The definitions and interpretations set out on pages 3 to 5 of this Prospectus have been used on this front cover and throughout this document.

The distribution of this document in jurisdictions other than Jersey, Guernsey and the Isle of Man may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The perpetual preference shares are not transferable except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 5.7 of this Prospectus. Accordingly, this document may not be supplied to the public in any jurisdiction in which any registration, qualification or other requirements exist or would exist in respect of any public offering of shares.

This Prospectus includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to Investec plc. Investec plc accepts responsibility for the information contained in this Prospectus and to the best of the knowledge and belief of Investec plc (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the CISX for the listing of and permission to deal in the Placing Shares on the Official List of the CISX by way of a placing. The shares will be cleared through CREST. Neither the admission of the shares to the Official List nor the approval of this Prospectus pursuant to the listing requirements of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers to, or any other party connected with, Investec plc, the adequacy and accuracy of information contained in this Prospectus or the suitability of Investec plc for investment or for any other purpose.

The Jersey Financial Services Commission has given, and not withdrawn, its consent under The Control of Borrowing (Jersey) Order 1958 to the issue of securities in Investec plc. It must be distinctly understood that, in giving their consent, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of Investec plc or for the correctness of any statements made, or opinions expressed, with regard to it.

The States of Guernsey Policy Council has given, and not withdrawn, its consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959, as amended, to the circulation of this Prospectus in the Bailiwick of Guernsey and the raising of money in the Bailiwick of Guernsey through the issue of perpetual preference shares. It must be distinctly understood that, in giving its consent, neither the States of Guernsey Policy Council nor the Guernsey Financial Services Commission takes any responsibility for the financial soundness of Investec plc or for the correctness of any statements made, or opinions expressed, with regard to it or the perpetual preference shares.

This document is not required to be, and has not been, delivered to the Isle of Man Financial Services Commission for registration as a prospectus pursuant to the Isle of Man Companies Acts 1931 – 2004. This document and the Placing have not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

No prospectus has been published in respect of the perpetual preference shares in any Relevant Member State and the perpetual preference shares may not be offered or sold to the public in any Relevant Member State. The perpetual preference shares have not been and will not be registered under the Securities Act or the applicable securities laws of Australia, Canada or Japan and may not be offered or sold within the United States, Australia, Canada or Japan or to, or for the account or benefit of US persons or citizens or residents of Australia, Canada or Japan.

Investec plc

(Incorporated in England and Wales)
(Registration number 3633621)

PROSPECTUS

Relating to a placing of up to £20 000 000 in value of non-redeemable, non-cumulative, non-participating Investec plc preference shares

Proposed listing date	**22 February 2007**
Proposed payment date for placees	**22 February 2007**
Issue Price*	**£8.87**
Perpetual preference shares to be issued pursuant to the Placing	**up to 2.25 million**

*Assuming current UK base rate of 5.25%.

At the date of this Prospectus, the authorised share capital of Investec plc comprises 560 000 000 ordinary shares of £0.0002 each, 277 500 000 special converting shares of £0.0002 each ("SC Shares"), 1 000 000 non-cumulative perpetual preference shares of €0.01 each, 1 special voting share of £0.001, 1 dividend access (non-South African Resident) redeemable share of £0.001 ("UK DAN Share"), 1 dividend access (South African Resident) redeemable share of £0.001 ("UK DAS Share") and 100 000 000 perpetual preference shares of £0.01 each ("perpetual preference shares").

At the date of this Prospectus, the issued share capital of Investec plc comprises 378 999 372 ordinary shares, 227 671 420 SC Shares, 1 special voting share, 1 UK DAN Share and 1 UK DAS Share and 9 381 149 perpetual preferences shares.

Application will be made to the CISX to list the Placing Shares on the CISX, and application will be made to the JSE to list the Placing Shares on the JSE under the abbreviated name "INV PREF" and alpha code "INPP", respectively. It is anticipated that such listings will be effective 22 February 2007. The Placing Shares, when issued, will rank *pari passu* with one another and will initially be listed and traded separately from the existing perpetual preference shares in issue until payment of the first dividend for the period from the Settlement Date to 31 March 2007 has been made, which is expected to be in the first week of July 2007. Following such dividend payment date the Placing Shares will rank *pari passu* with one another and with the existing perpetual preference shares in issue and will be fungible with such existing perpetual preference shares.

Investec plc has reserved the right to increase the amount of permanent capital to be raised through the issue of perpetual preference shares either by increasing the amount of capital to be raised in the placing or by undertaking a separate private placement of perpetual preference shares.

The perpetual preference shares will only be traded in electronic form and accordingly all preference shareholders who elect to receive certificated perpetual preference shares will have to dematerialise their certificated perpetual preference shares should they wish to trade between South Africa and the United Kingdom.

The date of this Prospectus is 17 January 2007

CONTENTS

CORPORATE INFORMATION RELATING TO INVESTEC PLC

Directors of Investec plc

Hugh S Herman *(Non-executive Chairman)*
Stephen Koseff *(Chief Executive Officer)*
Bernard Kantor *(Managing Director)*
Glynn R Burger *(Executive Director)*
Alan Tapnack *(Executive Director)*
Samuel E. Abrahams *(Non-executive Director)*
George F O Alford *(Non-executive Director)*
Cheryl A Carolus *(Non-executive Director)*
Haruko Fukuda OBE *(Non-executive Director)*
Geoffrey M T Howe *(Non-executive Director)*
Donn E Jowell *(Non-executive Director)*
Ian R Kantor *(Non-executive Director)*
Sir Chips Keswick *(Non-executive Director)*
M Peter Malungani *(Non-executive Director)*
Sir David Prosser *(Non-executive Director)*
Peter R S Thomas *(Non-executive Director)*
Fani Titi *(Non-executive Director)*

Secretary and registered office

Richard Vardy
2 Gresham Street
London EC2V 7QP
United Kingdom

Placing Agent

Collins Stewart (CI) Limited
PO Box 3
38 – 39 Esplanade
St Helier
Jersey JE4 0XQ
Channel Islands

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

CISX Listing Sponsor

Carey Olsen Corporate Finance Limited
47 Esplanade
St Helier
Jersey JE1 OBD
Channel Islands

Legal adviser in Jersey

Carey Olsen
47 Esplanade
St Helier
Jersey JE1 OBD
Channel Islands

Legal adviser in Guernsey

Carey Olsen
7 New Street
St Peter Port
Guernsey GY1 4B2
Channel Islands

Legal adviser in the Isle of Man

Cains Advocates Limited
Old Bank Chambers
15 – 19 Athol Street
Douglas IM1 1LB
Isle of Man

Legal adviser in the UK

Linklaters
One Silk Street
London EC2Y 8HQ
United Kingdom

Legal adviser in South Africa

Jowell, Glyn & Marais Inc.
Fourth Floor
Jowell, Glyn & Marais House
72 Grayston Drive
Sandown, Sandton, 2196
(PO Box 652361, Benmore, 2010)
South Africa

Registrar

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

Copies of this Prospectus may be obtained from:

- Investec plc, 2 Gresham Street, London, EC2V 7QP; and
- Collins Stewart (CI) Limited, PO Box 3, 38 – 39 Esplanade, St Helier, Jersey JE4 OXQ, Channel Islands.

DEFINITIONS AND INTERPRETATIONS

In this Prospectus, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and words in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and an expression denoting any gender shall include the other genders.

"£" or "Pounds Sterling"	the lawful currency of the United Kingdom;
"base rate"	the base rate of the Bank of England from time to time as published by the Bank of England, which (at the date of this document) was 5.25%;
"CISX"	Channel Islands Stock Exchange;
"Collins Stewart"	Collins Stewart (CI) Limited;
"Computershare"	Computershare Investor Services plc;
"coupon rate"	the variable rate applied to the deemed value in order to determine the dividend, being 1% above the base rate;
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form;
"CRESTCo"	CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST;
"CREST Regulations"	the Uncertificated Securities Regulations 1995 (SI 1995 No. 3272);
"deemed value"	means the deemed value of each perpetual preference share for purposes of calculation of the dividend, being an amount of £10.00, notwithstanding the actual issue price of a perpetual preference share (that is the nominal value of the perpetual preference share plus a premium thereon) which may vary because of a difference in the premium at which the perpetual preference shares may be issued from time to time;
"Directors"	the directors of Investec, whose names and details are given in paragraph 3.1 of this Prospectus;
"dividend"	the perpetual preference share dividend determined in Pounds Sterling by multiplying the deemed value by the coupon rate;
"Income Tax Act"	the South African Income Tax Act, 1962 (Act 58 of 1962), as amended;
"Initial dividend yield"	the initial dividend yield which will equate to a 7.05% yield based on the issue price;
"Investec"	collectively, Investec plc and Investec Limited;
"Investec Group" or "Group"	Investec plc and Investec Limited and their respective subsidiaries;
"Investec Limited"	Investec Limited (Registered number 1925/002833/06), a public company incorporated in South Africa and listed on the JSE, with secondary listings on the Botswana Stock Exchange and the Namibian Stock Exchange;

"Investec plc" or "the company"	Investec plc, a company registered in England and Wales with registered number 3633621 and trading on the LSE with a secondary listing on the JSE;
"Investec plc Member" or "Member"	a holder of Investec plc ordinary shares;
"Investec plc ordinary shares" or "ordinary shares"	ordinary shares of £0.0002 each in the share capital of Investec plc;
"Investec plc ordinary dividend payment dates"	the dates on which Investec plc pays its interim and final dividends in respect of each financial year;
"Investec plc perpetual preference shares" or "perpetual preference shares"	non-redeemable, non-cumulative, non-participating preference shares of £0.01 each in the share capital of Investec plc, being the subject of the placing and the listing, the terms and conditions of which are set out in paragraph 4.4 and Annexure 2 to this Prospectus;
"Issue Price"	the allotment and issue price per perpetual preference share, to be calculated by taking into account the coupon rate and the initial dividend yield, as set out in paragraphs 2.1 of the Salient Features, and 5.1 of this Prospectus;
"JSE"	JSE Limited, a company duly registered and incorporated with limited liability under the company laws of South Africa under registration number 2005/022939/06, licensed as an exchange under the SA Securities Services Act;
"Letter of Confirmation"	a letter of confirmation signed by a placee and returned pursuant to the Placing Letter;
"listing"	the listing of the perpetual preference shares on the CISX, and the JSE under the abbreviated name "INV PREF" and alpha code "INPP";
"Listing Rules"	the listing rules of the CISX;
"LSE"	the London Stock Exchange plc, a company registered in England and Wales with registered number 2075721;
"placing"	the placing by Collins Stewart, as agent for Investec, of the perpetual preference shares, details of which are set out in this Prospectus;
"Placing Agreement"	the placing agreement to be entered into between Collins Stewart and the company on or about 14 February 2007;
"Placing Letter"	a placing letter issued pursuant to the Placing Agreement;
"Placing Shares"	up to 2.25 million perpetual preference shares the subject of the placing;
"Pounds Sterling"	the lawful currency of the United Kingdom;
"preference shareholder"	a holder of perpetual preference shares;
"this Prospectus" or "document"	this Prospectus and its annexures dated 17 January 2007;
"Prospectus Directive"	the European Commission Directive 2003/71/EC including any relevant implementing measure in each Relevant Member State;
"Rand" or "R"	means the lawful currency of South Africa, being South African Rand;
"Relevant Member State"	any member state of the European Economic Area which has implemented the Prospectus Directive;

"SARB"	the South African Reserve Bank;
"SA Companies Act"	the South African Companies Act, 1973 (Act 61 of 1973), as amended;
"SA Securities Services Act"	the South African Securities Act, 2004 (Act 36 of 2004), as amended;
"SDRT"	Stamp Duty Reserve Tax;
"SENS"	the Security Exchange News service of the JSE;
"Settlement Date"	22 February 2007, the payment date for the placees;
"South Africa" or "SA"	Republic of South Africa;
"STRATE"	STRATE Limited (Registration number 1998/022242/06), a public company incorporated in South Africa and a registered central securities depository in terms of section 1 of the SA Securities Services Act, and being the clearing and settlement system generated by the JSE for share transactions to be settled and transfer of ownership to be recorded electronically; and
"United Kingdom" or "UK"	United Kingdom of Great Britain and Northern Ireland.

SALIENT FEATURES

1. INTRODUCTION AND RATIONALE

Investec plc intends to raise up to £20 000 000 through the issue of up to 2.25 million perpetual preference shares, which will only be listed on the CISX and the JSE, thereby creating additional permanent capital thus allowing it to pursue further growth opportunities as they may arise.

Investec plc believes the perpetual preference shares represent an attractive alternative investment opportunity for potential investors. In particular, as Investec's equity (which for these purposes does not include the perpetual preference shares) is currently listed on the JSE and more than 10% is currently held by South African shareholders, South African tax payers will have the opportunity to use non-South African financial resources to invest in the Placing Shares which will provide an attractive dividend yield as the dividend income will not be subject to South African taxation.

The purpose of this Prospectus is to:

- provide investors and the market with information relating to Investec plc, its operations and its directors and management;
- enable Investec plc to undertake the placing in order to raise additional permanent capital and to bring about the listing of the perpetual preference shares the subject of the placing;
- set out the salient dates, terms and times of the placing and the procedure for the placing; and
- set out the historical financial information for Investec.

If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other commercial advisor.

2. DETAILS OF THE PLACING

2.1 Particulars of the placing

Deemed value for dividend purposes	£10.00
Coupon rate	base rate plus 1%
Dividend accrual dates	31 March and 30 September
Issue Price	£8.87
First dividend due on Placing Shares to 31 March 2007	6.5068 pence
Current dividend yield based on the issue price	7.05%
Gross amount to be raised (based on the Issue Price)	up to £20 000 000
Perpetual preference shares to be issued pursuant to the Placing	up to 2.25 million

Fractions of perpetual preference shares will not be issued.

The above assumes that the placing will be fully subscribed and that there will be no change in base rate and the coupon rate remains 6.25%.

The Placing Shares, when issued, will rank *pari passu* with one another and will initially be listed and traded separately from the existing perpetual preference shares in issue until payment of the first dividend for the period from the Settlement Date to 31 March 2007 has been made, expected to be in the first week of July 2007. Following such dividend payment date the Placing Shares will rank *pari passu* with one another and with the existing perpetual preference shares in issue and will be fungible with such existing perpetual preference shares.

2.2 Relevant dates

Proposed listing date of listing of Placing Shares	**22 February 2007**
Settlement Date	**22 February 2007**

2.3 Application for listing

Application will be made to list the Placing Shares on the CISX and the JSE. The Placing will be conditional to the admission to trading the Placing Shares on the CISX and the JSE.

3. SALIENT FEATURES OF THE PERPETUAL PREFERENCE SHARES

The perpetual preference shares are non-redeemable, non-cumulative and non-participating and dividends are payable semi-annually on a date at least seven business days prior to the date on which Investec plc pays final and interim ordinary dividends to its ordinary shareholders, if any, but, if declared, shall be payable, not later than 120 business days after 31 March and 30 September of each year, respectively. It is expected that dividends on the perpetual preference shares will be paid in the first week of July and the second week of December respectively. The terms and conditions of the perpetual preference shares, as set out in the Articles of Association of Investec plc, have been included in Annexure 2 to this Prospectus.

3.1 Voting rights

Preference shareholders will only be entitled to vote during periods when a preference dividend (which has been declared) or any part of it remains in arrear and unpaid after six months from the due date thereof or when resolutions are proposed which directly affect any rights attaching to the perpetual preference shares or the interests of preference shareholders or a resolution is proposed to wind up or in relation to the winding-up of the company or for the reduction of its capital.

3.2 Entitlements to dividends

Preference shareholders will receive an annual dividend 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 share dividend is declared. Any preference share dividend will be paid at least seven business days prior to the date on which Investec plc pays is ordinary dividend.The deemed value for the purpose of calculating a preference dividend shall be an amount of £10.00, notwithstanding the actual issue price of a perpetual preference share.

All dividends to the preference shareholders will be declared in Pounds Sterling. Dividends on perpetual preference shares on the United Kingdom register will be paid in Pounds Sterling. Dividends on the perpetual preference shares on the South African register will be paid in Rand.The equivalent Rand value of the perpetual preference share dividend will be determined using the average Rand/Pound buy/sell forward rate on the business day immediately prior to the release of the dividend declaration announcement on SENS. The first dividend on the Placing Shares will be paid in respect of the period from the Settlement Date to the following dividend accrual date, 31 March 2007 and is expected to be paid in the first week of July 2007.

In the case of South African resident preference shareholders, in terms of the current provisions of the Income Tax Act, foreign dividends received from a non-resident company, including deemed dividends, are free of tax if, *inter alia*, the distributing company is a listed company and South African residents hold more than 10% of its equity.

In the case of Investec plc, approximately 26% of its equity (which for these purposes does not include the perpetual preference shares) capital is currently held by South African residents. Should this fall below 10%, the dividends received by South African preference shareholders may become taxable.

Further United Kingdom and South African tax disclosure is included at paragraph 5.8 of this Prospectus. All applicants must obtain their own advice in connection with the taxation consequences relating to their investment in the perpetual preference shares.

