

**18 May 2006 - Investec plc**

**Investec reports substantial growth in full year earnings  
Operating profit increased by 73.5%; Adjusted EPS increased by 55.6%;  
Dividend increased by 35.8%**

Investec, the international specialist banking group, announces today its results for the year ended 31 March 2006

**Financial highlights**

- Operating profit before taxation\* increased 73.5% to £388.8 million (2005: £224.1 million)
- Profit after tax, impairment of goodwill and non-operating items increased 190.8% to £329.4 million (2005: £113.3 million)
- Adjusted earnings per share\* increased 55.6% to 209.5p (2005: 134.6p)
- Proposed increased final dividend of 53.0p per ordinary share equating to a full year dividend of 91.0p (2005: 67.0p) and a dividend cover of 2.3 times
- Return on adjusted shareholders' equity of 25.5% (2005: 20.0%) – target of greater than 20%
- Cost to income ratio of 58.7% (2005: 67.4%) – target of below 65%
- Loans and advances increased 49.9% to £9.6 billion (1 April 2005: £6.4 billion). Asset quality remains satisfactory with the percentage of gross non-performing loans to loans and advances improving from 0.88% to 0.75%.
- Third party assets under management increased 60.8% to £54.4 billion (1 April 2005: £33.9 billion)

**Business highlights**

Strong operating profit growth from all businesses:

- Private Client Activities: increase of 47.2% to £118.1 million (2005: £80.3 million)\*
- Treasury and Specialised Finance: increase of 44.3% to £66.9 million (2005: £46.4 million)\*
- Investment Banking: increase of 104.7% to £100.9 million (2005: £49.3 million)\*
- Asset Management: increase of 63.6% to £59.4 million (2005: £36.3 million)\*
- Property Activities: increase of 2.1% to £18.6 million (2005: £18.2 million)\*

*\*before a non-operating gain of £73.6 million (2005: a non-operating loss of £14.6 million) and goodwill impairments of £21.4 million (2005: £37.0 million)*

**Stephen Koseff, Chief Executive Officer of Investec, said:**

"This past year was an exceptional one for the group and we are pleased with the strong results we have reported. We have benefited from the increase in scale, brand recognition and expertise against a backdrop of favourable market conditions. Most of our businesses delivered a strong performance, and we have achieved all our stated growth and financial return objectives."

**Bernard Kantor, Managing Director of Investec, said:**

"This year's strong performance is a reflection of the initiatives we have taken over the past few years in the pursuit of a sustainable growth strategy. While the levels of activity and momentum have continued into the new financial year, we remain mindful of the volatile operating environment to which some of our businesses are

exposed. We believe that our niche focus, distinctive offering and capability of our people will enable us to take advantage of growth opportunities as they arise.”

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**Presentation details:**

The management of Investec will host a presentation commencing at 09:00 (UK time)/10:00 (SA time) from their office in Johannesburg, and via video linkup to their office at 2 Gresham Street, London EC2V 7QP. Details of the conference call facilities and a delayed webcast of the presentation are available at [www.investec.com](http://www.investec.com).

**Information provided on the Company's website at [www.investec.com](http://www.investec.com) includes:**

- Copies of this statement.
- The results presentation.
- Additional report produced for the investment community including more detail on the results.
- Excel worksheets containing the salient financial information under IFRS in Pounds Sterling.

Alternatively for further information please contact the Investor Relations division on e-mail [investorrelations@investec.com](mailto:investorrelations@investec.com) or telephone +44 (0) 20 7597 5546/ +27 (0) 11 286 7070.

**About Investec**

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 United Kingdom, South Africa and Australia as well as certain other countries. The group was established in 1974 and currently has approximately 4 450 employees.

Investec focuses on delivering distinctive profitable solutions for its clients in five core areas of activity namely, Private Client Activities, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities.

In July 2002 the Investec group implemented a dual listed company structure with listings on the London and Johannesburg Stock Exchanges. The combined group's current market capitalisation is approximately £3.5 billion.

## **Investec plc and Investec Limited**

Combined financial results for the year ended 31 March 2006 prepared using International Financial Reporting Standards and expressed in Pounds Sterling.

