to this matter.

36. Related party

Compensation to the Board of Directors and other key management personnel is disclosed in the combined accounts of Investec plc and Investec Limited.

36. Related party (continued)

For the year to 31 March £'000	2006 Highest balance during the year*	 Balance at year end*	2005 Highest balance during the year*	 Balance at year end*
Transactions, arrangements and agreements involving directors and others:				
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:				
Directors, key management and connected persons and companies controlled by them				
Loans	6 186	11 206	4 149	7 610
Other	-	-	-	-
	6 186	**11 206**	**4 149**	**7 610**

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				
Amounts due from associates	**62 015**	**67 440**	**14 525**	**19 166**

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

* The disclosure of the year-end balance and highest balance during the year is considered the most meaningful information to represent transactions during the year.

37. Post balance sheet events

Acquisition of N.M. Rothschild Australia Holdings Pty Limited
Investec Bank (UK) Limited, a wholly owned subsidiary of Investec plc, has agreed to acquire N.M. Rothschild Australia Holdings Pty Limited for a consideration of approximately A$150 million.

The agreement, which is subject to regulatory approval, will add critical mass and scale to Investec Bank (UK) Limited's existing Australian subsidiary, Investec Bank (Australia) Limited and at the same time add to its capability to originate new business.

N.M. Rothschild & Sons (Australia) Limited has total assets of approximately A$2.1 billion (GBP890 million) and is principally involved in Property, Resources, Infrastructure, Commercial Finance, Acquisition Finance and Treasury activities operating in Sydney, Melbourne and Perth.

Proposed creation of a new class of Investec plc perpetual preference shares
Investec plc intends to create a new class of perpetual preference shares in order to raise permanent capital in due course thus creating a more efficient capital structure and allowing it to pursue opportunities in the more favourable growth environment. This proposal is conditional amongst other things, on the approval of the Members of both Investec plc and Investec Limited voting together as a single decision-making body. This approval will be sought at the General Meeting of Investec Limited and at an Extraordinary General Meeting of Investec plc to be held at 10:00 (UK time) on Wednesday 28 June 2006.

At 31 March 2006 £'000	Carrying value of asset pledged	Fair value or value of collateral held	Value of liabilities secured by assets
38. Analysis of collateral			
Assets			
Reverse repurchase agreements and cash collateral on securities borrowed	642 465	640 983	
Investment securities	291 776	-	
	934 241	**640 983**	
Liabilities			
Repurchase agreements and cash collateral on securities lent			**258 993**

Assets are pledged in the ordinary course of business.

39. Hedges

The group uses derivatives for managing the 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. Once aggregated and netted, Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

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

Fair value hedges

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

At 31 March 2006 £'000	Description of financial instrument designated as hedging	Fair value of hedging instrument	Gains or losses on hedging instrument	Gains or losses on hedged item
-Assets	Interest rate swap	9 434	6 455	(7 097)
-Liabilities	Interest rate swap	2 220	(1 851)	2 220
	Fx currency swap	451	451	(451)
	Fx swap	(297)	(297)	297

39. Hedges (continued)

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows is hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in equity and transferred to the income statement when the cash flow occurs. The nominal expected future cash flows that are subject to cash flow hedges are:

At 31 March 2006 £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur	Ineffective portion recognised in principal transactions
-Assets	Fx contract	30	monthly until Jul 06	-
	Cross currency swap	134	quarterly until Jan'08	-
-Liabilities				

The fair value hedges have been entered into to hedge a portion of the fixed rate subordinated debt to minimise the interest rate gap.

Reconciliation of cash flow hedge reserve

Opening balance	-
Changes in fair value recognised directly in equity	164
Amounts removed from equity and recognised in income	-
Closing balance	**164**

Hedges of net investments in foreign operations

The group has entered into foreign exchange contracts to hedge the exposure of the Investec plc group balance sheet to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March 2006 £'000	Fair value of hedging instrument	Ineffective portion recognised in principal transactions
	(2 411)	-