4. FURTHER COPIES OF THIS PROSPECTUS

Copies of this Prospectus can be obtained during normal business hours from 18 January 2007 from the offices of Investec plc, 2 Gresham Street, London, EC2V 7QP as well as from the CISX listing sponsor, the address of which is set out on page 2.

PROSPECTUS DETAIL

1. INTRODUCTION AND RATIONALE

Investec plc intends to raise up to £20 000 000 through the issue of up to 2.25 million perpetual preference shares, which will only be listed on the CISX and the JSE, thereby creating additional permanent capital thus allowing it to pursue further growth opportunities as they may arise.

Investec plc believes the perpetual preference shares represent an attractive alternative investment opportunity for potential investors. In particular, as Investec's equity (which for these purposes does not include the perpetual preference shares) is currently listed on the JSE and more than 10% is currently held by South African shareholders, South African taxpayers will have the opportunity to use non-South African financial resources to invest in a security which will provide an attractive dividend yield as the dividend income will not be subject to South African taxation.

The purpose of this Prospectus is to:

- provide investors and the market with information relating to Investec plc, its operations and its directors and management;
- enable Investec plc to undertake the placing in order to raise additional permanent capital and to bring about the listing of the perpetual preference shares the subject of the placing;
- set out the salient dates, terms and times of the placing and the procedure for the placing;
- set out the historical financial information for Investec for the two financial year's ended 31 March 2005 and 31 March 2006;
- set out the interim financial statements of Investec for the two six month periods ended 30 September 2006 and 30 September 2005.

2. INFORMATION RELATING TO INVESTEC

2.1 Background

Investec was founded as a leasing company in Johannesburg in 1974. It acquired a banking licence in 1980 and was listed on the JSE Limited ("JSE"), South Africa in 1986.

Investec plc was incorporated under the laws of England and Wales on 19 September 1998.

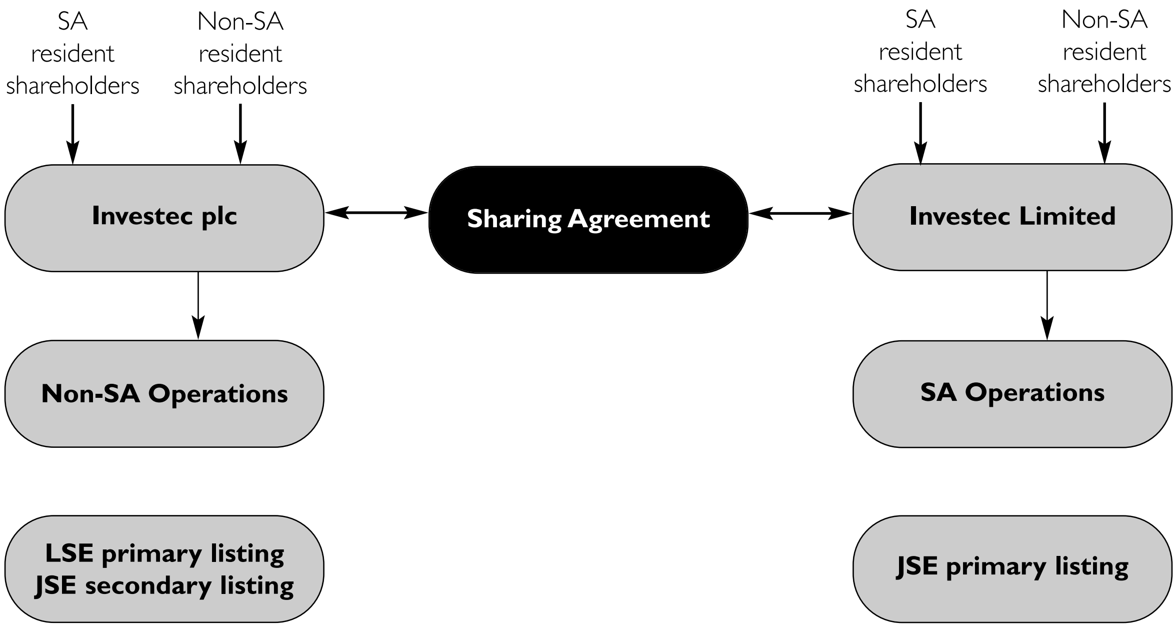
In November 2001, Investec received permission from the South African Minister of Finance and the SARB to establish a Dual Listed Companies ("DLC") structure with linked companies listed in London and Johannesburg. The structure was implemented in July 2002.

In terms of the DLC structure, Investec Group Limited ("IGL") retained all its businesses in continental Southern Africa and Mauritius as well as its primary listing on the JSE. IGL was renamed Investec Limited. IGL's other businesses were unbundled and placed into a United Kingdom company, Investec plc. Investec plc has a primary listing on the LSE and a secondary listing on the JSE.

Investec Limited and Investec plc are separate legal entities with separate listings, but are bound together by contractual agreements and constitutional arrangements.

Investec has expanded through a combination of strategic acquisitions and organic growth and now operates in three principal markets, the United Kingdom, South Africa and Australia.

A simplified illustration of the DLC structure:



2.2 Nature of business

Investec is an international, specialist banking group that provides a distinctive range of financial products and services to a select client base.

Activities of Investec

Investec is organised as a network comprising five business divisions, namely Private Client Activities, Investment Banking, Treasury and Specialised Finance, Asset Management and Property Activities. In addition, Investec's head office provides certain Group-wide integrating functions, including Risk Management, Information Technology, Finance, Investor Relations, Corporate Affairs, Marketing, Human Resources and Organisational Development. It also has responsibility for the Group's central funding. Other activities conducted by Investec include International Trade Finance.

Investment Banking

Includes: Corporate Finance (South Africa, the United Kingdom and Australia);
Institutional Research, Sales and Trading (South Africa and the United Kingdom);
Direct Investments (South Africa and Australia); and
Private Equity (South Africa, the United Kingdom and Australia).

In the United Kingdom, Investec operates its Investment Banking division under the name Investec Investment Banking and Securities, which trades as Investec. It focuses on two distinct activities: corporate finance and institutional broking, both specialising in mid-market companies. It also provides institutional broking services to large capitalisation companies where it has strong research capabilities and additionally it has a small managed private equity portfolio.

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

Corporate Finance

Investec provides financial advisory services, particularly for mergers and acquisitions. It also advises on and participates in equity capital market fund raisings for its clients. Its corporate client list currently comprises 89 quoted companies and a number of private company advisory roles and it also continues to expand its client base.

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

Institutional Broking

Investec's Institutional broking activities in the United Kingdom are carried out under the name of Investec Securities. Investec Securities provides research, sales, trading and market making services to a full range of United Kingdom and international institutional clients. A team of 29 equity analysts compiles research coverage on approximately 244 companies in the United Kingdom, focusing on 26 sectors. It also acts as market maker for approximately 154 small to mid-cap stocks and offer price making in selected large cap stocks.

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

Private Equity

In 1998 Investec inherited a United Kingdom managed private equity portfolio as part of the Guinness Mahon and Hambros acquisitions.

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

Direct Investments

As a result of Investec's in-depth market knowledge and local expertise, it is well positioned to take direct positions in predominantly JSE-listed shares where it believes that the market is mispricing the value of underlying portfolios of assets. These investment positions will be carefully researched with the intention of stimulating corporate activity. Investec also continues to pursue opportunities to help to create and grow black-owned and controlled companies.

Treasury and Specialised Finance

Investec's Treasury and Specialised Finance division provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of Investec's wholesale debt, structuring, proprietary trading, capital markets and derivatives business. It focuses on the following activities:

- Corporate Treasury and Asset and Liability Management;
- Financial Products;
- Structured and Asset Finance;
- Project Finance;
- Commodities and Resource Finance;
- Interest Rates;
- Foreign Exchange; and
- Equity Derivatives.

Private Client Activities

Includes: Private Banking (South Africa, the United Kingdom, Europe and Australia); and
Private Client Portfolio Management and Stockbroking (South Africa and the United Kingdom).

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:

- Banking;
- Structured Property Finance;

- Growth and Acquisition Finance;
- Investment Management and Advisory; and
- Trust and Fiduciary.

Investec positions itself as "an investment bank for private clients" in the high value advisory market, striving to "out think" not "out muscle" its competitors. One of its key strengths is the ability to originate new business by leveraging off its strong client relationships, which it establishes through its lending activities. This sets Investec apart from other private banks that are dependent on the more traditional asset-gathering model.

Investec's target market comprises high income and high net worth individuals, including property developers and investors and management buy-out/buy-in candidates of owner managed businesses. Its unique offering has a strong franchise among successful entrepreneurs and self-directed internationally mobile clients.

Private Client Portfolio Management and Stockbroking

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

Investec began operating in South Africa in 1996 through the acquisition of Fergusson Bros, and now operates under the name of Investec Securities Limited. Measured by assets under management, it is one of the largest private client stockbrokers and one of the largest private client portfolio managers in South Africa. Its growth has come primarily through strategic acquisitions, supplemented with good discretionary portfolio management returns for managed clients. Total assets under management at 30 September 2006 amounted to R85.5 billion.

The United Kingdom Private Client Stockbroking business, Carr Sheppards Crosthwaite, was sold to Rensburg plc on 6 May 2005. Investec retains a 47.1% interest in the combined entity, Rensburg Sheppards plc. Total assets under management at 30 September 2006 amounted to £13.3 billion.

Asset Management

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

Its operation in the United Kingdom was launched in 1998, following Investec's acquisition of Guinness Flight Hambro. This provided Investec 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 United Kingdom for both the institutional and mutual fund businesses. It emerged from the restructuring as a multi-specialist investment manager with key strengths in United Kingdom and global equities and United Kingdom and global fixed income. Today, it has a strong brand in the United Kingdom and the European mutual funds market and continues to penetrate the United Kingdom institutional market. At 30 September 2006, United Kingdom and international assets under management amounted to £11.9 billion.

Investec Asset Management has grown significantly since inception in 1991 in South Africa with R225 000 000 of assets under management. Today, it is one of the largest managers of third party assets in Southern Africa, managing funds on behalf of individuals, retirement funds, insurance companies, government bodies, universities, corporations and other institutions. It is a multi-specialist investment manager and a market leader in specialist equity, fixed interest, balanced and absolute return funds. At 30 September 2006, South African assets under management amounted to R211.8 billion.

Property Activities

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

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

Investec is expanding its property model in the United Kingdom to include property fund management and it is aligning the strategic focus of the United Kingdom business with that of South Africa in order to build a more holistic global property business.

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

Property assets under administration amounted to approximately R17.1 billion by 30 September 2006, making Investec one of the largest property managers in South Africa.

Group Services and Other Activities

Group Services and Other Activities comprise three components: Central Services, Central Funding and Other Activities.

Central Services

Central Services is made up of functional areas that provide services centrally across all Investec's business operations. Consistent with its 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, it has a policy in place whereby a portion of these costs are allocated to the divisions.

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

Central Funding

Investec's business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. It uses various sources of funding, depending on the specific financial and strategic requirements it faces at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to its principal operating divisions.

Other Activities

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

General commentary

Investec achieved good results for the six months ended 30 September 2006. Its strategy of maintaining a balanced business model continues to support the operating fundamentals of the Group. It has benefited from the strong performance by the majority of its businesses and has achieved its stated growth and financial return objectives.

While the levels of activity and momentum have continued through the first half of the current financial year, Investec remains aware of the volatile operating environment to which some of its businesses are exposed. In the year ahead, Investec's aim will be to strive to make further progress in enhancing the quality and sustainability of its earnings, while reinforcing the impact of its brand and strengthening relationships with clients.

With this as its focus, Investec believes it is well positioned to respond to change and to anticipate it in ways that best serve its clients and shareholders. Investec is confident that its niche focus, distinctive offering and capability of its people will enable Investec to take advantage of growth opportunities as they arise.

Historical financial information

Relevant financial information, extracted from the annual financial statements of Investec for the two financial years ended 31 March 2006 and 31 March 2005 and the interim financial statements of Investec for the two six-month periods ended 30 September 2006 and 30 September 2005 are set out in Annexure 1 to this Prospectus.

Subsidiary Companies

Investec plc has the following subsidiary companies:

Name	Date, number and country of incorporation	Business	Issued capital	Proportion of capital held/intended to be held (directly or indirectly) by Investec plc
Investec Holding Company Limited	England and Wales 9/11/00 04104510	Investment holding	1 150 ordinary shares of £1.00	100
Investec Bank (Australia) Limited	Australia 12/10/1995	Banking institution	291 697 616 ordinary shares of AUS$1.00	100
Investec Holdings (UK) Limited	England and Wales 23/09/98 03636853	Holding company	1 A ordinary share of £1.00 462 332 020 IHUK B ordinary shares of £1.00	100
Investec 1 Limited	England and Wales 10/01/12 0011609	Investment holding	292 142 834	100
Investec Bank (UK) Limited	England and Wales 20/12/50 00489604	Banking institution	464 000 000 ordinary shares of £1.00	100
Investec Group (UK) Plc	England and Wales 02/02/88 02216551	Holding company	3 916 285 477 ordinary shares of £0.10	100
Investec Asset Finance PLC	England and Wales 15/10/87 02179313	Leasing company	71 400 ordinary shares of £1.00	100
Investec Finance PLC	England and Wales 16/01/00 04111949	Debt issuer	50 000 ordinary shares of £1.00	100
Investec Group Investments (UK) Limited	England and Wales 26/07/33 00278224	Investment holding	14 000 000 ordinary shares of £0.50	100
Investec Investment Holdings AG	Switzerland 30/03/48	Investment holding	19 998 shares of CHF 1 000	100
Guinness Mahon & Co Limited	England and Wales 24/04/25 00205468	Investment holding	161 450 000 ordinary shares of £1.00	100
Investec Bank (Channel Islands) Limited	Guernsey 24/02/77	Banking institution	7 000 000 ordinary shares of £1.00	100
Investec Bank (Switzerland) AG	Switzerland 21/04/70	Banking institution	6 880 ordinary shares of CHF 1 000	100
Investec Trust (Guernsey) Limited	Guernsey 13/01/83	Trust company	100 000 ordinary shares of £1.00	100
Investec Trust (Switzerland) S.A.	Switzerland 09/12/74	Trust company	CHF 125 880 divided into 12 588 shares of CHF 10 each	100

Name	Date, number and country of incorporation	Business	Issued capital	Proportion of capital held/intended to be held (directly or indirectly) by Investec plc
Investec Trust (Jersey) Limited	Jersey 15/04/94 58347	Trust company	25 000 ordinary shares of £1.00	100
Investec Asset Management Limited	England and Wales 10/07/86 02036094	Asset management	10 622 032 ordinary shares of £1.00	100
Investec Ireland Limited	Ireland 27/04/95	Financial services	10 629 080 A ordinary shares of €0.12 150 000 B ordinary shares of €0.12	100
European Capital Company Limited	England and Wales 24/04/90 02496226	Project finance	277 898 ordinary shares of £1.00	100
Rensburg Sheppards plc	England and Wales 08/07/87 02146011	Stockbroking and portfolio management	43 881 382 shares of £0.10	47.7

3. DIRECTORS

3.1 Directors

The full names, addresses, occupations and profiles of the Directors are set out below:

3.1.1 **Hugh S Herman** (Non-executive Chairman – appointed 1994)

Business address: Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa

Qualifications: BA, LLB, LLD *(Honoris Causa)*

Hugh practised as a lawyer before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director. He joined Investec in 1994. His directorships include Investec Bank Limited, Investec Bank (UK) Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

3.1.2 **Stephen Koseff** (Chief Executive Officer – appointed 1986)

Business address: Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa

Qualification: BCom, CA(SA), H Dip BDP, MBA

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. His directorships include the JSE Limited, Investec Bank Limited, Investec Bank (UK) Limited and The Bidvest Group Limited.

3.1.3 **Bernard Kantor** (Managing Director – appointed 1987)

Business address: Investec plc, 2 Gresham Street, London, EC2V 7QP, UK

Qualification: CTA

Bernard joined Investec in 1980. He has had diverse experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer. His directorships include Investec Bank Limited, Investec Bank (UK) Limited and Phumelela Gaming and Leisure Limited.

3.1.4 **Glynn R Burger** (Executive Director – appointed 2002)

Business address: Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa

Qualification: BAcc, CA(SA), H Dip BDP, MBL

Executive Director responsible for Finance and Risk. Glynn joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa. His directorships include Investec Bank Limited.

3.1.5 **Alan Tapnack** (Executive Director – appointed 2002)

Business address: Investec plc, 2 Gresham Street, London, EC2V 7QP, UK

Qualification: BCom, CA(SA)

Alan practised as a Chartered Accountant and 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. He recently stepped down as Chief Executive Officer of Investec's United Kingdom operations. His directorships include Investec Bank (UK) Limited.

3.1.6 **Samuel E Abrahams** (Non-executive Director – appointed 1996)

Business address: c/o Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa

Qualifications: FCA, CA(SA)

Samuel is a former international partner and South African Managing Partner of Arthur Andersen. His current directorships include: Foschini Limited, Super Group Limited, Investec Bank Limited and Phumelela Gaming and Leisure Limited.