### **Overall performance**

We are pleased to announce that for the year ended 31 March 2006, adjusted earnings per share (EPS) before goodwill impairment and non-operating items increased by 55.6% to 209.5 pence from 134.6 pence.

This strong performance is a reflection of the initiatives we have taken over the past few years in the pursuit of a sustainable, distinctive growth strategy. This has been supported by increased investment in brand recognition while we have built our scale, expertise and capabilities. This has enabled us to take advantage of favourable market conditions with most of our businesses delivering strong performance. We have achieved all our stated growth and financial return objectives.

The salient features of the year under review are:

- Operating profit before goodwill impairment, non-operating items and taxation increased 73.5% from £224.1 million to £388.8 million.
- Earnings attributable to ordinary shareholders before goodwill impairment and non-operating items increased 53.8% from £149.5 million to £230.0 million.
- Return on adjusted shareholders' equity (inclusive of compulsorily convertible instruments) increased from 20.0% to 25.5% against a target of greater than 20%.
- The ratio of total operating expenses to total operating income improved from 67.4% to 58.7% against a target of below 65%.
- Loans and advances to customers increased 49.9% from £6.4 billion to £9.6 billion. Asset quality remains satisfactory with the percentage of gross non-performing loans to loans and advances improving from 0.88% to 0.75%.
- Third party assets under management increased 60.8% from £33.9 billion to £54.4 billion, supported by favourable markets and the corporate transactions undertaken (mentioned below).
- The board proposes an increased final dividend of 53.0 pence per ordinary share equating to a full year dividend of 91.0 pence (2005: 67.0 pence) resulting in a dividend cover based on the group's adjusted EPS before impairment of goodwill and non-operating items of 2.3 times (2005: 2.0 times), consistent with our dividend policy.

### **Business unit review**

Unless the context indicates otherwise, reference to "operating profit" in the business unit review below, refers to profit before goodwill impairment, non-operating items and taxation.

#### **Private Client Activities**

Our Private Client Activities, comprising the Private Banking and Private Client Portfolio Management and Stockbroking divisions, reported strong growth in operating profit of 47.2% to £118.1 million (2005: £80.3 million).

##### **▪ Private Banking**

Operating profit of our Private Banking division increased by 52.7% to £101.5 million (2005: £66.5 million) driven by solid growth in total advances and strong performances recorded across the division's areas of specialisation. The private client

lending book has grown by 43.2% to £6.2 billion (2005: £4.3 billion) and the division increased its retail deposit book by 46.3% to £4.8 billion (2005: £3.3 billion).

▪ **Private Client Portfolio Management and Stockbroking**

Private Client Portfolio Management and Stockbroking recorded strong growth, generating operating profit of £16.6 million (2005: £13.8 million), an increase of 20.6%. The Private Client business in South Africa benefited from positive equity market conditions and the acquisition of HSBC's Private Client business in South Africa. Total funds under management increased significantly to £7.8 billion (2005: £3.6 billion). The 2006 results of the UK operations include our 47.7% associate shareholding in Rensburg Sheppards plc post tax profit.

**Treasury and Specialised Finance**

Treasury and Specialised Finance posted strong growth in operating profit of 44.3% to £66.9 million (2005: £46.4 million). Growth was underpinned by a solid performance from the division's advisory, structuring, asset creation and distribution activities, with advances increasing by 50.8% to £3.0 billion (2005: £2.0 billion).

**Investment Banking**

Our Investment Banking division recorded a significant increase in operating profit from £49.3 million to £100.9 million. Institutional Stockbroking performed well against a backdrop of buoyant equity markets and Corporate Finance benefited from a strong deal pipeline across all geographies. Our Direct Investments and Private Equity divisions continued to perform solidly across the board reflecting our increasing presence in this activity.

**Asset Management**

Asset Management delivered substantial growth in operating profit of 63.6% to £59.4 million (2005: £36.3 million). The division's performance was boosted by favourable market conditions, growth in performance fee revenue and excellent mutual fund sales. Assets under management have increased by 38.1% to £31.7 billion (2005: £22.9 billion). The division has established a durable platform for growth on the back of competitive long term investment performance, management continuity and growing brand recognition in its markets.