40. Maturity analysis

At 31 March 2006	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Assets								
Cash and balances at central banks	10 875	-	-	-	-	-	-	10 875
Loans and advances to banks	165 611	425 498	6 517	-	-	65 741	30 267	693 634
Reverse repurchase agreements and cash collateral on securities borrowed	634 613	-	7 852	-	-	-	-	642 465
Trading securities	56 595	32 805	9 903	5 915	12 708	8 118	34 626	160 670
Derivative financial instruments	210 344	17 116	10 188	819	1 146	11 833	2 886	254 332
Cash equivalent advances to customers	54	-	-	-	-	-	-	54
Investment securities	6 305	232 750	234 217	208 835	395 971	150 455	11 654	1 240 187
Loans and advances to customers	150 736	233 951	175 408	221 709	572 686	1 739 913	539 025	3 633 428
Other assets	597 409	268 634	1 099	13 723	17 310	59 437	-	957 612
Interests in associated undertakings	-	-	-	-	-	-	63 122	63 122
Deferred taxation assets	-	-	-	-	-	-	27 417	27 417
Property plant and equipment	-	-	-	-	-	-	17 203	17 203
Goodwill	-	-	-	-	-	-	137 072	137 072
Intangible assets	-	-	-	-	-	-	1 493	1 493
	1 832 542	**1 210 754**	**445 184**	**451 001**	**999 821**	**2 035 497**	**864 765**	**7 839 564**
Liabilities								
Deposits by banks	43 429	208 868	108 028	147 832	97 499	503 236	165 252	1 274 144
Derivative financial instruments	34 477	2 471	2 197	522	393	4 737	3 492	48 289
Other trading liabilities	102 335	-	21 456	-	-	-	-	123 791
Repurchase agreements and cash collateral on securities lent	272 584	-	-	-	-	-	-	272 584
Customer accounts	806 923	712 768	1 426 247	158 053	128 741	206 496	29 808	3 469 036
Debt securities in issue		99 049	158 946	46 755	33 284	420 190	-	758 224
Other liabilities	568 197	215 111	31 990	2 585	32 042	1 877	278	852 080
Current taxation liabilities	1 750	2 465	567	4 505	27 090	1 555	-	37 932
Deferred taxation liabilities	-	-	-	-	-	1 536	-	1 536
Pension fund liabilities	-	21	63	126	252	1 008	543	2 013
	1 829 695	1 262 209	1 728 038	360 378	319 301	1 140 635	199 373	6 839 629
Subordinated liabilities	-	-	-	9 646	-	15 731	200 306	225 683
	1 829 695	**1 262 209**	**1 728 038**	**370 024**	**319 301**	**1 156 366**	**399 679**	**7 065 312**

41. Principal subsidiary companies	Principal Activity	Country of Incorporation	Interest % 2006	Interest % 2005
Direct subsidiaries of Investec plc				
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Ltd	Banking Institution	Australia	100	100
Investec SA	Investment holding	Luxembourg	100	100
Investec Holdings (UK) Ltd	Holding company	England and Wales	100	100
Investec 1 Ltd	Investment holding	England and Wales	100	100
Investec Bank (UK) Ltd	Banking institution	England and Wales	100	100
Investec Group (UK) PLC	Holding company	England and Wales	100	100
Investec Asset Finance PLC	Leasing company	England and Wales	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Ltd	Investment holding	England and Wales	100	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Investec Bank (Channel Islands) Ltd	Banking institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust Company	Guernsey	100	100
Investec Trust (Switzerland) S.A.	Trust Company	Switzerland	100	100
Investec Trust (Jersey) Limited	Trust Company	Jersey	100	100
Carr Sheppards Crosthwaite Ltd	Stockbroking and portfolio management	England and Wales	-	100
Investec Asset Management Limited	Asset Management	England and Wales	100	100
Investec Ireland Ltd	Financial Services	Ireland	100	100
Investec US Inc	Financial Services	USA	-	100
European Capital Company Ltd	Project Finance	England and Wales	100	100

All of the above subsidiary undertakings are included in the consolidated accounts

Principal associated companies				
Rensburg Sheppards plc	Stockbroking and portfolio management	England and Wales	47.7	-

42. Transition to International Financial Reporting Standards

Overview

From 1 April we were required to prepare our consolidated results (comprising the results of Investec plc and Investec Limited) in accordance with International Financial Reporting Standards (IFRS). Previously these were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). The financial statements for the year ended 31 March 2006 represent the first full year of IFRS compliant financial statements prepared by us. Therefore these financial statements, which consolidate Investec plc and its directly owned subsidiaries but exclude Investec Limited and its subsidiaries, have also been prepared in accordance with IFRS whereas previously these were prepared in accordance with UK GAAP.

