2007 Investec plc silo (excluding Investec Limited) Annual Financial Statements

Investec

Corporate information

Investec plc

Secretary and Registered Office

Investec plc

David Miller
2 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4541
Facsimile (44) 20 7597 4491

Internet address

www.investec.com

Registration number

Investec plc Reg. No. 3633621

Auditors

Ernst & Young LLP

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 107.

For queries regarding information in this document:

Investor Relations

Ursula Nobrega
Margaret Arnold
Telephone (27 11) 286 7070/(44) 20 7597 5546
Facsimile (27 11) 286 7014
e-mail: investorrelations@investec.com
Internet address:
www.investec.com/grouplinks/investorrelations

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Investec in perspective

Overview of the Investec group

Who we are

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.

What we do

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

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

Mission statement

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

Values

Distinctive Performance

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

Dedicated Partnerships

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

Client Focus

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

Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

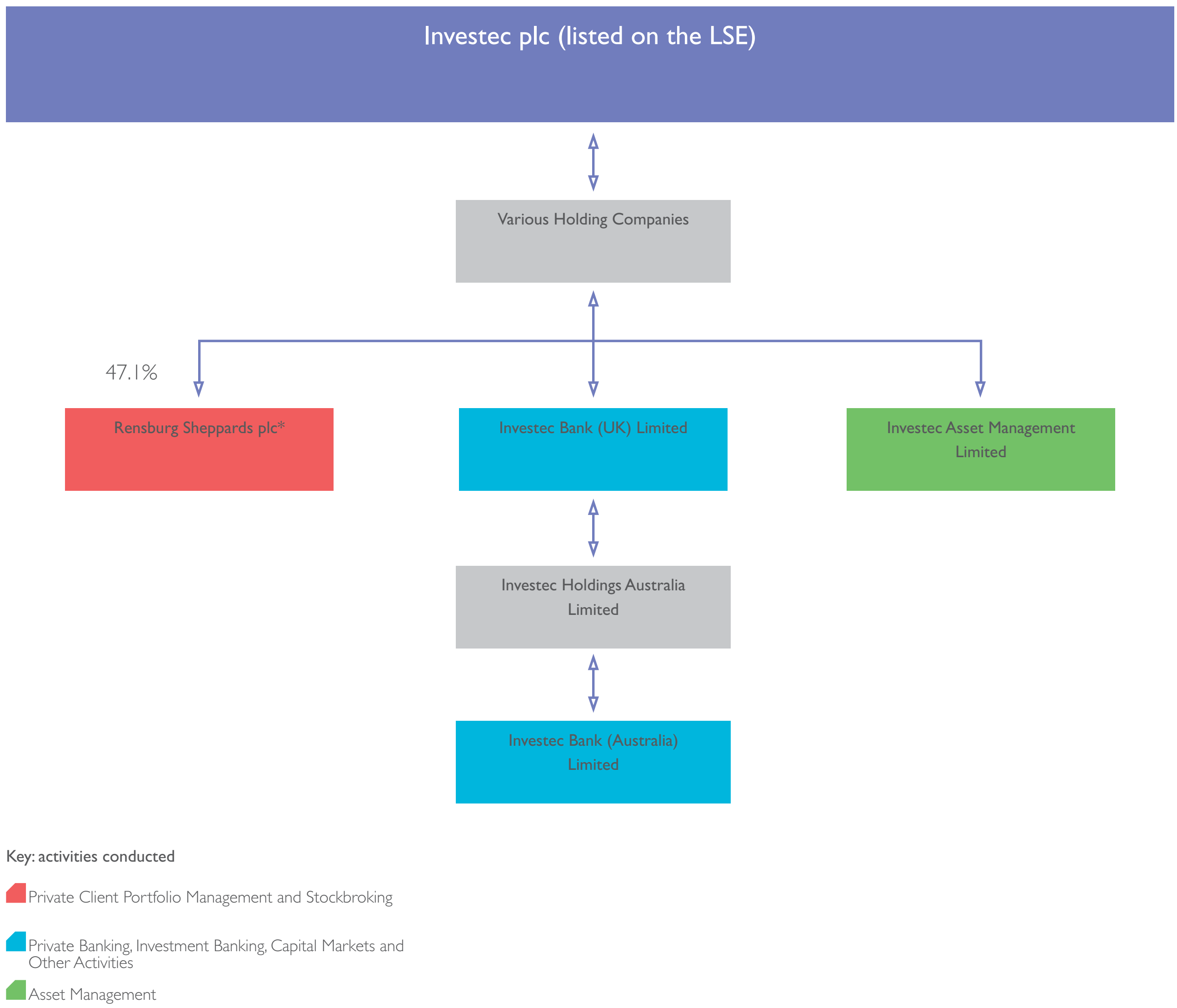
Philosophies

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

Investec plc organisational structure

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 2007



Note:

All shareholdings are 100%, unless otherwise stated.

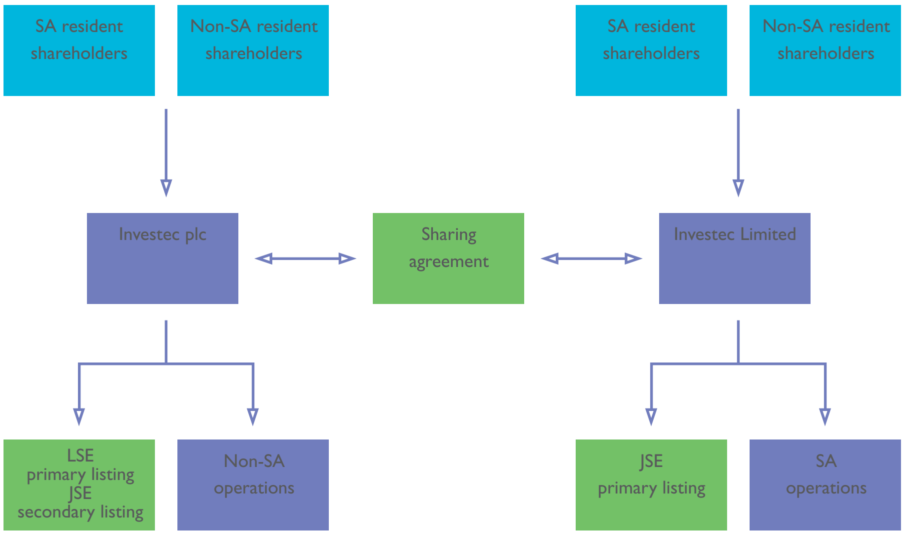
* Carr Sheppards Crosthwaite Limited was sold to Rensburg plc in May 2005. Investec retains a 47.1% interest in the combined entity, Rensburg Sheppards plc.

Overview of Investec's dual listed companies structure

Introduction

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

DLC structure



Salient features:

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

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

Overview of the activities of Investec plc

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, Capital Markets, 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.

Private Bank

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
- Banking and Treasury
- 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 buyout/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 solutions to high net worth individuals involved in the residential and commercial property markets across the UK and Europe.

Specialised Lending

We provide structured credit facilities in four niche areas to select private clients. Equity Finance & Investment Lending provides finance to facilitate the acquisition of significant stakes in quoted companies or to facilitate diversification out of concentrated shareholdings; Sports Finance provides finance to owners of football and rugby clubs in the United Kingdom and Europe; Aviation & Marine Finance provides finance for the acquisition of these movable assets for personal use; and Film Finance provides finance in connection with the production of films. 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 tailored to the requirements of each client.

Banking and Treasury 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 coupled with an extensive qualitative and quantitative due diligence process and access to the expertise of some of the world's leading financial institutions, enables 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 asset based lending, 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 £10 million to £ 50 million.

Capital Markets

The Capital Markets 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:

Asset and liability management

Asset liability management 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.

Principal Finance

We are involved in the origination and securitisation of residential mortgages, commercial mortgages, collateralised debt obligations and leveraged loans in the UK, European and US markets.

Structured and Asset Finance

This area focuses on structured and conventional lending, asset leasing and finance, mezzanine debt financing, leveraged buy-out funding and trading of financial assets.

Project Finance

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

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.

Fixed Income

This desk is involved in market making and trading of fixed income options in the Euribor, Libor and Eurodollar markets.

Corporate Treasury

We offer medium to small corporate entities spot, forward exchange, currency swaps and currency options, principally in G7 currencies.

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.

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 91 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 2007 was £272 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 28 equity analysts compiles research coverage on approximately 250 companies in the UK, focusing on 26 sectors. We also act as market maker for approximately 150 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 recommendation accuracy, we were placed 1st across UK brokers for FTSE 250 stocks. 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.

We continue to seek appropriate investment opportunities, to enable us to leverage off the skills and knowledge base of the group.

Property Activities

Our Property Activities in the UK have scaled down over the past couple of years as we have taken advantage of a seller's market by selling stock.

We are making progress in extending our property model in the UK to include property fund management and aligning the strategic focus of the UK business with that of South Africa.

Group Services and Other Activities

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. There are certain costs that are strategic in nature and which have not been allocated to the operating 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.

2. Investec Bank (Australia) Limited

We entered the Australian investment banking market in March 2001 with the acquisition of Wentworth Associates, 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, money market activities and more recently, growth and acquisition finance and specialised lending.

The Australian banking operations of NM Rothschild & Sons Australia Limited was successfully acquired in July 2006 creating an opportunity to further our market presence in the treasury and specialised finance space, particularly in the natural resources sector.

We have operations in Sydney, Melbourne, Brisbane and Perth.

3. Rensburg Sheppards plc

Our Private Client Stockbroking business, Carr Sheppards Crosthwaite, was sold to Rensburg plc on 6 May 2005. We retain a 47.1% interest in the combined entity, Rensburg Sheppards plc.

4. 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 2007, UK and international assets under management amounted to £13.0 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

Commentary on the results of Investec plc for the year ended 31 March 2007

Unless the context indicates otherwise, all income statement comparatives in the review below, relate to the results for the year ended 31 March 2006.

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

Introduction

Investec plc increased operating profit by 60.3% from £123.5 million to £197.9 million. Earnings attributable to ordinary shareholders decreased from £157.5 million to £156.1 million as the prior year included a non-operating gain of £74.2 million largely relating to the sale of Carr Sheppards Crosthwaite to Rensburg plc.

Financial highlights

	31 March 2007	31 March 2006	% change
Operating profit (£'000)	197 915	123 452	60.3%
Earnings attributable to ordinary shareholders (£'000)	156 107	157 485	(0.9%)
Cost to income ratio	65.5%	68.5%	
Total capital resources (including subordinated liabilities) (£'000)	1 729 309	999 935	72.9%
Total shareholders' equity (including minority interests) (£'000)	1 126 265	774 252	45.5%
Total assets (£'000)	11 604 851	7 839 564	48.0%
Capital adequacy ratio	24.7%	17.7%	
Tier 1 ratio	14.8%	11.6%	

Segmental information

For the year to 31 March 2007

£'000	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Services & Other Activities	Total group
Net operating income	227 555	155 354	113 749	79 972	1 435	10 120	588 185
Operating expenses	(104 512)	(94 207)	(83 146)	(62 415)	(143)	(45 847)	(390 270)
Operating profit	**123 043**	**61 147**	**30 603**	**17 557**	**1 292**	**(35 727)**	**197 915**
Cost to income ratio	45.5%	58.7%	73.1%	78.0%	10.0%	453.0%	65.5%

For the year to 31 March 2006

£'000	Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities	Services & Other Activities	Total group
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	**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%

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 £123.0 million (2006: £76.9 million), an increase of 60.0%.

Private Banking

Overview of performance

The Private Bank recorded an increase in operating profit of 62.5% to £113.0 million (2006: £69.5 million) driven by strong growth in advances and non-interest income. The division continues to penetrate its core markets and recorded strong performance across its areas of specialisation.

Since 1 April 2006, the Private Bank has shown good growth in all of its key earnings drivers:
- Loans and advances have increased 24.0% to £2.9 billion.
- The deposit book has grown 18.8% to £3.7 billion.
- Funds under advice have increased by 42.5% to £1.3 billion.

Developments

UK and Europe

- The Structured Property Finance team concluded a number of significant client led cross-border transactions in Europe and has continued expanding its distribution capacity in London, Manchester and Ireland.
- The Banking business has significantly expanded its distribution capacity and continues to innovate in the mortgage arena. Deposit raising and general banking activities have commenced in Switzerland and Jersey.
- The Growth and Acquisition Finance business has enhanced its portfolio of transactions with a good pipeline of exits. The product set has been expanded to include asset based lending, with an emphasis on receivables financing in addition to mezzanine and equity.
- The Investment Management business continues to win significant private client portfolio mandates. A material uplift in profitability and the talent pool has also been achieved. We continue to gain scale in our key focus areas, which include the provision of advisory services and specialised opportunities to our clients.
- 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. In addition, good progress in both the Investment Management and Structured Property Finance activities has been achieved.
- The Trust and Fiduciary business has enhanced profitability through efficiencies together with the successful integration of the Quorum Management Limited business. The business is an integral part of the Private Bank offering and continues to meaningfully support the deposit raising and investment activities of the bank.
- We are on track to roll out an online banking functionality by the end of 2008 and a transactional banking product is under review. This is aimed at further bolstering client acquisition and retention in general banking activities.

Australia

- The private client activities resulting from the acquisition of NM Rothschild & Sons (Australia) Limited were successfully integrated into the business.
- Our regional expansion continued into Brisbane and more recently Perth with the introduction of a private client offering.
- Structured Property Finance expanded its distribution capability, enhanced its sectoral focus and increased its focus on equity participations.
- We increased our lending capability with the launch of a new business line, Specialised Lending, which focuses on providing sophisticated gearing solutions for high net worth clients.
- The money market offering was enhanced through product innovation and an improved service capability.
- We exited our first two significant Growth and Acquisition Finance transactions through an initial public offering (IPO) and trade sale respectively and continue to look for opportunities to build a portfolio of investments.
- We successfully distributed A$200 million of specialist opportunities originated by the bank and increased high net worth funds under advice by 26.3%.

- We are developing a platform for third party co-investment opportunities to be offered to target clients.
- There is substantial investment under way to increase brand presence and distribution capability across all regions.

Outlook

- On the assumption that current market conditions prevail, the earnings outlook across all geographies is positive, with good deal pipelines in place.
- 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 47.1% interest in the combined entity, Rensburg Sheppards plc. The results of the combined entity Rensburg plc have been equity accounted and are included in the line item 'operating income from associates'.

Rensburg Sheppards plc released its results for the year ended 31 March 2007 on 13 June 2007. Salient features of the results extracted directly from the announcement released by the company include:

"Key points:

- Profit before tax of £25.7 million (16 months ended 31 March 2006: £13.0 million).
- Adjusted* profit before tax of £35.9 million (16 months ended 31 March 2006: £29.1 million).
- Basic earnings per share of 37.5p (16 months ended 31 March 2006: 20.9p).
- Adjusted* basic earnings per share of 57.1p (16 months ended 31 March 2006: 55.1p).
- Proposed final dividend of 15p per ordinary share, giving a total dividend for the year of 22.5p.
- In respect of the acquisition of Carr Sheppards Crosthwaite, the achievement by 31 March 2007 of future annualised pre-tax cost synergies of approximately £5.5 million per annum.
- Group funds under management at 31 March 2007 of £14.40 billion (31 March 2006: £ 13.13 billion), an increase of 9.7%.

* Before amortisation of the client relationships intangible asset, share-based payments relating to the Employee Benefit Trust ('EBT'), reorganisation costs and profit on disposal of available-for-sale investments. These items amount to a net charge before tax of £10.2 million (16 months ended 31 March 2006: £16.1 million) and a net charge after tax of £8.6 million (16 months ended 31 March 2006: £12.5 million)."

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

Capital Markets

Overview of performance

The Capital Markets (formerly known as Treasury and Specialised Finance) division posted a significant increase in operating profit to £61.1 million (2006: £23.4 million). Growth was underpinned by a solid performance from the division's advisory, structuring, asset creation, trading and distribution activities. The lending book has increased by 45.9% to £1.7 billion since 1 April 2006.

Developments

UK and Europe

- The European Principal Finance business is fully established and closed a number of transactions during the year, with various deals in the pipeline. The strong performance of the US business was negatively affected by the volatility in the US sub-prime market, where a number of fair value adjustments were required.
- The Acquisition Finance business continued to perform well.
- The Project Finance division closed the St Barts and St Helens hospital projects, realising significant fees. The St Barts deal is the largest PFI project to date in the UK.
- Activity continued in the aircraft finance market and we earned strong fee income from this area during the current period, with mandates of more than £0.5 billion completed.
- The Fixed Income Options Trading business commenced operations during May 2006 and volumes increased steadily. The desk is fully resourced and an improved performance is expected going forward.
- There are two fund initiatives under way: a structured credit fund and a resources fund. The resources fund is established with seed capital of $40 million and further capital raising is expected. The credit fund was delayed due to volatility in credit markets.
- A platform for the securitisation of third party originated residential mortgages in Ireland was launched called Nua. The first assets are being underwritten.

- The resources sector continues to be active and we benefited from increased deal flow and good positioning within this market.
- Subsequent to the year end, we bolstered our Equity Derivative Sales and Structuring business with a number of high calibre hires.

Australia

- The division benefited from the integration of the relevant businesses within NM Rothschild & Sons (Australia) Limited and now has an increased presence in Commodities and Resource Finance, Project and Infrastructure Finance and Principal Finance as well as a larger lending book. The acquisition increased the loans and advances book by A$338 million.
- The newly established Commodities Desk contributed significantly to earnings during the year and enabled us to provide clients with a full product suite across a range of interest rates, foreign exchange and precious and base metal products.
- The Rothschild's acquisition has been successful with people, clients and businesses embedded, effectively transforming Capital Markets into a significant banking business within Australia.
- The year ahead will see the strengthening of our origination capability, coupled with the development of new businesses in the areas of Principal Finance, Securitisation and Acquisition Finance.

Outlook

- The strategy has not changed. We continue to remain a focused specialist business targeting markets where we can be distinctive and competitive focusing on our core value drivers.
- In the UK we will continue to strive for depth and greater penetration. In Australia we will look for opportunities to broaden our franchise.
- Securitisation and capital markets are a key focus. In particular we will look to originate assets in higher margin niche areas to be funded through securitisation in the capital markets.
- We will continue to pursue our strategy around specialist funds.
- Momentum in the business is good. Markets remain favourable and we are still targeting growth in excess of the group target, although we are unlikely to achieve the levels of the recent past. We will continue to invest in the business to ensure continued growth in the medium term.