**Property Activities**

Operating profit of our Property Activities division of £18.6 million was marginally ahead of that of the prior year (2005: £18.2 million). The division in South Africa posted solid results driven by an increase in funds under management and principal transactions given the favourable property market conditions. These results were offset by a weaker performance from the UK business which had benefited from several exit fees earned in the prior year.

**Group Services and Other Activities**

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

## **Financial statements analysis**

### **Operating income**

Operating income increased by 31.1% to £964.6 million (2005: £735.5 million). The movements in total operating income are analysed below.

Net interest income increased by 51.9% to £259.2 million (2005: £170.6 million) as a result of very strong growth in loans and advances of 49.9% to £9.6 billion and increased cash holdings within the Central Funding division.

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

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

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

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

### **Impairment losses on loans and advances**

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

The percentage of gross non-performing loans (NPLs) to loans and advances improved from 0.88% to 0.75%. Total impairment coverage remains highly satisfactory both as a percentage of gross NPLs and net NPLs (gross NPLs net of security), at 56.9% and 146.4% respectively.

### **Administrative expenses**

Total administrative expenses increased by 15.1% to £558.9 million (2005: £485.4 million), and by 28.0% to £556.0 million if the costs of Carr Sheppards Crosthwaite Ltd and the Israeli operations are excluded in both years. Variable remuneration increased by 64.9% to £156.3 million due to increased profitability. Other operating

expenses (excluding variable remuneration) increased by 17.7% to £399.7 million largely as a result of an increase in headcount in certain of the businesses in line with our growth initiatives and the introduction of a long-term incentive plan (charge of £11.5 million) for a group of senior employees in June 2005.

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

### **Goodwill impairment**

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

### **Non-operating items**

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

### **Taxation**

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

### **Earnings attributable to minority interests**

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

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

### **Capital resources**

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

The return on adjusted shareholders' equity (inclusive of compulsorily convertible instruments) increased from 20.0% to 25.5%, exceeding our target of greater than 20%.

Investec plc and Investec Limited have capital adequacy ratios exceeding the minimum regulatory requirements. The capital adequacy of Investec plc (applying UK Financial Services Authority rules to its capital base) is 17.7% (1 April 2005: 16.1%). The capital adequacy of Investec Limited (applying South African Reserve Bank rules to its capital base) is 16.3% (1 April 2005: 17.9%).

### **Total assets and third party assets under management**

Third party assets under management have increased by 60.8% from £33.9 billion to £54.4 billion as a result of the corporate actions mentioned below and sound growth across all ranges of funds. On balance sheet assets grew by 20.0% from £19.9 billion to £23.9 billion with strong growth in loans and advances to customers partially offset by the closure of the Stock Lending matched book in the UK (reflected in the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed).

### **Outlook**

We continue to make significant strides in enhancing the quality and sustainability of our earnings. While the levels of activity and momentum have continued into the new financial year, we remain mindful of the volatile operating environment to which some of our businesses are exposed.

We look forward to the future with the firm belief that our niche focus, distinctive offering and capability of our people will enable us to take advantage of growth opportunities as they arise.

On behalf of the boards of Investec plc and Investec Limited

Hugh Herman  
Chairman

Stephen Koseff  
Chief Executive Officer

Bernard Kantor  
Managing Director

### **Intent to subdivide Investec plc and Investec Limited ordinary shares**

Investec shareholders are advised that the board of directors of Investec plc and Investec Limited intend to ask shareholders to approve resolutions at the Annual General Meeting which will result in the subdivision of Investec plc and Investec Limited ordinary shares. A further announcement will be made in due course.

### **Notes to the commentary section above**

- **Presentation of financial information**

Investec operates under a Dual Listed Companies (DLC) structure with primary listings of Investec plc on the London Stock Exchange and Investec Limited on the JSE Limited.

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of ordinary shareholders of the companies are maintained in equilibrium relative to each other. The directors of the two companies consider that for financial

reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies.