3.1.7 **George F O Alford** (Non-executive Director – appointed 2002)

Business address: c/o Investec plc, 2 Gresham Street, London, EC2V 7QP, UK

Qualifications: BSc (Econ), FCIS, FIPD, MSI

George is former Head of Private Banking and Head of Personnel at Kleinwort Benson Group. His directorships include Investec Bank (UK) Limited.

3.1.8 **Cheryl A Carolus** (Non-executive Director – appointed 2005)

Business address: c/o Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa

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. Her directorships include the International Crisis Group and WWF International.

3.1.9 **Haruko Fukuda OBE** (Non-executive Director – appointed 2003)

Business address: c/o Investec plc, 2 Gresham Street, London, EC2V 7QP, UK

Qualification: MA (Cantab), DSc

Haruko was previously Chief Executive Officer of the World Gold Council. She is an adviser to Metro AG and Lazard.

3.1.10 **Geoffrey M T Howe** (Non-executive Director – appointed 2003)

Business address: c/o Investec plc, 2 Gresham Street, London, EC2V 7QP, UK

Qualification: MA (Hons)

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. His directorships include Jardine Lloyd Thompson Group plc, The JP Morgan Fleming Overseas Investment Trust plc, and Nationwide Building Society. He is also an adviser to a number of leading professional and financial service organisations.

3.1.11 **Donn E Jowell** (Non-executive Director – appointed 1989)

Business address: c/o Investec Bank Limited, 100 Grayston Drive, Sandown, Sandton, 2196, South Africa

Qualification: BCom, LLB

Donn's current directorships include Investec Bank Limited.

3.1.12 **Ian R Kantor** (Non-executive Director – appointed 1980)

Business address: Herengracht 537, 1017 BV Amsterdam, The Netherlands

Qualification: BSc (Eng), MBA

Ian is former Chief Executive of Investec Bank Limited, resigning in 1985 and relocating to the Netherlands. His current directorships include Insinger de Beaufort Holdings SA (where he is Chairman of the management board and in which Investec holds an 8.6% interest), Bank Insinger de Beaufort NV and Investec Bank (UK) Limited.

3.1.13 **Sir Chips Keswick** (Non-executive Director – appointed 2002)

Business address: c/o Investec plc, 2 Gresham Street, London, EC2V 7QP, UK

Sir Chips Keswick 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. His directorships include: De Beers SA, De Beers Consolidated Mines Limited and Investec Bank (UK) Limited.

3.1.14 **M Peter Malungani** (Non-executive Director – appointed 2002)

Business address: Suite 702, Nedbank Gardens, 33 Bath Street, Rosebank, 2196, South Africa

Qualification: BCom, MAP, LDP

Peter is Chairman of Peu Group (Proprietary) Limited. He is Chairman of Phumelela Gaming and Leisure Limited and is a Director of Super Group Limited and Investec Bank Limited.

3.1.15 **Sir David Prosser** (Non-executive Director – appointed 2006)

Business address: c/o Investec plc, 2 Gresham Street, London, EC2V 7QP, UK

Qualification: BSc (Hons), FIA

Sir David was previously Group Chief Executive of Legal & General Group PLC, joining Legal & General in 1988 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 Skill Council and is currently a Director of Intercontinental Hotels Group PLC.

3.1.16 **Peter R S Thomas** (Non-executive Director – appointed 1981)

Business address: 10 Orange Street, Sunnyside, Auckland Park, Johannesburg, 2092, South Africa

Qualification: CA(SA)

Peter is a Chartered Accountant and former Managing Director of The Unisec Group Limited. His current directorships include Investec Bank Limited.

3.1.17 **Fani Titi** (Non-executive Director – appointed 2004)

Business address: Abcon House, Fairway Office Park, 52 Grosvenor Road, Bryanston East, 2152, South Africa

Qualification: BSc (Hons), MA, MBA

Fani is currently Chief Executive Officer of Tiso Group Limited, a former Chairman of the Armaments Corporation of South Africa Limited and a Director of The Bidvest Group Limited and Kumba Resources Limited.

4. SHARE CAPITAL OF INVESTEC PLC

4.1 Authorised and issued share capital, before the placing

Authorised	
560 000 000 ordinary shares of £0.0002 each	£112 000
277 500 000 special converting shares of £0.0002 each	£55 000
1 000 000 non-cumulative perpetual preference shares of €0.01 each	€10 000
1 UK DAN share of £0.001	–
1 UK DAS share of £0.001	–
1 special voting share of £0.001	–
100 000 000 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each	£1 000 000
Issued	
378 999 372 ordinary shares of £0.0002 each	£75 434
277 671 420 special converting shares of £0.0002 each	£45 100
1 UK DAN share of £0.001	–
1 UK DAS share of £0.001	–
1 special voting share of £0.001	–
9 381 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each	£93 811

4.2 Authorised and issued share capital, after the placing

The table below is for illustrative purposes only and sets out the authorised and issued capital of Investec plc after the placing:

Authorised	
560 000 000 ordinary shares of £0.0002 each	£112 000
277 500 000 special converting shares of £0.0002 each	£55 000
1 000 000 non-cumulative perpetual preference shares of €0.01 each	€10 000
1 UK DAN share of £0.001	–
1 UK DAS share of £0.001	–
1 special voting share of £0.001	–
100 000 000 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each	£1 000 000
Issued	
378 999 372 ordinary shares of £ 0.0002 each	£75 434
227 671 420 special converting shares of £0.0002 each	£45 100
1 UK DAN share of £0.001	–
1 UK DAS share of £0.001	–
1 special voting share of £0.001	–
11 631 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each	£116 311**

***Assuming the Placing is fully subscribed*

The company's authorised share capital was increased by £1 000 000 by the creation of 100 000 000 perpetual preference shares each by special resolution approved by the requisite number of shareholders at the Extraordinary General Meeting of Investec plc and the General Meeting of Investec Limited, both held on Wednesday, 28 June 2006.

Investec plc allotted and issued 9 381 149 perpetual preference shares on 3 August 2006. The perpetual preference shares were admitted to the official list of the JSE on 3 August 2006 and the official list of the CISX on 2 October 2006.

At the Annual General Meeting of Investec, held on Thursday, 10 August 2006, Investec obtained approval for the un-issued perpetual preference shares to be placed under the control of the Directors until the 2007 Annual General Meeting.

Investec plc allotted and issued 1 830 642 ordinary shares of £0.0002 each to the Investec plc Jersey number 1 Trust and Investec Limited allotted and issued 2 173 785 ordinary shares of R0.0002 each to the Investec Limited Security and Purchase Option Scheme 2002 Trust, both on 23 November 2006, in anticipation of the exercise of vested options by staff in terms of these schemes. Accordingly, Investec plc issued 2 173 785 special converting shares of £0.0002 each.

4.3 Alterations to share capital

Investec plc will from time to time seek to raise additional capital by issuing further perpetual preference shares, which will rank *pari passu* with existing perpetual preference shares. Such perpetual preference shares will also be listed on the CISX and the JSE, subject to the approval of the CISX and the JSE, respectively.

4.4 Rights attaching to perpetual preference shares

The perpetual preference shares are non-redeemable, non-cumulative and non-participating and dividends are payable semi-annually on a date at least seven business days prior to the date on which Investec plc pays its final and interim ordinary dividends to its ordinary shareholders, if any, but, if declared, shall be payable, not later than 120 business days after 31 March and 30 September of each year respectively. It is expected that dividends on the perpetual preference shares will be paid in the first week of July and the second week of December respectively. The terms and conditions of the perpetual preference shares, as set out in the Articles of Association of Investec plc, have been included in Annexure 2 to this Prospectus.

4.4.1 Voting rights

Preference shareholders will only be entitled to vote during periods when a preference dividend (which has been declared) or any part of it remains in arrear and unpaid after six months from the due date thereof or when resolutions are proposed which directly affect any rights attaching to the perpetual preference shares or the interests of preference shareholders or a resolution is proposed to wind up or in relation to the winding-up of the company or for the reduction of its capital.

4.4.2 Entitlements to dividends

Preference shareholders will receive an annual dividend based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value, calculated on a daily basis and payable in two semi-annual instalments generally expected to be in the first week of July and second week of December each year. An ordinary dividend will not be declared by Investec plc unless the perpetual preference share dividend is declared. Any preference share dividend will be paid at least seven business days prior to the date on which Investec plc pays is ordinary dividend. The deemed value for the purpose of calculating a preference dividend shall be an amount of £10.00, notwithstanding the actual issue price of a perpetual preference share.

All dividends to the preference shareholders will be declared in Pounds Sterling. Dividends on perpetual preference shares on the United Kingdom register will be paid in Pounds Sterling. Dividends on the perpetual preference shares on the South African register will be paid in Rand. The equivalent Rand value of the perpetual preference share dividend will be determined using the average Rand/Pound buy/sell forward rate on the business day immediately prior to the release of the dividend declaration announcement on SENS. The first dividend on the Placing Shares will be paid in respect of the period from the Settlement Date to the following dividend accrual date, 31 March 2007.

Any dividend unclaimed after a period of six years from the date on which such dividend was declared or became due for payment shall be forfeited and shall cease to remain owing by the company.

The perpetual preference shares were created under the UK Companies Act 1985, as amended. They are governed by English law and English courts would be the competent courts in the event of litigation.

4.5 Ordinary shares

The ordinary shares of Investec plc have been admitted to the Official List of the UK Listing Authority and to trading on the LSE. Investec plc has a secondary listing on the JSE.

5. DETAILS OF THE PLACING

5.1 Salient terms of the perpetual preference shares

Deemed value for dividend purposes	£10.00
Coupon rate	base rate plus 1%
Dividend accrual dates	31 March and 30 September
Issue Price	£8.87
First dividend due on Placing Shares to 31 March 2007	£6.5068 pence
Current dividend yield based on the issue price	7.05%
Gross amount to be raised (based on the Issue Price)	up to £20 000 000
Perpetual preference shares to be issued pursuant to the Placing	up to 2.25 million

Fractions of perpetual preference shares will not be issued.

The above assumes that the placing will be fully subscribed, there will be no change in base rate and the coupon rate remains 6.25%.

The Placing Shares, when issued, will rank *pari passu* with one another and will initially be listed and traded separately from the existing perpetual preference shares in issue until payment of the first dividend for the period from the Settlement Date to 31 March 2007 has been made, expected to be in the first week of July 2007. Following such dividend payment date the Placing Shares will rank *pari passu* with one another and with the existing perpetual preference shares in issue and will be fungible with such existing perpetual preference shares.

5.2 Relevant dates

Proposed listing date of Listing of Placing Shares	22 February 2007
Settlement Date	22 February 2007

5.3 Application for listing

Application will be made to list the Placing Shares on the CISX and the JSE.

5.4 Placing

Under the terms of the Placing Agreement Collins Stewart will agree, as agent for the company, to use its reasonable endeavours to procure persons to subscribe for the Placing Shares at the Issue Price.

The Placing, which will not be underwritten, will be conditional upon the admission of the Placing Shares to trading on the CISX and the JSE by 22 February 2007, or such later time as Collins Stewart and Investec plc may agree, but in any event not later than 7 March 2007.

The placing of the Placing Shares on behalf of Investec plc is intended to raise up to £20 000 000 before expenses.

Proceeds of the placing should be received by Collins Stewart on (or before) the Settlement Date. CREST accounts will be credited on the date of listing and it is anticipated that certificates (if any) in respect of the Placing Shares will be dispatched within 10 business days of such date, in the week commencing 5 March 2007. Pending receipt by placees of definitive share certificates, the Registrar will certify any instruments of transfer against the register.

5.4.1 CREST

Investec plc has applied for the Placing Shares to be enabled for CREST transfer and settlement with effect from listing. Accordingly, settlement of transactions in the Placing Shares will normally take place within the CREST system.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Articles of Association of Investec plc permit the holding of perpetual preference shares under the CREST system. All perpetual preference shares will be in registered form and no temporary documents of title will be issued.

5.4.2 Issue of perpetual preference shares

Perpetual preference shares applied for and subscribed for in terms of this Prospectus will be issued at the expense of Investec plc.

All perpetual preference shares issued in terms of this Prospectus will be allotted and issued subject to the provisions of the Articles of Association of Investec plc.

5.5 Trading of perpetual preference shares

The Placing Shares will be settled through CREST by Computershare. The perpetual preference shares, which are listed on the JSE and the CISX, are currently able to be traded through South Africa and the United Kingdom.

5.6 Transfers between registers

The perpetual preference shares are held on registers in the United Kingdom and South Africa, respectively. A holder of a perpetual preference share listed on the JSE and entered on the register in South Africa must have a South African address. Perpetual preference shares can be removed from one register and registered on the other register. It is expected that most removal requests to move perpetual preferences shares from the United Kingdom register to the South African register will be for dematerialised shares held in CREST and similarly for removals from the South African register to the United Kingdom register will be for dematerialised shares held in STRATE.

5.6.1 United Kingdom to South Africa

Where the preference shares are held in CREST, the broker will initiate a stock withdrawal message through CREST and advise Computershare. At the same time, a removal form is e-mailed/faxed to Computershare to reconcile with the stock withdrawal. The stock is then removed from the United Kingdom register and placed on the South African register.

A certificated holder must lodge a completed removal form and the original share certificate with Computershare.

Any removal requests or queries should be directed to the Global Transaction Unit of Computershare (removals@computershare.co.uk).

5.6.2 South Africa to United Kingdom

Prior to any removal taking place, exchange control bank regulations must be complied with and this must be validated by the Exchange Control Division of the SARB.

A similar process applies to a United Kingdom to South African removal except that, to the extent the perpetual preference shares are going into CREST, the CREST account details must mirror the details entered on the removal form exactly. The removal will be facilitated through Computershare in South Africa (contact details below).

Please note, if there is a difference in the name or designation, then this would constitute a change of beneficial ownership/legal title and the removal would be subject to the payment of stamp duty.

If there is no request for the stock to go into CREST, then a share certificate will be issued in the name supplied on the removal form.

Any removal requests or queries should be directed to Computershare Investor Services 2004 (Pty) Limited, Global Transaction Unit, 70 Marshall Street, Johannesburg, 2001, South Africa (removals@computershare.co.za).

5.7 Selling restrictions

General

No action has been or will be taken in any jurisdiction, except, Jersey, Guernsey and the Isle of Man that would permit a public offering of the perpetual preference shares, or possession or distribution of this document or any other offering material in any country or jurisdiction, other than Jersey, Guernsey and the Isle of Man, where action for that purpose is required. Accordingly, the perpetual preference shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the perpetual preference shares may be distributed or published in or from any country or jurisdiction, other than Jersey, Guernsey and the Isle of Man, except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the placing contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for any of the perpetual preference shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The perpetual preference shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account of, US persons. The perpetual preference shares are being offered and sold outside of the United States in reliance on Regulation S of the Securities Act.

In addition, until 40 days after the commencement of the offering of the perpetual preference shares an offer or sale of perpetual preference shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

The perpetual preference shares which are the subject of the offering contemplated by this Prospectus have not been offered and sold, and may not be offered or sold to the public in any Relevant Member State save for an offer pursuant to any of the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 000 000 and (3) an annual net turnover of more than €50 000 000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer" in relation to any perpetual preference shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any perpetual preference shares to be offered so as to enable an investor to decide to purchase any perpetual preference shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

South Africa

Residents in South Africa are subject to exchange control regulations as issued from time to time by the Exchange Control Division of the SARB, and are advised to seek independent advice regarding any permissions required of the Exchange Control Division of the SARB with regard to implementation of the transactions detailed herein. The offering of perpetual preference shares as contemplated by this Prospectus is not being communicated in South Africa to members of the public or to any section of the public and accordingly this Prospectus has not been registered in terms of the SA Companies Act.

United Kingdom

To the extent that this document is being distributed in the United Kingdom it will only be distributed to, and is directed only at, persons: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); (ii) falling within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be distributed (all such persons together being "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this document relates is available in the United Kingdom only to relevant persons, and will be engaged in only with such persons.

5.8 Taxation

All Investors must obtain their own advice in connection with the taxation consequences relating to their investment in the perpetual preference shares.

5.8.1 United Kingdom

The comments set out below are based on existing United Kingdom law and what is understood to be current HM Revenue and Customs published practice, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide only and apply only to preference shareholders of the company resident for tax purposes in the United Kingdom (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold perpetual preference shares in the company as an investment and who are the absolute beneficial owners thereof. Certain categories of preference shareholders, such as traders, broker-dealers, insurance companies and collective investment schemes, and preference shareholders who have (or are deemed to have) acquired their perpetual preference shares by virtue of an office or employment, may be subject to special rules and this summary does not apply to such preference shareholders. Preference shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Taxation of Dividends

The company will not be required to withhold tax at source when paying a dividend.