Investment Banking

Overview of performance

The Investment Banking division posted a 12.7% decrease in operating profit to £30.6 million (2006: £35.0 million). The Corporate Finance operations benefited from a strong deal pipeline. This was offset by lower commissions from the Institutional Stockbroking business which were negatively affected by regulatory changes and consequent competitive pressures as well as a weaker performance by the market making activities.

Developments

Corporate Finance

UK and Europe

- We benefited from good levels of merger and acquisition (M&A) activity. The IPO market was subdued at the beginning of the year but activity levels improved significantly during the second half.
- Eight IPOs were concluded during the period, the most significant being Southern Cross Healthcare PLC, Clinphone PLC and Styles & Wood PLC.
- We completed 24 M&A transactions with a value of £2.5 billion (2006: 14 transactions with a value of £1.1 billion).
- We completed 21 fundraisings during the year, raising in aggregate £597 million (2006: 21 transactions, raising £634 million).
- We continue to build the quality and size of the corporate client list, gaining 25 new brokerships, with the total number of quoted clients now at 91. The average market capitalisation of these clients is £272 million.

Australia

- There is increasing awareness and recognition of the Investec brand within the Australian market.
- We advised on 15 transactions (2006: 20) valued at approximately A$8.7 billion (2006: A$6.5 billion).
- We focused on building our capabilities in Brisbane and strengthening our presence in Melbourne.
- We continue to expand our sector specialisation and launched our resource advisory capability leveraging off opportunities in Western Australia.
- We experienced strong cross-border activity, particularly in the resources and renewable energy sectors, between Australia and the rest of the group.

Institutional Research, Sales and Trading

UK and Europe

- While volatile markets and unbundling affected the growth of secondary commissions compared to the prior year, trading revenues reflected upward momentum.
- Our sector build out is now complete with the introduction of two new sectors during the year, namely Speciality and Other Financials and Construction and Building.
- The quality of our research was highlighted in the Sunday Times/Starmine Survey published in January 2007, in which we were placed first across all UK brokers for FTSE 250 recommendations in the UK. We also achieved the number one ranking in the Investors Chronicle AIM survey.
- We recently established a sales desk in New York to accelerate our UK offering in that market.
- We continued to make substantial investments in our trading and execution capacity.

Direct Investments and Private Equity

UK, Europe and Hong Kong

- We continued to seek appropriate investment opportunities, to enable us to leverage off the skills and knowledge base of the group and we also increased the resources in this area.

Australia

- We completed the equity raising of A$200 million for Investec Wentworth Private Equity Fund 3.The total size of the Private Equity Funds is A$480 million.
- We successfully completed three new investments.
- The investment portfolio continued to perform strongly.

Outlook

Corporate Finance

- The pipeline looks positive and we continue to build our client base.
- An enhanced team structure together with increased brand awareness and national reach provides a solid platform for future growth opportunities across all areas of the Australian business.

Institutional Research, Sales and Trading

- The UK business has strengthened its positioning in the market, while further growth is expected to come from hedge funds and increased distribution into the US and Europe.

Direct Investments and Private Equity

- 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 £17.6 million (2006: £10.6 million) underpinned by the general momentum in the business and strong mutual fund sales. Assets under management increased by 10.8% to £13.1 billion on the back of net inflows in excess of £1 billion for the reporting period.

Developments

UK and international

- Good investment performance from the equity and multi-asset propositions.
  - 86% of mutual funds by value and 64% of mutual funds by number are in the first or second quartile over three years.
  - 67% over three years and 92% over five years of institutional propositions outperformed their benchmarks.
- The institutional business reported increased traction and started to benefit from the strong performance across our investment proposition.
- The UK onshore mutual funds business grew from £3.2 billion to £4.2 billion, an increase of 30.9% with net sales of £870.3 million. Notably, the Cautious Managed Fund passed through the £1 billion market - the first fund in the mutual fund range to do so.
- Key awards won over the period included Global Money Management's Pension Fund Award 2007 for Fixed Income Manager of the Year in the UK, Lipper's Best Large Equity Group of the Year for Switzerland and Morningstar's Small Company of the Year for equity funds in Germany.

- The offshore funds continued to achieve strong sales, particularly from Asia (Hong Kong and Taiwan).

Outlook

- Momentum across the business remains positive.
- A solid long-term track record and growing demand for specialist high performance product support the fundamentals of the business.

Property Activities

Overview of performance

The Property division recorded an operating profit of £1.3 million (2006: £2.0 million), down 35.0% due to lower realisations in the current period.

Developments and outlook

We are making progress in expanding our property model in the UK to include property fund management and aligning the strategic focus of the UK business with that of the Investec group's operations in South Africa.

Group Services and Other Activities

The Group Services and Other Activities division posted an operating loss of £35.7 million compared to a loss of £24.5 million in the previous year largely as a result of increased variable remuneration, given the growth in profitability.

Risk management and corporate governance

Risk management

Philosophy and approach

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

Risk awareness, control and compliance are embedded in our day-to-day activities.

Group Risk Management (part of Group Services) independently monitors, manages and reports on our risk as mandated by the board of directors through the Board Risk Review Committee. Business units are ultimately responsible for managing risks that 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 2007 Annual Report

Credit risk management

Credit risk represents the potential loss to the group as a result of:
- A counterparty being unable or unwilling to meet its obligations.
- A deterioration in the credit quality of third parties to whom we are exposed.

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 loans and advances 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 us effecting required settlements as they fall due but not receiving settlements to which we are entitled. Continuous linked settlement and exchange settlement 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.

Credit risk in the UK and Europe

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

Credit risk arises mainly through our Private Banking and Capital Markets activities, which include inter-bank placements and asset 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 (London and Manchester), Ireland, the Channel Islands and Switzerland. Credit risk arises from the following activities which we undertake in the division: structured property finance, private client lending, specialised lending, growth and acquisition finance, and asset based lending on receivables and stock.

The Structured Property Finance 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 property assets 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 valuation firms. Committees review and monitor our mezzanine and equity property funding exposure on a quarterly basis.

Growth and Acquisition Finance provides mezzanine or composite debt funding to successful entrepreneurs, management teams, private equity houses and UK based mid-market companies that are implementing acquisition and organic growth strategies. 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.

Asset Based Lending provides working capital and business loans secured on collateral or assets used in the conduct of the business, for example, account receivables, inventory, plant and machinery, and property. We also provide advances against cash flow or other assets such as committed income or rights. Lending includes variable funding on variable assets and term loans on fixed assets.

Specialised Lending provides bespoke credit facilities and hedging options 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. We also provide funding secured on sports and media related cash flows, including intellectual property rights and sponsorship transactions where certainty of serviceability, client quality and expertise are key considerations.

Private Client Lending provides bespoke mortgages and secured lending to high net worth and high income individuals. Loan sizes range between £0.5 million and £10 million with long-term durations. Credit risk is assessed against robust debt servicing cover ratios. Lending is underpinned by good quality assets, including residential and commercial property, bank guarantees, discretionary investment portfolios and cash deposits. In determining serviceability, we also consider the liquidity of the client, including cash reserves and liquid asset holdings. Funding is characterised by long-term annuity income and a historically low probability of default. Property assets are located predominantly in the UK, with limited exposure to prime residential areas in France and Spain. All facilities are reviewed at least annually and property values are monitored by our appointed panel valuation firms.

Capital Markets

The bulk of Capital Markets activities are conducted from London.

As part of the daily management of liquidity, the treasury function places funds with banks and other financial institutions. These professional counterparties are highly rated with credit risk of a systemic nature.

Our trading book consists of positions in interest rates, foreign exchange, commodities and equities. Credit risk arises from standard trading risks such as settlement, counterparty and replacement risk. We maintain a thorough risk process that reviews and monitors all potential credit risks inherent in customer trading facilities. These positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of counterparty default.

Within the Structured Finance business, credit risk can arise from structured finance, project and resource financing, asset finance, acquisition finance and corporate lending activities. There are approved limits specifying the maximum exposure to each individual counterparty, to ensure there is no concentration risk. Facilities are secured on the assets of the underlying corporate. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying security and cash flow.

While most of the activities of our Capital Markets division are concentrated in Europe, any exposure to counterparties outside this jurisdiction is mitigated through a stringent country risk approval and monitoring process, and covered by political risk insurance where deemed appropriate.

Our Principal Finance (securitisation) area has a "non-conforming" mortgage origination platform. Assets are gathered from intermediaries and administered externally. These assets are well spread and are warehoused on a short-term basis and securitised periodically. The group also securitises assets that it has originated in its Asset Finance business.

Investment Banking

Credit exposures arise from trading activities with market counterparties. These are all on a delivery versus payment basis, through major share exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any mark to market losses on the underlying security.

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 transacting with 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 2007	31 March 2006
Total loans and advances to customers (gross of impairments)*	4 685	3 643
Specific impairments	16	9
Portfolio impairments	2	1
Total impairments	**18**	**10**
Gross default loans	51	20
Sub-standard	13	1
Doubtful	1	-
Loss	37	19
Less: security	34	11
Net default loans (pre impairments held against these loans)	**17**	**9**
Adequacy of impairments		
Specific impairments as a % of loans and advances to customers	0.34%	0.25%
Portfolio impairments as a % of net loans and advances to customers	0.04%	0.03%
Total impairments as a % of loans and advances to customers	0.38%	0.27%
Total impairments as a % gross default loans	35.29%	50.00%
Total impairments as a % of net default loans	105.88%	111.11%
Specific impairments as a % of gross default loans	31.37%	45.00%
Specific impairments as a % of net default loans	94.12%	100.00%
Gross default loans as a % of loans and advances to customers	1.09%	0.55%

* Excludes intergroup loans.

Asset quality by geography

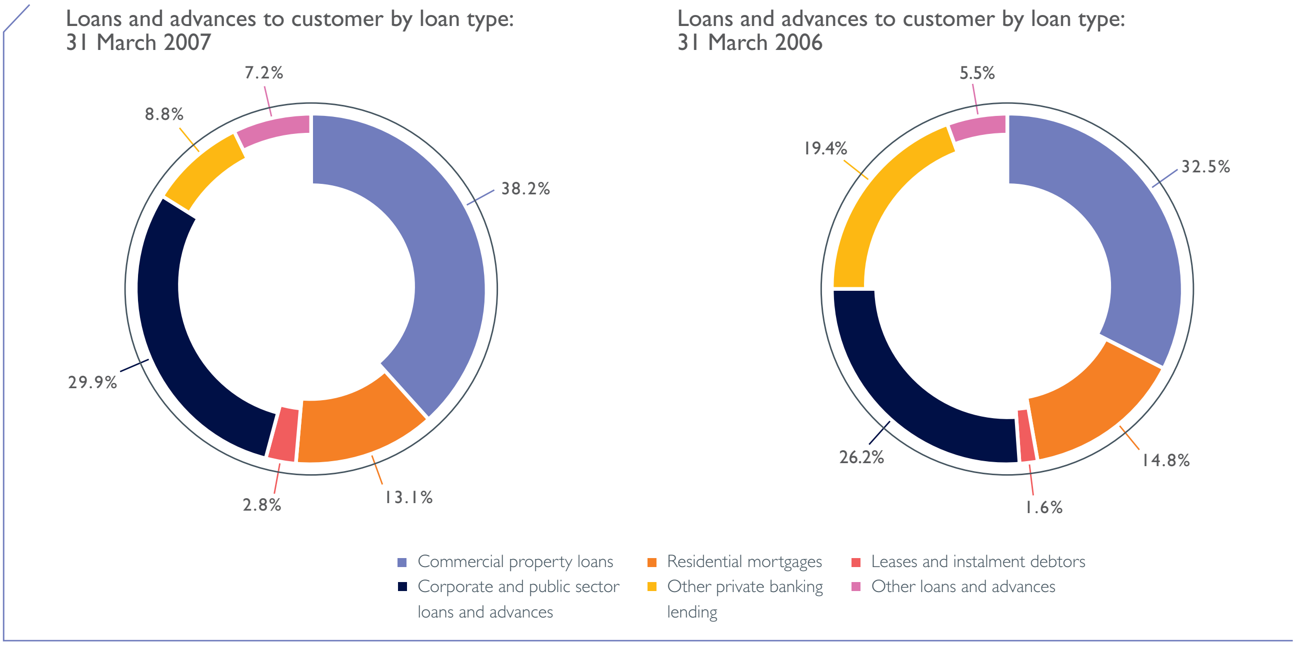
£'million	Loans and advances	Portfolio impair-ments	Specific impair-ments	Total impair-ments	Gross default loans	Security held against default loans	Net default loans
31 March 2007							
UK and Europe	4 012	2	7	9	34	26	8
Australia	673	-	9	9	17	8	9
Total group	**4 685**	**2**	**16**	**18**	**51**	**34**	**17**
31 March 2006							
UK and Europe	3 239	1	8	9	18	11	7
Australia	404	-	1	1	2	-	2
Total group	**3 643**	**1**	**9**	**10**	**20**	**11**	**9**

Note:
As part of our Basel process we have revisited the definitions applied in terms of our asset quality information and refined these across divisions and geographies. There have been some minor changes as a result, and the 2006 information as depicted above has been restated accordingly.

Loans and advances to customers by loan type

At 31 March £'million	2007	2006
Category analysis*		
Commercial property loans	1 791	1 184
Residential mortgages	613	541
Leases and instalment debtors	130	58
Corporate and public sector loans and advances	1 399	953
Other private bank lending	413	706
Other loans and advances	339	201
	4 685	3 643
Specific impairment	(16)	(9)
Portfolio impairment	(2)	(1)
	4 667	3 663

* Excludes intergroup loans.



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 23.9% to £4.0 billion, driven largely by solid growth in our Structured Property Lending and Acquisition Finance businesses.

We have seen sustained growth in the UK housing market, driven by the shortage of housing and net immigration. These trends are expected to be maintained or stabilise in 2007, where growth in the UK property market is estimated at 6%, led by continued price rises in prime southern locations, Ireland and Scotland. The marginal increases in UK interest rates, against a backdrop of anticipated house price correction, has had a minimal effect on our core client base of high net worth and market professional individuals who can afford rate rises and have significant equity at risk.

The European residential market has seen moderate growth, driven by solid market fundamentals, further yield compression and ongoing development in Eastern Europe. Growth is expected to continue in 2007, with estimated price increases in some parts of Central Europe of up to 20%.

Continued demand from the emerging markets and strong supply/demand fundamentals from investors and speculators has led to record gains of up to 43% in commodities prices. This has resulted in the increased viability and profitability of marginal producers and demand for resource financing alongside a further focus on price risk hedging for wholesale consumers.

The US sub-prime mortgage market experienced increased volatility and higher defaults as a result of an oversupply of property, higher interest rates and the quality of borrowers. Our exposure is limited to the extent of a small number of equity positions. Substantially, our warehouse risk on these transactions is underwritten predominantly by other financial institutions. Our exposure in this sector remains low.

The quality of the overall loan portfolio in the UK and Europe remains satisfactory with gross default loans as a percentage of total loans of 1.09%.

Australia

The loan portfolio increased by 66.6% to £0.7 billion, driven by growth across all business streams and the acquisition of NM Rothschild & Sons (Australia) Limited.

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 principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making, 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 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 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. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. The following scenarios are analysed: October 1987, Black Monday, 11 September 2001 and the December Rand crisis in 2001.

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

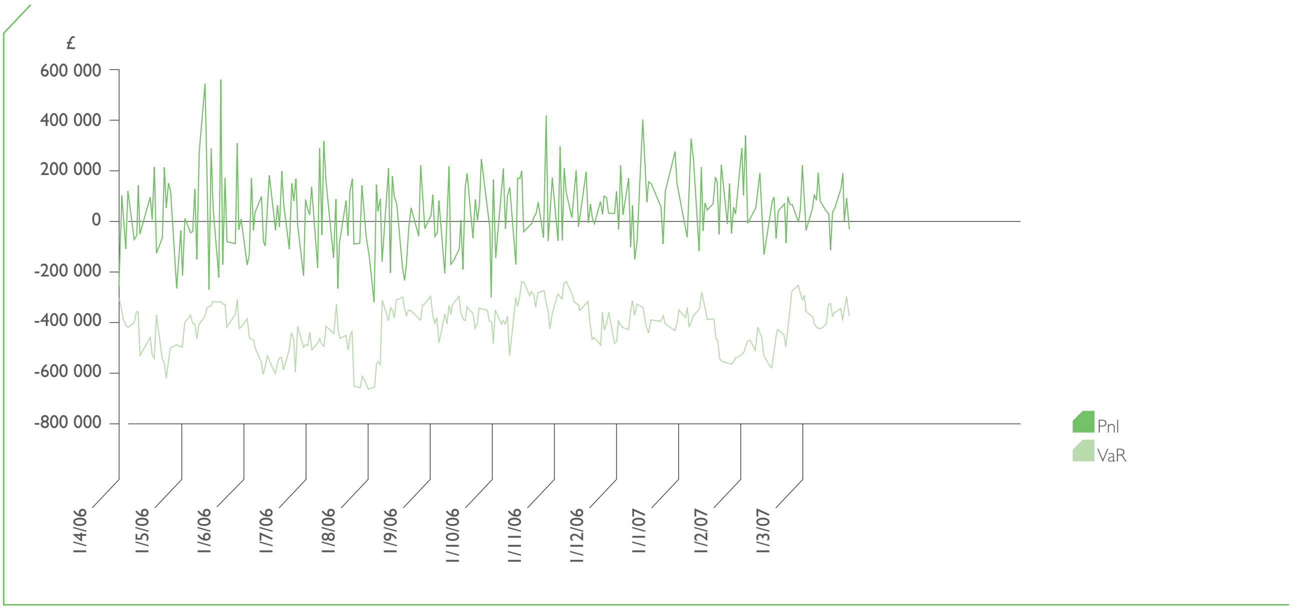
VaR 95% (one-day)

31 March £'000	2007	2006
Commodities	79	36
Equity derivatives	124	212
Foreign exchange	5	8
Interest rates	77	14
Consolidated*	**179**	**203**
High	539	820
Low	130	160
Average	238	373

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

The graph below shows total daily VaR and profit and loss figures for the trading activities of Investec plc and shows no exceptions for the past financial year. The values are for the 99% one-day VaR i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

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



ETL 95% (one-day)

31 March £'000	2007	2006
Commodities	126	46
Equity derivatives	158	268
Foreign exchange	6	10
Interest rates	150	23
Consolidated*	**248**	**219**

* The consolidated ETL for each desk is 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 £2.2 million in Investec plc.