Accordingly, the year end results for Investec plc and Investec Limited present the results and financial position of the combined DLC group under IFRS, denominated in Pounds Sterling. In the commentary above, all references to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

Our reporting currency is Pounds Sterling. Other foreign currency denominated values included in this announcement have been translated into Pounds Sterling, in the case of the income statement at the weighted average rate for the relevant financial year, and in the case of the balance sheets at the relevant closing rate. The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the financial year:

| Currency per £1.00 | 31 March 2006 |         | 31 March 2005 |         |
|--------------------|---------------|---------|---------------|---------|
|                    | Year end      | Average | Year end      | Average |
| South African Rand | 10.72         | 11.43   | 11.73         | 11.47   |
| Australian Dollar  | 2.44          | 2.37    | 2.44          | 2.50    |
| Euro               | 1.43          | 1.47    | 1.46          | 1.47    |
| US Dollar          | 1.74          | 1.78    | 1.89          | 1.85    |

Unless the context indicates otherwise, all comparatives included in the commentary above relate to the pro-forma results (as explained in the "Accounting policies and disclosures" section below) for the year ended 31 March 2005.

• **Significant corporate actions**

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

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



## **Accounting policies and disclosures**

### **Transition to International Financial Reporting Standards**

From 1 April 2005 we were required to prepare our consolidated results (comprising the results of Investec plc and Investec Limited) in accordance with IFRS. Previously these were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). The financial statements for the year ended 31 March 2006 represent the first full year IFRS compliant financial statements prepared by us.

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

The following dates are applicable for the transition to IFRS:

- 1 April 2004 – date of transition to IFRS, being the start of the earliest period of comparative information.
- 31 March 2005 – twelve month comparative period to 31 March 2006.

In accordance with the provisions of IFRS 1, we have elected not to apply the requirements of IAS 32, "Financial Instruments: Disclosure and Recognition", IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 4, "Insurance Contracts" to the comparative period. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005. To facilitate comparability, a pro-forma income statement is presented which incorporates the impact of the adoption of IAS 32 and IAS39 in the following respects:

- recognising certain fees on an effective yield basis,
- the release of general provisions on loans and advances and
- fair value adjustments for embedded derivatives.

IFRS 4 only effects the presentation of the balance sheet.

On 21 September 2005 we released a stock exchange announcement and a transition to IFRS report detailing the impact of IFRS on our previously reported UK GAAP consolidated results. This information can be found on our website at [www.investec.com](http://www.investec.com).

## Investec plc and Investec Limited

Unaudited combined financial results for the year ended 31 March 2006 prepared using International Financial Reporting Standards and expressed in Pounds Sterling.

### Salient features

|                                                                                          | 31 March<br>2006 | Pro forma<br>31 March<br>2005* | %<br>Change |
|------------------------------------------------------------------------------------------|------------------|--------------------------------|-------------|
| Adjusted earnings before goodwill impairment and non-operating items (£'000)             | 230 017          | 149,510                        | 53.8%       |
| Operating profit before goodwill impairment, non-operating items and taxation (£'000)    | 388 767          | 224 124                        | 73.5%       |
| Earnings attributable to shareholders (£'000)                                            | 315 101          | 110 888                        | 184.2%      |
| Adjusted earnings per share (before goodwill impairment and non-operating items) (pence) | 209.5            | 134.6                          | 55.6%       |
| Earnings per share (pence)                                                               | 268.9            | 89.2                           | 201.5%      |
| Dividends per share (pence)                                                              | 91.0             | 67.0                           | 35.8%       |
| Dividends per share (cents)                                                              | 1 073.0          | 772.0                          | 39.0%       |

\* As detailed in the commentary, a pro forma income statement has been produced to enhance comparability.