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

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

This section sets out how the changes in accounting treatment under IFRS impact on the previously reported consolidated results of Investec plc (excluding Investec Limited) for the financial year ended 31 March 2005.

Transitional elections

IFRS 1 provides for certain exemptions in respect to the first time adoption of IFRS to comparative periods. The group has applied the following exemptions:

a) Business combinations
The group has elected not to apply IFRS 3, "Business Combinations" retrospectively to business combinations prior to the date of transition (1 April 2004). The carrying value of goodwill under UK GAAP at 31 March 2004 has therefore been brought forward, except for identified intangible assets which have been separately identified and tested for impairment.

b) Employee benefits
The group has elected to recognise all cumulative actuarial gains and losses at the date of transition to IFRS as an adjustment to opening retained earnings. In the prior periods, the group applied the full provisions of FRS 17, and except for minor alignment to IAS 19, perpetuates the treatment via recognising all actuarial gains and losses in the deferred actuarial gain or loss account.

c) Cumulative foreign currency translation reserve
The group has elected to deem the cumulative foreign currency translation differences for foreign operations to be nil at the date of transition.

d) Share based payment transactions
The group has applied the provisions of IFRS 2, "Share Based Payments" retrospectively to all share-based payment transactions occurring prior to the date of transition.

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" in these financial statements. Furthermore the requirements of IAS 39, "Financial Instruments: Recognition and Measurement" have not been applied to the 2005 comparative period. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005.

To facilitate comparability, a pro forma income statement is presented (refer to page 11) which incorporates the impact of the adoption of IAS 39 in the following respects:
- recognising certain fees on an effective yield basis,
- the release of general provisions on loans and advances and
- fair value adjustments for embedded derivatives.

The following tables present a reconciliation between IFRS restated results and previously presented UK Gaap results for the:
- Balance sheet at 31 March 2005
- Balance sheet at 1 April 2005
- Income statement for the year ended 31 March 2005

42. Transition to International Financial Reporting Standards (continued)

Consolidated balance sheet

At 31 March 2005 £'000	As previously reported	Reclassifications Prepayments and accrued income	Acquired and developed software to intangible assets	Foreign currency reserve	Participating interest	Taxation
Assets						
Cash and balances at central banks	10 319	-	-	-	-	-
Treasury bills and other eligible bills	142 182	-	-	-	-	-
Loans and advances to banks	2 274 079	-	-	-	-	-
Loans and advances to customers	3 225 100	-	-	-	-	-
Debt securities	1 146 052	-	-	-	-	-
Equity shares	284 240	-	-	-	-	-
Interests in associated undertakings	3 559	-	-	-	9 124	-
Other participating interests	9 124	-	-	-	(9 124)	-
Deferred taxation asset	-	-	-	-	-	27 060
Other assets	638 315	69 785	-	-	-	(27 060)
Property and equipment	18 551	-	(1 294)	-	-	-
Goodwill	130 359	-	-	-	-	-
Intangible assets	-	-	1 294	-	-	-
Prepayments and accrued income	69 785	(69 785)	-	-	-	-
	7 951 665	**-**	**-**	**-**	**-**	**-**
Liabilities						
Deposits by banks	856 345	-	-	-	-	-
Customer accounts	2 954 037	-	-	-	-	-
Debt securities in issue	647 498	-	-	-	-	-
Current taxation liabilities	-	-	-	-	-	17 728
Deferred taxation liabilities	-	-	-	-	-	232
Other liabilities	2 692 811	-	-	-	-	(17 960)
Accruals and deferred income	116 052	-	-	-	-	-
Pension fund liabilities	7 554	-	-	-	-	-
	7 274 297	**-**	**-**	**-**	**-**	**-**
Capital resources						
Subordinated liabilities	219 516	-	-	-	-	-
Minority interests-equity	1 399	-	-	-	-	-
Called up share capital	119	-	-	-	-	-
Share premium account	393 746	-	-	-	-	-
Treasury shares	(16 783)	-	-	-	-	-
Other reserves	48 487	-	-	(6 279)	-	-
Profit and loss account	30 884	-	-	6 279	-	-
Shareholders' funds	456 453	-	-	-	-	-
	677 368	**-**	**-**	**-**	**-**	**-**
	7 951 665	**-**	**-**	**-**	**-**	**-**