31 March £'000	2007	2006
Commodities	602	277
Equity derivatives	946	1 626
Foreign exchange	37	62
Interest rates	587	109
Consolidated	**2 172**	**2 074**

Market risk year in review

In the UK, all desks are currently at Capital Adequacy (CAD) I level and will be applying for CAD II later in the year.

In the UK, the business plan for the Equity Derivatives desk was re-evaluated. As a result, the quantum of risk on the desk decreased. A new Fixed Income Market Making desk was established and trades options and futures on short Sterling and Euribor. We obtained CAD I model approval for these new options. In Australia, the acquisition of the NM Rothschild & Sons (Australia) Limited business resulted in the introduction of commodity trading and hedging transactions in that jurisdiction. The market risk limits approved are modest and use is low.

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 description

Non-trading interest rate risk is the impact on net interest earnings and sensitivity to economic value, as a result of increases or decreases in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

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. We are also exposed to basis risk, which is the difference in repricing characteristics of two floating-rate indices.

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

UK and Europe - interest rate sensitivity gap

At 31 March 2007 £'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Assets							
Cash and short-term funds (banks and non-banks)	651	15	-	-	-	4	670
Negotiable securities	1 124	213	444	24	3	10	1 818
Loans and advances to customers	3 198	390	68	194	87	-	3 937
All other assets	(602)	65	333	17	541	404	758
Total	4 371	683	845	235	631	418	7 183
Funding							
Deposits	(4 738)	(386)	(348)	(84)	(27)	-	(5 583)
All other liabilities	(82)	(20)	(3)	(223)	(339)	(933)	(1 600)
Total	(4 820)	(406)	(351)	(307)	(366)	(933)	(7 183)
Economic hedges	611	(1 048)	149	(75)	363	-	-
Interest rate repricing gap	162	(771)	643	(147)	628	(515)	-
Cumulative repricing gap	162	(609)	34	(113)	515	-	-

Australia - interest rate sensitivity gap

At 31 March 2007 A$'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non-rate	Total non-trading
Assets							
Cash and short-term funds (banks and non-banks)	1 033	65	48	15	-	-	1 161
Negotiable securities	-	-	-	39	8	-	47
Loans and advances to customers	1 362	51	26	144	26	3	1 612
All other assets	-	-	-	-	-	318	318
Total	2 395	116	74	198	34	321	3 138
Funding							
Deposits	(2 008)	(66)	(28)	(166)	(9)	(1)	(2 278)
All other liabilities	(79)	-	-	-	(22)	(759)	(860)
Total	(2 087)	(66)	(28)	(166)	(31)	(760)	(3 138)
Economic hedges	84	(6)	(7)	(55)	(16)	-	-
Interest rate repricing gap	392	44	39	(23)	(13)	(439)	-
Cumulative repricing gap	392	436	475	452	439	-	

Liquidity risk description

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

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

The tables that follow show our liquidity mismatch, which represents our contractual cash obligations and commercial commitments.

UK and Europe - liquidity view

At 31 March 2007 £'000	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Assets								
Cash and balances at central banks	30 861	-	-	-	-	-	-	30 861
Loans and advances to banks	238 275	504 590	15 600	15 057	-	54 547	10 779	838 848
Cash equivalent advances to customers	55	23 155	-	-	-	-	-	23 210
Reverse repurchase agreements and cash collateral on securities borrowed	1 979 936	-	-	-	-	-	-	1 979 936
Trading securities	179 910	47 730	166 332	17 285	983	20 730	58 300	491 270
Derivative financial instruments	193 637	35 417	2 901	4 380	12 064	17 553	1 308	267 260
Investment securities	606	166 811	225 033	214 320	495 486	281 403	7 514	1 391 173
Loans and advances to customers	456 606	269 823	348 160	320 096	391 642	1 956 525	261 390	4 004 242
Other assets	543 761	266 095	70 321	31 111	2 422	12 038	6 205	931 953
Interests in associated undertakings	-	-	-	-	-	-	53 165	53 165
Deferred taxation assets	-	-	-	-	2 101	17 328	3 220	22 649
Property, plant and equipment	-	-	-	-	-	-	120 588	120 588
Goodwill	-	-	-	-	-	-	148 694	148 694
Intangible assets	-	-	-	-	-	-	17 628	17 628
Total	3 623 647	1 313 621	828 347	602 249	904 698	2 360 124	688 791	10 321 477
Funding								
Deposits by banks	57 094	358 275	7 670	57 366	99 858	775 060	160 800	1 516 123
Derivative financial instruments	67 471	4 906	-	-	1 382	72	-	73 831
Other trading liabilities	41 645	54 607	-	-	-	-	-	96 252
Repurchase agreements and cash collateral on securities lent	1 598 128	-	-	-	-	-	-	1 598 128
Customer accounts	823 759	766 717	1 680 228	143 064	96 347	257 518	26 975	3 794 608
Debt securities in issue	-	115 650	112 086	90 815	350 128	12 853	-	681 531
Other liabilities	637 967	298 725	60 618	39 586	28 985	4 439	485	1 070 805
Current taxation liabilities	992	46	-	33 046	-	4 121	-	38 205
Deferred taxation liabilities	-	-	-	109	1 033	8 249	9 391	9 391
Pension fund liabilities	-	46	139	139	278	853	11	1 467
	3 227 056	1 598 972	1 860 741	364 016	577 087	1 055 949	196 520	8 880 3431
Subordinated liabilities (including convertible debt)	-	-	-	-	-	257 386	304 192	561 578
Total	3 227 056	1 598 972	1 860 741	364 016	577 087	1 313 335	500 712	9 441 919
Liquidity gap	**396 591**	**(285 352)**	**(1 032 394)**	**238 233**	**327 611**	**1 046 789**	**188 079**	**879 558**
Cumulative liquidity gap	**396 591**	**111 240**	**(921 154)**	**(682 921)**	**(355 310)**	**691 479**	**879 558**	**-**

Australia - liquidity view

At 31 March 2007 A$'000	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
Assets								
Cash and balances at central banks	-	29 017	-	-	-	-	-	29 017
Loans and advances to banks	-	91 510	46 301	28 862	-	12 581	-	179 254
Trading securities	6 192	-	-	23 113	82 353	52 481	-	164 139
Derivative financial instruments	-	13 446	14 385	12 869	42 131	79 210	-	162 041
Investment securities	140 436	179 490	375 504	65 193	37 470	65 445	-	863 538
Loans and advances to customers	120 006	45 884	238 491	143 598	284 003	629 742	146 454	1 608 178
Deferred taxation assets	-	-	-	-	-	-	13 286	13 286
Other assets	-	-	-	18 034	-	-	-	18 034
Interests in associated undertakings	-	-	-	-	-	-	41 586	41 586
Property and equipment	-	-	-	-	-	-	5 221	5 221
Goodwill	-	-	-	-	-	-	49 133	49 133
Intangible assets	-	-	-	-	-	-	538	538
Total	**266 634**	**359 347**	**674 681**	**291 669**	**445 957**	**839 459**	**256 218**	**3 133 965**
Funding								
Derivative financial instruments	-	7 818	8 364	7 483	24 497	46 056	-	94 218
Customer accounts	493 369	350 353	98 684	16 300	17 826	116 695	-	1 093 227
Debt securities in issue	5 235	149 165	53 827	156 338	477 478	315 673	-	1 157 716
Current taxation liabilities	-	-	-	11 552	-	-	-	11 552
Other liabilities	39	-	-	55 602	-	-	-	55 641
	498 643	507 336	160 875	247 275	519 801	478 424	-	2 412 354
Subordinated liabilities (including convertible debt)	-	-	-	-	-	-	100 512	100 512
Total	**498 643**	**507 336**	**160 875**	**247 275**	**519 801**	**478 424**	**100 512**	**2 512 865**
Liquidity gap	**(232 009)**	**(147 989)**	**513 806**	**44 394**	**(73 844)**	**361 035**	**155 706**	**621 099**
Cumulative liquidity gap	**(232 009)**	**(379 998)**	**133 808**	**178 202**	**104 358**	**465 393**	**621 099**	**-**

Balance sheet risk year in review

We successfully embarked on several term debt funding initiatives. This allowed us to maintain liquidity well above internal and external liquidity targets, while growing our profitable lending portfolios. These initiatives were designed to further diversify sources of funding and maintain surplus medium-term liquidity at low rates to facilitate asset growth. Key initiatives included the following:

- Investec Bank (UK) Limited launched three Schuldschein transactions in November 2006, raising €370 million three-year money at a spread of 25 basis points over three-month Euribor. The 280 million transaction was a record in terms of size for the Schuldschein market. The deal attracted 16 banks, most of which had not previously participated in any of our other funding transactions. The proceeds of the issues will be used to fund longer dated assets on Investec Bank (UK) Limited's balance sheet, freeing up inter-bank capacity to fund shorter dated assets.
- Investec Bank (UK) Limited implemented a successful Upper Tier II capital raising exercise in January 2007, raising £350 million 10-year capital at swaps plus121 basis points all-in. The order book reached £1.9 billion and we had 12 orders of £50 million or more.
- Investec Bank (UK) Limited's Central Treasury implemented tri-party repo agreements which enabled us to liquefy our FRN holdings as required and thereby facilitate our ability to fund the Dublin branch up to €1.5 billion over short periods.
- Investec Bank Australia Limited acquired and integrated the banking business of NM Rothschild & Sons (Australia) Limited (Rothschild's) in July 2006. This acquisition included gaining access to more than A$1.6 billion of funding and over A$1 billion of liquid and treasury trading assets. We also integrated the former Rothschild's Debt Issuance Programme infrastructure and confirmed relationships with a wide range of new funding counterparties. In addition to our Moody's rating, we undertook and gained an investment grade rating from Fitch Ratings. Going forward, we expect to refresh our Debt Issuance Programme and undertake an inaugural domestic bond issue to raise medium-term funding and continue to develop Investec Bank (Australia) Limited's profile in the domestic and regional debt markets, while building new and deepening existent wholesale funding relationships.

Operational risk management

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

We recognise operational risk as a significant risk category, and strive to manage this within acceptable levels through the promotion of sound operational risk management practices.

Operational risk year in review

Operational risk exposure continued to be addressed and reported.

During the year, we continued to embed our operational risk practices across the group. Our strategy provides for continuous development to ensure that our framework and practices are appropriate and adequate for our business, and in line with regulatory requirements. In addition, we continue to develop and enhance our policies, practices and processes in line with leading practice. Industry developments are monitored through active participation in industry forums.

A number of engagements with regulators took place during the year as part of our Basel II programme. The Standardised Approach application requirements in the jurisdictions are being met. An internal assessment of our operational risk practices has been undertaken to evaluate compliance with Basel II requirements, and we are of the view that we are substantially meeting these requirements.

During the year, the processes around the gathering of internal data were refined. Risks above our threshold were reported to the Board Risk Review Committee and are being appropriately treated.

Certain key risk indicators are tracked and continue to be an area of focus.

Business continuity risk was a focus for regulators during the year. Participation in regulatory initiatives confirmed that our business continuity practices are appropriate and adequate. Certain minor incidents were effectively responded to without disruption to the business, but highlighted the need for ongoing attention to operations resilience and partial disruption recoverability. The management of this risk remains a focus.

Information security training was rolled out to all staff to increase the awareness of information security risk.

Financial crime remains a concern. During the year, various internal and external incidents were identified and responded to, in order to minimise losses and recover assets or to report suspicious transactions to the authorities.

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.

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. Strategically, we focus on ensuring that we only enter 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, risk management and capital-based incentive compensation into one integrated framework.

The Investec plc and Investec Limited boards of directors are ultimately responsible for the respective silo's capital 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. The Investec plc and Investec Limited boards of directors are ultimately responsible for the respective silo's capital 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.

Capital adequacy

Investec Bank (UK) Limited (IBUK) is the main banking subsidiary of Investec plc. Investec Bank (Australia) Limited (IBAL) is a subsidiary of IBUK.

Investec plc is well capitalised and capital adequacy ratios exceed the minimum regulatory requirements.

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

	IBAL A$'million	IBUK £'million	Investec plc £'million
31 March 2007			
Net qualifying capital	568	1 284	1 357
Risk-weighted assets	2 383	5 314	5 485
Capital adequacy ratio	23.8%	24.2%	24.7%
Tier 1 ratio	19.0%	13.2%	14.8%
31 March 2006			
Net qualifying capital	269	725	762
Risk-weighted assets	1422	3 815	4 312
Capital adequacy ratio	18.9%	19.0%	17.7%
Tier 1 ratio	18.0%	14.4%	11.6%

The above ratios are determined under Financial Services Authority requirements in respect of IBUK (consolidated) and Investec plc (consolidated).

Basel II

We intend to implement the Basel II Standardised approaches for credit and operational risk across our divisions and geographies from January 2008, moving to the Advanced approaches over time. For market risk in the trading book, we currently adopt a combination of the EU CAD I model approach and internal value-at-risk models and we intend to move to the latter across all jurisdictions in the near future. The Basel II implementation is taking account of 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.

While the adoption of the Basel II framework may have a significant impact on the capital management process, the process will allow greater flexibility for us to manage our capital requirements through a better understanding of risk and reward. From a philosophical standpoint however, the use of risk to manage the business will not change. The reason is that the acute sensitivity of transactions to capital use is already embedded in our deal/credit approval and performance measurement ethos (as detailed above).

The underlying process for determining capital adequacy relative to our chosen risk profile will remain essentially the same. However, under Basel II, the basis for quantification of required capital will become more sophisticated.

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 capital adequacy. Strategic plans outline our capital needs, anticipated capital expenditure, target capital level and structure 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.

The adoption of Pillar II through our internal capital model allows us to manage risk more effectively and to target performance accurately on the basis of risk. This will enable an extension to the current internal capital model by allowing for a greater understanding of the sources of all risk capital at a transactional level.

Internal Audit

Internal Audit provides objective and independent assurance to the board that management processes are adequate for identifying the significant risks to which we are exposed 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 2007 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 behaviour, which builds trust.

Further details on the compliance function can be found in the Investec group's 2007 Annual Report.

UK and Europe - year in review

Regulatory activity in the UK and Europe during the year focused on the implementation of various European directives and initiatives of the UK's Financial Services Authority (FSA). These included:

- More principles based regulation.
- Markets in Financial Instruments Directive (MiFID).
- Treating Customers Fairly (TCF).
- Capital Requirements Directive.

More principles based regulation

We have been monitoring the FSA's Better Regulation Action Plan, which aims to improve future regulation in the UK. This plan is underpinned by the FSA's objective to become a more principles based regulator by moving the balance of financial services regulation towards high-level principles rather than detailed rules and guidance. Our Compliance function is closely involved with the development of more principles based regulation. The business has dealt effectively with practical issues arising out of the principles based initiatives to date. These include TCF, the deletion of the money laundering sourcebook in favour of high level principles, and proposals to delete the training and competence sourcebook.

MiFID

During 2006, we began implementing MiFID. We engaged external consultants to conduct an impact analysis of the implementation of MiFID on our businesses. The impact analysis formed the basis for scoping our implementation project. As part of the project governance, we established an implementation steering committee, comprising senior executives and a working group. Implementation is progressing in line with expectations ahead of the 1 November 2007 UK implementation date. MiFID includes more detailed requirements on the effective identification and management of conflicts of interest than the current regime. We are finalising work on a wide-ranging conflicts of interest project to address MiFID requirements and ensure we remain at the forefront of good practice.

TCF

In line with the FSA's expectations for 2006, we continued to embed TCF throughout the life cycle of transactions and into our business. The TCF agenda is closely aligned to our core values to treat people fairly and act with integrity. We have benchmarked our progress on TCF and we continue to meet good practice standards.

We also continue to develop the capabilities of the London based control room and transaction monitoring functions. This area is particularly dependent on effective use of information technology. It has focused on systems developments to enhance our ability to identify conflicts of interest and aggregate and disclose holdings and dealings information for regulatory purposes and monitoring of trading behaviour. The Compliance monitoring function developed and enhanced its approach to risk based monitoring. A significant number of business specific and thematic reviews were completed.

The Irish branch applied significant resources to implementing a new Consumer Protection Code. This introduced a broader definition of "consumer" and significantly changed the regulatory landscape for the provision of financial services to consumers in Ireland.

Australia - year in review

During the past year, the Australian regulatory environment underwent continued 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 and a new standard on governance for banks.

Anti-money laundering

With the enactment of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 in December 2006 and the publication of various anti-money laundering rules, businesses affected by the new laws (including ourselves) can start planning for compliance. The Act will be implemented in stages with commencement dates of obligations ranging from immediately to 24 months. These obligations include customer identification and verification, record keeping, establishing and maintaining an Anti-Money Laundering and Counter-Terrorism Financing programme, and ongoing customer due diligence and reporting (suspicious matters, threshold transactions and international funds transfer instructions).

Australian Prudential Regulatory Authority (APRA)

The APRA has finalised certain standards requiring us to implement and update various internal processes. For instance, the APRA Fit and Proper standard, which was finalised in 2006, seeks to ensure that responsible persons have the appropriate skills, experience and knowledge for their role and act with honesty and integrity. This strengthens the protection given to depositors and stakeholders. We conducted fit and proper assessments of each "responsible person" and have notified APRA of the details of each nominated "responsible person".

Financial services reform

Reforms of the Australian regulatory environment have been aimed at streamlining the regulatory process, while maintaining the highest standards of market integrity and consumer protection. Reforms introduced in the Financial Services Reform Act (FSRA) in March 2002 (which became effective 11 March 2004) were intended to reduce compliance costs, while facilitating the entry of new market participants and the introduction of new services and products. However, in March 2007, the Australian government, recognising that there was still room for improvement, published the Corporate and Financial Services Regulation Review: Draft Corporations Amendment Regulations and Commentary (Draft Regulations). The Draft Regulations are part of the government's progress towards a simpler regulatory system arising out of the Corporate and Financial Services Regulation Review, which started in April 2006. The Draft Regulations are a significant step towards reducing the regulatory burden on business and helping to make the system more user-friendly for consumers. However, there are still a number of issues in relation to these proposed regulations which require fine-tuning and, in a few instances, reassessment of whether some of the underlying objectives of the review process are being achieved.

Licensing

Various Investec Australian Financial Services Licences have been amended to reflect recent changes in our activities as well as the addition of the acquired NM Rothschild & Sons (Australia) Limited businesses.

Group processes implemented to address conflicts of interest

It has become increasingly important to ensure that actual or potential conflicts of interest are managed appropriately. A project has been initiated across the group to identify areas where conflicts of interest may arise and to ensure that appropriate processes are implemented to either avoid or manage these. To facilitate this process, a conflicts of interest control room is being established to manage conflicts of interest within the group.