## Combined consolidated income statements

|                                                              | Year to<br>31 March<br>2006 | Pro forma<br>IFRS<br>restated<br>year to<br>31 March<br>2005* | IFRS<br>restated<br>year to<br>31 March<br>2005 |
|--------------------------------------------------------------|-----------------------------|---------------------------------------------------------------|-------------------------------------------------|
| £'000                                                        |                             |                                                               |                                                 |
| Interest receivable                                          | 934 389                     | 758 513                                                       | 734 765                                         |
| Interest payable                                             | (675 237)                   | (587 945)                                                     | (587 945)                                       |
| <b>Net interest income</b>                                   | <b>259 152</b>              | <b>170 568</b>                                                | <b>146 820</b>                                  |
| Fees and commissions receivable                              | 478 465                     | 403 543                                                       | 439 958                                         |
| Fees and commissions payable                                 | (41 591)                    | (25 818)                                                      | (25 818)                                        |
| Principal transactions                                       | 246 059                     | 140 158                                                       | 135 358                                         |
| Operating income from associates                             | 6 694                       | 14 474                                                        | 14 474                                          |
| Investment income on assurance activities                    | 141 559                     | 258 855                                                       | 258 855                                         |
| Premiums and reinsurance recoveries on insurance contracts   | 164 631                     | 246 537                                                       | 246 537                                         |
| Other operating income                                       | 2 721                       | 6 120                                                         | 6 120                                           |
| <b>Other income</b>                                          | <b>998 538</b>              | <b>1 043 869</b>                                              | <b>1 075 484</b>                                |
| Claims and reinsurance premiums on insurance business        | (293 135)                   | (478 894)                                                     | (478 894)                                       |
| <b>Total operating income net of insurance claims</b>        | <b>964 555</b>              | <b>735 543</b>                                                | <b>743 410</b>                                  |
| Impairment losses on loans and advances                      | (9 160)                     | (15 845)                                                      | (27 796)                                        |
| <b>Net operating income</b>                                  | <b>955 395</b>              | <b>719 698</b>                                                | <b>715 614</b>                                  |
| Administrative expenses                                      | (558 887)                   | (485 444)                                                     | (485 444)                                       |
| Depreciation and impairment of property and equipment        | (7 741)                     | (10 130)                                                      | (10 130)                                        |
| <b>Operating profit before goodwill impairment</b>           | <b>388 767</b>              | <b>224 124</b>                                                | <b>220 040</b>                                  |
| Impairment of goodwill                                       | (21 356)                    | (37 010)                                                      | (37 010)                                        |
| <b>Operating profit</b>                                      | <b>367 411</b>              | <b>187 114</b>                                                | <b>183 030</b>                                  |
| Profit/(loss) on termination or disposal of group operations | 73 573                      | (14 629)                                                      | (14 629)                                        |
| <b>Profit before taxation</b>                                | <b>440 984</b>              | <b>172 485</b>                                                | <b>168 401</b>                                  |
| Taxation                                                     | (111 616)                   | (59 226)                                                      | (60 463)                                        |
| <b>Profit after taxation</b>                                 | <b>329 368</b>              | <b>113 259</b>                                                | <b>107 938</b>                                  |
| Earnings attributable to minority interests                  | 14 267                      | 2 371                                                         | 2 371                                           |
| Earnings attributable to shareholders                        | 315 101                     | 110 888                                                       | 105 567                                         |
| <b>Earnings attributable to</b>                              | <b>329 368</b>              | <b>113 259</b>                                                | <b>107 938</b>                                  |

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**shareholders' equity**

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|                                                                        |                |                |                |
|------------------------------------------------------------------------|----------------|----------------|----------------|
| <b>Earnings attributable to shareholders</b>                           | <b>315 101</b> | <b>110 888</b> | <b>105 567</b> |
| Impairment of goodwill                                                 | 21 356         | 37 010         | 37 010         |
| (Profit)/loss on termination or disposal of<br>group operations        | (73 573)       | 14 629         | 14 629         |
| Preference dividends paid                                              | (19 940)       | (11 742)       | (11 742)       |
| Additional earnings attributable to other<br>equity holders            | (12 927)       | (1 275)        | (1 275)        |
| <b>Earnings before goodwill impairment<br/>and non-operating items</b> | <b>230 017</b> | <b>149 510</b> | <b>144 189</b> |
| <b>Earnings per share (pence)</b>                                      |                |                |                |
| – basic                                                                | 268.9          | 89.2           | 84.5           |
| – diluted                                                              | 249.8          | 85.4           | 81.0           |
| <b>Adjusted earnings per share (pence)</b>                             |                |                |                |
| – basic                                                                | 209.5          | 134.6          | 129.8          |
| – diluted                                                              | 195.2          | 127.5          | 123.1          |
| <b>Dividends per share (pence)</b>                                     |                |                |                |
| – interim                                                              | 38.0           | 30.0           | 30.0           |
| – final                                                                | 53.0           | 37.0           | 37.0           |
| <b>Number of weighted average shares</b>                               |                |                |                |
| – basic (million)                                                      | 109.8          | 111.1          | 111.1          |