			IFRS adjustments remeasurements					
IAS 27/28 consolidations and associates	IFRS 3 business combinations	IFRS 2 share based payments	IAS 10 events after balance sheet date - ordinary dividends	IAS 12 taxation	IAS 17 leases	IAS 19 employee benefits	IAS 21 foreign currency	IFRS restated at 31 March 2005
-	-	-	-	-	-	-	-	10 319
-	-	-	-	-	-	-	-	142 182
1 796	-	-	-	-	-	-	-	2 275 875
-	-	-	-	-	-	-	-	3 225 100
-	-	-	-	-	-	-	-	1 146 052
(1 733)	-	-	-	-	-	-	-	282 507
175	360	-	-	-	-	-	-	13 218
-	-	-	-	-	-	-	-	-
-	-	1 240	-	(320)	-	3 297	-	31 277
2 640	-	-	-	-	-	-	-	683 680
1 101	-	-	-	-	797	-	-	19 155
-	10 426	-	-	-	-	-	-	140 785
-	-	-	-	-	-	-	-	1 294
-	-	-	-	-	-	-	-	-
3 979	**10 786**	**1 240**	**-**	**(320)**	**797**	**3 297**	**-**	**7 971 444**
206	-	-	-	-	-	-	-	856 551
-	-	-	-	-	-	-	-	2 954 037
-	-	-	-	-	-	-	-	647 498
410	-	-	-	61	-	-	-	18 199
-	-	-	-	(211)	-	-	-	21
1 362	-	686	(14 648)	-	1 176	-	-	2 663 427
-	-	-	-	-	-	-	-	116 052
-	-	-	-	-	-	3 437	-	10 991
1 978	**-**	**686**	**(14 648)**	**(150)**	**1 176**	**3 437**	**-**	**7 266 776**
-	-	-	-	-	-	-	-	219 516
-	-	-	-	-	-	-	-	1 399
-	-	-	-	-	-	-	-	119
77	-	-	-	-	-	-	-	393 823
-	-	-	-	-	-	-	-	(16 783)
(77)	-	-	-	323	-	-	(1 142)	41 312
2 001	10 786	554	14 648	(493)	(379)	(140)	1 142	65 282
2 001	10 786	554	14 648	(170)	(379)	(140)	-	483 753
2 001	**10 786**	**554**	**14 648**	**(170)**	**(379)**	**(140)**	**-**	**704 668**
3 979	**10 786**	**1 240**	**-**	**(320)**	**797**	**3 297**	**-**	**7 971 444**