An individual preference shareholder who is resident in the United Kingdom (for tax purposes) and who receives a dividend from the company will be entitled to a tax credit which may be set off against the preference shareholder's total income tax liability on the dividend. The tax credit will be equal to 10% of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received. A United Kingdom resident individual preference shareholder who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of 10% of the gross dividend, so that the tax credit will satisfy in full such preference shareholder's liability to income tax on the dividend. A United Kingdom resident individual preference shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to repayment of the tax credit. In the case of a United Kingdom resident individual preference shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match the preference shareholder's tax liability on the gross dividend and such preference shareholder will have to account for additional tax equal to 22.5% of the gross dividend (which is also equal to 25% of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the preference shareholder's income falls above the threshold for higher rate income tax.

United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities or individuals whose shares are held in personal equity plans or individual savings accounts, will not be entitled to claim repayment of the tax credit attaching to dividends paid by the company.

United Kingdom resident corporate preference shareholders will generally not be subject to corporation tax on dividends paid by the company. Such preference shareholders will not be able to claim repayment of tax credits attaching to dividends.

Non-United Kingdom resident preference shareholders will not generally be able to claim repayment from HM Revenue & Customs of any part of the tax credit attaching to dividends paid by the company, subject to the terms of any applicable double tax treaty. A preference shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Preference shareholders who are not resident in the United Kingdom (for tax purposes) should obtain their own tax advice concerning tax liabilities on dividends received from the company.

Taxation of Capital Gains

Preference shareholders who are resident or, in the case of individuals, ordinarily resident in the United Kingdom, or who cease to be resident or ordinarily resident in the United Kingdom for a period of less than five years of assessment, or who carry on a trade profession or vocation through a branch or agency, or in the case of a company, a permanent establishment in the United Kingdom to which the perpetual preference shares are attributable, may depending on their circumstances be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of perpetual preference shares in the company.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

Perpetual preference shares registered on the principal share register of Investec plc

Transfers on sale of perpetual preference shares in the company will generally be subject to United Kingdom stamp duty at the rate of 0.5% of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty.

An agreement to transfer perpetual preference shares in the company will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of perpetual preference shares in the company within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of perpetual preference shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Where perpetual preference shares in the company are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will be payable at the higher rate of 1.5% of the amount or value of the consideration given or, in certain circumstances, the value of the perpetual preference shares. This liability for stamp duty or SDRT will strictly be accountable by the clearance service or depositary receipt operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme.

Perpetual preference shares registered on the SA Branch register of Investec plc

Ad valorem United Kingdom stamp duty will not be payable on a transfer on sale of perpetual preference shares registered on the South African branch register, provided the transfer is executed outside the United Kingdom.

An agreement to transfer perpetual preference shares registered on the South African branch register may give rise to a charge to SDRT, normally (and subject to the higher rate applicable on an agreement to issue or transfer to a provider of clearance services or issuer of depositary receipts described above) at the rate of 0.5% of the amount or value of the consideration for the perpetual preference shares. Any such liability to SDRT at the rate of 0.5% (although not necessarily any liability at the higher rate applicable to an agreement to transfer to a provider of clearance services or an issuer of depositary receipts described above) will be cancelled and any SDRT already paid will be repaid, generally with interest, if any instrument of transfer is executed and (if executed in the United Kingdom) duly stamped in pursuance of the agreement within six years of the date on which the SDRT liability arises.

The company understands that formal confirmation has been obtained by the STRATE system for paperless transfers of shares listed on the JSE to the effect that issues or transfers of perpetual preference shares in the company into the STRATE system will not be subject to stamp duty or SDRT at the higher rate of 1.5%. The company also understands that transfers within the STRATE system should not be subject to United Kingdom stamp duty or SDRT.

The above statements in this section are intended as a general guide to the current stamp duty and stamp duty reserve tax position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

5.8.2 South Africa

In accordance with the current provisions of the Income Tax Act a person who is a South African resident is subject to tax in South Africa on all income received or accrued from anywhere in the world. Dividends earned on shares held in foreign companies are included in gross taxable income subject to the exemption provisions contained in the Income Tax Act. Under those exemption provisions foreign dividends received from a non-resident company, including deemed dividends, are free of income tax if, *inter alia*, the distributing company is a listed company and South African residents hold more than 10% of its equity.

Investec's equity (which for these purposes does not include the perpetual preference shares) is listed on both the LSE and the JSE and approximately 26% of its equity is currently held by South African residents. Accordingly, no South African income tax should be payable by a South African resident on dividends received from Investec plc on the perpetual preference shares.

In the event that the South African residents' holding of the equity of Investec plc falls below 10%, dividends received on the perpetual preference shares by South African residents may become liable to income tax in South Africa.

South African resident taxpayers will receive no Secondary Tax on Companies benefit as regards dividends received on the perpetual preference shares held by them.

South African residents may, depending on the circumstances, be liable for capital gains tax in respect of any gains arising from a sale or other disposal of perpetual preference shares.

Transfers on sale of perpetual preference shares on the South African share register will normally give rise to a charge of stamp duty in the form of uncertificated securities tax at a rate of 0.25% of the consideration given for the transfer. The purchaser normally pays such uncertificated securities tax.

5.9 Underwriting

The placing is not underwritten.

5.10 Over-subscriptions and right to refuse

Investec plc reserves the right to accept or refuse all Letters of Confirmation, in whole or part. If applicable, applications may be reduced on an equitable basis, as determined by Investec plc in its sole discretion.

6. MATERIAL CHANGES

Other than in the ordinary course of business or as set out in this Prospectus, there have been no material changes in the financial or trading position of the Group since the release of Investec's audited results for the 12 months ended 31 March 2006.

7. LITIGATION STATEMENT

There has been no legal or arbitration proceedings (including such proceedings which are threatened of which the Issuer is aware) which may have or have had in the recent past a significant effect on the company's financial position.

8. EXPERTS' CONSENTS

The placing agent and listing sponsor have consented in writing to act in the capacities stated and to their names being included in this Prospectus and have not withdrawn their consent prior to the publication of this Prospectus.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Investec plc produces interim financial statements which are available for viewing at its website (www.investec.com). Hard copies are available at Investec plc's registered office, 2 Gresham Street, London EC2V 7QP, England. Copies of the Memorandum and Articles of Association of Investec plc are also available at its registered office.

HISTORICAL FINANCIAL INFORMATION ON INVESTEC

The financial information for the two financial years ended 31 March 2005 and 31 March 2006 set out below has been extracted from Investec's annual financial statements for the years ended 31 March 2005 and 31 March 2006, respectively. Each of these financial statements were audited by Messrs KPMG Inc and Ernst & Young (Chartered Accountants (SA)) and Ernst & Young LLP (Chartered Accountants (UK)) and were all issued without qualification. For a full report of the company's audited financial statements, potential investors are referred to Investec's Annual Reports which are available for inspection and which may also be obtained from Investec's website (www.investec.com).

ACCOUNTING POLICIES

Basis of presentation

The Group financial statements are prepared in accordance with International Financial Reporting Standards and International Accounting Standards (collectively, 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 IAS 39.

Where comparative information is prepared on previous accounting policies applied by Investec, the differences in those policies from the policies applied from 1 April 2005 are detailed in an extract of the Transition to IFRS note set out on pages 50 to 52.

First time adoption of IFRS

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

Elections made under IFRS 1

The Group has applied the following transition provisions as contained in IFRS 1 in arriving at the opening balances:

Business combinations

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

Property and equipment

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

Employee benefits

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

Cumulative foreign currency translation reserve

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

Share-based payment transactions

The Group has applied the provisions of IFRS 2, "Share-based Payment", retrospectively, to all share-based payment transactions granted prior to the date of transition but that vest after the date of transition.

Derecognition of financial assets and liabilities

The Group has elected not to apply the derecognition requirements of IAS 39 to financial assets and liabilities derecognised before 1 January 2004.

Exemption from the requirement to restate comparative periods (31 March 2005) for financial instruments and insurance contracts

The Group has elected not to apply the requirements of IAS 32, "Financial Instruments: Disclosure and Presentation", IAS 39, "Financial Instruments: Recognition and Measurement", and IFRS 4, "Insurance Contracts", to the 2005 comparative period. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005.

Compound financial instruments

The Group has elected not to separate the liability and equity components of compound financial instruments for which the liability component is no longer outstanding at 1 April 2005.

Designation of previously recognised financial instruments

The Group has elected to designate certain financial instruments within the scope of IAS 39 as "at fair value through profit or loss" or as "available for sale" at 1 April 2005.

Early adoption of amendments to accounting standards

The Group has adopted the 'Amendment to IAS 39: Fair Value Option' with effect from 1 April 2005 and amendment to IAS 19: Actuarial Gains and Losses, Group Plans and Disclosures, with effect from 1 March 2005.

Basis of consolidation

Investec consists of two separate legal entities, being Investec Limited and Investec plc, that operate under a dual-listed company (DLC) structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role.

Under UK GAAP the preparation of the consolidated financial statements of Investec plc included the accounts of Investec plc and Investec Limited combined using merger accounting. This treatment is perpetuated (in accordance with the election under IFRS 1 for business combinations) as both Investec plc and Investec Limited and their respective subsidiaries form a single reporting entity for the purposes of reporting under IFRS.

The comparative information presented in this report is based on previously reported UK GAAP Investec plc (incorporating Investec Limited) accounts as restated for the adoption of IFRS.

All subsidiaries in which the Group holds more than one-half of the voting rights or over which it has the ability to control are consolidated from the effective dates of acquisition (that is from when control exists) and up to the effective dates of loss of control, except entities which are classified as non-current assets held for sale. Subsidiaries classified as non-current assets held for sale are consolidated as discontinued operations.

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

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

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

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

Segmental reporting

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

The Group's primary segmental reporting is presented in the form of a business analysis (primary segment). The business analysis is presented in terms of the Group's five principal business divisions and Group Services and Other Activities.

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

Goodwill

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

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

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the 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 number of instruments that will eventually vest.

A liability and expense in respect of cash settled share-based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the liability that will eventually vest. The liability is recognised at the current fair value 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 Pound Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

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; and
- 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; and
- non-monetary items that are measured at historical cost are translated using the exchange rates ruling at the date of the transaction.

Revenue recognition

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest yield, but excludes those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged in lieu of interest are recognised as income as part of the effective interest rate on the underlying loan.

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

Commissions and fees include fees earned from providing advisory services as well as portfolio management. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commission income are only recognised when they can be estimated reliably.

Principal transaction income includes trading profits, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties.

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

Financial instruments

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

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

Financial assets and liabilities are designated as held at fair value through profit and loss only if:

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

Held-to-maturity assets

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

Loans and receivables

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

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

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

Available for sale assets

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

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

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

Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss.

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

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

Valuation of financial instruments

The following financial instruments are held at fair value:

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

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

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the Group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or, collectively, on a portfolio of similar, homogeneous assets. An impairment is credited against the carrying value of financial assets. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate. An impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement. Assets specifically identified as impaired are removed from the portfolio assessment.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory general risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the Group's rights to cash flows has expired; or when the Group has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Derivative instruments and hedge accounting

All derivative instruments of the Group are recorded on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively, and are offset when there is both an intention to settle net and a legal right to offset exists.

Derivative positions are entered into either for trading purposes or as part of the Group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised gains and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below).

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

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

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

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

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

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value 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.

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

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

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, plant and equipment

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

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

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

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

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

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

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

Investment property

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

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

Impairment of non-financial assets

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

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

Trust and fiduciary activities

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

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

Taxation and deferred taxation

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

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on profit or loss.

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

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

Insurance contracts

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

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

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

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

Employee benefits

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

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

Assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale and affected by the measurement requirement of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) are measured at the lower of its carrying amount and fair value less costs to sell.

Borrowing costs

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

Provisions, contingent liabilities and contingent assets

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

Standards and interpretations not yet effective

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

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

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

IAS 39 – Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intra-Group Transactions (effective for the financial year beginning 1 April 2006).

This amendment is not anticipated to be utilised by the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts (effective for the financial year beginning 1 April 2006)

The amendment clarifies that the issuer of financial guarantee contracts initially records the contract at fair value and subsequently measures in accordance with IAS 37, adjusted for accumulated amortisation of the amount initially recorded.

This amendment is not expected to result in a material adjustment to current recognition and measurement criteria applied by the Group.

Key management assumptions

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

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

COMBINED CONSOLIDATED INCOME STATEMENT

For the year to 31 March £'000	2006	2005
Interest receivable	934 389	734 765
Interest payable	(675 237)	(587 945)
Net interest income	**259 152**	**146 820**
Fees and commissions receivable	478 465	439 958
Fees and commissions payable	(41 591)	(25 818)
Principal transactions	246 059	135 358
Operating income from associates	6 694	14 474
Investment income on assurance activities	141 559	258 855
Premiums and reinsurance recoveries on insurance contracts	164 631	246 537
Other operating income	2 721	6 120
Other income	**998 538**	**1 075 484**
Claims and reinsurance premiums on insurance business	(293 135)	(478 894)
Total operating income net of insurance claims	**964 555**	**743 410**
Impairment losses on loans and advances	(9 160)	(27 796)
Net operating income	**955 395**	**715 614**
Administrative expenses	(558 887)	(485 444)
Depreciation and impairment of property, equipment and software	(7 741)	(10 130)
Operating profit before goodwill impairment	**388 767**	**220 040**
Impairment of goodwill	(21 356)	(37 010)
Operating profit	**367 411**	**183 030**
Profit/(Loss) on termination or disposal of Group operations	73 573	(14 629)
Profit before taxation	**440 984**	**168 401**
Taxation	(111 616)	(60 463)
Profit after taxation	**329 368**	**107 938**
Earnings attributable to minority interests	14 267	2 371
Earnings attributable to shareholders	315 101	105 567
Earnings attributable to shareholders' equity	**329 368**	**107 938**
Earnings per share (pence)		
– Basic	268.9	84.5
– Diluted	249.8	81.0
Adjusted earnings per share (pence)		
– Basic	209.5	129.8
– Diluted	195.2	127.5
Dividends per share (pence)		
– Interim	38.0	30.0
– Final	53.0	37.0

COMBINED CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSES

For the year to 31 March £'000	2006	2005
Earnings attributable to shareholders' equity	329 368	107 938
Fair value movements on available for sale assets	8 480	–
Foreign currency movements	52 564	(15 263)
Gain and losses on pension fund liabilities recognised directly in equity	2 035	2 370
Total recognised income and expenses	**392 447**	**95 045**
Total recognised income and expenses attributable to minority interests	23 861	2 371
Total recognised income and expenses attributable to ordinary shareholders	350 023	103 146
Total recognised income and expenses attributable to perpetual preferred securities	18 563	(10 472)
	392 447	**95 045**

COMBINED CONSOLIDATED BALANCE SHEET

At 31 March £'000	2006	2005
Assets		
Cash and balances at central banks	190 838	105 130
Treasury bills and other eligible bills		323 622
Loans and advances to banks	1 830 603	3 017 326
Cash equivalent advances to customers	690 236	
Reverse repurchase agreements and cash collateral on securities borrowed	756 645	
Trading securities	1 640 088	
Derivative financial instruments	1 081 287	
Investment securities	1 266 673	
Loans and advances to customers	9 604 589	7 402 460
Debt securities		2 001 682
Equity shares		531 262
Interests in associated undertakings	63 099	13 219
Deferred taxation assets	60 035	49 023
Other assets	1 272 787	1 346 017
Property and equipment	26 916	28 729
Investment properties	163 049	202 352
Goodwill	183 560	199 313
Intangible assets	10 094	7 373
	18 840 499	15 227 508
Financial instruments at fair value through income in respect of:		
– Liabilities to customers	3 628 574	
– Assets related to reinsurance contracts	1 431 876	
Long-term assurance assets attributable to policyholders		2 815 137
	23 900 949	**18 042 645**

At 31 March £'000	2006	2005
Liabilities		
Deposits by banks	1 879 483	912 526
Derivative financial instruments	705 764	
Other trading liabilities	457 254	
Repurchase agreements and cash collateral on securities lent	358 278	
Customer accounts	8 699 165	6 805 429
Debt securities in issue	2 950 103	1 925 124
Current taxation liabilities	137 426	72 834
Deferred taxation liabilities	26 210	7 445
Other liabilities	1 582 856	3 700 989
Accruals and deferred income		226 763
Pension fund liabilities	2 013	10 991
	16 798 552	13 662 101
Liabilities to customers under investment contracts	3 488 756	
Insurance liabilities, including unit-linked liabilities	139 818	
Reinsured liabilities	1 431 876	
Long-term assurance liabilities attributable to policyholders		2 815 137
	21 859 002	16 477 238
Subordinated liabilities – including convertible debt	529 854	499 995
	22 388 856	**16 977 233**
Equity		
Called up share capital	165	165
Share premium	1 028 737	1 029 242
Treasury shares	(96 300)	(99 873)
Equity portion of convertible debentures	2 191	2 191
Perpetual preference shares	215 305	323 800
Other reserves	156 103	39 617
Profit and loss account	(79 709)	(248 974)
Shareholders' equity excluding minority interests	1 226 492	1 046 168
Minority interests	285 601	19 244
– Perpetual preferred securities issued by subsidiaries	278 459	
– Other	7 142	
Total equity	**1 512 093**	**1 065 412**
Total liabilities and shareholders' equity	**23 900 949**	**18 042 645**