\* As detailed in the commentary, a pro forma income statement has been produced to enhance comparability.

## Combined consolidated cash flow statements

| £'000                                                         | Year to<br>31 March<br>2006 | Year to<br>31 March<br>2005 |
|---------------------------------------------------------------|-----------------------------|-----------------------------|
| Cash inflow from operations                                   | 369 197                     | 234 204                     |
| Increase in operating assets                                  | (2 939 470)                 | (3 228 141)                 |
| Increase in operating liabilities                             | 2 739 262                   | 2 909 285                   |
| Net cash inflow/(outflow) from operating activities           | 168 989                     | (84 652)                    |
| Net cash outflow from investing activities                    | (473 159)                   | (183 269)                   |
| Net cash inflow from financing activities                     | 38 076                      | 129 478                     |
| Effects of exchange rate changes on cash and cash equivalents | 73 721                      | 5 899                       |
| <b>Net decrease in cash and cash equivalents</b>              | <b>(192 373)</b>            | <b>(132 544)</b>            |
| Cash and cash equivalents at the beginning of the year        | 1 382 556                   | 1 515 100                   |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>1 190 183</b>            | <b>1 382 556</b>            |

Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and cash equivalent advances to customers (all of which have a maturity profile of less than three months).

## Combined consolidated balance sheets at

|                                                                          | 31 March<br>2006  | 1 April<br>2005*  | 31 March<br>2005  |
|--------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| £'000                                                                    |                   |                   |                   |
| <b>Assets</b>                                                            |                   |                   |                   |
| Cash and balances at central banks                                       | 190 838           | 105 130           | 105 130           |
| Treasury bills and other eligible bills                                  |                   |                   | 323 622           |
| Loans and advances to banks                                              | 1 830 603         | 1 563 066         | 3 017 326         |
| Cash equivalent advances to customers                                    | 690 236           | 710 721           |                   |
| Reverse repurchase agreements and cash collateral on securities borrowed | 756 645           | 2 318 745         |                   |
| Trading securities                                                       | 1 640 088         | 1 279 111         |                   |
| Derivative financial instruments                                         | 1 081 287         | 929 783           |                   |
| Investment securities                                                    | 1 266 673         | 1 188 405         |                   |
| Loans and advances to customers                                          | 9 604 589         | 6 408 368         | 7 402 460         |
| Debt securities                                                          |                   |                   | 2 001 682         |
| Equity shares                                                            |                   |                   | 531 262           |
| Interests in associated undertakings                                     | 63 099            | 13 219            | 13 219            |
| Deferred taxation assets                                                 | 60 035            | 52 686            | 49 023            |
| Other assets                                                             | 1 272 787         | 885 577           | 1 346 017         |
| Property and equipment                                                   | 26 916            | 28 729            | 28 729            |
| Investment properties                                                    | 163 049           | 202 352           | 202 352           |
| Goodwill                                                                 | 183 560           | 199 313           | 199 313           |
| Intangible assets                                                        | 10 094            | 7 373             | 7 373             |
|                                                                          | 18 840 499        | 15 892 578        | 15 227 508        |
| Financial instruments at fair value through income in respect of         |                   |                   |                   |
| – liabilities to customers                                               | 3 628 574         | 2 815 137         |                   |
| – assets related to reinsurance contracts                                | 1 431 876         | 1 209 165         |                   |
| Long-term assurance assets attributable to policyholders                 |                   |                   | 2 815 137         |
|                                                                          | <b>23 900 949</b> | <b>19 916 880</b> | <b>18 042 645</b> |
| <b>Liabilities</b>                                                       |                   |                   |                   |
| Deposits by banks                                                        | 1 879 483         | 780 829           | 912 526           |
| Derivative financial instruments                                         | 705 764           | 838 578           |                   |
| Other trading liabilities                                                | 457 254           | 1 892 732         |                   |
| Repurchase agreements and cash collateral on securities lent             | 358 278           | 508 301           |                   |
| Customer accounts                                                        | 8 699 165         | 6 458 714         | 6 805 429         |
| Debt securities in issue                                                 | 2 950 103         | 1 926 889         | 1 925 124         |