42. Transition to International Financial Reporting Standards (continued)

Consolidated balance sheet

At 1 April 2005 £'000	IFRS restated at 31 March 2005	IFRS adjustments: Reclassifications arising on adoption of IAS 32/39	IFRS adjustments: Remeasurements IAS 18 /39 effective yield	IFRS adjustments: Remeasurements IAS 32/39 financial instruments	Restated at 1 April 2005
Assets					
Cash and balances at central banks	10 319	-	-	-	10 319
Treasury bills and other eligible bills	142 182	(142 182)	-	-	-
Loans and advances to banks	2 275 875	(1 356 616)	7	32 249	951 515
Cash equivalent advances to customers	-	52	-	-	52
Reverse repurchase agreements and cash collateral on securities borrowed	-	2 157 401	-	-	2 157 401
Trading securities	-	302 990	-	417	303 407
Derivative financial instruments	-	103 000	-	25 015	128 015
Investment securities	-	1 268 740	45	(168 435)	1 100 350
Loans and advances to customers	3 225 100	(800 834)	1 612	232 102	2 657 980
Debt securities	1 146 052	(1 146 052)	-	-	-
Equity shares	282 507	(282 507)	-	-	-
Interests in associated undertakings	13 218	-	-	-	13 218
Other participating interests	-	-	-	-	-
Deferred taxation asset	31 277	-	300	(3 216)	28 361
Other assets	683 680	(103 942)	(543)	(41 605)	537 590
Property and equipment	19 155	-	-	-	19 155
Goodwill	140 785	-	-	-	140 785
Intangible assets	1 294	-	-	-	1 294
Prepayments and accrued income	-	-	-	-	-
	7 971 444	**50**	**1 421**	**76 527**	**8 049 442**
Liabilities					
Deposits by banks	856 551	(45 421)	-	2 438	813 568
Derivative financial instruments	-	34 300	-	62 926	97 226
Other trading liabilities	-	1 737 758	-	-	1 737 758
Repurchase agreements and cash collateral on securities lent	-	337 407	-	-	337 407
Customer accounts	2 954 037	(296 385)	-	10 789	2 668 441
Debt securities in issue	647 498	-	-	1 766	649 264
Current taxation liabilities	18 199	-	-	-	18 199
Deferred taxation liabilities	21	-	222	1 529	1 772
Other liabilities	2 663 427	(1 651 557)	5 013	(21 444)	995 439
Accruals and deferred income	116 052	(116 052)	-	-	-
Pension fund liabilities	10 991	-	-	-	10 991
	7 266 776	50	5 235	58 004	7 330 065
Subordinated liabilities	-	219 516	-	2 680	222 196
	7 266 776	**219 566**	**5 235**	**60 684**	**7 552 261**
Capital resources					
Subordinated liabilities	219 516	(219 516)	-	-	-
Minority interests-equity	1 399	-	-	(1 194)	205
Called up share capital	119	-	-	-	119
Share premium account	393 823	-	-	-	393 823
Treasury shares	(16 783)	-	-	(7 547)	(24 330)
Other reserves	41 312	-	-	10 375	51 687
Profit and loss account	65 282	-	(3 814)	14 209	75 677
Shareholders' funds	483 753	-	(3 814)	17 037	496 976
	704 668	**(219 516)**	**(3 814)**	**15 843**	**497 181**
	7 971 444	**50**	**1 421**	**76 527**	**8 049 442**

42. Transition to International Financial Reporting Standards (continued)

Income statement

For the year to 31 March 2005 £'000	As previously reported	Reclassifi-cations	Restated	IFRS 2 share based payments	Goodwill	IAS 21 foreign currency translation reserve	IAS 27, 28, 31 & SIC 12 associates JV's & subsid-iaries (incl SPV's)	IAS 12 income taxes	IAS 17 leases	Actual IFRS restated
Interest receivable	238 011	(702)	237 309	8	-	-	24	-	-	237 341
Interest payable	(170 530)	(25)	(170 555)	-	-	-	(19)	-	-	(170 574)
Net interest income	**67 481**	**(727)**	**66 754**	**8**	**-**	**-**	**5**	**-**	**-**	**66 767**
Dividend income	460	(460)	-	-	-	-	-	-	-	-
Fees and commissions receivable	258 811	-	258 811	-	-	-	3 785	-	-	262 596
Fees and commission payable	(18 470)	20	(18 450)	-	-	-	(754)	-	-	(19 204)
Principal transactions	20 611	15 428	36 039	-	-	-	(71)	-	-	35 968
Income from operating associates	(270)	-	(270)	-	-	-	429	-	-	159
Other operating income	15 223	(14 968)	255	-	-	-	-	-	-	255
Other income	**276 365**	**20**	**276 385**	**-**	**-**	**-**	**3 389**	**-**	**-**	**279 774**
Total operating income	**343 846**	**(707)**	**343 139**	**8**	**-**	**-**	**3 394**	**-**	**-**	**346 541**
Impairment losses on loans and advances	(5 337)	733	(4 604)	-	-	-	-	-	-	(4 604)
Net operating income	**338 509**	**26**	**338 535**	**8**	**-**	**-**	**3 394**	**-**	**-**	**341 937**
Administrative expenses	(258 392)	(20)	(258 412)	(2 778)	-	-	(1 481)	-	(157)	(262 828)
Depreciaition and impairment of property, plant and equipment	(4 378)	-	(4 378)	-	-	-	-	-	(95)	(4 473)
Operating profit before goodwill impairment	**75 739**	**6**	**75 745**	**(2 770)**	**-**	**-**	**1 913**	**-**	**(252)**	**74 636**
Impairment of goodwill	(20 681)	-	(20 681)	-	10 383	-	-	-	-	(10 298)
Operating profit	**55 058**	**6**	**55 064**	**(2 770)**	**10 383**	**-**	**1 913**	**-**	**(252)**	**64 338**
Loss on termination, disposal or combination of group operations	(7 350)	1	(7 349)	-	-	1 142	-	-	-	(6 207)
Net income before taxation	**47 708**	**7**	**47 715**	**(2 770)**	**10 383**	**1 142**	**1 913**	**-**	**(252)**	**58 131**
Taxation	(18 923)	(24)	(18 947)	1 140	-	-	(416)	413	-	(17 810)
Profit on ordinary activities after taxation	**28 785**	**(17)**	**28 768**	**(1 630)**	**10 383**	**1 142**	**1 497**	**413**	**(252)**	**40 321**
Profit attributable to minority interest	808	-	808	-	-	-	-	-	-	808
Profit attributable to shareholders	27 977	(17)	27 960	(1 630)	10 383	1 142	1 497	413	(252)	39 513
	28 785	**(17)**	**28 768**	**(1 630)**	**10 383**	**1 142**	**1 497**	**413**	**(252)**	**40 321**

