THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

THIS DOCUMENT CONTAINS A PROPOSAL WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE LISTING OF KENSINGTON SHARES ON THE OFFICIAL LIST OF THE UK LISTING AUTHORITY AND OF TRADING IN KENSINGTON SHARES ON THE LONDON STOCK EXCHANGE'S MARKET FOR LISTED SECURITIES.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who, if you are taking advice in the United Kingdom, is authorised pursuant to the Financial Services and Markets Act 2000, or from an appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

Applications will be made to the UK Listing Authority for the New Investec Shares to be admitted to the Official List and to the London Stock Exchange for the New Investec Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that dealings in the New Investec Shares will commence, on the Effective Date which, subject to the satisfaction of certain conditions, including the sanction of the Scheme by the Court, is expected to occur on 8 August 2007.

If you have sold or otherwise transferred all of your Kensington Shares, please send this document and the accompanying Forms of Proxy at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred part of your holding of Kensington Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

Recommended offer

by

INVESTEC PLC

for

KENSINGTON GROUP PLC

to be effected by means of a Scheme of Arrangement under section 425 of the Companies Act 1985

Your attention is drawn to the letter from the Chairman of Kensington in Part I of this document, which contains the unanimous recommendation of the Kensington Directors that you vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Extraordinary General Meeting. Part II of this document contains a letter from Rothschild explaining the Scheme.

ACTION TO BE TAKEN

Notices of the Court Meeting and of the Extraordinary General Meeting, both of which will be held at the offices of Panmure Gordon & Co., Moorgate Hall, 155 Moorgate, London EC2M 6XB on 18 July 2007, are set out at the end of this document. The Court Meeting will start at 9.00 a.m. and the Extraordinary General Meeting at 9.15 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or been adjourned).

Kensington Shareholders will find enclosed with this document a blue Form of Proxy for use in connection with the Court Meeting and a white Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to attend both or either of the Meetings in person, please complete and sign both the enclosed Forms of Proxy in accordance with the

instructions printed on them and return them to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZX as soon as possible and, in any event, so as to be received no later than 9.00 a.m. on 16 July 2007 (in the case of the blue Form of Proxy) and 9.15 a.m. on 16 July 2007 (in the case of the white Form of Proxy). A pre-paid envelope, for use in the UK only, is provided for this purpose. If the blue Form of Proxy for the Court Meeting is not returned by the above time, it may be handed to the Chairman of the Court Meeting before the start of that Meeting. However, in the case of the Extraordinary General Meeting, unless the white Form of Proxy is returned by 9.15 a.m. on 16 July 2007, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at either the Court Meeting or the Extraordinary General Meeting, or any adjournment thereof, if you so wish and are so entitled.

If you hold your Kensington Shares in uncertificated form (i.e. CREST) you may vote using the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual (please also refer to the accompanying notes to the Notice of the Extraordinary General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participant ID 7RA 01) must be received by Lloyds TSB Registrars not later than 9.00 a.m. on 16 July 2007 in the case of the Court Meeting and by 9.15 a.m. on 16 July 2007 in the case of the Extraordinary General Meeting or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting.

The New Investec Shares have not been and will not be registered under the US Securities Act, in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. In addition, the New Investec Shares have not been and will not be registered under the securities laws of any state of the United States but will be issued in reliance on available exemptions from state law registration requirements.

The New Investec Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Scheme or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The release, publication or distribution of this document in jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person.

Rothschild, which is authorised and regulated in the UK by the Financial Services Authority, is acting exclusively as financial adviser to Kensington, and no one else, in connection with the Acquisition and will not be responsible to anyone other than Kensington for providing the protections afforded to clients of Rothschild or for providing advice in relation to the Acquisition or any other matters referred to in this document.

Panmure Gordon, which is authorised and regulated in the UK by the Financial Services Authority, is acting exclusively as corporate broker to Kensington, and no one else, in connection with the Acquisition and will not be responsible to anyone other than Kensington for providing the protections afforded to clients of Panmure Gordon or for providing advice in relation to the Acquisition or any other matters referred to in this document.

Citi, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively as financial adviser to Investec, and no one else, in connection with the Acquisition and will not be responsible to anyone other than Investec for providing the protections afforded to customers of Citi or for providing advice in relation to the Acquisition, or any other matters referred to in this document.

Merrill Lynch, which is authorised and regulated in the UK by the Financial Services Authority, is acting exclusively as corporate broker to Investec, and no one else, in connection with the Acquisition and will not be responsible to anyone other than Investec for providing the protections afforded to clients of Merrill Lynch or for providing advice in relation to the Acquisition or any other matters referred to in this document.

IMPORTANT NOTICE

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to the document or otherwise in any jurisdiction in which such offer or solicitation is unlawful.

This document and the accompanying documents have been prepared in connection with a proposal in relation to a scheme of arrangement pursuant to, and for the purpose of complying with, English law, the City Code and the Listing Rules and information disclosed in this document may not be the same as that which would have been prepared in accordance with laws of jurisdictions outside England. Nothing in this document or the accompanying documents should be relied on for any other purpose.