|                                                               |                   |                   |                   |
|---------------------------------------------------------------|-------------------|-------------------|-------------------|
| Current taxation liabilities                                  | 137 426           | 72 834            | 72 834            |
| Deferred taxation liabilities                                 | 26 210            | 20 784            | 7 445             |
| Other liabilities                                             | 1 582 856         | 1 809 207         | 3 700 989         |
| Accruals and deferred income                                  |                   |                   | 226 763           |
| Pension fund liabilities                                      | 2 013             | 10 991            | 10 991            |
|                                                               | 16 798 552        | 14 319 859        | 13 662 101        |
| Liabilities to customers under investment contracts           | 2 694 539         | 2 664 434         |                   |
| Insurance liabilities, including unit-linked liabilities      | 934 035           | 145 136           |                   |
| Reinsured liabilities                                         | 1 431 876         | 1 209 165         |                   |
| Long-term assurance liabilities attributable to policyholders |                   |                   | 2 815 137         |
|                                                               | 21 859 002        | 18 338 594        | 16 477 238        |
| Subordinated liabilities (including convertible debt)         | 529 854           | 502 675           | 499 995           |
|                                                               | <b>22 388 856</b> | <b>18 841 269</b> | <b>16 977 233</b> |
| <b>Equity</b>                                                 |                   |                   |                   |
| Called up share capital                                       | 165               | 165               | 165               |
| Share premium                                                 | 1 028 737         | 1 029 242         | 1 029 242         |
| Treasury shares                                               | (96 300)          | (109 362)         | (99 873)          |
| Shares to be issued                                           |                   |                   | 2 191             |
| Equity portion of convertible instruments                     | 2 191             | 2 191             |                   |
| Perpetual preference shares issued by Investec Limited        | 215 305           | 196 742           | 323 800           |
| Other reserves                                                | 156 103           | 78 054            | 39 617            |
| Profit and loss account                                       | (79 709)          | (266 530)         | (248 975)         |
| Shareholders' equity excluding minority interests             | 1 226 492         | 930 502           | 1 046 167         |
| Minority interests                                            | 285 601           | 145 109           | 19 245            |
| – Perpetual preferred securities issued by subsidiaries       | 278 459           | 127 058           |                   |
| – Other                                                       | 7 142             | 18 051            |                   |
| <b>Total equity</b>                                           | <b>1 512 093</b>  | <b>1 075 611</b>  | <b>1 065 412</b>  |
| <b>Total liabilities and shareholders' equity</b>             | <b>23 900 949</b> | <b>19 916 880</b> | <b>18 042 645</b> |

\* As detailed in the commentary, a pro forma income statement has been produced to enhance comparability.

**A geographical breakdown of business operating profit before goodwill impairment and non-operating items – for the year to 31 March 2006**