42. Transition to International Financial Reporting Standards (continued)

Commentary on key adjustments

IFRS 2 - share based payments

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

Under UK GAAP, where options were granted, the charge made to profit and loss was determined as the difference between the fair value at the time the award was made and any contribution made by the employee. Under IFRS, for equity settled options, the group recognises a charge to profit and loss by reference to the fair value of the option on the date of grant to the employee over the relevant vesting periods, based on an estimation of the amount of instruments that will eventually vest.

IFRS 3 - business combinations

In accordance with the transitional provisions of IFRS 1, the group has elected to apply IFRS 3 prospectively from 1 April 2004. The carrying value of goodwill under UK GAAP at 31 March 2004 has therefore been brought forward, except for identified intangible assets which have been separately identified and tested for impairment.

IAS 10 - events after balance sheet date

Under IAS 10 an entity is not permitted to adjust assets and liabilities at balance sheet date for events that are indicative of conditions that arose subsequent to the balance sheet date. The impact of adoption of IAS 10 is that dividends declared by the group are no longer recognised in the period in which the earnings relate but rather are only recognised when approved by the group's shareholders.

IAS 17 - leases

Under the provisions of IAS 17, lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefits. The group has previously recognised fixed rental escalations in the period in which they contractually applied. Under IFRS these increments have been taken into consideration in determining a straight line cost over the term of the lease. The net effect has been to create a payable in the earlier period of the affected leases which will release as the cash flows are settled. This has resulted in a net reduction to reserves which will reverse over the period of the lease.

A similar adjustment has been processed for lessors within the group. In this case a receivable is raised in the earlier period of the affected lease which will release as cash flows are received. However, the net effect on reserves has been minimal as IAS 40 "Investment Properties" provides that the fair value adjustment against investment properties must be reduced by debtor balances raised relating to operating leases on the property as to prevent double counting of cash flows

IAS 18 - revenue recognition

Principles for revenue recognition are affected by the adoption of IAS 39 "Financial Instruments: Recognition and Measurement" in that IAS 18 incorporates the requirement to recognise fee income on lending transactions that are closely related to the effective interest yield on the transaction. Interpretation of the standard lends itself to the conclusion that there is a presumption that a fee is closely related to the effective yield unless the performance of a significant act can be identified in which case the related fee is recognised on completion of the act.

In accordance with the transitional provisions of IFRS1, the group has applied all related IAS 39 changes from 1 April 2005.

IAS 27/28/31 - consolidations/associates/joint ventures

Under UK GAAP certain special purpose vehicles were treated as jointly controlled entities. However, under IFRS these special purpose vehicles do not meet the control or jointly controlled definitions to require consolidation or joint venture accounting. To this end, the partial consolidation under UK GAAP has been reversed on adoption of IFRS. IFRS requires special purpose vehicles to be consolidated where they are in substance controlled by the entity this has resulted in the consolidation of certain investment vehicles in the group that were previously recorded as external investments.