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.

Ratings for Investec plc

Moody's

Short-term deposit rating	Prime-2
Long-term deposit rating	Baa1

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

Fitch

Individual rating	B/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	A3

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

Moody's

Financial strength rating	C-
Short-term deposit rating	Prime-1
Long-term deposit rating	A3

Fitch

Individual rating	C
Support rating	2
Foreign currency short-term rating	F3
Foreign currency long-term rating	BBB

Corporate governance

Introduction

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the Investec group's 2007 Annual Report.

Our values and philosophies are the framework against which we measure behaviour, practices and activities, to assess the characteristics of good governance. Our values require directors and employees to behave with integrity, consistently and uncompromisingly displaying moral strength and conduct 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 these structures, and a written Statement of Values, which serves as our Code of Ethics.

We operate under a Dual Listed Companies (DLC) structure, which requires adoption of the corporate governance regulations of the UK and South Africa.

Other international business units operate in accordance with the corporate governance recommendations of their jurisdictions, but with clear reference at all times to our group values and 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 (2006), during the period under review, except as outlined below.

London Combined Code A.3.1. - Independence of the Chairman

Since 2005, the Chairman of the board is not considered to be independent but continues to enhance his status as a non-executive director.

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

Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc financial statements, accounting policies and the information contained in the annual report.

Our financial statements were prepared on the going concern basis.

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

Board of directors

The composition of the board of Investec plc is set out on pages 40 to 43.

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

The board is accountable for the performance and affairs of Investec plc, it is responsible for the adoption of strategic plans, monitoring of operational performance and management, ensuring an effective risk management strategy and our compliance with applicable legislation.

The board meets its objectives by 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 them.

The board has defined the limits of delegated authority. It is 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, which is required to implement the plans and strategies approved by the board. The board monitors management's progress on an ongoing basis.

Board committees

The board is supported by key committees, as follows:

- Investec plc Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Board Risk Review Committee
  - Executive Risk Review Forum
  - Various specialist risk committees and forums as described in the risk management section of the Investec group's 2007 Annual Report
- 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 the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network, as depicted on page 35.

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 and monitored 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 we face and was in place for the year under review. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as Group Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review.

The process, which includes risk and control identification, is completed and assessed at business unit level. Each business unit is empowered with the responsibility and accountability for 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 identified, and controls and mitigants 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, including review by the Audit and Compliance Implementation Forums, ensure that timely corrective actions are taken on matters raised by Internal Audit. Significant risks are reviewed weekly by the Executive Risk Review Forum and monthly by the Board Risk Review Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk Review Committee and the Audit Committee. Reports from the Audit Committees, Board Risk Review Committee and Risk and Control functions are reviewed at each board meeting.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified and that an appropriate segregation exists between duties and independent review. These areas are monitored by the board through the Audit Committees, reviewed by Group Risk Management and independently assessed by Internal Audit and Compliance.

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 each year.

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

The external auditors attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3, were adhered to during the period under review.

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 (FSA), the South African Reserve Bank (SARB) and the Australian Prudential Regulatory Authority (APRA).

Communication, public disclosure obligations and stakeholder relations

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, which are defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We also seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities, in order to achieve a comprehensive and fair account of our performance.

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.

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such, all new employees are invited and strongly encouraged to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our Organisation Development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the Human Resources practices manual, which is available on our intranet.

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

Sustainable business practices

We have an acute awareness of the need for longevity and durability, across all our businesses, and an ingrained understanding of the practices that underpin sustainability. Further detail can be found on our website at www.investec.com/grouplinks/obr

Additional information

Shareholder analysis

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 and is also listed on the Botswana and Namibian Stock Exchanges.

On 4 September 2006 the group implemented a 5:1 share split of Investec plc shares.

As at 31 March 2007 Investec plc had 381.6 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2007

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
2 322	1 to 500	24.2	667 670	0.2
2 301	501 - 1 000	24.0	1 762 199	0.5
3 139	1 001 - 5 000	32.7	7 414 049	1.9
615	5 001 - 10 000	6.4	4 544 660	1.2
694	10 001 - 50 000	7.2	15 806 338	4.1
173	50 001 - 100 000	1.8	12 599 492	3.3
358	100 001 and over	3.7	338 818 799	88.8
9 602		**100.0**	**381 613 207**	**100.0**

Shareholder classification as at 31 March 2007

	Investec plc number of shares	% holding
Public*	367 516 337	96.4
Non-public	14 096 870	3.6
Non-executive directors of Investec plc	3 238 286	0.8
Executive directors of Investec plc	7 270 473	1.9
Investec staff share schemes	3 588 111	0.9
Total	381 613 207	100.0

* As per the JSE listing requirements.

Largest shareholders as at 31 March 2007

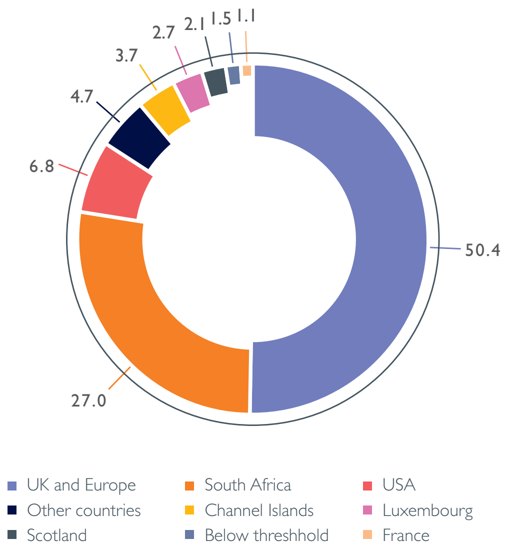
In accordance with the terms provided for in Section 212 of the UK Companies Act 1985, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec plc

	Shareholder analysis by manager group	Number of shares	% holding
1	Barclays Global Investors (UK and US)	25 276 326	6.6
2	Public Investment Commissioner (ZA)	24 493 019	6.4
3	JP Morgan Asset Management (UK and US)	23 568 702	6.2
4	Legal & General Investment Management Ltd (UK)	14 817 387	3.9
5	Investec Securities Limited (ZA)**	12 964 783	3.4
6	Morley Fund Management Ltd (UK)	12 794 939	3.4
7	Jupiter Asset Management Limited (UK)	12 345 562	3.2
8	Old Mutual Asset Managers (ZA)	11 973 896	3.1
9	State Street Global Advisors (UK, US, JP and FR)	11 493 732	3.0
10	Schroder Investment Management Ltd (UK)	8 884 465	2.3
	Cumulative total	158 612 811	41.5

The top 10 shareholders account for 41.5% 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 by beneficial owner as at 31 March 2007



Share statistics

Investec plc ordinary shares in issue

For the year ended 31 March[1]	2007	2006	2005	2004	2003
Closing market price per share (pence)[2]					
- year end	658	588	311	218	123
- highest	676	607	347	236	192
- lowest	495	304	184	122	121
Number of ordinary shares in issue (million)[2]	381.6	373.0	373.0	373.0	373.0
Market capitalisation (£' million)[3]	2 511	2 194	1 160	812	459
Daily average volume of shares traded ('000)[2]	2 832.5	1 489.0	741.0	498.0	349.5
Price earnings ratio[4]	12.4	14.0	11.6	10.5	6.3
Dividend cover (times)[4]	2.3	2.3	2.0	1.8	1.8
Dividend yield (%)[4]	3.5	3.1	4.3	5.3	8.8
Earnings yield (%)[4]	8.1	7.1	8.6	9.5	15.6

Notes:

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

2 On 4 September 2006 the group implemented a 5:1 share split of Investec plc and Investec Limited shares. Historical information has been restated for comparative purposes.

3 The LSE only include the shares in issue for Investec plc i.e. 381.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

4 Calculations are based on the group's (comprising Investec, plc and Investec Limited) consolidated earnings per share before goodwill and non-operating items, and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.

Directorate Investec plc

Executive directors

Name	Age at 31 March 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Chief Executive Officer Stephen Koseff	55	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	57	-	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	50	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	60	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 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Non-executive Chairman Hugh S Herman	66	BA LLB LLD (hc)	Growthpoint Properties Limited, Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and a number of Investec subsidiaries	Nomination Committee	Hugh practiced as an attorney before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director.	Law
Sam E Abrahams	68	FCA CA (SA)	Investec Bank Limited, Foschini Limited, Super Group Limited and Phumelela Gaming and Leisure Limited	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	58	BSc (Econ) FCIS FIPD MSI	Investec Bank (UK) Limited	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 Regulations Finance
Cheryl A Carolus	48	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.	Sustainable development Education

Non-executive directors (continued)

Name	Age at 31 March 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Huruko Fukuda OBE	60	MA (Cantab) DSc	Chairman Caliber Global Investments Ltd, Aberdeen Asian Smaller Companies Investment Trust PLC. She is an adviser to Metro AG, Centaurus Capital Ltd and Aspis Bank SA.	-	Huruko was previously Chief Executive Officer of the World Gold Council, and senior advisor at Lazard. She is former vice Chairman of Nikko Europe plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.	Finance Asset Manage-ment
Geoffrey MT Howe	57	MA (Hons)	Jardine Lloyd Thompson Group plc (Chairman), The JP Morgan Overseas Investment Trust plc and Nationwide Building Society	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	65	BCom LLB	Investec Bank Limited, Wits Donald Gordon Medical Centre, JCI Limited and Werksmans Inc	DLC Audit Committee, Investec Limited Audit Committee, Board Risk Review Committee, DLC Capital Committee.	Donn is a director of Werksmans Inc., and former Chairman and founder of Jowell, Glynn and Marais, Investec's South African legal advisors.	Law
Ian R Kantor	60	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	67	-	Investec Bank Limited, De Beers SA, Arsenal Holdings Plc and Arsenal Football Club Plc.	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee, Nomination Committee and Board Risk Review Committee	Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc. He was on the Court of the Bank of England.	Finance

Name	Age at 31 March 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
M Peter Malungani	49	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	63	BSc (Hons) FIA	Pippbrook Limited, Epsom Downs Racecourse Limited, The Royal Automobile Club Limited and Intercontinental Hotels Group PLC	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	62	CA (SA)	Investec Bank Limited, various Investec companies and JCI Limited	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	44	BSc (Hons) MA MBA	Investec Bank Limited (Chairman), AECI Limited and Investec Asset Management Holdings (Pty) Ltd	Board Risk Review Committee	Fani is Chief Executive Officer of Tiso Group Limited.	Finance

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 2007 which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expenses, consolidated cash flow statement and the related notes 1 to 41. 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 year ended 31 March 2007 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
28 June 2007

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare group financial statements for each financial year which present fairly the financial position of the group and the financial performance and cash flows of the group for that period. In preparing those group financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance; and
- state that the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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
Chief Executive Officer

Bernard Kantor
Managing Director

28 June 2007

Directors' report

Business review

Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia, as well as certain other markets. Investec is organised into five principal business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities. In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as trade finance. A review of the operations for the year can be found on pages 10 to 16.

Authorised and issued share capital

Details of the share capital are set out in note 28 and 30 to the financial statements.

The ordinary shares and the special convertible preference shares were subdivided on a 5 for 1 basis on 4 September 2006.

During the year the following shares were issued:
- 5 700 000 preference shares on 22 February 2007 at 887 pence per share.
- 9 381 149 preference shares on 3 August 2006 at 859 pence per share.
- 2 613 835 ordinary shares on 22 February 2007 at 640 pence per share.
- 1 830 642 ordinary shares on 23 November 2006 at 209 pence per share.
- 800 000 ordinary shares on 23 July 2006 at 1 054 pence per share.

Financial results

The results of Investec plc are set out in the financial statements and accompanying notes for the year ended 31 March 2007.

Ordinary dividends

An interim dividend was declared to shareholders as follows:
- 10 pence per ordinary share to non-South African resident shareholders (2006: 7.6 pence) registered on 15 December 2006.
- to South African resident shareholders registered on 15 December 2006, a dividend paid by Investec Limited on the SA DAS share, equivalent to 5 pence per ordinary share and 5 pence per ordinary share paid by Investec plc.

The dividends were paid on 22 December 2006.

The directors have proposed a final dividend to shareholders registered on 27 July 2007, which is subject to the approval of the members of Investec plc at the Annual General Meeting which is scheduled to take place on 8 August 2007 and, if approved, will be paid on 13 August 2007.

Shareholders in Investec plc will receive a distribution of 13 pence (2006: 10.6 pence) per ordinary share.

Preference dividends

Non-redeemable non-cumulative non-participating preference shares

Preference dividend number 1 for the period 3 August 2006 to 30 September 2006, amounting to 9.3 pence per share, was declared to members holding preference shares registered on 8 December 2006 and was paid on 11 December 2006.

Preference dividend number 2 was declared amounting to:
(i) 30.2 pence per share for the period 1 October 2006 to 31 March 2007 in respect of the preference shares trading on the JSE Limited ("JSE") (ISIN: GB00B19RX541).
(ii) 6.51 pence per share in respect of the further tranche of preference shares issued on 22 February 2007 in respect of the period 22 February 2007 to 31 March 2007 (ISIN: GB00B1N73946) and trading on the Channel Islands Stock Exchange ("CISX").

Preference dividend number 2 will be paid to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on 29 June 2007 on 4 July 2007.

Preferred securities

The second annual distribution, fixed at 7.075 per cent, on the €200 million fixed/floating rate, guaranteed non-voting non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on the 24 June 2005, was due on 24 June 2007 and was paid on the next business day, the 25 June 2007.

Directors and secretaries

Details of directors and secretaries of Investec plc are reflected on pages 40 to 43.

In accordance with the Articles of Association, Messrs SE Abrahams, GFO Alford, GR Burger, HS Herman, DE Jowell, IR Kantor, A Tapnack, PRS Thomas and F Titi retire by rotation at the forthcoming Annual General Meeting, but being eligible, offer themselves for re-election.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in the Investec group's 2007 Annual Report.

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

Share incentive trusts

Details regarding options granted during the year are set out in the Investec group's 2007 Annual Report.

Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the group's Finance division, to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems. Further details on the role and responsibility of the Audit Committee are set out in the Investec group's 2007 Annual Report.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc. A resolution to reappoint them as auditors will be proposed at the next Annual General Meeting scheduled to take place on 8 August 2007.

Contracts

Refer to the Investec group's 2007 Annual Report for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 81 and 104.

Major shareholders

The largest beneficial shareholders of Investec plc are reflected on page 38.

Special resolutions

At the Annual General Meeting held on 10 August 2006, special resolutions were passed in terms of which:

- a renewable authority was granted to Investec plc to acquire its own shares in terms of Section 166 of the Companies Act, 1985.
- a renewable authority was granted to Investec plc to allot equity securities of the Company for cash without application of the pre-emption rights provided by section 89 of the UK Companies Act, 1985.

- An authority was granted to Investec plc that each ordinary share and special converting share be subdivided into 5 ordinary shares and 5 special converting shares, respectively.
- various amendments were made to the Articles of Association to reflect the changes to the share capital of Investec plc following the subdivision of the Investec plc ordinary shares and the special converting shares.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom law and International Financial Reporting Standards. These policies are set out on pages 53 to 61.

Creditor payment policy

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

Employees

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

Donations

During the year, Investec plc made donations for charitable purposes, totalling £893 067. During the year the group made donations of £4 048 to political parties outside the European Union.

Environment

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

Subsequent events

Refer to page 99.

David Miller
Company Secretary
Investec plc

28 June 2007

Consolidated income statement

For the year to 31 March £'000	Notes	2007	2006
Interest receivable		472 085	328 920
Interest payable		(299 992)	(203 734)
Net interest income		**172 093**	**125 186**
Fees and commissions receivable		324 385	247 508
Fees and commissions payable		(43 921)	(30 270)
Principal transactions		85 542	64 312
Operating income from associates		10 685	6 677
Other operating income		46 891	1 578
Other income		**423 582**	**289 805**
Total operating income		**595 675**	**414 991**
Impairment losses on loans and advances	14	(7 490)	(7 241)
Operating income		**588 185**	**407 750**
Administrative expenses	5	(381 773)	(281 009)
Depreciation and impairment of property, equipment and intangibles	19/21	(8 497)	(3 289)
Operating profit before goodwill		**197 915**	**123 452**
Goodwill	22	10 680	-
Operating profit		**208 595**	**123 452**
Profit on disposal of group operations	22	-	74 164
Profit before taxation		**208 595**	**197 616**
Taxation	7	(46 843)	(33 238)
Profit after taxation		**161 752**	**164 378**
Earnings attributable to minority shareholders		5 645	6 893
Earnings attributable to shareholders		156 107	157 485
		161 752	**164 378**
Dividends per share (pence)			
Interim	8	10.0	7.6
Final	8	13.0	10.6

Statement of total recognised income and expenses

For the year to 31 March £'000	Notes	2007	2006
Earnings attributable to shareholders		161 752	164 378
Total gains and loses recognised directly in equity		4 429	758
Fair value movements on available for sale assets		5 319	(2 713)
Foreign currency movements		1 580	1 436
(Losses)/gains on pension funds recognised directly in equity net of tax	26	(2 470)	2 035
Total recognised income and expenses		**166 181**	**165 136**
Total recognised income and expenses attributable to minority shareholders		9 028	6 910
Total recognised income and expenses attributable to ordinary shareholders		157 153	158 226
		166 181	**165 136**

Consolidated balance sheet

At 31 March £'000	Notes	2007	2006
Assets			
Cash and balances at central banks		42 832	10 875
Loans and advances to banks		903 276	693 634
Cash equivalent advances to customers		23 210	54
Reverse repurchase agreements and cash collateral on securities borrowed		1 979 936	642 465
Trading securities	11	558 985	160 670
Derivative financial instruments	12	334 109	254 332
Investment securities	13	1 747 420	1 240 187
Loans and advances to customers	14	4 667 684	3 633 428
Interests in associated undertakings	16	70 321	63 122
Deferred taxation assets	17	28 130	27 417
Other assets	18	939 393	957 612
Property and equipment	19	122 742	17 203
Goodwill	20	168 963	137 072
Intangible assets	21	17 850	1 493
		11 604 851	**7 839 564**
Liabilities			
Deposits by banks		1 516 123	1 274 144
Derivative financial instruments	12	112 700	48 289
Other trading liabilities	23	96 252	123 791
Repurchase agreements and cash collateral on securities lent		1 598 128	272 584
Customer accounts		4 245 612	3 469 036
Debt securities in issue	24	1 159 139	758 224
Current taxation liabilities		42 971	37 932
Deferred taxation liabilities	17	9 391	1 536
Other liabilities	25	1 093 759	852 080
Pension fund liabilities	26	1 467	2 013
		9 875 542	6 839 629
Subordinated liabilities	27	603 044	225 683
		10 478 586	**7 065 312**
Equity			
Called up share capital	28	122	119
Share premium account		422 229	393 267
Treasury shares	29	(23 870)	(21 656)
Perpetual preference shares	30	129 558	-
Other reserves		139 819	77 530
Profit and loss account		256 080	185 357
Shareholders' equity excluding minority interests		923 938	634 617
Minority interests	31	202 327	139 635
- Perpetual preferred securities issued by subsidiaries		136 051	139 402
- Minority interests in partially held subsidiaries		66 276	233
Total equity		**1 126 265**	**774 252**
Total liabilities and shareholders' equity		**11 604 851**	**7 839 564**

Consolidated cash flow statement

For the year to 31 March £'000	Notes	2007	2006
Operating profit adjusted for non cash items	41	219 442	134 630
Taxation paid		(31 524)	(12 478)
Increase in operating assets		(2 641 205)	(93 711)
Increase in operating liabilities		2 311 774	3 775
Net cash inflow/(outflow) from operating activities		**(141 513)**	**32 216**
Cash flow on acquisition of subsidiaries	22	(140 954)	(95 874)
Cash flow on disposal of subsidiaries	22	-	(332 126)
Cash flow on acquisition and disposal of property, equipment and intangibles		(22 713)	(2 212)
Net cash outflow from investing activities		**(163 667)**	**(430 212)**
Dividends paid to ordinary shareholders		(67 081)	(28 544)
Dividends paid to other equity holders		(16 958)	-
Proceeds on issue of shares, net of issue costs		66 948	-
Net proceeds on treasury share purchases and disposals		34 916	(2 166)
Proceeds on issue of other equity instruments*		129 558	132 520
Net proceeds on subordinated debt raised		341 802	-
Net cash inflow/(outflow) from financing activities		**489 185**	**101 810**
Effects of exchange rates on cash and cash equivalents		320	(1 700)
Net increase/(decrease) in cash and cash equivalents		184 325	(297 886)
Cash and cash equivalents at the beginning of the year		202 147	500 033
Cash and cash equivalents at the end of the year		**386 472**	**202 147**
Cash and balances at central banks		42 832	10 875
On demand loans and advances to banks		320 430	191 218
Cash equivalent advances to customers		23 210	54
Cash and cash equivalents at the end of the year		**386 472**	**202 147**

* Includes equity instruments issued by subsidiaries.