COMBINED CONSOLIDATED RECONCILIATION OF EQUITY

£'000	Share capital Investec Limited	Share premium Investec Limited	Treasury shares	Capital reserve account	Share capital Investec plc	Share premium Investec plc
At 31 March 2004 – restated for prior year adjustments	46	633 715	(84 632)	7 912	119	393 824
At 31 March 2004 – as previously reported	46	633 715	(101 304)	7 912	119	393 824
Reclassifications						
IAS 21 – foreign currency (IFRS 1 election)	–	–	–	–	–	–
IAS 40 – investment properties	–	–	–	–	–	–
Minority interests included within reconciliation of reserves	–	–	–	–	–	–
Remeasurements						
IFRS 2 – share-based payments	–	–	–	–	–	–
IAS 10 – events after balance sheet date	–	–	–	–	–	–
IAS 12 – income taxes	–	–	–	–	–	–
IAS 17 – leases	–	–	–	–	–	–
IAS 19 – employee benefits	–	–	–	–	–	–
IAS 27/28/31 – consolidations, associates and joint ventures	–	–	16 672	–	–	–
Movement in reserves 1 April 2004 – 31 March 2005						
Foreign currency adjustments	–	–	–	–	–	–
Retained profit for the year	–	–	–	–	–	–
Retained earnings of associates	–	–	–	–	–	–
Transfer from pension fund deficit	–	–	–	–	–	–
Total recognised gains and losses for the year	–	–	–	–	–	–
Share-based payments adjustments	–	–	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–	–	–
Dividends paid to perpetual preference shareholders						
Issue of perpetual preference shares	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–
Re-issue of treasury shares	–	1 703	725	–	–	–
Purchase of treasury shares	–	–	(15 966)	–	–	–
Transfer to capital reserves	–	–	–	(244)	–	–
Movement on minorities on disposals and acquisitions	–	–	–	–	–	–
Restated at 31 March 2005	46	635 418	(99 873)	7 668	119	393 824
Adoption of IAS 32/39 – Financial Instruments	–	–	(9 489)	–	–	–
Restated at 1 April 2005	46	635 418	(109 362)	7 668	119	393 824
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	–	–	–	–	–	–
Transfer from pension fund deficit	–	–	–	–	–	–
Total recognised gains and losses for the year	–	–	–	–	–	–
Share-based payments adjustments	–	–	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–	–	–
Issue of equity by subsidiaries	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	(556)
Re-issue of treasury shares	–	–	13 062	–	–	51
Movement on minorities on disposals and acquisitions	–	–	–	–	–	–
Transfer from equity accounted reserve	–	–	–	–	–	–
Transfer from capital reserves	–	–	–	5 575	–	–
Transfer to regulatory general risk reserve	–	–	–	–	–	–
At 31 March 2006	**46**	**635 418**	**(96 300)**	**13 243**	**119**	**393 319**

Equity portion of convertible instruments	Perpetual preference shares	Revaluation reserves investment properties	Available for sale reserve	Regulatory general risk reserve	Equity accounted reserves	Foreign currency reserves	Share-based payment reserve	Minority interests	Profit and loss account	Total equity
2 666	127 797	–	–	–	17 661	(1 267)	28 691	49 804	(307 213)	869 123
2 666	127 797	43 142	–	–	17 661	(195 074)	–	–	(164 131)	766 373
–	–	–	–	–	–	195 074	–	–	(195 074)	–
–	–	(43 142)	–	–	–	–	–	–	43 142	–
–	–	–	–	–	–	–	–	39 029	–	39 029
–	–	–	–	–	–	–	28 691	–	(28 963)	(272)
–	–	–	–	–	–	–	–	–	38 474	38 474
–	–	–	–	–	–	–	–	–	81	81
–	–	–	–	–	–	–	–	–	(594)	(594)
–	–	–	–	–	–	–	–	–	(140)	(140)
–	–	–	–	–	–	(1 267)	–	10 775	(8)	26 172
–	(10 472)	–	–	–	3	(4 794)	–	–	–	(15 263)
–	–	–	–	–	–	–	–	2 371	105 567	107 938
–	–	–	–	–	(17 194)	–	–	–	17 194	–
–	–	–	–	–	–	–	–	–	2 370	2 370
–	(10 472)	–	–	–	(17 191)	(4 794)	–	2 371	125 131	95 045
–	–	–	–	–	–		8 849	–	–	8 849
–	–	–	–	–	–	–	–	–	(55 398)	(55 398)
–	–	–	–	–	–	–	–	–	(11 738)	(11 738)
–	207 313	–	–	–	–	–	–	–	–	207 313
–	(838)	–	–	–	–	–	–	–	–	(838)
(282)	–	–	–	–	–	–	–	–	–	2 146
(193)	–	–	–	–	–	–	–	–	–	(16 159)
–	–	–	–	–	–	–	–	–	244	–
–	–	–	–	–	–	–	–	(32 931)	–	(32 931)
2 191	323 800	–	–	–	470	(6 061)	37 540	19 244	(248 974)	1 065 412
–	(127 058)	–	9 875	28 315	–	247	–	125 864	(17 555)	10 199
2 191	196 742	–	9 875	28 315	470	(5 814)	37 540	145 108	(266 529)	1 075 611
–	18 563	–	–	–	–	24 407	–	9 594	–	52 564
–	–	–	–	–	–	–	–	14 267	315 101	329 368
–	–		8 480	–	–	–	–	–	–	8 480
–	–	–	–	–	–	–	–	–	–	2 035
–	18 563	–	8 480	–	–	24 407	–	23 861	317 136	392 447
–	–	–	–	–	–	–	18 065	–	1 156	19 221
–	–	–	–	–	–	–	–	–	(84 435)	(84 435)
–	–	–	–	–	–	–	–	–	(19 940)	(19 940)
–	–	–	–	–	–	–	–	132 520	–	132 520
–	–	–	–	–	–	–	–	–	–	(556)
–	–	–	–	–	–	–	–	–	–	13 113
–	–	–	–	–	–	–	–	(15 888)	–	(15 888)
–	–	–	–	–	(470)	–	–	–	470	–
–	–	–	–	–	–	–	–	–	(5 575)	–
–	–	–	–	21 992	–	–	–	–	(21 992)	–
2 191	**215 305**	**–**	**18 355**	**50 307**	**–**	**18 593**	**55 605**	**285 601**	**(79 709)**	**1 512 093**

COMBINED CONSOLIDATED CASH FLOW STATEMENT

For the year to 31 March £'000	2006	2005
Operating profit adjusted for non cash items	419 650	257 508
Taxation paid	(50 104)	(23 030)
Increase in operating assets	(2 950 085)	(3 269 612)
Increase in operating liabilities	2 749 528	2 909 285
Net cash inflow/(outflow) from operating activities	**168 989**	**(125 849)**
Cash flow on acquisition of subsidiaries	(102 600)	(11 963)
Cash flow on disposal of subsidiaries	(364 970)	(119 122)
Cash flow on acquisition and disposal of property, plant and equipment	(5 589)	(9 635)
Investment in associated undertakings	–	(1 352)
Net cash outflow from investing activities	**(473 159)**	**(142 072)**
Dividends paid to ordinary shareholders	(84 435)	(55 398)
Dividends paid to other equity holders	(19 940)	(11 738)
Net cash flow on treasury share purchases and disposals	12 557	(14 851)
Proceeds on issue of other equity instruments*	132 520	207 313
Proceeds on subordinated debt raised	–	17 144
Repayment of subordinated debt	(2 626)	(12 992)
Net cash inflow from financing activities	**38 076**	**129 478**
Effects of exchange rates on cash and cash equivalents	73 721	5 899
Net decrease in cash and cash equivalents	(192 373)	(132 544)
Cash and cash equivalents at the beginning of the year	1 382 556	1 515 100
Cash and cash equivalents at the end of the year	**1 190 183**	**1 382 556**
Cash and cash equivalents is defined as including:		
Cash and balances at central banks	190 838	105 130
On demand loans and advances to banks	309 109	566 705
Cash equivalent advances to customers	690 236	710 721
Cash and cash equivalents at the end of the year	**1 190 183**	**1 382 556**

* Includes equity instruments issued by subsidiaries.

Note:

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

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

For the year to 31 March 2006

£'000	PC*	TSF*	IB*	AM*	PA*	GSO*	Total group
Interest receivable	814 587	939 656	4 674	4 141	2 767	(831 436)	934 389
Interest payable	(648 799)	(868 428)	(2 458)	(91)	(6 769)	851 308	(675 237)
Net interest income	**165 788**	**71 228**	**2 216**	**4 050**	**(4 002)**	**19 872**	**259 152**
Fees and commissions receivable	111 821	58 598	86 800	190 139	20 586	10 521	478 465
Fees and commissions payable	(10 882)	(2 720)	(4 167)	(24 249)	–	427	(41 591)
Principal transactions	12 288	55 101	97 864	1 514	21 387	57 905	246 059
Operating income from associates	6 257	(75)	307	–	–	205	6 694
Investment income on assurance activities	–	–	–	–	–	141 559	141 559
Premiums and reinsurance recoveries on insurance contracts	–	–	–	–	–	164 631	164 631
Other operating income	–	–	–	–	557	21 64	2 721
Other income	**119 484**	**110 904**	**180 804**	**167 404**	**42 530**	**377 412**	**998 538**
Claims and reinsurance premiums on insurance business	–	–	–	–	–	(293 135)	(293 135)
Total operating income net of insurance claims	**285 272**	**182 132**	**183 020**	**171 454**	**38 528**	**104 149**	**964 555**
Impairment losses on loans and advances	1 745	(12 342)	722	(16)	–	731	(9 160)
Net operating income	**287 017**	**169 790**	**183 742**	**171 438**	**38 528**	**104 880**	**955 395**
Administrative expenses	(166 058)	(102 549)	(82 669)	(111 163)	(19 823)	(76 625)	(558 887)
Depreciation and impairment of property, equipment and software	(2 794)	(325)	(143)	(899)	(107)	(3 473)	(7 741)
Operating profit before goodwill impairment	**118 165**	**66 916**	**100 930**	**59 376**	**18 598**	**24 782**	**388 767**
Impairment of goodwill	–	–	–	(14 157)	(7 199)	–	(21 356)
Operating profit	**118 165**	**66 916**	**100 930**	**45 219**	**11 399**	**24 782**	**367 411**
Profit/(Loss) on termination or disposal of Group operations	–	–	(1 071)	–	–	74 644	73 573
Profit before taxation	**118 165**	**66 916**	**99 859**	**45 219**	**11 399**	**99 426**	**440 984**
Net intersegment revenue	(117 965)	109 259	(7 586)	474	(2 819)	18 637	–
ROE (pre-tax) (%)	30.3	27.3	171.8	36.3	76.8	(0.9)	37.9
Cost to income ratio (%)	59.2	56.5	45.2	65.4	51.7	76.9	58.7
Number of employees	1 765	530	287	790	258	823	4 453
Total assets (£'million)	7 120	9 855	584	324	141	5 877	23 901
Adjusted shareholders' equity (£'million)	410	294	64	140	17	115	1 040
Adjusted tangible shareholders' equity (£'million)	389	280	46	12	8	115	850

* Where: PC = Private Client Activities TSF = Treasury and Specialised Finance
IB = Investment Banking AM = Asset Management PA = Property Activities
GSO = Group Services and Other Activities

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

For the year to 31 March 2005

£'000	PC*	TSF*	IB*	AM*	PA*	GSO*	Total group
Interest receivable	633 423	765 950	8 731	3 238	2 569	(679 146)	734 765
Interest payable	(529 585)	(718 969)	(5 386)	(396)	(6 057)	672 448	(587 945)
Net interest income	**103 838**	**46 981**	**3 345**	**2 842**	**(3 488)**	**(6 698)**	**146 820**
Fees and commissions receivable	157 394	49 706	64 107	136 276	24 471	8 004	439 958
Fees and commissions payable	(6 006)	(2 979)	(4 283)	(12 191)	–	(359)	(25 818)
Principal transactions	4 835	37 094	47 706	46	13 360	32 317	135 358
Operating income from associates	451	(304)	–	6	–	14 321	14 474
Investment income on assurance activities	–	–	–	–	–	258 855	258 855
Premiums and reinsurance recoveries on insurance contracts	–	(35)	–	–	–	246 572	246 537
Other operating income	38	–	–	–	(437)	6 519	6 120
Other income	**156 712**	**83 482**	**107530**	**124 137**	**37 394**	**566 229**	**1 075 484**
Claims and reinsurance premiums on insurance business	–	–	–	–	–	(478 894)	(478 894)
Total operating income net of insurance claims	**260 550**	**130 463**	**110 875**	**126 979**	**33 906**	**80 637**	**743 410**
Impairment losses on loans and advances	(13 949)	(1 346)	(709)	–	3	(11 795)	(27 796)
Net operating income	**246 601**	**129 117**	**110 166**	**126 979**	**33 909**	**68 842**	**715 614**
Administrative expenses	(159 026)	(82 002)	(60 559)	(88 981)	(15 627)	(79 249)	(485 444)
Depreciation and impairment of property, equipment and software	(3 566)	(792)	(321)	(971)	(117)	(4 363)	(10 130)
Operating profit before goodwill impairment	**84 009**	**46 323**	**49 286**	**37 027**	**18 165**	**(14 770)**	**220 040**
Impairment of goodwill	(3 554)	5 023	(2 170)	(28 709)	(2 783)	(4 817)	(37 010)
Operating profit	**80 455**	**51 346**	**47 116**	**8 318**	**15 382**	**(19 587)**	**183 030**
Loss on termination or disposal of Group operations	(1 000)	–	–	–	–	(13 629)	(14 629)
Profit before taxation	**79 455**	**51 346**	**47 116**	**8 318**	**15 382**	**(33 216)**	**168 401**
Net intersegment revenue	(90 667)	116 581	(4 004)	148	(3 692)	(18 366)	–
ROE (pre-tax)^ (%)	28.8	26.6	116.9	20.5	87.7	(7.5)	27.9
Cost to income ratio (%)	62.4	63.5	54.9	70.8	46.4	103.7	66.7
Number of employees	1 695	445	245	723	225	830	4 163
Total assets (£'million)	5 341	8 107	546	1 706	103	2 240	18 043
Adjusted shareholders' equity (£'million)^	291	190	27	141	19	93	761
Adjusted tangible shareholders' equity (£'million)^	269	179	5	7	5	93	558

* Where: PC = Private Client Activities TSF = Treasury and Specialised Finance
IB = Investment Banking AM = Asset Management PA = Property Activities
GSO = Group Services and Other Activities

^ Based on 1 April 2005.