IAS 32/39 - financial Instruments

In accordance with the transitional provisions of IFRS 1, the group has elected not to restate comparative information for the adoption of IAS 32/39. Following the adoption of IAS 32/39 financial instruments have been classified as follows:

Financial assets are classified with the related measurement basis as noted below:

- Loan or receivable - measured at amortised cost less impairment.
- Fair value through profit and loss - fair value gains and losses included in profit and loss.
- Available for sale - fair value gains and losses included in shareholders' funds until disposal or impairment.
- Held to maturity - amortised cost less impairment.

Financial liabilities are classified as held for trading or are carried at amortised cost.

The following key adjustments have arisen from adoption of the standard:

- Banking book derivatives which were previously recognised on an accrual basis are recognised at fair value through profit and loss. To minimise the effect of volatility as a result of these fair value adjustments the group has applied:
  - Hedge accounting where possible, or
  - In circumstances where hedge accounting could not be applied, the group has designated related financial assets and liabilities where a clear intention to hedge could be demonstrated.

42. Transition to International Financial Reporting Standards (continued)

- Fair value of embedded derivatives. Embedded derivatives represent the derivative component of a hybrid instrument which contains both a derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and the host contract itself is not recognised at fair value, the embedded derivative is separated from the host contract and recognised at fair value through profit and loss.
- Fair value of banking book equity positions which were previously held at cost or where applicable adjusted for permanent diminution. The majority of these banking book equity positions have now been treated as available for sale instruments.
- The reversal of general provisions raised, with an increase in specific impairments due to the discounting of expected cash flows. Further a portfolio impairment has been raised where there is evidence of an incurred impairment on a homogeneous portfolio of loans and advances based on historical data.
- In circumstances where gross equity settled options are acquired or sold in relation to the group's own equity, any premium received or paid is treated as a direct adjustment to equity.
- On the balance sheet financial assets and financial liabilities are offset and presented on a net basis only were a legal right to settle net exists and the group has the intention to settle net. This has resulted in an increase in gross assets and liabilities related to derivative instruments which were previously netted on the basis of legal right of set off with no reference to the intention of the group.

Investec

Australia, Brisbane

Level 31 71 Eagle Street
Riparian Plaza
Brisbane Queensland 4000
Telephone (61) 7 3018 8100
Facsimile (61) 7 3018 8108

Australia, Melbourne

Level 20 101 Collins Street
Melbourne VIC 3000 Australia
Telephone (61) 3 8660 1000
Facsimile (61) 3 8660 1010
e-mail australia@investec.com.au

Australia, Sydney

Level 31 The Chifley Tower
2 Chifley Square
Sydney NSW 2000 Australia
Telephone (61) 2 9293 200
Facsimile (61) 2 9236 0001
e-mail australia@investec.com.au

Channel Islands, St Helier

Investec Trust
PO Box 344
5 Castle Street St Helier
Jersey JE4 8UW
Telephone (44) 1534 512 512
Facsimile (44) 1534 512 513
e-mail enquiries@investectrust.com

Channel Islands, St Peter Port

PO Box 188 La Vieille Cour La Playiderie
St Peter Port Guernsey GY1 3LP
Telephone (44) 1481 723 506
Facsimile (44) 1481 741 147
e-mail enquiries@investec-ci.com

Hong Kong

2106 - 2108 Jardine House
1 Connaught Place
Central Hong Kong
Telephone (852) 2861 6888
Facsimile (852) 2861 6860
e-mail investec.asia@investecmail.com

Ireland, Dublin

The Harcourt Building
Harcourt Street Dublin 2
Telephone (353) 1 421 0000
Facsimile (353) 1 421 0500
e-mail info@investec.ie

Switzerland, Geneva

3 Place des Bergues
1201 Geneva Switzerland
Telephone (41) 22 807 2000
Facsimile (41) 22 807 2005
e-mail enquiries@investectrust.ch

Switzerland, Zurich

Talacker 41
CH-8022 Zurich Switzerland
Telephone (41 1) 226 1000
Facsimile (41 1) 226 1010
e-mail info@investecbank.ch

UK, London

2 Gresham Street
London EC2V 7QP
Telephone (44 20) 7597 4000
Facsimile (44 20) 7597 4070
e-mail info@investec.com

UK, Manchester

The Pinnacle 73 King Street
Manchester M24NG United Kingdom
Telephone (44 161) 819 7900
Facsimile (44 161) 819 7901
e-mail andrew.scotting@investec.co.uk