Note:
(cash and cash equivalents have a maturity profile of less than three months)

Significant 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 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).

The group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use by the European Union ("EU"). IFRSs as endorsed by the EU are identical to current IFRSs except for the EU's amendment to IAS 39, under which the application of hedge accounting requirements have been simplified. The group has elected not to apply the amendments as adopted by the EU, thus applying the more restrictive requirements under IAS39.

Accounting policies applied are consistent with those of the prior year.

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 or over which it has the ability to control, are consolidated from the effective dates of acquisition (that is from when control exists) and up to the effective dates of loss of control, except entities which are classified as non-current assets held for sale. Subsidiaries classified as non-current assets held for sale are consolidated as discontinued operations.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as associates. In the group accounts, associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases, except as noted below.

The consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at the group's share of net assets of the associate plus goodwill arising on acquisition, less any impairment recognised on the investment.

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

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

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.

Significant accounting policies (continued)

Goodwill

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

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

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

Share based payments to employees

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

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

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 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. In certain instances debt instruments which contain equity features are designated as held at fair value through profit and loss.

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

Held-to-maturity assets

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

Significant accounting policies (continued)

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.
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are accounted for at fair value through profit and loss.

Loans and receivables are measured at amortised cost, using the effective interest method, 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.
- Financial liabilities classified as trading or designated as held at fair value through profit and loss.

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

Impairments of financial assets held at amortised cost

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

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).

Hedge accounting

The group applies either fair value or cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss.
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedge accounting is discontinued when it is determined that the derivative ceases to be highly effective as a hedge; the derivative expires, or is sold, terminated or exercised; when the hedge item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging derivative is initially recognised in equity and is released to the initial cost of any asset/liability recognised or in all other cases, to the income statement when the hedged firm commitment or forecasted transaction affects net profit.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging derivative, which represents an effective hedge, is initially recognised in equity and is released to the income statement in the same periods during which the relevant financial asset or liability affects profit or loss. Any ineffective portion of the hedge is immediately recognised in profit and loss.

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

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

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

Significant 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 or Investec Limited are recorded as minority interests on balance sheet.

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

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

Dividends on ordinary shares equity financial instruments are recognised as a deduction from equity in the period in which they are declared and paid. to the Investec plc shareholders (in relation to dividends declared by Investec plc) and Investec Limited shareholders (in relation to Investec Limited shareholders).

Sale and repurchase agreements (including securities borrowing and lending)

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

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

Financial guarantees

Financial guarantees are initially recognised at fair value, being the premium received. Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

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

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

Property and equipment

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

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

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

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

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

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

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

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of selling price fair value less cost to sell 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.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and its is probable that the temporary differences will not reverse in the foreseeable future.

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

Significant accounting policies (continued)

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 amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently 3 to 8 years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

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

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

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

The standard relates to disclosure requirements for financial instruments and replaces IAS 30 (Disclosures in the Financial Statements of Bank and Similar Financial Institutions) and elements of IAS 32 (Financial Instruments: Disclosure and Presentation). Adoption of the standard will change the format of disclosure presented but will not affect recognition or measurement criteria as currently applied.

IFRS 8 – Operating segments (effective for the financial year beginning 1 April 2009)

The standard relates to disclosure requirements for segmental information and replaces IAS 14 Segmental Reporting. The group believes that segmental information disclosure is closely aligned with the requirements of IFRS 8 and therefore implementation of the standard would result in minimal changes to disclosure.

Key management assumptions

In preparation of the financial statements the group makes estimations and applies judgment that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgment is applied include:

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility.
- Valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time.

Notes to the financial statements

£'000	Share capital	Share premium	Perpetual preference shares	Treasury shares	Capital reserve
1. Statements of changes in equity					
At 1 April 2005	119	393 823	-	(24 330)	46 898
Movement in reserves 1 April 2005 - 31 March 2006					
Foreign currency adjustments	-	-	-	-	-
Retained profit for the year	-	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-	-
Decrease in Pension Fund Deficit	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	-
Share based payments adjustments	-	-	-	4 334	-
Dividends paid to ordinary shareholders	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-
Issue of equity by subsidiaries	-	-	-	-	-
Share issue expenses	-	(556)	-	-	-
Sale (purchase of treasury shares)	-	-	-	(1 660)	50
Movement on minorities on disposals and acquisitions	-	-	-	-	-
Transfer from equity accounted reserve	-	-	-	-	-
Transfer from capital reserves	-	-	-	-	1 485
Transfer to regulatory general risk reserve	-	-	-	-	(5 012)
At 31 March 2006	119	393 267	-	(21 656)	43 421
Foreign currency adjustments	-	-	-	-	(10)
Retained profit for the year	-	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-	-
Transfer from pension fund deficit	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	(10)
Share based payments adjustments	-	-	-	1 112	-
Dividends paid to ordinary shareholders	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-
Dividends paid on perpetual preferred securities	-	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-
Issue of equity by subsidiaries	-	-	-	-	-
Issue of ordinary shares	3	28 985	-	(28 986)	-
Issue of perpetual preference shares	-	-	131 187	-	-
Share issue expenses	-	(23)	(1 629)	-	-
Sale (purchase of treasury shares)	-	-	-	31 238	32 664
Re-issue of treasury shares	-	-	-	-	-
Movement on minorities on disposals and acquisitions	-	-	-	-	-
Transfer from Treasury shares to share based payment reserve	-	-	-	(5 578)	-
Transfer from capital reserves	-	-	-	-	1 127
Transfer to regulatory general risk reserve	-	-	-	-	-
At 31 March 2007	122	422 229	129 558	(23 870)	77 202

Other reserves Available for sale reserve	Regulatory general risk reserve	Foreign currency reserves	Share based payment reserve	Profit and loss account	Share-holder's equity excluding minority interests	Minority interests	Total equity
8 695	**-**	**(3 906)**	**19 844**	**55 833**	**496 976**	**205**	**497 181**
-	-	1 419	(33)	33	1 419	17	1 436
-	-	-	-	157 485	157 485	6 893	164 378
(2 713)	-	-	-	-	(2 713)	-	(2 713)
-	-	-	-	2 035	2 035	-	2 035
(2 713)	-	1 419	(33)	159 553	158 226	6 910	165 136
-	-	-	5 791	-	10 125	-	10 125
-	-	-	-	(28 544)	(28 544)	-	(28 544)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	132 520	132 520
-	-	-	-	-	(556)	-	(556)
-	-	-	-	-	(1 610)	-	(1 610)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(1 485)	-	-	-
-	5 012	-	-	-	-	-	-
5 982	**5 012**	**(2 487)**	**25 602**	**185 357**	**634 617**	**139 635**	**774 252**
-	70	(1 912)	49	-	(1 803)	3 383	1 580
-	-	-	-	156 107	156 107	5 645	161 752
5 319	-	-	-	-	5 319	-	5 319
-	-	-	-	(2 470)	(2 470)	-	(2 470)
5 319	70	(1 912)	49	153 637	157 153	9 028	166 181
-	-	-	15 246	-	16 358	-	16 358
-	-	-	-	(67 081)	(67 081)	-	(67 081)
-	-	-	-	(872)	(872)	-	(872)
-	-	-	-	(9 676)	(9 676)	-	(9 676)
-	-	-	-	-	-	(6 410)	(6 410)
-	-	-	-	-	-	38 216	38 216
-	-	-	-	-	2	-	2
-	-	-	-	-	131 187	-	131 187
-	-	-	-	-	(1 652)	-	(1 652)
-	-	-	-	-	63 902	-	63 902
-	-	-	-	-	-	-	-
-	-	-	-	-	-	21 858	21 858
-	-	-	5 578	-	-	-	-
-	-	-	-	(1 127)	-	-	-
-	4 158	-	-	(4 158)	-	-	-
11 301	**9 240**	**(4 399)**	**46 475**	**256 080**	**923 938**	**202 327**	**1 126 265**

Notes to the financial statements (continued)

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Manage-ment	Property Activities	Group Services & Other Activities	Total group
2. Segmental analysis							
Business analysis 2007							
Net interest income	122 525	43 165	(3 727)	2 404	(185)	7 911	172 093
Fees and commissions receivable	91 937	55 071	61 586	116 058	52	(319)	324 385
Fees and commissions payable	(2 716)	(1 160)	(1 551)	(38 490)	-	(4)	(43 921)
Principal transactions	7 805	63 530	11 812	-	1 568	827	85 542
Operating income from associates	10 253	(11)	147	-	-	296	10 685
Other operating income	-	-	45 482	-	-	1 409	46 891
Other income	107 279	117 430	117 476	77 568	1 620	2 209	423 582
					-		
Total operating income	229 804	160 595	113 749	79 972	1 435	10 120	595 675
Impairment losses on loans and advances	(2 249)	(5 241)	-	-	-	-	(7 490)
Operating income	227 555	155 354	113 749	79 972	1 435	10 120	588 185
Administrative expenses	(103 054)	(93 396)	(78 702)	(62 338)	(143)	(44 140)	(381 773)
Depreciation and impairment of property, equipment and intangibles	(1 458)	(811)	(4 444)	(77)	-	(1 707)	(8 497)
Operating profit before goodwill	123 043	61 147	30 603	17 557	1 292	(35 727)	197 915
Goodwill	3 560	3 560	-	-	-	3 560	10 680
Operating profit	126 603	64 707	30 603	17 557	1 292	(32 167)	208 595
Profit/(loss) on termination or disposal of group operations	-	-	-	-	-	-	-
Profit before taxation	126 603	64 707	30 603	17 557	1 292	(32 167)	208 595
Net intersegment revenue	(2 091)	(30 700)	(4 245)	-	(189)	32 124	(5 101)
Cost to income ratio	45.5%	58.7%	73.1%	78.0%	10.0%	453.0%	65.5%
Number of employees	558	338	186	250	3	317	1 652
Total assets (£'million)	3 476	6 715	502	216	2	619	11 530

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Manage-ment	Property Activities	Group Services & Other Activities	Total group
2. Segmental analysis (continued)							
Business analysis 2006							
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)
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, equipment and intangibles	(1 516)	(139)	(94)	(114)	-	(1 426)	(3 289)
Operating profit before goodwill	**76 922**	**23 360**	**35 043**	**10 609**	**2 023**	**(24 505)**	**123 452**
Goodwill	-	-	-	-	-	-	-
Operating profit	**76 922**	**23 360**	**35 043**	**10 609**	**2 023**	**(24 505)**	**123 452**
Profit/(loss) on termination or disposal 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)	18 637	-
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

Notes to the financial statements (continued)

For the year to 31 March £'000	UK & Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2007				
Net interest income	**133 055**	**39 024**	**14**	**172 093**
Fees and commissions receivable	299 027	24 673	685	324 385
Fees and commissions payable	(43 778)	(143)	-	(43 921)
Principal transactions	77 789	7 753	-	85 542
Operating income from associates	10 523	162	-	10 685
Other operating income	44 362	2 529	-	46 891
Other income	**387 923**	**34 974**	**685**	**423 582**
Total operating income	**520 978**	**73 998**	**699**	**595 675**
Impairment losses on loans and advances	(6 312)	(1 178)	-	(7 490)
Net operating income	**514 666**	**72 820**	**699**	**588 185**
Administrative expenses	(339 406)	(42 049)	(318)	(381 773)
Depreciation and impairment of property, equipment and intangibles	(7 875)	(622)	-	(8 497)
Operating profit before goodwill	**167 385**	**30 149**	**381**	**197 915**
Goodwill	-	10 680	-	10 680
Profit before taxation	**167 385**	**40 829**	**381**	**208 595**
Taxation	(37 370)	(9 473)	-	(46 843)
Profit after taxation	**130 015**	**31 356**	**381**	**161 752**
Earnings attributable to minority shareholders	3 643	2 002	-	5 645
Earnings attributable to shareholders	126 372	29 354	381	156 107
	130 015	**31 356**	**381**	**161 752**
Net intersegment revenue	4 574	527	-	5 101
Cost to income ratio	66.7%	57.7%	45.5%	65.5%
Effective tax rate	23.8%	31.6%	-	25.0%
Number of employees	1 408	235	9	1 652

At 31 March £'million	UK & Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2007				
Assets				
Cash and balances at central banks	31	12	-	43
Loans and advances to banks	827	75	1	903
Cash equivalent advances to customers	23	-	-	23
Reverse repurchase agreements and cash collateral on securities borrowed	1 980	-	-	1 980
Trading securities	491	68	-	559
Derivative financial instruments	267	67	-	334
Investment securities	1 392	356	-	1 748
Loans and advances to customers	4 004	663	-	4 667
Interests in associated undertakings	53	17	-	70
Deferred taxation assets	24	5	-	29
Other assets	932	7	-	939
Property, plant and equipment	121	2	-	123
Goodwill	153	16	-	169
Intangible assets	18	-	-	18
	10 316	**1 288**	**1**	**11 605**
Liabilities				
Deposits by banks	1 516	-	-	1 516
Derivative financial instruments	74	39	-	113
Other trading liabilities	97	-	-	97
Repurchase agreements and cash collateral on securities lent	1 598	-	-	1 598
Customer accounts	3 795	451	-	4 246
Debt securities in issue	681	478	-	1 159
Current taxation liabilities	39	5	-	44
Deferred taxation liabilities	9	-	-	9
Other liabilities	1 070	23	-	1 093
Pension fund liabilities	1	-	-	1
	8 880	996	-	9 876
Subordinated liabilities	562	41	-	603
	9 442	**1 037**	**-**	**10 479**

Notes to the financial statements (continued)

For the year to 31 March £'000	UK & Europe	Australia	Other geographies	Total group
2. Segmental analysis (continued)				
Geographical analysis 2006				
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)
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, equipment and intangibles	(2 607)	(574)	(108)	(3 289)
Operating profit before goodwill	**107 831**	**15 743**	**(122)**	**123 452**
Goodwill	-	-	-	-
Operating profit	**107 831**	**15 743**	**(122)**	**123 452**
Profit on disposal 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
	153 735	**10 892**	**(249)**	**164 378**
Net intersegment revenue				
Cost to income ratio	68.7%	60.9%	101.5%	68.5%
Effective tax rate	28.1%	30.4%	-	28.5%
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
Investment securities	3 230	403	-	3 633
Loans and advances to customers	1 104	136	-	1 240
Interests in associated undertakings	62	1	-	63
Deferred taxation assets	24	3	-	27
Other assets	955	3	-	958
Property, plant 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**

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

For the year to 31 March £'000	UK & Europe	Australia	Other geographies	Total group
2007				
Private Client Activities	106 799	16 244	-	123 043
Capital Markets	51 409	9 738	-	61 147
Investment Banking	23 294	7 309	-	30 603
Asset Management	17 557	-	-	17 557
Property Activities	1 292	-	-	1 292
Group Services and Other Activities	(32 966)	(3 142)	381	(35 727)
Total group	**167 385**	**30 149**	**381**	**197 915**
2006				
Private Client Activities	68 913	8 009	-	76 922
Capital Markets	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**

Notes to the financial statements (continued)

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

For the year to 31 March £'000	2007	2006
2. Segmental analysis (continued)		
Private Client Activities		
Private Banking	112 978	69 539
Private Client Portfolio Management and Stockbroking	10 065	7 383
	123 043	**76 922**
Capital Markets	**61 147**	**23 360**
Investment Banking		
Investment Banking	13 238	18 321
Direct Investments	12 056	7 115
Private Equity	5 309	9 607
	30 603	**35 043**
Asset Management	**17 557**	**10 609**
Property Activities	**1 292**	**2 023**
Group Services and Other Activities		
International Trade Finance	2 957	2 192
US continuing operations	-	(4)
	2 957	2 188
Central Funding	3 875	(245)
Central Costs	(42 559)	(26 448)
	(35 727)	**(24 505)**
Total group	**197 915**	**123 452**
3. Principal transactions		
Principal transaction income includes:		
Gross trading income	43 379	41 473
Funding cost against trading income	(9 151)	(5 633)
Net trading income	34 228	35 840
Net income from financial instruments designated as held at fair value	47 573	28 898
Realised income on disposal of available for sale instruments	4 626	(803)
Net impairments on available for sale instruments	(1 529)	-
Dividend income	644	377
	85 542	**64 312**
Fair value of designated equity positions	14 508	13 402
Fair value of designated loans and receivables	19 647	251
Fair value of designated securities	13 418	15 245
	47 573	**28 898**

For the year to 31 March £'000	2007	2006
4. Other operating income		
Rental income from properties	1 410	1 578
Operating profit of non-core businesses*	45 481	-
	46 891	**1 578**
* Includes income of certain private equity investments that have been consolidated, with their respective operating costs included in administrative costs.		
5. Administrative expenses		
Staff costs	279 556	201 067
Salaries and wages (including directors' remuneration)	249 527	178 161
Social security costs	21 785	16 481
Pensions and provident fund contributions	8 244	6 425
Premises (excluding depreciation)	16 188	15 877
Equipment (excluding depreciation)	10 853	9 586
Business expenses	59 862	43 441
Marketing expenses	15 314	11 038
	381 773	**281 009**
The following amounts were paid to the auditors:		
Audit fees	2 301	1 795
Audit related fees	118	68
Other services	167	326
	2 586	**2 189**
Audit fees by audit firm:		
Ernst & Young	2 406	1 753
KPMG Inc	179	424
Other	1	12
	2 586	**2 189**

6. Share based payments

The group operates share option and share purchase schemes for employees, the majority of which is on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the Investec group's 2007 Annual Report.