| £'000                                                      | Southern<br>Africa | United<br>Kingdom<br>and<br>Europe | Australia     | Other<br>geographies | Total<br>group |
|------------------------------------------------------------|--------------------|------------------------------------|---------------|----------------------|----------------|
| Private Banking                                            | 31 981             | 61 533                             | 8 009         | –                    | 101 523        |
| Private Client Portfolio<br>Management and<br>Stockbroking | 9 243              | 7 399                              | –             | –                    | 16 642         |
| Treasury and Specialised<br>Finance Activities             | 43 560             | 22 507                             | 849           | –                    | 66 916         |
| Investment Banking                                         | 65 887             | 29 631                             | 5 412         | –                    | 100 930        |
| Asset Management                                           | 48 767             | 10 609                             | –             | –                    | 59 376         |
| Property Activities                                        | 16 575             | 2 023                              | –             | –                    | 18 598         |
| Group Services and Other                                   | 49 397             | (25 966)                           | 1 473         | (122)                | 24 782         |
|                                                            | <b>265 410</b>     | <b>107 736</b>                     | <b>15 743</b> | <b>(122)</b>         | <b>388 767</b> |

**A geographical breakdown of business operating profit before goodwill impairment and non-operating items – pro forma for the year to 31 March 2005**

| £'000                                                      | Southern<br>Africa | United<br>Kingdom<br>and<br>Europe | Australia     | Other<br>geographies | Total<br>group |
|------------------------------------------------------------|--------------------|------------------------------------|---------------|----------------------|----------------|
| Private Banking                                            | 24 815             | 35 282                             | 4 341         | 2 052                | 66 490         |
| Private Client Portfolio<br>Management and<br>Stockbroking | 5 396              | 8 408                              | –             | –                    | 13 804         |
| Treasury and Specialised<br>Finance Activities             | 31 335             | 14 051                             | 1 193         | (210)                | 46 369         |
| Investment Banking                                         | 26 975             | 16 632                             | 3 514         | 2 165                | 49 286         |
| Asset Management                                           | 31 259             | 4 859                              | –             | 185                  | 36 303         |
| Property Activities                                        | 13 095             | 5 113                              | –             | –                    | 18 208         |
| Group Services and Other                                   | 17 055             | (24 267)                           | 1 909         | (1 033)              | (6 336)        |
|                                                            | <b>149 930</b>     | <b>60 078</b>                      | <b>10 957</b> | <b>3 159</b>         | <b>224 124</b> |



## Summarised combined consolidated statements of changes in equity

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

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

### **Investec plc - dividend announcement**

In terms of the DLC structure, Investec plc shareholders who are not South African resident shareholders may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAN share issued by Investec Limited.

Investec plc shareholders who are South African residents, may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAS share issued by Investec Limited.

Notice is hereby given that a final dividend (No. 8) has been proposed by the board in respect of the financial year ended 31 March 2006. The Annual General Meeting of members at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 10 August 2006.

Shareholders in Investec plc will receive a total distribution of 53 pence (2005: 37 pence) per ordinary share, which will be paid as follows:

- for non-South African resident Investec plc shareholders, through a dividend paid by Investec plc of 53 pence per ordinary share.
- for South African resident shareholders of Investec plc, through a dividend paid by Investec plc equivalent to 38 pence per ordinary share and through a dividend paid on the SA DAS share equivalent to 15 pence per ordinary share.

### **The relevant dates for the payment of the dividends are:**

#### **Last day to trade cum-dividend:**

- On the London Stock Exchange Tuesday, 25 July 2006
- On the JSE Limited Friday, 21 July 2006

#### **Shares commence trading ex-dividend:**

- On the London Stock Exchange Wednesday, 26 July 2006
- On the JSE Limited Monday, 24 July 2006

#### **Record date:**

- On the London Stock Exchange Friday, 28 July 2006
- On the JSE Limited Friday, 28 July 2006

#### **Payment date:**

- United Kingdom register Monday, 14 August 2006
- South African register Monday, 14 August 2006

Share certificates on the South African branch register may not be dematerialised or rematerialised between Monday, 24 July 2006 and Friday, 28 July 2006, both dates inclusive, nor may transfers between the UK and SA registers take place between Monday, 24 July 2006 and Friday, 28 July 2006, both dates inclusive.

Shareholders registered on the South African register are advised that the total distribution of 53 pence, equivalent to 627 cents per share, has been arrived at using

the Rand/Pounds Sterling average buy/sell forward rate, as at 11h00 (SA time) on 17 May 2006.

By order of the board  
R Vardy  
Company Secretary

18 May 2006