SEGMENTAL GEOGRAPHICAL ANALYSIS – INCOME STATEMENT

For the year to 31 March 2006 £'000	**UK and Europe**	**Southern Africa**	**Australia**	**Other geographies**	**Total group**
Interest receivable	277 848	605 470	50 514	557	934 389
Interest payable	(176 762)	(471 505)	(26 970)	–	(675 237)
Net interest income	**101 086**	**133 965**	**23 544**	**557**	**259 152**
Fees and commissions receivable	226 860	230 674	16 322	4 609	478 465
Fees and commissions payable	(29 311)	(11 321)	(680)	(279)	(41 591)
Principal transactions	57 572	181 747	3 664	3 076	246 059
Operating income from associates	6 902	–	(207)	(1)	6 694
Investment income on assurance activities	–	141 559	–	–	141 559
Premiums and reinsurance recoveries on insurance contracts	–	164 631	–	–	164 631
Other operating income	1 578	1 143	–	–	2 721
Other income	**263 601**	**708 433**	**19 099**	**7 405**	**998 538**
Claims and reinsurance premiums on insurance business	–	(293 135)	–	–	(293 135)
Total operating income net of insurance claims	**364 687**	**549 263**	**42 643**	**7 962**	**964 555**
Impairment losses on loans and advances	(6 291)	(1 919)	(950)	–	(9 160)
Net operating income	**358 396**	**547 344**	**41 693**	**7 962**	**955 395**
Administrative expenses	(248 053)	(277 482)	(25 376)	(7 976)	(558 887)
Depreciation and impairment of property, equipment and software	(2 607)	(4 452)	(574)	(108)	(7 741)
Operating profit before goodwill impairment	**107 736**	**265 410**	**15 743**	**(122)**	**388 767**
Impairment of goodwill	–	(21 356)	–	–	(21 356)
Operating profit	**107 736**	**244 054**	**15 743**	**(122)**	**367 411**
Profit/(Loss) on termination or disposal of Group operations	73 700	–	–	(127)	73 573
Profit before taxation	**181 436**	**244 054**	**15 743**	**(249)**	**440 984**
Taxation	(28 387)	(78 378)	(4 851)	–	(111 616)
Profit after taxation	**153 049**	**165 676**	**10 892**	**(249)**	**329 368**
Earnings attributable to minority interests	6 893	7 374	–	–	14 267
Earnings attributable to shareholders	146 156	158 302	10 892	(249)	315 101
Earnings attributable to shareholders' equity	**153 049**	**165 676**	**10 892**	**(249)**	**329 368**
Net intersegment revenue	1 640	(2 061)	421	–	–
ROE (post-tax) (%)	14.1	42.8	13.9	(305.0)	25.5
Cost to income ratio (%)	68.7	51.3	60.9	101.5	58.7
Effective tax rate (%)	28.2	29.5	30.4	–	29.2
Number of employees	1 166	3 114	168	5	4 453

SEGMENTAL GEOGRAPHICAL ANALYSIS – BALANCE SHEET

For the year to 31 March 2006 £'000	UK and Europe	Southern Africa	Australia	Other geographies	Total group
Assets					
Cash and balances at central banks	9	180	2	–	191
Loans and advances to banks	518	1 232	81	–	1 831
Cash equivalent advances to customers	–	690	–	–	690
Reverse repurchase agreements and cash collateral on securities borrowed	642	114	–	–	756
Trading securities	159	1 479	1	–	1 639
Derivative financial instruments	237	842	2	–	1 081
Investment securities	1 104	26	136	–	1 266
Loans and advances to customers	3 230	5 972	403	–	9 605
Interests in associated undertakings	62	–	1	–	63
Deferred taxation assets	25	33	3	–	61
Other assets	955	315	3	–	1 273
Property, plant and equipment	15	10	2	–	27
Investment properties	–	163	–	–	163
Goodwill	125	47	12	–	184
Intangible assets	1	9	–	–	10
	7 082	11 112	646	–	18 840
Financial instruments at fair value through income in respect of:					
– Liabilities to customers	–	3 629	–	–	3 629
– Assets related to reinsurance contracts	–	1 432	–	–	1 432
	7 082	**16 173**	**646**	**–**	**23 901**
Liabilities					
Deposits by banks	1 154	725	–	–	1 879
Derivative financial instruments	46	659	1	–	706
Other trading liabilities	124	333	–	–	457
Repurchase agreements and cash collateral on securities lent	273	86	–	–	359
Customer accounts	3 207	5 239	253	–	8 669
Debt securities in issue	511	2 192	247	–	2 950
Deferred taxation liabilities	–	25	1	–	26
Current taxation liabilities	37	99	1	–	137
Other liabilities	841	731	11	–	1583
Pension fund liabilities	2	–	–	–	2
	6 195	10 089	514	–	16 798
Liabilities to customers under investment contracts	–	3 489	–	–	3 489
Insurance liabilities, including unit-linked liabilities	–	140	–	–	140
Reinsured liabilities	–	1 432	–	–	1 432
	6 195	15 150	514	–	21 859
Subordinated liabilities – Including convertible debt	226	304	–	–	530
	6 421	**15 454**	**514**	**–**	**22 389**

SEGMENTAL GEOGRAPHICAL ANALYSIS – INCOME STATEMENT

For the year to 31 March 2005 £'000	UK and Europe	Southern Africa	Australia	Other geographies	Total group
Interest receivable	229 868	446 851	36 114	21 932	734 765
Interest payable	(183 403)	(367 538)	(22 338)	(14 666)	(587 945)
Net interest income	**46 465**	**79 313**	**13 776**	**7 266**	**146 820**
Fees and commissions receivable	235 603	176 871	16 078	11 406	439 958
Fees and commissions payable	(16 778)	(6 613)	(1 499)	(928)	(25 818)
Principal transactions	31 714	99 391	1 122	3 131	135 358
Operating income from associates	70	14 316	(81)	169	14 474
Investment income on assurance activities	–	258 855	–	–	258855
Premiums and reinsurance recoveries on insurance contracts	–	246 537	–	–	246 537
Other operating income	–	5 865	–	255	6 120
Other income	**250 609**	**795 222**	**15 620**	**14 033**	**1 075 484**
Claims and reinsurance premiums on insurance business	–	(478 894)	–	–	(478 894)
Total operating income net of insurance claims	**297 074**	**395 641**	**29 396**	**21 299**	**743 410**
Impairment losses on loans and advances	(4 814)	(22 465)	(82)	(435)	(27 796)
Net operating income	**292 260**	**373 176**	**29 314**	**20 864**	**715 614**
Administrative expenses	(229 059)	(221 520)	(17 876)	(16 989)	(485 444)
Depreciation and impairment of property, equipment and software	(3 307)	(5 658)	(449)	(716)	(10 130)
Operating profit before goodwill impairment	**59 894**	**145 998**	**10 989**	**3 159**	**220 040**
Impairment of goodwill	(10 413)	(26 597)	–	–	(37 010)
Operating profit	**49 481**	**119 401**	**10 989**	**3 159**	**183 030**
Loss on termination or disposal of Group operations	(1 000)	(8 422)	–	(5 207)	(14 629)
Profit before taxation	**48 481**	**110 979**	**10 989**	**(2 048)**	**168 401**
Taxation	(13 228)	(42 654)	(3 118)	(1 463)	(60 463)
Profit after taxation	**35 253**	**68 325**	**7 871**	**(3 511)**	**107 938**
Earnings attributable to minority interests	252	1 563	–	556	2 371
Earnings attributable to shareholders	35 001	66 762	7 871	(4 067)	105 567
Earnings attributable to shareholders' equity	**35 253**	**68 325**	**7 871**	**(3 511)**	**107 938**
Net intersegment revenue	3 937	(4 271)	334	–	–
ROE (post-tax) (%)	12.1	35.4	13.1	3.6	20.0
Cost to income ratio (%)	78.2	57.4	62.3	83.1	66.7
Effective tax rate (%)	22.1	32.4	28.2	48.9	29.4
Number of employees	1 308	2 648	140	67	4 163

* Based on 1 April 2005.

SEGMENTAL GEOGRAPHICAL ANALYSIS – BALANCE SHEET

For the year to 31 March 2005 £'000	UK and Europe	Southern Africa	Australia	Other geographies	Total group
Assets					
Cash and balances at central banks	9	95	1	–	105
Treasury bills and other eligible bills	7	182	135	–	324
Loans and advances to banks	2 248	747	22	–	3 017
Loans and advances to customers	2 901	4 181	320	–	7 402
Debt securities	1 089	856	47	10	2 002
Equity shares	272	249	3	7	531
Interests in associated undertakings	12	1	–	1	14
Deferred taxation assets	29	18	2	–	49
Other assets	678	662	5	2	1 347
Property and equipment	17	10	2	–	29
Investment properties	–	202	–	–	202
Goodwill	128	59	12	–	199
Intangible assets	1	6	–	–	7
	7 391	7 268	549	20	15 228
Long-term assurance assets attributable to policyholders	–	2 815	–	–	2 815
	7 391	**10 083**	**549**	**20**	**18 043**
Liabilities					
Deposits by banks	886	27	–	–	913
Customer accounts	2 735	3 769	301	–	6 805
Debt securities in issue	–	1 925	–	–	1 925
Current taxation liabilities	19	54	–	–	73
Deferred taxation liabilities	–	7	–	–	7
Other liabilities	3 045	526	123	7	3 701
Accruals and deferred income	103	112	8	4	227
Pension fund liability	11	–	–	–	11
	6 799	6 420	432	11	13 662
Long-term assurance liabilities attributable to policyholders	–	2 815	–	–	2 815
	6 799	9 235	432	11	16 477
Subordinated liabilities – Including convertible debt	220	280	–	–	500
	7 019	**9 515**	**432**	**11**	**16 977**

Segmental geographical and business analysis of operating profit before goodwill impairment, non-operating items and taxation

For the year to 31 March £'000	UK and Europe	Southern Africa	Australia	Other geographies	Total group
2006					
Private client activities	68 932	41 224	8 009	–	118 165
Treasury and specialised finance	22 507	43 560	849	–	66 916
Investment banking	29 631	65 887	5 412	–	100 930
Asset management	10 609	48 767	–	–	59 376
Property activities	2 023	16 575	–	–	18 598
Group services and other activities	(25 966)	49 397	1 473	(122)	24 782
Total group	**107 736**	**265 410**	**15 743**	**(122)**	**388 767**
2005					
Private client activities	44 698	32 918	4 342	2 051	84 009
Treasury and specialised finance	18 179	27 161	1 193	(210)	46 323
Investment banking	16 631	26 975	3 515	2 165	49 286
Asset management	4 859	31 983	–	185	37 027
Property activities	5 071	13 094	–	–	18 165
Group services and other activities	(29 544)	13 867	1 939	(1 032)	(14 770)
Total group	**59 894**	**145 998**	**10 989**	**3 159**	**220 040**

Dividends and earnings per share

For the year to 31 March	2006	2005
Ordinary dividends – pence per share	**91.0**	**67.0**
Interim	38.0	30.0
Final	53.0	37.0
Earnings per share – pence	**268.9**	**84.5**
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year.		
	£'000	**£'000**
Earnings attributable to the shareholders	315 101	105 567
Preference dividends paid	(19 940)	(11 738)
Earnings attributable to ordinary shareholders	**295 161**	**93 829**
Diluted earnings per share – pence	249.8	81.0
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.		
Weighted total average number of ordinary shares in issue during the year	118 633 273	118 633 273
Weighted average number of treasury shares	(8 865 490)	(7 540 405)
Weighted average number of ordinary shares in issue during the year	109 767 783	111 092 868
Weighted average number of shares resulting from future dilutive potential shares	5 884 874	4 975 253
Weighted average number of shares resulting from future dilutive convertible instruments	3 573 994	3 573 994
Adjusted weighted number of ordinary shares potentially in issue	**119 226 651**	**119 642 115**
Adjusted earnings per share – pence	**209.5**	**129.8**
Adjusted earnings per share is calculated by dividing the earnings, before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year.		
	£'000	**£'000**
Earnings attributable to shareholders	315 101	105 567
Impairment of goodwill	21 356	37 010
(Profit)/Loss on disposal or termination of Group operations	(73 573)	14 629
Preference dividends paid	(19 940)	(11 738)
Additional earnings attributable to other equity holders	(12 927)	(1 275)
Adjusted earnings attributable to ordinary shareholders before goodwill impairment and non-operating items	**230 017**	**144 193**
Adjusted diluted earnings per share – pence	**195.2**	**127.5**
Headline earnings per share – pence	**203.0**	**127.6**
Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings" and in terms of circular 7/2002 issued by The South African Institute of Chartered Accountants.		

Dividends and earnings per share

For the year to 31 March £'000	2006	2005
Earnings attributable to shareholders	315 101	105 567
Impairment of goodwill	21 356	37 010
(Profit)/Loss on disposal or termination of Group operations	(73 573)	14 629
Preference dividends paid	(19 940)	(11 738)
Gains and losses recognised on investment properties		
– After taxation and minority interests	(20 724)	(4 478)
Other headline adjustments	585	730
Headline earnings attributable to ordinary shareholders	**222 805**	**141 720**

At 31 March £'000	2006	2005
COMMITMENTS		
Forward repurchase agreements	–	64
Undrawn facilities	1 068 591	651 312
Other commitments	11 033	26 902
	1 079 624	**678 278**

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:		
Less than 1 year	28 103	24 797
1 – 5 years	113 663	105 697
Later than 5 years	331 147	338 116
	472 913	**468 610**

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

Operating lease receivables

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

Investec leases assets to third parties under operating and finance lease arrangements including 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.

CONTINGENT LIABILITIES

Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	396 544	223 508
– Assets pledged as collateral security	403	–
Other contingent liabilities	61 021	40 343
	457 968	**263 851**

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 and Investec Limited on behalf of third parties and other Group companies.

The guarantees are issued as part of the banking business.

Legal proceedings

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

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

POST-BALANCE SHEET EVENTS

Acquisition of N.M. Rothschild Australia Holdings Pty Limited

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

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

N.M. Rothschild & Sons (Australia) Limited has total assets of approximately A$2.1 billion (£890 million) and is principally involved in Property, Resources, Infrastructure, Commercial Finance, Acquisition Finance and Treasury activities operating in Sydney, Melbourne and Perth.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Commentary on key adjustments:

IFRS 2 – Share-based Payments

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

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

IFRS 3 – Business Combinations

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

IFRS 4 – Insurance Contracts

From 1 April 2005, assurance products have been divided into investment contracts and insurance contracts. Investment contracts are accounted for under IAS 39 and insurance contracts are accounted for under IFRS 4. Further to these reclassifications, reinsured liabilities and related assets are recognised on a gross basis on the balance sheet.

IAS 10 – Events After Balance Sheet Date

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

IAS 17 – Leases

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

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

IAS 18 – Revenue Recognition

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

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

IAS 27/28/31 – Consolidations/Associates/Joint Ventures

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

IAS 32/39 – Financial Instruments

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

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

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

Financial liabilities are classified as held for trading, designated as held at fair value or are carried at amortised cost.

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

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

IAS 40 – Investment Properties

Under UK GAAP investment properties were carried at fair value with fair value movements recognised directly in equity. With the adoption of IFRS fair value adjustments on investment properties are recognised in profit and loss.

Cash flow information

On adoption of IFRS, the Group redefined the definition of cash and cash equivalents to include cash and balances at central banks, on demand loans and advances to banks and cash equivalent advances to customers. These components are disclosed on the consolidated cash flow statements on page 56.

The financial information for the two interim periods ended 30 September 2005 and 30 September 2006 set out below has been extracted from Investec's interim financial statements. These financial statements were reviewed by Messrs Ernst & Young Inc (Chartered Accountants (SA)) and Ernst & Young LLP (Chartered Accountants (UK)). The accounting policies applied in the preparation of the results for the six months ended 30 September 2006 are consistent with those adopted in the financial statements for the year ended 31 March 2006, except for the adoption of accounting standards interpretations issued with effect from 1 January 2006. The adoption of these interpretations has had no material reportable impact on the financial results, position or cash flows of the combined Group.

Combined consolidated income statement

6 months to 30 September £'000	2006	2005
Interest receivable	565 786	410 559
Interest payable	(403 409)	(295 613)
Net interest income	**162 377**	**114 946**
Fees and commissions receivable	279 276	208 857
Fees and commissions payable	(27 638)	(18 902)
Principal transactions	103 928	93 592
Operating income from associates	4 279	2 949
Investment income on assurance activities	13 767	76 387
Premiums and reinsurance recoveries on insurance contracts	55 995	72 486
Other operating income	10 030	3 851
Other income	**439 637**	**439 220**
Claims and reinsurance premiums on insurance business	**(68 828)**	**(139 464)**
Total operating income net of insurance claims	**533 186**	**414 702**
Impairment losses on loans and advances	(8 173)	(5 230)
Operating income	**525 013**	**409 472**
Administrative expenses	(313 966)	(252 783)
Depreciation and amortisation of property, equipment and software	(5 756)	(3 918)
Operating profit before goodwill	**205 291**	**152 771**
Goodwill	7 533	(6 595)
Operating profit	**212 824**	**146 176**
Profit on disposal or termination of Group operations	–	75 660
Profit before taxation	**212 824**	**221 836**
Taxation	(56 974)	(40 323)
Profit after taxation	**155 850**	**181 513**
Earnings attributable to minority interests	2 271	4 044
Earnings attributable to shareholders	153 579	177 469
Earnings attributable to shareholders' equity	**155 850**	**181 513**
Earnings per share (pence)		
– Basic	24.1	31.1
– Diluted	22.1	29.3
Adjusted earnings per share (pence)		
– Basic	23.3	17.0
– Diluted	21.4	16.1
Headline earnings		
– Basic (pence)	22.4	16.7
Dividends per share (pence)	10.0	7.6

Combined consolidated balance sheet

At 30 September £'000	2006	2005
Assets		
Cash and balances at central banks	132 717	125 343
Loans and advances to banks	1 706 742	1 368 108
Cash equivalent advances to customers	712 938	683 731
Reverse repurchase agreements and cash collateral on securities borrowed	980 456	682 354
Trading securities	1 562 360	1 308 753
Derivative financial instruments	1 200 754	862 235
Investment securities	1 750 676	1 220 405
Loans and advances to customers	9 271 527	7 903 166
Interests in associated undertakings	65 811	58 545
Deferred taxation assets	50 956	49 285
Other assets	1 266 512	1 093 059
Property and equipment	121 397	31 344
Investment properties	86 121	197 484
Goodwill	209 176	190 257
Intangible assets	8 707	9 458
	19 126 850	15 783 527
Other financial instruments at fair value through income in respect of:		
– Liabilities to customers	2 806 067	3 071 676
– Assets related to reinsurance contracts	1 054 865	1 302 165
	22 987 782	**20 157 368**
Liabilities		
Deposits by banks	2 088 156	1 282 297
Derivative financial instruments	801 747	617 201
Other trading liabilities	425 385	408 279
Repurchase agreements and cash collateral on securities lent	649 463	83 117
Customer accounts	8 076 640	7 583 753
Debt securities in issue	3 223 209	2 296 949
Current taxation liabilities	96 606	85 155
Deferred taxation liabilities	31 241	22 352
Other liabilities	1 602 379	1 482 564
Pension fund liabilities	1 735	9 141
	16 996 561	13 870 808
Liabilities to customers under investment contracts	2 713 438	2 939 994
Insurance liabilities, including unit-linked liabilities	92 630	131 682
Reinsured liabilities	1 054 865	1 302 165
	20 857 494	18 244 649
Subordinated liabilities – including convertible debt	491 683	526 578
	21 349 177	**18 771 227**
Equity		
Called up share capital	166	165
Share premium	1 106 126	1 029 120
Treasury shares	(74 824)	(99 753)
Equity portion of convertible instruments	2 191	2 191
Perpetual preference shares	239 132	205 587
Other reserves	80 399	117 101
Profit and loss account	(7 555)	(158 092)
Shareholders' equity excluding minority interests	1 345 635	1 096 319
Minority interests	292 970	289 822
– Perpetual preferred securities issued by subsidiaries	241 640	272 430
– Other	51 330	17 392
Total shareholders' equity	**1 638 605**	**1 386 141**
Total liabilities and shareholders' equity	**22 987 782**	**20 157 368**