£'000	2007	2006
Expense charged to profit and loss:		
Equity settled	11 526	5 887
Cash settled	408	575
Total profit and loss charge	**11 934**	**6 462**
Liabilities on cash settled options		
Total liability included in other liabilities	121	495
Total intrinsic value for vested appreciation rights	390	2 064
Weighted average fair value of options granted in the year	43 616	12 500

Notes to the financial statements (continued)

6. Share based payments (continued)

At 31 March	2007		2006	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Details of options outstanding during the year		£		£
Outstanding at the beginning of the year	27 875 005	1.27	31 307 820	1.62
Granted during the year	7 640 248	0.54	5 170 135	0.83
Exercised during the year*	(5 198 882)	2.13	(6 581 710)	2.40
Expired during the year	(1 286 465)	3.24	(2 021 240)	2.32
Outstanding at the end of the year	**29 029 906**	**0.84**	**27 875 005**	**1.27**
Exercisable at the end of the year	**1 059 148**	**3.11**	**1 361 805**	**3.67**

* Weighted average share price during the year. All comparative share figures have been restated as a result of the share split during the current financial year. Refer to note 28.

The exercise price range and weighted average remaining contractual life for the options are as follows:

	2007	2006^
Exercise price range	£0 - £3.47	£1.55 - 4.99
Weighted average remaining contractual life	3.13 years	7.4 years
The fair values of options granted where calculated on a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
- Share price at date of grant	£4.98 - £6.11	£3.41 - £4.99
- Exercise price	£0, £4.98, £6.11	£1.55 -£4.30
- Expected volatility	39%	28% - 30%
- Option life	5 - 5.25 years	5 years
- Expected dividend yields	3.52% - 4.03%	3.15% - 4.27%
- Risk-free rate	3.98% - 5.10%	4.23% - 4.69%

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.

^ Restated for the share subdivision of 5 shares for 1 that took place on 4 September 2006.

For the year to 31 March £'000	2007	2006
7. Taxation		
Current tax		
UK		
- current tax on income for the year	20 983	20 124
- adjustments in respect of prior years	(3 160)	6 286
- corporation tax before double tax relief	17 823	26 410
- double tax relief	(1 397)	(3 710)
	16 426	22 700
Europe	7 658	4 096
Australia	9 328	5 804
Other	5 716	1 427
	22 702	11 327
Total current tax	**39 128**	**34 027**
Deferred tax		
United Kingdom	7 679	(123)
Europe	(109)	287
Australia	145	(953)
	7 715	(789)
Total tax charge for the year	**46 843**	**33 238**
Deferred tax comprises:		
Origination and reversal of temporary differences	8 157	(570)
Adjustment in respect of prior years	(442)	(219)
	7 715	**(789)**
Items which affect the tax rate going forward are:		
Estimated tax losses, arising from trading activities, available for relief against future taxable income		
UK	Nil	Nil
Europe	Nil	Nil
The rates of corporation tax for the relevant years are:		
UK	30	30
Europe (average)	20	20
Australia	30	30
USA	35	35
Profit on ordinary activities before taxation	**208 595**	**197 616**
Tax on profit on ordinary activities	**46 843**	**33 238**
Effective tax rate	**22%**	**17%**

Notes to the financial statements (continued)

For the year to 31 March £'000	2007	2006
7. Taxation (continued)		
The tax charge on activities for the year is different to the standard rate as detailed below:		
Tax on profit on ordinary activities before taxation, at UK rate of 30%	62 579	59 285
Tax calculated at a rate of 30%		
Non taxable (gain)/loss on sale of subsidiaries	-	(23 551)
Tax adjustments relating to foreign earnings	(1 967)	(2 855)
Taxation relating to prior years	(3 603)	6 067
Goodwill and non operating items	(3 204)	321
Share options accounting expense	2 555	2 240
Share options exercised during the year	(3 824)	(1 950)
Unexpired share options future tax deduction	(1 489)	(4 918)
Income from associates	(2 858)	(1 725)
Net other permanent differences	3 133	3 659
Utilisation of brought forward capital losses	(4 479)	(3 335)
Total tax charge	**46 843**	**33 238**

8. Dividends

For the year to 31 March	2007 Pence per share	2007 Total £'000	2006 Pence per share^	2006 Total £'000
Ordinary Dividend				
Final dividend for prior year	10.60	34 323	7.40	14 014
Interim dividend for current year	10.00	32 758	7.60	14 530
Total dividend attributable to ordinary shareholder recognised in current financial year	**20.60**	**67 081**	**15.00**	**28.544**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2007 of 13 pence per ordinary share. The final dividend will be payable on 13 August 2007 to shareholders on the register at the close of business on 27 July 2007.

^ Restated for the share subdivision of 5 shares for 1 that took place on 4 September 2006.

	2007 Pence per share	2007 Total £'000	2006 Pence per share^	2006 Total £'000
Ordinary dividends per share as previously reported:				
Pence per share			37.00	
Final dividend for prior year			38.00	
Interim dividend for current year			**75.00**	
Perpetual preference dividend				
Interim dividend for current year	9.30	872	-	-
Total dividend attributable to perpetual preference shareholder recognised in current financial year	**9.30**	**872**	**-**	**-**

The directors have declared a final dividend in respect of the financial year ended 31 March 2007 of 30.2 pence per share for the period October 2006 to 31 March 2007 in respect of the preference shares trading on the JSE Limited ("JSE") (ISIN: GB00B19RX541) and 6.51 pence per share in respect of the further tranche of preference shares issued on 22 February 2007 in respect of the period 22 February 2007 to 31 March 2007 (ISIN: GB00BIN73946) and trading on the Channel Islands Stock Exchange ("CISX"). The final dividend will be payable on 4 July 2007 to the holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on 29 June 2007.

For shares trading on the JSE the dividend of 30.2 pence per share is equivalent to 415.36 cents per share, which has been determined using the Rand/Pound Sterling average buy/sell forward rate as at 11h00 (SA time) on Wednesday 16 May 2007.

9. Miscellaneous income statement items

For the year to 31 March £'000	2007	2006
Total foreign currency losses recognised in income except financial instruments measured at fair value through income	**(1 716)**	**(690)**
Operating lease expenses recognised in administrative expenses split as follows:		
Minimum lease payments	17 070	16 020
Contingent rents	5	9
Sublease payments	11	-
	17 086	**16 029**
Operating lease income recognised in income split as follows:		
Minimum lease payments	2 760	1 170
Sublease payments	4 622	4 639
	7 382	**5 809**

Notes to the financial statements (continued)

At 31 March 2007 £'000	At fair value through profit and loss Trading	 Designated at inception	Held-to-maturity	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Non-financial instru-ments	Total
10. Analysis of assets and liabilities by classification								
Assets								
Cash and balances at central banks	-	-	-	42 832	-	-	-	42 832
Loans and advances to banks	6 399	-	-	896 877	-	-	-	903 276
Cash equivalent advances to customers	55	-	-	23 155	-	-	-	23 210
Reverse repurchase agreements and cash collateral on securities borrowed	1 979 936	-	-	-	-	-	-	1 979 936
Trading securities	279 039	279 946	-	-	-	-	-	558 985
Derivative financial instruments	334 109	-	-	-	-	-	-	334 109
Investment securities	-	-	144 202	-	1 603 218	-	-	1 747 420
Loans and advances to customers	-	257 417	-	3 942 860	467 407	-	-	4 667 684
Interests in associated undertakings	-	-	-	-	-	-	70 321	70 321
Deferred taxation assets	-	-	-	-	-	-	28 130	28 130
Other assets	448 211	4 915	-	446 663	-	-	39 604	939 393
Property, plant and equipment	-	-	-	-	-	-	122 742	122 742
Goodwill	-	-	-	-	-	-	168 963	168 963
Intangible assets	-	-	-	-	-	-	17 850	17 850
	3 047 749	**542 278**	**144 202**	**5 352 387**	**2 070 625**	**-**	**447 610**	**11 604 851**
Liabilities								
Deposits by banks	3 517	-	-	-	-	1 512 606	-	1 516 123
Derivative financial instruments	112 700	-	-	-	-	-	-	112 700
Other trading liabilities	96 252	-	-	-	-	-	-	96 252
Repurchase agreements and cash collateral on securities lent	1 598 128	-	-	-	-	-	-	1 598 128
Customer accounts	83 608	-	-	-	-	4 162 004	-	4 245 612
Debt securities in issue	-	-	-	-	-	1 159 139	-	1 159 139
Current taxation liabilities	-	-	-	-	-	-	42 971	42 971
Deferred taxation liabilities	-	-	-	-	-	-	9 391	9 391
Other liabilities	679 952	-	-	-	-	275 654	138 153	1 093 759
Pension fund liabilities	-	-	-	-	-	-	1 467	1 467
	2 574 157	-	-	-	-	7 109 403	191 982	9 875 542
Subordinated liabilities (including convertible debt)	-	-	-	-	-	603 044	-	603 044
	2 574 157	**-**	**-**	**-**	**-**	**7 712 447**	**191 982**	**10 478 586**

At 31 March 2007 £'000	At fair value through profit and loss		Held-to-maturity	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Non-financial instruments	Total
	Trading	Designated at inception						
10. Analysis of assets and liabilities by classification (continued)								
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 (including convertible debt)	-	-	-	-	-	225 683	-	225 683
	1 053 124	**4 929**	**-**	**-**	**-**	**5 907 043**	**100 216**	**7 065 312**

Notes to the financial statements (continued)

At 31 March £'000	2007 Fair value	2007 Unrealised gains/losses	2006 Fair value	2006 Unrealised gains/losses
11. Trading securities				
Listed equities	215 434	7 449	95 607	10 561
Unlisted equities	17 219	-	1 700	-
Bonds	326 332	994	63 363	414
	558 985	**8 443**	**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 correlations.

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

At 31 March £'000	Notional principal amounts 2007	Positive fair value 2007	Negative fair value 2007	Notional principal amounts 2006	Positive fair value 2006	Negative fair value 2006
Foreign exchange derivatives						
Forward foreign exchange	3 008 846	12 610	(6 294)	1 171 619	6 678	(5 767)
Currency swaps	2 117 281	4 501	(9 192)	1 515 827	3 267	(3 269)
OTC options bought and sold	21 501	105	-	40 238	103	(24)
Other foreign exchange contracts	766	-	-	550 037	425	(388)
OTC derivatives	5 148 394	17 216	(15 486)	3 277 721	10 473	(9 448)
Exchange traded futures	-	-	-	142 200	2	-
	5 148 394	**17 216**	**(15 486)**	**3 419 921**	**10 475**	**(9 448)**
Interest rate derivatives						
Caps and floors	113 399	161	(37)	140 620	107	(122)
Swaps	1 276 301	32 710	(32 269)	3 036 078	18 590	(16 661)
OTC options bought and sold	82 533	18	-	-	-	-
Other interest rate contracts	3 445	14	(14)	830	3	(3)
OTC derivatives	1 475 678	32 903	(32 320)	3 177 528	18 700	(16 786)
Exchange traded futures	7 669 681	113	(64)	43 540	48	(115)
Exchange traded options	118 533 158	-	(156)	-	-	-
	127 678 517	**33 016**	**(32 540)**	**3 221 068**	**18 748**	**(16 901)**
Equity and stock index derivatives						
OTC options bought and sold	424 470	7 037	(707)	31 600	13 077	(28)
Equity swaps and forwards	456 771	5 885	(9 215)	4 053	183	(2 537)
OTC derivatives	881 241	12 922	(9 922)	35 653	13 260	(2 565)
Exchange traded futures	735 632	1 927	(50)	15 930	20	12
Exchange traded options	15 116	1 061	(1 022)	50 726	672	(331)
Warrants	264 390	29 110	-	45 987	32 946	-
	1 896 379	**45 020**	**(10 994)**	**148 296**	**46 898**	**(2 884)**

At 31 March £'000	Notional principal amounts 2007	Positive fair value 2007	Negative fair value 2007	Notional principal amounts 2006	Positive fair value 2006	Negative fair value 2006
12. Derivative financial instruments (continued)						
Commodity derivatives						
OTC options bought and sold	595 353	42 447	(16 337)	209 155	64 684	(3 777)
Commodity swaps and forwards	1 564 390	191 011	(75 187)	602 307	109 425	(30 300)
OTC derivatives	2 159 743	233 458	(91 524)	811 462	174 109	(34 077)
Exchange traded futures	565 752	185 801	(143 278)	695 327	169 734	(167 946)
Exchange traded options	467 990	57 281	(78 059)	1 321 183	41 095	(39 260)
	3 193 485	**476 540**	**(312 861)**	**2 827 972**	**384 938**	**(241 283)**
Credit derivatives						
Credit linked notes bought and sold	-	-	-	6 043	-	(121)
Credit swaps bought and sold	55 505	494	(897)	5 756	-	(3)
	55 505	**494**	**(897)**	**11 799**	**-**	**(124)**
Embedded derivatives	**443 888**	**21 901**	**-**	**128 832**	**15 624**	**-**
Gross fair values	138 416 168	594 187	(372 778)	9 757 888	476 683	(270 640)
Effect of on balance sheet netting	-	(260 078)	260 078	-	(222 351)	222 351
Trading derivatives per balance sheet	**138 416 168**	**334 109**	**(112 700)**	**9 757 888**	**254 332**	**(48 289)**

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.

At 31 March £'000	2007	2006
13. Investment securities		
Listed equities	25 193	16 082
Unlisted equities	12 344	16 051
Certificates of deposit, bank bills and other commercial paper	1 277 444	1 011 761
Bonds	389 648	163 840
Floating rate notes	42 585	32 385
Other investments	206	68
	1 747 420	**1 240 187**

Notes to the financial statements (continued)

At 31 March £'000	2007	2006
14. Loans and advances to customers		
Category analysis		
Commercial property loans	1 790 709	1 184 372
Residential mortgages	612 816	540 754
Leases and instalment debtors	129 980	58 400
Corporate and public sector loans and advances	1 398 974	953 010
Other private bank lending	413 709	706 158
Other loans and advances	339 265	200 782
	4 685 453	**3 643 476**
Specific impairment	(16 229)	(8 679)
Portfolio impairment	(1 540)	(1 369)
	4 667 684	**3 633 428**
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.		
Specific impairment		
Balance at beginning of year	8 679	5 219
Charge to the income statement	7 315	6 811
Bad debts written off	(7 833)	(3 318)
Exchange adjustment	152	(33)
Acquisition of a subsidiary undertakings	7 916	-
Balance at end of year	**16 229**	**8 679**
Portfolio impairment		
Balance at beginning of year	1 369	929
Charge to the income statement	175	430
Exchange adjustment	(4)	10
Balance at end of year	**1 540**	**1 369**

15. Financial assets and liabilities designated at fair value

	Carrying value	Fair value gain/(loss)	
		Life to date	Year to date
2007			
Loans and advances to customers	257 417	66	66
Trading securities	279 946	14 306	3 413
Other assets	4 915	500	500
	542 278	**14 872**	**3 979**
2006			
Loans and advances to customers	190 861	56	104
Trading securities	66 400	13 945	16 344
	257 261	**14 001**	**16 448**
Customer accounts	4 929	49	49
	4 929	**49**	**49**

At 31 March £'000	2007	2006
16. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	6 117	(1 797)
Goodwill	64 204	64 919
Investment in associated undertaking	**70 321**	**63 122**
Analysis of the movement in our share of net assets:		
At beginning of year	(1 797)	4 992
Exchange adjustments	(145)	131
Acquisitions	266	(11 653)
Disposal of shareholding in associate company	(306)	-
Adjustment in shareholding*	762	-
Operating income from associates	10 685	6 694
Dividends received	(4 699)	(1 455)
Non-operating items	-	(3 268)
Gains recognised in equity	1 351	2 762
At end of year	**6 117**	**(1 797)**
Analysis of the movement in goodwill:		
At beginning of year	64 919	8 226
Exchange adjustments	47	25
Acquisitions	-	57 739
Adjustment in shareholding*	(762)	-
Goodwill impairment	-	(1 071)
At end of year	**64 204**	**64 919**
Associated undertakings:		
Listed	55 646	49 045
Unlisted	14 675	14 077
	70 321	**63 122**
Market value of listed investments	**180 026**	**166 289**
The most significant investment held in associates in the year was Rensburg Sheppards plc ("RS"). RS is incorporated in England and Wales, listed on the London Stock Exchange and conducts the business of private client stockbroking.		
At 31 March 2007 RS shares of 10 90/91p	43 881 382	43 314 068
Less: shares held in RS Employee Share Ownership Trust	(233 600)	(76 660)
	43 647 782	43 237 408
Holding in RS ordinary shares(%)**	47.33%	47.78%

* During the year RS issued additional shares reducing Investec's share of net assets and goodwill.
** Investec has undertaken not to vote in excess of 30% of the issued capital of RS in the five year period ending 6 May 2010.

Significant transactions between the group and RS during the year ended 31 March 2007, all of which are on arm's length basis are:

- The group have provided RS with a £60 million subordinated loan, which was entered into on 6 May 2005. The loan formed part of the consideration paid by RS for the acquisition of Carr Sheppards Crosthwaite Limited on that date. The interest receivable on the loan during the year amounted to £4 305 000 (2006: £3 858 000) and interest of £1 718 000 was receivable at 31 March 2007 (2006: £1 679 000).
- Rent of £1.25 million (2006: £1.58 million) and a contribution of £0.3 million (2006: £0.2 million) in respect of RS' occupation of 2 Gresham Street. A further £0.5 million (2006: £0.4 million) was received in relation to other services provided including IT and Internal Audit.

Notes to the financial statements (continued)

16. Interests in associated undertakings (continued)

£'000	Assets	Liabilities	Revenue	Adjusted profit before tax*
Rensburg Sheppards plc				
Year ended 31 March 2007	377 092	207 400	122 297	35 923
16 months ended 31 March 2006	420 773	262 989	117 389	20 977

* Before amortisation of client relationships intangible asset, share-based payments relating to the Employee Benefit Trust, reorganisation costs and profit on disposal of available for sale investments.

17. Deferred taxation

At 31 March £'000	2007	2006
Deferred taxation asset		
Deferred capital allowances	6 438	13 251
Income and expenditure accruals	6 396	2 105
Asset in respect of unexpired share options	13 194	8 172
Asset in respect of pensions liability	-	2 420
Other temporary differences	2 102	1 469
	28 130	**27 417**
Deferred taxation liability		
Deferred capital allowances	2 058	-
Arising on anticipated foreign dividends	3 433	-
Liability in respect of pensions surplus	816	-
Other temporary differences	3 084	1 536
	9 391	**1 536**
Net deferred taxation asset	18 739	25 881
Reconciliation of net deferred taxation asset		
At beginning of year	25 881	31 256
Adoption of IAS 32/39	-	(4 667)
(Charge)/credit to profit and loss	(7 715)	789
Credit directly in equity	5 094	1 364
Deferred tax arising on pension fund surplus movement in equity	1 058	(874)
Arising on acquisition of subsidiary undertakings	(395)	-
Arising on disposals	-	(2 281)
Exchange adjustments	1 357	294
Transfer to/from corporation tax	(6 541)	-
At end of year	**18 739**	**25 881**
Deferred tax on available for sale instruments recognised directly in equity	1 344	(217)
Deferred tax on unexpired share options recognised directly in equity	5 109	1 576

18. Other assets

	2007	2006
Settlement debtors	751 340	809 511
Operating leased assets in stock	53 237	37 793
Dealing properties	2 508	7 739
Other debtors	128 130	99 321
Pension assets	4 178	3 248
	939 393	**957 612**

At 31 March £'000	Freehold properties	Leasehold improvements	Furniture & vehicles	Plant and equipment	Total
19. Property and equipment					
2007					
Cost					
At beginning of year	598	22 647	9 332	12 545	45 122
Exchange adjustments	(156)	(281)	(71)	(3 576)	(4 084)
Acquisition of subsidiary undertakings	3 893	196	29	89 310	93 428
Reclassifications	(53)	121	(121)	-	(53)
Additions	1 270	541	764	20 486	23 061
Disposals	-	-	(2 277)	(833)	(3 110)
At end of year	**5 552**	**23 224**	**7 656**	**117 932**	**154 364**
Accumulated depreciation					
At beginning of year	(53)	(8 595)	(8 181)	(11 090)	(27 919)
Exchange adjustments	-	230	54	45	329
Reclassifications	53	(28)	28	-	53
Disposals	-	-	1 996	806	2 802
Depreciation	(13)	(1 347)	(496)	(4 708)	(6 564)
Impairment losses	-	(204)	(119)	-	(323)
At end of year	**(13)**	**(9 944)**	**(6 718)**	**(14 947)**	**(31 622)**
Net book value	**5 539**	**13 280**	**938**	**102 985**	**122 742**
2006					
Cost					
At beginning of year	615	24 378	10 858	14 698	50 549
Exchange adjustments	-	370	164	59	593
Disposal of subsidiary undertakings	-	(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					
At beginning of year	(45)	(9 252)	(9 463)	(12 634)	(31 394)
Exchange adjustments	-	(333)	(157)	(54)	(544)
Disposal of subsidiary undertakings	-	2 188	529	1 887	4 604
Reclassifications	-	-	657	240	897
Disposals	-	(114)	907	29	822
Depreciation	(8)	(1 084)	(654)	(558)	(2 304)
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**

Notes to the financial statements (continued)

At 31 March £'000	2007	2006
20. Goodwill		
Cost		
At beginning of year	152 452	156 179
Additions	33 355	5 334
Disposals	-	(9 080)
Exchange adjustments	(1 600)	19
At end of year	**184 207**	**152 452**
Accumulated impairments		
At beginning of year	(15 380)	(15 394)
Exchange adjustments	136	14
At end of year	**(15 244)**	**(15 380)**
Net book value	**168 963**	**137 072**
Analysis of goodwill by line of business and geography		
UK and Europe	**157 307**	**125 479**
Private Banking	17 409	17 536
Capital Markets	13 720	13 787
Investment Banking	38 133	6 111
Asset Management	88 045	88 045
Australia	**11 656**	**11 593**
Investment Banking	11 656	11 593
Total group	**168 963**	**137 072**

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 cashflows within the cash generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure.

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

Goodwill arising on acquisition of £33.3 million related to the acquisition of Midwest Grain Processors LLC by Global Ethanol Holdings and the acquisition of IdaTech LLC. See note 22.

On 7 July 2006 Investec Bank (UK) Limited ("IBUK") acquired the entire share capital of NM Rothschild Australia Holdings Pty Limited and its subsidiary, NM Rothschild and Sons (Australia) Limited ("Rothschild") resulting in negative goodwill of £10 680 000 which has been released to the income statement. At acquisition, Rothschild changed its name to Investec Australia Limited ("IAL") and on 29 September 2006 all the assets and liabilities of IAL were transferred to IBUK's subsidiary, Investec Bank (Australia) Limited.

At 31 March £'000	Intellectual property	Core technology	Acquired software	Total
21. Intangible fixed assets				
2007				
Cost				
At beginning of year	-	-	6 530	6 530
Exchange adjustments	(263)	(245)	-	(508)
Acquisition of a subsidiary undertaking	5 743	5 354	4	11 101
Additions	208	-	7 136	7 344
Disposals	-	-	(56)	(56)
At end of year	5 688	5 109	13 614	24 411
Accumulated amortisation and impairments				
At beginning of year	-	-	(5 037)	(5 037)
Exchange adjustments	-	-	31	31
Disposals	-	-	55	55
Amortisation	(238)	(222)	(1 150)	(1 610)
At end of year	(238)	(222)	(6 101)	(6 561)
Net book value	5 450	4 887	7 513	17 850
2006				
Cost				
At beginning of year			5 919	5 919
Exchange adjustments			14	14
Disposal of a subsidiary undertaking			(1 665)	(1 665)
Reclassifications			917	917
Additions			1 369	1 369
Disposals			(24)	(24)
At end of year			6 530	6 530
Accumulated amortisation and impairments				
At beginning of year			(4 625)	(4 625)
Exchange adjustments			(13)	(13)
Disposal of a subsidiary undertaking			1 462	1 462
Reclassifications			(898)	(898)
Disposals			23	23
Amortisation			(986)	(986)
At end of year			(5 037)	(5 037)
Net book value			1 493	1 493

Charge to the profit and loss account in 2007 of £1 610 000 comprises the following:

- Amortisation of computer software of £1 150 000.
- Amortisation of intellectual property and core technology which arose from acquisitions made in the current year of £238 000 and £222 000 respectively.

Charge to the profit and loss account in 2006 of £986 000 comprises amortisation of acquired contracts and computer software.

Notes to the financial statements (continued)

22. Acquisitions and disposals

For the year ended 31 March 2007

The group made the following acquisitions of subsidiary undertakings in the year ended 31 March 2007 which were accounted for on an acquisition basis:

i. On 7 July 2006 Investec Bank (UK) Limited ("IBUK") acquired the entire share capital of NM Rothschild Australia Holdings Pty Limited and its subsidiary, NM Rothschild and Sons (Australia) Limited ("Rothschild") resulting in negative goodwill of £10 680 000 which has been released to the income statement. At acquisition, Rothschild changed its name to Investec Australia Limited ("IAL") and on 29 September 2006 all the assets and liabilities of IAL were transferred to IBUK's subsidiary, Investec Bank (Australia) Limited. In the period between acquisition and the transfer of all assets and liabilities, the profit made by the acquired company was £12 000

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

£'000	Book value at date of acquisition	Fair value adjustment	Fair value at date of acquisition
Cash and balances at central banks	10 582	-	10 582
Loans and advances to banks	31 950	-	31 950
Trading securities	434 309	-	434 309
Derivative financial instruments	101 047	-	101 047
Loans and advances to customers	207 341	(7 725)	199 616
Deferred taxation assets	1 187	1 725	2 912
Other assets	3 063	-	3 063
Property and equipment	555	(140)	415
	790 034	**(6 140)**	**783 894**
Deposits by banks	77 050	-	77 050
Derivative financial instruments	73 191	-	73 191
Customer accounts	497 024	-	497 024
Other liabilities	6 113	1 953	8 066
Subordinated liabilities	40 634	-	40 634
	694 012	**1 953**	**695 965**
Net assets/fair value of net assets	96 022	(8 093)	87 929
Negative goodwill arising on acquisition	-	-	(10 680)
Fair value of consideration	**-**	**-**	**77 249**

ii. In May 2006, Global Ethanol Holdings Limited ("GEHL"), acquired a 60% holding in Midwest Grain Processors LLC, a company engaged in the production and marketing of ethanol in the USA. The acquisition was financed by the issue of equity and shareholder loans which resulted in the Investec plc group having a 46.4% holding in GEHL. During the year GEHL has also completed a small number of smaller acquisitions. For the period since acquisition the profit after tax and minority interests included within the group results is £1 646 000.

iii. On 19 July 2006, a subsidiary of IBUK acquired a 99.73% holding in IdaTech LLC, a company engaged in the development of Fuel processors and fuel call systems in the USA. The acquisition was satisfied by the payment of cash. For the period since acquisition the loss after tax included within the group results is £2 329 000.

Assets and liabilities at the date of acquisition and total consideration paid are set out in the table below:

For the year to 31 March 2007 £'000	Book value at date of acquisition	Fair value adjustment	Fair value at date of acquisition
22. Acquisitions and disposals (continued)			
Other acquisitions			
Loans and advances to banks	2 862	-	2 862
Other assets	14 777	-	14 777
Property and equipment	83 002	10 011	93 013
Intangible assets	1 464	9 637	11 101
	102 105	**19 648**	**121 753**
Deposits by banks	38 432	-	38 432
Other liabilities	10 522	6 469	16 991
Deferred tax liabilities	-	3 307	3 307
Minority interests	22 091	-	22 091
	71 045	**9 776**	**80 821**
Net assets/fair value of net assets	31 060	9 872	40 932
Goodwill arising on acquisition			33 355
Fair value of consideration			**74 287**
In summary total fair value of consideration, less cash arising on acquisition			140 954

For the year ended 31 March 2006

Acquisitions

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:

	Book value at date of acquisition	Fair value adjustment	Fair value at date of acquisition
Loans and advances to banks	853	-	853
Loans and advances to customer	89 254	-	89 254
Intangible assets	-	-	-
Other assets	629	93	722
Total assets	**90 736**	**93**	**90 829**
Other liabilities	(289)	-	(289)
Fair value of net assets	90 447	93	90 540
Goodwill arising on acquisition	-	-	5 334
Fair value of consideration	**-**	**-**	**95 874**

Notes to the financial statements (continued)

22. Acquisitions and disposals (continued)

Disposals

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

For the year to 31 March 2006
£'000

22.7 million 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**

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

At 31 March £'000	2007	2006
23. Other trading liabilities		
Short positions		
equities	96 252	123 791
	96 252	**123 791**
24. Debt securities in issue		
Bonds and medium term notes repayable		
Up to one year	295 996	-
Greater than one year but less than five years	12 832	298 489
	308 828	298 489
Other unlisted debt securities in issue repayable		
Not more than three months	313 639	406 059
Over three months but not more than one year	406 422	45 483
Over one year but not more than five years	130 250	8 193
	850 311	459 735
	1 159 139	**758 224**
25. Other liabilities		
Settlement liabilities	864 766	689 570
Other creditors and accruals	175 870	115 584
Other non-interest bearing liabilities	53 123	46 926
	1 093 759	**852 080**
26. Pension commitments		
Defined benefit obligations (net income)/cost	(896)	266
Defined contribution	8 244	6 159
Pension and provident fund contributions	**7 348**	**6 425**

The group operates pension schemes through out 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 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 2007 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:

At 31 March	2007	2006
Discount rate	5.40%	5.00%
Rate of increase in salaries	3.00%	3.00%
Rate of increase in pensions in payment	2.90%	2.70%
Inflation	3.10%	2.90%

Notes to the financial statements (continued)

26. Pension commitments (continued)

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables, although the rate of future increases in life expectancies has been increased for the 2007 valuation. The life expectancies underlying the valuation are as follows:

	2007	2006
Male aged 65	87	85
Female aged 65	90	88
Male aged 45	88	87
Female aged 45	91	90

	Value at 2007 £'000	Long-term rate of return expected	Value at 2006 £'000	Long-term rate of return expected
The assets held in the schemes and the expected rates of return were:				
GM Scheme				
Equities	40 122	7.60%	41 931	7.30%
Gilts	53 873	4.60%	47 462	4.30%
Cash	1 361	5.25%	3 782	4.50%
Total market value of assets	**95 356**		**93 175**	
IAM Scheme				
Equities	7 363	7.60%	6 231	7.30%
Gilts	1 841	4.60%	2 256	4.30%
Cash	484	5.25%	519	4.50%
Total market value of assets	**9 688**		**9 006**	

26. Pension commitments (continued)

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

At 31 March	2007			2006		
£'000	GM	IAM	Total	GM	IAM	Total
Recognised in the balance sheet						
Fair value of fund assets	95 356	9 688	105 044	93 175	9 006	102 181
Present value of obligations	(91 178)	(11 155)	(102 333)	(89 927)	(11 019)	(100 946)
Net asset/(liability)	**4 178**	**(1 467)**	**2 711**	**3 248**	**(2 013)**	**1 235**
Amounts in balance sheet						
Assets	4 178	-	4 178	3 248	-	3 248
Liability	-	(1 467)	(1 467)	-	(2 013)	(2 013)
Net asset/(liability)	**4 178**	**(1 467)**	**2 711**	**3 248**	**(2 013)**	**1 235**
Recognised in the income statement						
Past service cost	-	(4)	(4)	-	(187)	(187)
Expected return on pension scheme assets	5 272	588	5 860	4 452	487	4 939
Interest on pension obligations	(4 414)	(546)	(4 960)	(4 471)	(547)	(5 018)
Net return	**858**	**38**	**896**	**(19)**	**(247)**	**(266)**
Recognised in the statement of recognised income and expense						
Actuarial gains on plan assets	(3 315)	(254)	(3 569)	8 125	1 177	9 302
Actuarial (losses)/gains	(165)	206	41	(5 765)	(630)	(6 395)
Actuarial gain/(loss)	(3 480)	(48)	(3 528)	2 360	547	2 907
Deferred tax	1 044	14	1 058	(708)	(164)	(872)
Actuarial gain/(loss) in statement of recognised income and expense	**(2 436)**	**(34)**	**(2 470)**	**1 652**	**383**	**2 035**
Actual return/(deficit) on plan assets	2 162	(334)	1 828	12 162	(1 664)	10 498

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expenses is £13.1 million (£9.2 million net of deferred tax). 2006 £9.6 million (£6.7 million net of deferred tax).

Notes to the financial statements (continued)

26. Pension commitments (continued)

At 31 March £'000	GM	IAM	Total
Changes in the fair value of defined benefit obligations			
Defined benefit obligation at 31 March 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)
Opening defined benefit obligation at 1 April 2006	89 927	11 019	100 946
Interest cost	4 414	546	4 960
Actuarial losses/(gains)	165	(206)	(41)
Past service cost	-	4	4
Benefits paid	(3 328)	(208)	(3 536)
Defined benefit obligation at 31 March 2007	**91 178**	**11 155**	**102 333**
Changes in the fair value of plan assets			
Assets at 31 March 2005	74 447	7 290	81 737
Expected return	4 452	487	4 939
Actuarial losses/(gains)	8 125	1 177	9 302
Contributions by the employer	9 331	254	9 585
Benefits paid	(3 180)	(202)	(3 382)
Opening fair value of plan assets at 1 April 2006	93 175	9 006	102 181
Expected return	5 272	588	5 860
Actuarial losses/(gains)	(3 315)	(254)	(3 569)
Contributions by the employer	3 552	556	4 108
Benefits paid	(3 328)	(208)	(3 536)
Closing value of plan assets at 31 March 2007	**95 356**	**9 688**	**105 044**

The group expects to make £ 4.1 million of contributions to the defined benefit schemes in 2008.

History of experience gains and losses

	2007	2006	2005
GM Scheme			
Defined benefit obligation	(91 178)	(89 927)	(82 871)
Plan assets	95 356	93 175	74 447
(Deficit)/surplus	4 178	3 248	(8 424)
Experience adjustments on plan liabilities	(165)	(5 765)	1 731
Experience adjustments on plan assets	(3 315)	8 125	1 905
IAM Scheme			
Defined benefit obligation	(11 155)	(11 019)	(9 857)
Plan assets	9 688	9 006	7 290
(Deficit)/surplus	(1 467)	(2 013)	(2 567)
Experience adjustments on plan liabilities	206	(630)	(442)
Experience adjustments on plan assets	(254)	1 177	192

At 31 March £'000	2007	2006
27. Subordinated liabilities		
Issued by Investec Finance plc		
Guaranteed subordinated step-up notes	195 055	200 306
Guaranteed undated subordinated callable step-up notes	345 658	-
Issued by Investec Bank (UK) Limited		
Zero coupon bonds	21 254	25 377
Issued by Investec Bank (Australia) Limited		
Guaranteed subordinated medium-term notes	41 077	-
	603 044	**225 683**
Remaining maturity:		
In one year or less, or on demand	-	9 585
In more than one year, but not more than two years	7 890	-
In more than two years, but not more than five years	249 496	15 792
In more than five years	345 658	200 306
	603 044	**225 683**

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.