Combined consolidated statement of changes in equity

£'000	Share capital Investec Limited	Share premium account Investec Limited	Treasury shares	Capital reserve account	Share capital Investec plc	Share premium account Investec plc	Equity portion of convertible instruments	Perpetual preference shares	Available for sale reserve	Regulatory general risk reserve	Equity accounted reserves	Foreign currency reserves	Share based payment reserve	Minority interests	Profit and loss account	Total
At 1 April 2005	**46**	**635 418**	**(109 362)**	**7 668**	**119**	**393 824**	**2 191**	**196 742**	**9 875**	**28 315**	**470**	**(5 814)**	**37 540**	**145 108**	**(266 529)**	**1 075 611**
Foreign currency adjustments	–	–	–	–	–	–	–	8 845	–	–	–	14 456	–	8 150	–	31 451
Retained profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	4 044	177 469	181 513
Share-based payments adjustments	–	–	–	–	–	–	–	–	–	–	–	–	8 247	–	1 156	9 403
Fair value movements on available for sale assets	–	–	–	–	–	–	–	–	(5 245)	–	–	–	–	–	–	(5 245)
Total recognised gains and losses for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8 845**	**(5 245)**	**–**	**–**	**14 456**	**8 247**	**12 194**	**178 625**	**217 122**
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(41 682)	(41 682)
Dividends paid to perpetual preference shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(6 917)	(6 917)
Issue of equity by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	132 520	–	132 520
Share issue expenses	–	–	–	–	–	(556)	–	–	–	–	–	–	–	–	–	(556)
Re–issue of treasury shares	–	–	9 609	–	–	434	–	–	–	–	–	–	–	–	–	10 043
Transfer to capital reserves	–	–	–	5 602	–	–	–	–	–	–	–	–	–	–	(5 602)	–
Transfer to regulatory general risk reserve	–	–	–	–	–	–	–	–	–	16 457	–	–	–	–	(16 457)	–
Transfer from equity accounted reserves	–	–	–	–	–	–	–	–	–	–	(470)	–	–	–	470	–
At 30 September 2005*	**46**	**635 418**	**(99 753)**	**13 270**	**119**	**393 702**	**2 191**	**205 587**	**4 630**	**44 772**	**–**	**8 642**	**45 787**	**289 822**	**(158 092)**	**1 386 141**
Movement in reserves 1 October 2005 – 31 March 2006																
Foreign currency adjustments	–	–	–	–	–	–	–	9 718	–	–	–	9 951	–	1 444	–	21 113
Retained profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	10 223	137 632	147 855
Share-based payments adjustments	–	–	–	–	–	–	–	–	–	–	–	–	9 818	–	–	9 818
Fair value movements on available for sale assets	–	–	–	–	–	–	–	–	13 725	–	–	–	–	–	–	13 725
Transfer from pension fund deficit	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2 035	2 035
Total recognised gains and losses for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9 718**	**13 725**	**–**	**–**	**9 951**	**9 818**	**11 667**	**139 667**	**194 546**
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(42 753)	(42 753)
Dividends paid to perpetual preference shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(13 023)	(13 023)
Re-issue of treasury shares	–	–	3 453	–	–	(383)	–	–	–	–	–	–	–	–	–	3 070
Movement on minorities on disposals and acquisitions	–	–	–	–	–	–	–	–	–	–	–	–	–	(15 888)	–	(15 888)
Transfer from capital reserves	–	–	–	(27)	–	–	–	–	–	–	–	–	–	–	27	–
Transfer to regulatory general risk reserve	–	–	–	–	–	–	–	–	–	5 535	–	–	–	–	(5 535)	–
At 31 March 2006	46	635 418	(96 300)	13 243	119	393 319	2 191	215 305	18 355	50 307	–	18 593	55 605	285 601	(79 709)	1 512 093
Foreign currency adjustments	–	–	–	–	–	–	–	(56 014)	–	–	–	(103 933)	–	(36 826)	–	(196 773)
Retained profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	2 271	153 579	155 850
Share-based payments adjustments	–	–	–	–	–	–	–	–	–	–	–	–	11 493	1 595	–	13 088
Fair value movements on available for sale assets	–	–	–	–	–	–	–	–	1 923	–	–	–	–	–	–	1 923
Total recognised gains and losses for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(56 014)**	**1 923**	**–**	**–**	**(103 933)**	**11 493**	**(32 960)**	**153 579**	**(25 912)**
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(55 415)	(55 415)
Dividends paid to perpetual preference shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(20 411)	(20 411)
Issue of ordinary shares	–	14 011	–	–	1	8 431	–	–	–	–	–	–	–	–	–	22 443
Issue of perpetual preference shares by the holding company	–	–	–	–	–	–	–	80 628	–	–	–	–	–	–	–	80 628
Issue of equity by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	21 173	–	21 173
Minorities arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	19 156	–	19 156
Share issue expenses	–	–	–	–	–	–	–	(787)	–	–	–	–	–	–	–	(787)
Re-issue of treasury shares	–	21 391	30 690	–	–	33 556	–	–	–	–	–	–	–	–	–	85 637
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer from capital reserves	–	–	–	(1 881)	–	–	–	–	–	–	–	–	–	–	1 881	–
Transfer to regulatory general risk reserve	–	–	–	–	–	–	–	–	–	7 480	–	–	–	–	(7 480)	–
Transfer between reserves	–	–	(9 214)	–	–	–	–	–	–	–	–	–	9 214	–	–	–
At 30 September 2006	**46**	**670 820**	**(74 824)**	**11 362**	**120**	**435 306**	**2 191**	**239 132**	**20 278**	**57 787**	**–**	**(85 340)**	**76 312**	**292 970**	**(7 555)**	**1 638 605**

Combined consolidated cash flow statement

6 months to 30 September £'000	2006	2005
Cash inflow from operations	147 474	149 274
Increase in operating assets	(2 899 302)	(1 015 495)
Increase in operating liabilities	3 257 379	398 799
Net cash inflow/(outflow) from operating activities	505 551	(467 422)
Net cash outflow from investing activities	(143 267)	(7 867)
Net cash inflow from financing activities	106 423	92 144
Effects of exchange rate changes on cash and cash equivalents	(343 715)	39 770
Net increase/(decrease) in cash and cash equivalents	**124 992**	**(343 375)**
Cash and cash equivalents at the beginning of the year	1 190 183	1 382 556
Cash and cash equivalents at the end of the year	**1 315 175**	**1 039 181**

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).

Segmental business analysis – income statement

For the 6 months to 30 September 2006 £'000	PC*	TSF*	IB*	AM*	PA*	GSO*	Total group
Net interest income	**103 085**	**41 623**	**(1 229)**	**3 063**	**(2 694)**	**18 529**	**162 377**
Fees and commissions receivable	75 163	44 655	41 773	102 981	12 841	1 863	279 276
Fees and commissions payable	(6 367)	(1 761)	(2 383)	(17 558)	–	431	(27 638)
Principal transactions	10 516	45 046	29 848	877	5 817	11 824	103 928
Operating income from associates	4 051**	(11)	78	–	–	161	4 279
Investment income on assurance activities	–	–	–	–	–	13 767	13 767
Premiums and reinsurance recoveries on insurance contracts	–	–	–	–	–	55 995	55 995
Other operating income	–	–	9 307	–	–	723	10 030
Other income	**83 363**	**87 929**	**78 623**	**86 300**	**18 658**	**84 764**	**439 637**
Claims and reinsurance premiums on insurance business	–	–	–	–	–	(68 828)	(68 828)
Total operating income net of insurance claims	**186 448**	**129 552**	**77 394**	**89 363**	**15 964**	**34 465**	**533 186**
Impairment losses on loans and advances	(3 806)	(4 521)	–	–	–	154	(8 173)
Net operating income	**182 642**	**125 031**	**77 394**	**89 363**	**15 964**	**34 619**	**525 013**
Administrative expenses	(97 949)	(67 564)	(39 756)	(57 008)	(9 600)	(42 089)	(313 966)
Depreciation and amortisation of property, equipment and software	(1 335)	(402)	(1 860)	(459)	(45)	(1 655)	(5 756)
Operating profit before goodwill	**83 358**	**57 065**	**35 778**	**31 896**	**6 319**	**(9 125)**	**205 291**
Goodwill	3 184	3 184	–	–	(2 019)	3 184	7 533
Operating profit	**86 542**	**60 249**	**35 778**	**31 896**	**4 300**	**(5 941)**	**212 824**
Profit on disposal or termination of group operations	–	–	–	–	–	–	–
Profit before taxation	**86 542**	**60 249**	**35 778**	**31 896**	**4 300**	**(5 941)**	**212 824**
Selected returns and key statistics							
ROE (pre-tax)	38.0%	40.3%	69.9%	41.8%	63.9%	(13.2%)	34.3%
Cost to income ratio	53.3%	52.5%	53.8%	64.3%	60.4%	126.9%	60.0%
Staff compensation to operating income	33.8%	35.8%	31.8%	42.3%	39.5%	129.8%	41.8%
Operating profit/(loss) per employee (£'000)	41.9	98.6	117.0	38.1	24.4	(10.5)	42.3
Total assets (£'million)	6 952	10 001	833	283	103	4 816	22 988

* Where: PC=Private Client Activities TSF=Treasury and Specialised Finance IB=Investment Banking AM=Asset Management PA=Property Activities GSO=Group Services and Other Activities.

** This number is net of tax of £2.3 million.

Segmental business analysis – income statement

For the 6 months to 30 September 2005 £'000	PC*	TSF*	IB*	AM*	PA*	GSO*	Total group
Net interest income	**74 373**	**33 124**	**1 224**	**1 515**	**(2 220)**	**6 930**	**114 946**
Fees and commissions receivable	49 333	28 002	37 760	78 747	9 010	6 005	208 857
Fees and commissions payable	(4 418)	(2 956)	(1 706)	(9 552)	–	(270)	(18 902)
Principal transactions	3 428	17 125	41 774	15	12 793	18 457	93 592
Operating income from associates	2 889	(75)	48	–	–	87	2 949
Investment income on assurance activities	–	–	–	–	–	76 387	76 387
Premiums and reinsurance recoveries on insurance contracts	–	(111)	–	–	–	72 597	72 486
Other operating income	–	–	–	–	531	3 320	3 851
Other income	**51 232**	**41 985**	**77 876**	**69 210**	**22 334**	**176 583**	**439 220**
Claims and reinsurance premiums on insurance business	–	–	–	–	–	(139 464)	(139 464)
Total operating income net of insurance claims	**125 605**	**75 109**	**79 100**	**70 725**	**20 114**	**44 049**	**414 702**
Impairment losses on loans and advances	(1 712)	(2 902)	(560)	–	–	(56)	(5 230)
Net operating income	**123 893**	**72 207**	**78 540**	**70 725**	**20 114**	**43 993**	**409 472**
Administrative expenses	(73 061)	(43 198)	(35 685)	(48 467)	(10 248)	(42 124)	(252 783)
Depreciation and amortisation of property, equipment and software	(1 341)	(365)	(117)	(449)	(51)	(1 595)	(3 918)
Operating profit before goodwill	**49 491**	**28 644**	**42 738**	**21 809**	**9 815**	**274**	**152 771**
Goodwill	–	–	–	–	(6 595)	–	(6 595)
Operating profit	**49 491**	**28 644**	**42 738**	**21 809**	**3 220**	**274**	**146 176**
Profit/(loss) on disposal or termination of group operations	(3 307)	–	–	–	–	78 967	75 660
Profit before taxation	**46 184**	**28 644**	**42 738**	**21 809**	**3 220**	**79 241**	**221 836**
Selected returns and key statistics							
ROE (pre-tax)	28.1%	27.1%	175.1%	24.1%	73.4%	–18.8%	31.8%
Cost to income ratio	59.2%	58.0%	45.3%	69.2%	51.2%	99.3%	61.9%
Staff compensation to operating income	36.6%	34.4%	32.4%	40.7%	37.5%	70.8%	39.7%
Operating profit per employee (£'000)	28.3	61.4	169.4	29.8	43.2	0.2	36.3
Total assets (£'million)	5 774	8 019	573	215	144	5 432	20 157

*Where: PC=Private Client Activities TSF=Treasury and Specialised Finance IB=Investment Banking AM=Asset Management PA=Property Activities GSO=Group Services and Other Activities.

Segmental geographical analysis – income statement

For the 6 months to 30 September 2006 £'000	Southern Africa	UK and Europe	Australia	Other geographies	Total group
Interest receivable	362 879	169 527	33 375	5	565 786
Interest payable	(278 032)	(109 380)	(15 997)	–	(403 409)
Net interest income	**84 847**	**60 147**	**17 378**	**5**	**162 377**
Fees and commissions receivable	115 742	151 696	11 494	344	279 276
Fees and commissions payable	(6 902)	(20 602)	(134)	–	(27 638)
Principal transactions	69 411	32 860	1 657	–	103 928
Operating income from associates	–	4 328*	(49)	–	4 279
Investment income on assurance activities	13 767	–	–	–	13 767
Premiums and reinsurance recoveries on insurance contracts	55 995	–	–	–	55 995
Other operating income	47	7 991	1 992	–	10 030
Other income	**248 060**	**176 273**	**14 960**	**344**	**439 637**
Claims and reinsurance premiums on insurance business	(68 828)	–	–	–	(68 828)
Total operating income net of insurance claims	**264 079**	**236 420**	**32 338**	**349**	**533 186**
Impairment losses on loans and advances	(6 726)	(1 404)	(43)	–	(8 173)
Net operating income	**257 353**	**235 016**	**32 295**	**349**	**525 013**
Administrative expenses	(143 969)	(151 852)	(18 005)	(140)	(313 966)
Depreciation and amortisation of property equipment and software	(2 100)	(2 991)	(665)	–	(5 756)
Operating profit before goodwill	**111 284**	**80 173**	**13 625**	**209**	**205 291**
Goodwill	(2 019)	–	9 552	–	7 533
Operating profit	**109 265**	**80 173**	**23 177**	**209**	**212 824**
Profit on disposal or termination of group operations	–	–	–	–	–
Profit before taxation	**109 265**	**80 173**	**23 177**	**209**	**212 824**
Taxation	(32 205)	(20 152)	(4 617)	–	(56 974)
Profit after taxation	**77 060**	**60 021**	**18 560**	**209**	**155 850**
Earnings attributable to minority interests	(2 175)	853	(949)	–	(2 271)
Earnings attributable to shareholders	**74 885**	**60 874**	**17 611**	**209**	**153 579**
Selected returns and key statistics					
ROE (post-tax)	29.5%	20.4%	17.3%	133.5%	23.8%
Cost to income ratio	55.3%	65.5%	57.7%	40.1%	60.0%
Staff compensation to operating income	37.9%	46.2%	42.8%	–	41.8%
Operating profit per employee (£'000)	33.5	61.3	72.0	41.8	42.3
Effective tax rate	28.9%	26.6%	33.8%	–	28.3%

*This number is net of tax of £2.3 million.