Guaranteed undated subordinated callable step-up notes

On 23 January 2007 Investec Finance plc issued £350 000 000 of 6.25% guaranteed undated subordinated step-up Notes callable 2017 at a discount. Interest is paid semi-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 23 January 2017, subject to the prior consent of the Financial Services Authority. On 23 January 2017 the interest rate will be reset to become three month LIBOR plus 2.11% payable quarterly in arrears

As a result of the acquisition of NM Rothschild & Sons (Australia) Limited, as shown in note 22, Investec Bank (Australia) Limited now has the following subordinated debt instruments in issue:

Guaranteed subordinated medium-term notes

A$53 500 000 of floating rate medium-term notes (MTN) issued on 3 December 2004 at 3 month Bank Bills Swap Rate (BBSW) plus 1.05%. The maturity date is 3rd December 2014. Interest is payable quarterly up to and excluding the early redemption date 3 December 2009. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears.

A$21 500 000 of fixed rate MTN at 6.75% issued on the 3 December 2004. The maturity date is 3 December 2014. Interest is payable semi-annually up to and excluding the early redemption date 3 December 2009. After this date, if the issuers call is not exercised, the MTN will convert to floating rate and the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears.

A$25 000 000 of floating rate MTN issued on 10 August 2005 at 3 month BBSW plus 0.90 per cent. The maturity date is 10 August 2015. Interest is payable quarterly up to and excluding the early redemption date 10 August 2010. After this date, if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.40% payable quarterly in arrears.

Zero coupon bonds

On 29 March 2004 the bank 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 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 the 16 November 2009.

Notes to the financial statements (continued)

27. Subordinated liabilities (continued)

On 31 July 2006 Investec Bank (UK) Limited issued 10 000 zero coupon bonds of US$1 000 each at an effective yield of 4.48%. The bonds mature on the 31 July 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 matured on the 31 July 2006.

28. Called up share capital

At 31 March £'000	2007	2006
Investec plc		
Authorised		
The authorised share capital of Investec plc is £167 500 (2006:£167 500) comprising: 560 000 000 (2006: 560 000 000) ordinary shares of £0.0002 each, 277 500 000 (2006: 277 500 000) Special Converting Shares of £0.0002 each, 1 (2006: 1) Special Voting share of £0.001 each, 1 (2006:1) UK DAN Share of £0.001 and 1 (2006: 1) UK DAS Share of £0.001, 1 000 000 (2006: 1 000 000) non-cumulative perpetual Preference Shares of 0.01		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
As previously reported		74 633 746
Restated for subdivision on 5 for 1 basis that took place on 4 September 2006	373 168 730	373 168 730
Issued during the year	8 444 477	-
At end of year	381 613 207	373 168 730
Nominal value of ordinary shares	£'000	£'000
At beginning of year	74	74
Issued during the year	2	-
At end of year	76	74
Number of special converting shares	Number	Number
As previously reported		43 999 527
Restated for subdivision on 5 for 1 basis that took place on 4 September 2006	219 997 635	219 997 635
Issued during the year	7 673 785	-
At end of year	227 671 420	219 997 635
Nominal value of special converting shares	£'000	£'000
At beginning of year	44	44
Issued during the year	2	-
At end of year	46	44
Number of UK DAN shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAN share	£'000	£'000
At beginning and end of year	*	*
Number of UK DAS shares	Number	Number
At beginning and end of year	1	1
Nominal value of UK DAS share	£'000	£'000
At beginning and end of year	*	*

28. Called up share capital (continued)

At 31 March £'000	2007	2006
Number of special voting shares	Number	Number
At beginning and end of year	1	1
Nominal value of special voting share	£'000	£'000
At beginning and end of year	*	*

* Less than £1 000.

In terms of the DLC 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, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this. The unissued shares are under the control of the directors until the next Annual General Meeting.

Staff Share Scheme

The Bank operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in the note 6.

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

At 31 March	2007	2006
	Number	Number^
Outstanding at beginning of year	27 875 005	31 307 820
Issued during the year	7 640 248	5 170 135
Exercised	(5 198 882)	(6 581 710)
Lapsed	(1 286 465)	(2 021 240)
Outstanding at end of year	**29 029 906**	**27 875 005**

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

The group makes awards 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 to group's share price.

At present the practice of the group is to give all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods of five to eight years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and the contributions made by the respective staff members.

^ Restated for the share subdivision of 5 shares for 1 that took place on 4 September 2006.

Notes to the financial statements (continued)

At 31 March £'000	2007	2006
29. Treasury shares		
Treasury shares held by subsidiaries of Investec plc	**£'000**	**£'000**
Investec plc ordinary shares	17 844	14 047
Options held to acquire Investec plc shares	6 026	7 609
	23 870	**21 656**
Reconciliation of treasury shares	**Number**	**Number^**
At beginning of year	6 998 550	8 477 830
Purchase of own shares by subsidiary companies	14 813 487	5 409 535
Shares disposed of by subsidiaries	(18 369 992)	(6 888 815)
At end of year	3 442 045	6 998 550
Market Value of treasury shares:	**£'000**	**£'000**
Investec plc	**22 649**	**41 165**

^ Restated for the share subdivision of 5 shares for 1 that took place on 4 September 2006

	2007	2006
30. Perpetual preference shares of holding company		
Authorised		
100 000 000 (2006: nil) non-redeemable, non cumulative, non-participating preference shares of £0.01each.		
Issued		
9 381 149 (2006: nil) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share and trading on the JSE Limited ("JSE").	79 584	
5 700 000 (2006: nil) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share and trading on the Channel Islands Stock Exchange ("CISX").	49 974	
Dividends to preference shareholders will be based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value, on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared. If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	129 558	**-**
Nominal value of shares	151	
Share premium	129 407	
	129 558	**-**

At 31 March £'000	2007	2006
31. Minority interests		
Minority interests attributable to holders of ordinary shares in subsidiaries	66 276	233
Perpetual preferred securities issued by subsidiaries	136 051	139 402
	202 327	**139 635**

Perpetual preferred securities issued by subsidiaries

200 00 000 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 will be at 7.075 per cent. 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.

	2007	2006
	136 051	**139 402**

32. Miscellaneous balance sheet items

At 31 March £'000	2007		2006	
	Total future minimum payments	Present value	Total future minimum payments	Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables in:				
Up to 1 year	34 497	26 020	18 144	14 626
Over 1 year but less than 5 years	69 966	58 386	28 566	22 655
Over 5 years	10 577	8 981	12 054	10 329
	115 040	**93 387**	**58 764**	**47 610**
Unearned Finance Income	**21 653**		**11 154**	

At 31 March 2007, unguaranteed residual values of £2 220 000 (2006: £2 117 000) have been accrued.

33. Cash flow reconciliations

For the year to 31 March £'000	2007	2006
Reconciliation of operating profit to net operating cash flows		
Operating profit	208 595	123 452
Adjustment for non cash items included in operating profit:		
Goodwill income statement amount	(10 680)	-
Depreciation and impairment of property equipment and intangibles	8 497	3 289
Impairment of loans and advances	7 490	7 241
Operating income from associates	(10 685)	(6 677)
Dividends received from associates	4 699	1 438
Share based payment charges	11 526	5 887
Reconciliation of operating profit to net operating cash flows	**219 442**	**134 630**

Notes to the financial statements (continued)

At 31 March £'000	2007	2006
34. Commitments		
Undrawn facilities	974 501	690 838
Other commitments	-	400
	974 501	**691 238**

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

Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Up to 1 year	17 828	15 643
Over 1 year but less than 5 years	57 363	54 363
Over 5 years	50 011	59 674
	125 202	**129 680**

At 31 March 2007, future minimum sublease payments of £10 59 000 (2006: £14 230 000) 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. The annual escalation clauses range between 8% and 13.5% percent per annum. The majority of the leases have renewal options.

Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Up to 1 year	34 497	946
Over 1 year but less than 5 years	69 966	1 730
Over 5 years	10 577	122
	115 040	**2 798**

Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The term of the leases range between 3 and 5 years with no annual escalation clauses. The majority of the leases have renewal options.

35. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
- guarantees and irrevocable letters of credit	106 362	93 821
- assets pledged as collateral security	365	403
Other contingent liabilities	807	2 200
	107 534	**96 424**

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 its 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.

36. Related party transactions

For the year to 31 March £'000	2007 Highest balance during the year*	2007 Balance at year end*	2006 Highest balance during the year*	2006 Balance at year end*
Compensation to the Board of Directors is disclosed in the combined accounts of Investec plc and Investec Limited				
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	6 837	14 175	6 186	11 206
Other			-	-
	6 837	**14 175**	**6 186**	**11 206**
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.				
Amounts due from associates	**62 121**	**70 351**	**62 015**	**67 440**

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

On 30 May 2007, the combined boards of Investec plc ("Investec ") and Investec Limited and the board of Kensington Group plc ("Kensington") announced that they had reached agreement on the terms of a recommended acquisition of the entire issued and to be issued share capital of Kensington by Investec ("the Offer"). It is intended that the Offer be implemented by way of scheme of arrangement under section 425 of the Companies Act ("The Scheme").

Under the terms of the Offer, each Kensington shareholder will receive 0.7 Investec Share plus a special dividend of 26 pence (payable by Kensington) for each Kensington Share, valuing each Kensington Share at 519.5 pence per share based on an Investec Share price of 705 pence per share on 29 May 2007, being the last business day prior to the announcement, and the entire issued and to be issued share capital of Kensington at approximately £283 million. The new Investec shares will not qualify for the proposed Investec final dividend of 13p per share for the year ended 31 March 2007.

The Offer is conditional on the approval of the Scheme by Kensington's shareholders and the sanction of the Court for a capital reduction. The acquisition is also subject to regulatory approvals.

Notes to the financial statements (continued)

38. Hedges

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

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

Fair value hedges

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

At 31 March 2007 £'000	Description of financial instrument as hedging instrument	Fair value of hedging instrument	Cumulative gains or losses on hedging	Year to date gains and losses on hedging instrument	Cumulative gains or losses on hedged	Year to date gains or losses on hedged item
Assets	Interest rate swap	5 198	1 499	1 200	(1 793)	(1 638)
Liabilities	Interest rate swap	(5 641)	5 365	3 623	(5 285)	(3 851)
	Fx currency swap	(102)	(348)	102	348	(102)
		(545)	6 516	4 925	(6 730)	(5 591)

Cash flow hedges

The group is, at times, exposed to variability in cash flows on future assets and liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in equity and transferred to the income statement when the cash flow occurs. However, as at 31 March 2007, the group had no open cash flow hedges. The fair value of cash flow hedges outstanding as at 31 March 2006 was £164 000.

38. Hedges (continued)

At 31 March 2006 £'000	Description of financial instrument 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	-
Liabilities	Cross currency swap	134	quarterly until Jan'08	-
		164		-

At 31 March £'000	2007	2006
Reconciliation of cash flow hedge reserve		
At beginning of year	164	-
Changes in fair value recognised directly in equity	79	164
Amounts removed from equity and recognised in income	(243)	-
At end of year	**-**	**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 £'000	Fair value of hedging instrument	Ineffective portion recognised in principal transactions
2007	(2 982)	-
2006	(2 411)	-

Notes to the financial statements (continued)

At 31 March 2007 £'000	Demand	Up to one month	One month to three months	Three month to six months	Six months to one year	One year to five years	Greater than five years	Total
39. Maturity analysis								
Assets								
Cash and balances at central banks	30 861	11 971	-	-	-	-	-	42 832
Loans and advances to banks	238 275	542 342	34 701	26 964	-	50 215	10 779	903 276
Cash equivalent advances to customers	55	23 155	-	-	-	-	-	23 210
Reverse repurchase agreements and cash collateral on securities borrowed	1 979 936	-	-	-	-	-	-	1 979 936
Trading securities	182 465	47 730	166 332	26 820	34 957	42 381	58 300	558 985
Derivative financial instruments	193 637	40 964	8 835	9 689	29 445	50 230	1 309	334 109
Investment securities	58 542	240 858	379 945	241 215	510 944	308 402	7 514	1 747 420
Loans and advances to customers	506 114	288 752	446 549	379 336	508 805	2 216 321	321 807	4 667 684
Other assets	543 761	266 095	70 321	38 551	4 523	34 847	389 301	1 347 399
	3 733 646	**1 461 867**	**1 106 683**	**722 575**	**1 088 674**	**2 702 396**	**789 010**	**11 604 851**
Liabilities								
Deposits by banks	57 094	358 275	7 670	57 366	99 858	775 060	160 800	1 516 123
Derivative financial instruments	67 471	8 131	-	1 882	16 143	19 073	-	112 700
Other trading liabilities	41 645	54 607	-	-	-	-	-	96 252
Repurchase agreements and cash collateral on securities lent	1 598 128	-	-	-	-	-	-	1 598 128
Customer accounts	1 027 295	911 253	1 720 939	149 788	103 701	305 661	26 975	4 245 612
Debt securities in issue		179 347	134 292	155 311	547 108	143 081	-	1 159 139
Other liabilities	638 975	298 817	60 757	100 475	29 372	10 447	8 745	1 147 588
	3 430 608	1 810 430	1 923 658	464 822	796 182	1 253 322	196 520	9 875 542
Subordinated liabilities (including convertible debt)	-	-	-	-	-	257 386	345 658	603 044
	3 430 608	**1 810 430**	**1 923 658**	**464 822**	**796 182**	**1 510 708**	**542 178**	**10 478 586**

At 31 March 2006 £'000	Demand	Up to one month	One month to three months	Three month to six months	Six months to one year	One year to five years	Greater than five years	Total
39. Maturity analysis (continued)								
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	246 307	1 203 919
	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	569 947	217 597	32 620	7 216	59 384	5 976	821	893 561
	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**

Notes to the financial statements (continued)

At 31 March	Principal activity	Country of incorporation	Interest % 2007	Interest % 2006
40. Principal subsidiary companies				
Direct subsidiaries of Investec plc				
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Limited	Banking Institution	Australia	100	100
Investec Australia Limited (formerly NM Rothschild & Sons (Australia) Limited)	Holding company	Australia	100	-
Investec SA	Investment holding	Luxembourg	100	100
Investec Holdings (UK) Limited	Holding company	England and Wales	100	100
Investec 1 Limited	Investment holding	England and Wales	100	100
Investec Bank (UK) Limited	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) Limited	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) Limited	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
Investec Asset Management Limited	Asset Management	England and Wales	100	100
Investec Ireland Limited	Financial Services	Ireland	100	100
Investec Securities (US) LLC	Financial Services	USA	100	-
European Capital Company Limited	Project Finance	England and Wales	100	100
Global Ethanol Holdings Limited	Holding company	Australia	46.4	100
GEH LLC (formally Midwest Grain processors LLC)	Production and marketing of ethanol	USA	27.8	-
IdaTech LLC	Development of fuel cell technology	USA	86.7	-
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	47.33	47.78
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35	35

At 31 March £'000	Notes	2007	2006
41. Investec plc company balance sheet at 31 March 2007			
Assets			
Cash at bank and in hand:			
- balances with subsidiary undertaking		43 855	75 885
- balances with other banks		997	1 408
Amounts owed by group undertakings		377 030	230 759
Investments in subsidiaries	b	421 446	421 446
Tax		11 896	9 787
Other assets		30	50
Prepayments and accrued income		-	1 493
		855 254	**740 828**
Liabilities and equity			
Liabilities			
Bank loans	c	137 262	138 930
Amounts owed to group undertakings		145 834	141 802
Other liabilities		1 023	1 546
Accruals and deferred income		3 993	13 937
		288 112	**296 215**
Equity			
Called up share capital	d	122	119
Share premium account	d	422 229	393 267
Perpetual preference shares		129 558	-
Capital redemption reserve	d	50	50
Treasury stock	d	(1 197)	(2 309)
Retained earnings	d	16 380	53 486
Total equity		**567 142**	**444 613**
Total equity and liabilities		**855 254**	**740 828**

Notes to the Investec plc company balance sheet

a. Accounting policies

Basis of preparation

The parent company accounts of Investec plc are prepared under the historical cost convention and in accordance with UK Accounting Standards.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rates ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Investments

Investments are stated at cost less any provision for impairment in value.

Income

Dividends from subsidiaries are recognised when paid. Interest is recognised on an accruals basis.

Taxation

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

Notes to the financial statements (continued)

Notes to the Investec plc company balance sheet

b. Investments

	Subsidiaries
	£'000
At beginning and end of year	421 446

c. The company drew down on two Schuldschein loans of 100 million on 8 and 9 of March 2006. These loans each bear interest at 90 basis points above three month EURIBOR and are repayable on 8 and 9 of March 2011.

d. Statement of changes in shareholders' equity £'000	Share Capital	Share premium	Perpetual preference shares	Treasury shares	Capital redemption reserves	Profit and loss account	Total reserves
At 1 April 2006	119	393 267	-	(2 309)	50	53 486	444 613
Allotment of special converting shares	2	-	-	-	-	-	2
Issue expenses	-	(23)	(1 629)	-	-	-	(1 652)
Issue of ordinary shares	1	28 985	-	-	-	-	28 986
Issue Perpetual preference shares	-	-	131 187	-	-	-	131 187
Share based payments adjustment	-	-	-	1 112	-	(1 112)	-
Loss for the year	-	-	-	-	-	31 959	31 959
Dividends paid to ordinary shareholders	-	-	-	-	-	(67 953)	(67 953)
At 31 March 2007	122	422 229	129 558	(1 197)	50	16 380	567 142

Parent company profit and loss account

The company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its own profit and loss account. The company's profit for the year, determined in accordance with the Act, was £30 847 271 (2006 - £81 348 781).

Treasury shares

At 31 March	2007	2006
Treasury shares held by Investec plc		
Investec plc ordinary shares		
Number of Investec plc ordinary shares held by Investec plc	Number	Number
At 1 April	100 000	100 000
Restated for effect of 1:5 share split	400 000	-
At 31 March	500 000	100 000
Reconciliation of treasury shares	£'000	£'000
At 1 April	2 309	-
Purchase of own shares by Investec plc	-	2 634
Share based payments adjustment	(1 112)	(325)
At 31 March	1 197	2 309
Market value of treasury shares	3 290	2 941

The Treasury shares are being held in an employee benefit trust in relation to the Investec Share Matching Plan 2005. Dividends on treasury shares have not been included in the profit and loss account.

Contact details

Investec

Australia, Brisbane

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

Australia, Melbourne

Level 49 120 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 2000
Facsimile (61) 2 9293 2323
e-mail australia@investec.com.au

Canada, Toronto

1st Canadian Place
100 King Street West
Suite 5700 Toronto Ontario
M5X 1C7
Telephone (1 416) 915 3160
Facsimile (1 416) 915 3165

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-8001 Zurich Switzerland
Telephone (41 44) 226 1000
Facsimile (41 44) 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

UK, Manchester

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

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