Segmental geographical analysis – income statement

For the 6 months to 30 September 2005 £'000	Southern Africa	UK and Europe	Australia	Other geographies	Total group
Interest receivable	258 097	127 093	25 133	236	410 559
Interest payable	(200 799)	(81 947)	(12 867)	–	(295 613)
Net interest income	**57 298**	**45 146**	**12 266**	**236**	**114 946**
Fees and commissions receivable	99 340	101 090	6 386	2 041	208 857
Fees and commissions payable	(5 751)	(12 893)	(154)	(104)	(18 902)
Principal transactions	68 940	21 520	1 369	1 763	93 592
Operating income from associates	–	2 989	(127)	87	2 949
Investment income on assurance activities	76 387	–	–	–	76 387
Premiums and reinsurance recoveries on insurance contracts	72 486	–	–	–	72 486
Other operating income	3 146	705	–	–	3 851
Other income	**314 548**	**113 411**	**7 474**	**3 787**	**439 220**
Claims and reinsurance premiums on insurance business	(139 464)	–	–	–	(139 464)
Total operating income net of insurance claims	**232 382**	**158 557**	**19 740**	**4 023**	**414 702**
Impairment losses on loans and advances	(1 958)	(2 794)	(478)	–	(5 230)
Net operating income	**230 424**	**155 763**	**19 262**	**4 023**	**409 472**
Administrative expenses	(130 902)	(107 905)	(10 465)	(3 511)	(252 783)
Depreciation and amortisation of property equipment and software	(2 106)	(1 491)	(262)	(59)	(3 918)
Operating profit before goodwill	**97 416**	**46 367**	**8 535**	**453**	**152 771**
Goodwill	(6 595)	–	–	–	(6 595)
Operating profit	**90 821**	**46 367**	**8 535**	**453**	**146 176**
Profit on disposal or termination of group operations	–	75 660	–	–	75 660
Profit before taxation	**90 821**	**122 027**	**8 535**	**453**	**221 836**
Taxation	(26 854)	(10 706)	(2 763)	–	(40 323)
Profit after taxation	**63 967**	**111 321**	**5 772**	**453**	**181 513**
Earnings attributable to minority interests	(282)	(3 762)	–	–	(4 044)
Earnings attributable to shareholders	**63 685**	**107 559**	**5 772**	**453**	**177 469**
Selected returns and key statistics					
ROE (post–tax)	34.4%	13.6%	15.7%	86.5%	22.2%
Cost to income ratio	57.2%	69.0%	54.3%	88.7%	61.9%
Staff compensation to operating income	34.9%	45.9%	42.1%	63.8%	39.7%
Operating profit per employee (£'000)	35.2	36.5	61.0	10.8	36.3
Effective tax rate	27.6%	24.7%	31.9%	0.0%	26.9%

Segmental geographic analysis – balance sheet

At 30 September 2006 £'000	Southern Africa	UK and Europe	Australia	Other geographies	Total group
Cash and balances at central banks	114 122	12 398	6 197	–	132 717
Loans and advances to banks	1 116 281	479 867	109 756	838	1 706 742
Cash equivalent advances to customers	712 883	55	–	–	712 938
Reverse repurchase agreements and cash collateral on securities borrowed	146 338	834 118	–	–	980 456
Trading securities	1 303 789	255 617	2 954	–	1 562 360
Derivative financial instruments	871 566	247 084	82 104	–	1 200 754
Investment securities	10 843	1 286 109	453 724	–	1 750 676
Loans and advances to customers	4 768 162	3 844 036	659 329	–	9 271 527
Interests in associated undertakings	–	65 635	176	–	65 811
Deferred taxation assets	23 721	22 624	4 611	–	50 956
Other assets	346 747	915 191	4 468	106	1 266 512
Property and equipment	8 334	110 903	2 160	–	121 397
Investment properties	86 121	–	–	–	86 121
Goodwill	32 336	160 648	16 192	–	209 176
Intangible assets	6 897	1 575	235	–	8 707
	9 548 140	**8 235 860**	**1 341 906**	**944**	**19 126 850**
Other financial instruments at fair value through income in respect of:					
– Liabilities to customers	2 806 067	–	–	–	2 806 067
– Assets related to reinsurance contracts	1 054 865	–	–	–	1 054 865
	13 409 072	**8 235 860**	**1 341 906**	**944**	**22 987 782**
Liabilities					
Deposits by banks	606 925	1 481 231	–	–	2 088 156
Derivative financial instruments	698 266	53 777	49 704	–	801 747
Other trading liabilities	332 881	92 504	–	–	425 385
Repurchase agreements and cash collateral on securities lent	172 246	477 217	–	–	649 463
Customer accounts	4 216 313	3 449 294	411 033	–	8 076 640
Debt securities in issue	1 899 647	732 412	591 150	–	3 223 209
Current taxation liabilities	56 208	38 941	1 457	–	96 606
Deferred taxation liabilities	24 526	5 610	1 083	22	31 241
Other liabilities	715 987	869 235	17 070	87	1 602 379
Pension fund liabilities	–	1 735	–	–	1 735
	8 722 999	**7 201 956**	**1 071 497**	**109**	**16 996 561**
Liabilities to customers under investment contracts	2 713 438	–	–	–	2 713 438
Insurance liabilities, including unit-linked liabilities	92 630	–	–	–	92 630
Reinsured liabilities	1 054 865	–	–	–	1 054 865
	12 583 932	**7 201 956**	**1 071 497**	**109**	**20 857 494**
Subordinated liabilities – including convertible debt	224 221	227 072	40 390	–	491 683
	12 808 153	**7 429 028**	**1 111 887**	**109**	**21 349 177**

Segmental geographic analysis – balance sheet

At 30 September 2005 £'000	Southern Africa	UK and Europe	Australia	Other geographies	Total group
Cash and balances at central banks	111 251	13 134	958	–	125 343
Loans and advances to banks	1 014 945	296 307	56 834	22	1 368 108
Cash equivalent advances to customers	683 678	53	–	–	683 731
Reverse repurchase agreements and cash collateral on securities borrowed	70 607	611 747	–	–	682 354
Trading securities	1 171 975	121 886	–	14 892	1 308 753
Derivative financial instruments	702 976	157 558	1 701	–	862 235
Investment securities	112 589	936 319	169 916	1 581	1 220 405
Loans and advances to customers	4 711 322	2 832 222	359 622	–	7 903 166
Interests in associated undertakings	–	57 493	308	744	58 545
Deferred taxation assets	24 707	23 655	923	–	49 285
Other assets	293 767	792 644	4 663	1 985	1 093 059
Property and equipment	10 390	18 877	1 810	267	31 344
Investment properties	197 484	–	–	–	197 484
Goodwill	55 885	122 322	12 050	–	190 257
Intangible assets	8 100	1 014	338	6	9 458
	9 169 676	**5 985 231**	**609 123**	**19 497**	**15 783 527**
Other financial instruments at fair value through income in respect of:					
– Liabilities to customers	3 071 676	–	–	–	3 071 676
– Assets related to reinsurance contracts	1 302 165	–	–	–	1 302 165
	13 543 517	**5 985 231**	**609 123**	**19 497**	**20 157 368**
Liabilities					
Deposits by banks	433 511	848 786	–	–	1 282 297
Derivative financial instruments	572 863	43 571	767	–	617 201
Other trading liabilities	225 695	182 582	–	2	408 279
Repurchase agreements and cash collateral on securities lent	51 804	31 313	–	–	83 117
Customer accounts	4 640 777	2 683 580	259 396	–	7 583 753
Debt securities in issue	1 548 667	541 664	206 618	–	2 296 949
Current taxation liabilities	65 338	20 992	(1 120)	(55)	85 155
Deferred taxation liabilities	20 502	2 048	(221)	23	22 352
Other liabilities	764 346	705 399	9 435	3 384	1 482 564
Pension fund liabilities	–	9 141.00	–	–	9 141
	8 323 503	**5 069 076**	**474 875**	**3 354**	**13 870 808**
Liabilities to customers under investment contracts	2 939 994	–	–	–	2 939 994
Insurance liabilities, including unit-linked liabilities	131 682	–	–	–	131 682
Reinsured liabilities	1 302 165	–	–	–	1 302 165
	12 697 344	**5 069 076**	**474 875**	**3 354**	**18 244 649**
Subordinated liabilities – Including convertible debt	291 916	234 662	–	–	526 578
	12 989 260	**5 303 738**	**474 875**	**3 354**	**18 771 227**

Segmental geographic and business analysis of operating profit before goodwill, non-operating items and taxation

For the 6 months to 30 September 2006 £'000	Southern Africa	UK and Europe	Australia	geo-graphies	Total group	% Change	% of Total
Private Banking	17 424	50 476	5 720	–	73 620	76.3%	35.9%
Private Client Portfolio Management and Stockbroking	5 664	4 074*	–	–	9 738	26.1%	4.7%
Treasury and Specialised Finance	25 833	29 558	1 674	–	57 065	99.2%	27.8%
Investment Banking	24 789	5 447	5 542	–	35 778	(16.3%)	17.4%
Asset Management	23 851	8 045	–	–	31 896	46.3%	15.5%
Property Activities	6 201	118	–	–	6 319	(35.6%)	3.1%
Group Services and Other Activities	7 522	(17 545)	689	209	(9 125)	(>100%)	(4.4%)
Total group	**111 284**	**80 173**	**13 625**	**209**	**205 291**	34.4%	100%
% Change	14.2%	72.9%	59.6%	–53.9%	34.4%		
% of Total	54.2%	39.1%	6.6%	0.1%	100%		

*This number is net of tax of £2.3 million.

For the 6 months to 30 September 2005 £'000	Southern Africa	UK and Europe	Australia	Other geo-graphies	Total group	% of Total
Private Banking	11 908	24 676	5 183	–	41 767	27.3%
Private Client Portfolio Management and Stockbroking	3 771	3 953	–	–	7 724	5.1%
Treasury and Specialised Finance	21 399	7 484	(239)	–	28 644	18.7%
Investment Banking	23 525	16 436	2 777	–	42 738	28.0%
Asset Management	18 325	3 484	–	–	21 809	14.3%
Property Activities	9 140	675	–	–	9 815	6.4%
Group Services and Other Activities	9 348	(10 341)	814	453	274	0.2%
Total group	**97 416**	**46 367**	**8 535**	**453**	**152 771**	100%
% of Total	63.8%	30.4%	5.6%	0.3%	100%	

*This is number is net of tax of £2.3 million.

Dividends and earnings per share

6 months to 30 September	2006	2005
Ordinary dividends – pence per share		
Interim	**10.0**	**7.6**
Earnings per share – pence	**24.1**	**31.1**
Basic earnings per share are calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the period.		
	£'000	**£'000**
Earnings attributable to the shareholders' equity	153 579	177 469
Preference dividends paid	(20 411)	(6 917)
Earnings attributable to ordinary shareholders	**133 168**	**170 552**
Earnings from future dilutive convertible instruments	1 208	2 121
Diluted earnings attributable to ordinary shareholders	**134 376**	**172 673**
Diluted earnings per share – pence	**22.1**	**29.3**
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the period.		
Weighted number of shares in issue		
Weighted total average number of shares in issue during the period	598 046 146	593 166 365
Weighted average number of treasury shares	(45 285 867)	(45 043 555)
	552 760 279	548 122 810
Weighted average number of shares resulting from future dilutive potential shares	37 508 283	23 335 260
Weighted average number of shares resulting from future dilutive convertible instruments	17 869 970	17 869 970
Adjusted weighted number of shares potentially in issue	**608 138 533**	**589 328 040**
Adjusted earnings per share – pence	**23.3**	**17.0**
Adjusted earnings per share are calculated by dividing the earnings, before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders and after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the period.		
	£'000	**£'000**
Earnings attributable to shareholders	153 579	177 469
Impairment of goodwill	(7 533)	6 595
Profit on disposal or termination of group operations	–	(75 660)
Preference dividends paid	(20 411)	(6 917)
Additional earnings attributable to other equity holders*	3 041	(8 130)
Adjusted earnings attributable to ordinary shareholders before goodwill impairment and non-operating items	**128 676**	**93 357**
Headline earnings per share – pence	**22.4**	**16.7**
Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings." and is disclosed in accordance with the JSE Listings Requirements.		
	£'000	**£'000**
Earnings attributable to shareholders' equity	153 579	177 469
Impairment of goodwill	(7 533)	6 595
Profit on disposal or termination of Group operations	–	(75 660)
Preference dividends paid	(20 411)	(15 047)
Other headline adjustments**	(1 956)	(1 885)
Headline earnings attributable to ordinary shareholders	**123 679**	**91 472**

* In accordance with IFRS, dividends attributable to equity holders is accounted for when a constructive liability arises, i.e. on declaration by the board of directors and approval by the shareholders, where required. Investec is of the view that EPS is best reflected by adjusting for earnings that is attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

** Other headline adjustments includes, fair value of investment properties and realisation gains/losses on available for sale instruments.

EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF INVESTEC PLC

150. Perpetual Preference Shares

150.1 **For purposes of this Article 150:**

(a) "**base rate**" means the base rate of the Bank of England from time to time as published by the Bank of England;

(b) "**business days**" means all days, excluding Saturdays, Sundays and officially designated public holidays in the United Kingdom;

(c) "**deemed value**" means the deemed value of each Perpetual Preference Share for purposes of calculation of the preference dividend, being an amount of £10.00, notwithstanding the actual issue price of a Perpetual Preference Share (that is the nominal value of the Perpetual Preference Share plus a premium thereon) which may vary because of a difference in the premium at which the Perpetual Preference Shares may be issued from time to time;

(d) "**preference dividend**" means a non-cumulative, non-participating preference dividend;

(e) "**preference dividend accrual date**" means 31 March and 30 September of each year;

(f) "**preference dividend payment date**" means a date at least seven business days prior to the date on which the Company pays its ordinary dividends, if any, in respect of the same period, but in any event, if declared, shall be payable not later than 120 business days after 31 March and 30 September of each year, respectively; and

(g) "**preference dividend rate**" means, subject to Article 150.2(g) below, a rate that will be equivalent to 1% (one per cent) plus the base rate, the latter rate being used as a rate of reference.

150.2 The following are the rights, privileges, restrictions and conditions which attach to the Perpetual Preference Shares:

(a) The issue price for each tranche of Perpetual Preference Shares to be issued will be determined by the Directors at the allotment thereof.

(b) Each Perpetual Preference Share will rank as regards dividends and a repayment of capital on the winding-up of the Company prior to the ordinary shares, the PLC Special Converting Shares, the UK DAN Share, the UK DAS Share, but *pari passu* with the PLC Preference Shares. The Perpetual Preference Shares shall confer on the holders, on a per Perpetual Preference Share and equal basis, the right on a return of capital on the winding-up of the Company of an amount equal to the aggregate of the nominal value and premiums in respect of Perpetual Preference Shares issued divided by the number of Perpetual Preference Shares in issue.

(c) Each Perpetual Preference Share may confer upon the holder thereof the right to receive out of the profits of the Company which it shall determine to distribute, in priority to the ordinary shares, the PLC Special Converting Shares, the UK DAN Share and the UK DAS Share, but *pari passu* with the PLC Preference Shares, the preference dividend calculated in terms of Article 150.2(d) below.

(d) The preference dividend shall be calculated:

(i) by multiplying the deemed value of the Perpetual Preference Shares by the applicable preference dividend rate (determined on a 365-day year factor, irrespective of whether the year is leap year or not), on a daily basis, in arrear, for the appropriate period referred to in Article 150.2(e)(ii) below; and

(ii) from the date following a preference dividend accrual date until and including the preference dividend accrual date immediately following, provided that the first dividend payment, in respect of each tranche of Perpetual Preference Shares issued, shall be calculated from the issue date up to and including the next preference dividend accrual date.

(e) The preference dividends shall, if declared:

(i) accrue on the preference dividend accrual date, calculated in accordance with Article 150.2(d)(i) above;

(ii) be payable on the preference dividend payment date; and

(iii) failing payment on the relevant preference dividend payment date, be considered to be in arrear.

(f) If a preference dividend is not declared by the Company in respect of the period of which such preference dividend accrual date relates, the preference dividend will not accumulate and will accordingly never become payable by the Company whether in preference to payments to any other class of shares in the Company or otherwise. Notwithstanding the foregoing, the Company shall, if it elects not to declare a preference dividend in respect of any applicable period, be obliged to retain in reserve an amount equivalent to the aggregate amount of profits generated by the Company during such applicable period.

(g) Save as set out in Articles 150.2(a), 150.2(b) and 150.2(f) above, the Perpetual Preference Shares shall not be entitled to any further participation in the profits or assets of the Company nor on a winding-up to any surplus assets of the Company.

(h) The holders of the Perpetual Preference Shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of the Company, by virtue of or in respect of the Perpetual Preference Shares, unless either or both of the following circumstances prevail at the date of the meeting:

(i) the preference dividend or any part thereof remains in arrear and unpaid as determined in accordance with Article 150.2(e)(ii) after six months from the due date thereof; and/or

(ii) a resolution of the Company is proposed which resolution directly affects the rights attached to the Perpetual Preference Shares or the interests of the holders thereof, or a resolution of the Company is proposed to wind up or in relation to the winding-up of the Company or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

At every general meeting of the Company at which holders of Perpetual Preference Shares as well as other classes of shares are present and entitled to vote, a preference shareholder shall be entitled to one vote per Perpetual Preference Share held.

Notwithstanding the provisions of Article 11, no shares in the capital of the Company ranking, as regards rights to dividends or, on a winding-up as regards return of capital, in priority to the Perpetual Preference Shares, shall be created or issued, without the prior sanction of a resolution passed at a separate class meeting of the holders of the Perpetual Preference Shares in the same manner *mutatis mutandis* as a special resolution. At every meeting of the holders of the Perpetual Preference Shares, the provision of these articles relating to general meetings of ordinary members shall apply, *mutatis mutandis*, except that a quorum at any such general meeting shall be any person or persons holding or representing by proxy at least two of the Perpetual Preference Shares, provided that if at any adjournment of such meeting a quorum is not so present, the provisions of these Articles relating to adjourned general meetings shall apply, *mutatis mutandis*.

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