The statements contained herein are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of Kensington or Investec except where otherwise stated.

No person should construe the contents of this document as legal, financial or tax advice but should consult their own advisors in connection with the matters contained herein.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to the expected timetable for completing the Acquisition, the financial condition, results of operations and business of Kensington and Investec and certain plans and objectives of the Kensington Directors and the combined boards of Investec and Investec Limited. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar meaning. These statements are based on assumptions and assessments made by the Kensington Directors and the combined boards of Investec and Investec Limited in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Kensington and Investec assume no obligation to update or correct the information contained in this document.

INFORMATION FOR UNITED STATES SHAREHOLDERS

The New Investec Shares to be issued to Kensington Shareholders in connection with the Scheme have not been and will not be, and are not required to be, registered with the US Securities Exchange Commission under the US Securities Act, in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) of that act. In addition, the New Investec Shares have not been and will not be registered under the securities laws of any state of the United States but will be issued in reliance on available exemptions from state law registration requirements. For the purpose of qualifying for this exemption from the registration requirements of the US Securities Act, Kensington and Investec will advise the Court that Investec will rely on the section 3(a)(10) exemption based on the Court’s sanctioning of the Scheme which will be relied upon by Investec as an approval of the Scheme following a hearing on its fairness to Kensington Shareholders at which hearing all such Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such Shareholders.

Under US securities laws, a Kensington Shareholder who is deemed to be an affiliate of Investec or Kensington before, or of Investec after, the implementation of the Scheme (whether or not a US person) may not resell New Investec Shares received pursuant to the Scheme without registration under the US Securities Act, except pursuant to the applicable resale provisions of Rule 145(d) promulgated under the US Securities Act, or another applicable exemption from the registration requirements of the US Securities Act, or in a transaction not subject to the registration requirements of the US Securities Act. "Affiliates" of a company are generally defined as persons who directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, that company. Whether a person is an affiliate of a company for purpose of the US Securities Act depends on the circumstances, but affiliates of a company can include directors, officers and significant shareholders. Kensington Shareholders who believe they are or may be "affiliates" of Investec or Kensington should consult their own legal advisers prior to any sale of New Investec Shares received pursuant to the Scheme.

Notice to US investors in Kensington: The Acquisition relates to the shares of a UK company and is to be made by means of a scheme of arrangement provided for under the laws of England and Wales. The Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement, which differ from the disclosure and other requirements of US securities laws. The financial information included in this document has been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to the financial statements of US companies. US generally accepted accounting principles (US GAAP) differ in certain significant respects from each of UK generally accepted accounting principles (UK GAAP) and International Financial Reporting Standards (IFRS). None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

Kensington and Investec are companies registered in England and Wales. Directors and officers of Kensington and Investec may be located outside the United States and, as a result, it may not be possible for Kensington Shareholders in the United States to effect service of process within the United States upon Kensington or Investec or such other persons. A substantial portion of the assets of Kensington and Investec and such other persons may be located outside the United States and, as a result, it may not be possible to satisfy a judgment against Kensington or Investec or such other persons in the United States or to enforce a judgment obtained by United States courts against Kensington or Investec or such other persons outside the United States.

DEALING DISCLOSURE REQUIREMENTS

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, "interested" (directly or indirectly) in one per cent. or more of any class of "relevant securities" of Kensington or Investec, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") by or on behalf of any such person must be publicly disclosed by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant transaction. This requirement will continue until the Effective Date or until the date on which the Scheme lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Kensington or Investec, they will be deemed to be a single person for the purposes of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all "dealings" in "relevant securities" of Kensington or Investec by Investec or Kensington, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms which appear in quotation marks above are defined in the City Code, which can be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	*Time and/or date*
Latest time for lodging Forms of Proxy for:	
Court Meeting (blue form)	**9.00 a.m. on 16 July 2007**[(1)]
Extraordinary General Meeting (white form)	**9.15 a.m. on 16 July 2007**[(1)]
Voting Record Time	6.00 p.m. on 16 July 2007
Court Meeting	9.00 a.m. on 18 July 2007
Extraordinary General Meeting	9.15 a.m. on 18 July 2007[(2)]
The following dates are subject to change, please see note (3) below	
Last day of dealings in, and for registration of transfers of, Kensington Shares	7 August 2007[(3)]
Scheme Record Time	6.00 p.m. on 7 August 2007[(3)]
Court Hearing Date (to sanction the Scheme)	7 August 2007[(3)]
Effective Date of the Scheme	8 August 2007[(3)]
Cancellation of listing of Kensington Shares	8.00 a.m. on 8 August 2007[(3)]
Issue of New Investec Shares	8.00 a.m. on 8 August 2007
Commencement of dealing in New Investec Shares	8.00 a.m. on 8 August 2007
Crediting of New Investec Shares to CREST accounts	8.00 a.m. on 8 August 2007
Latest date for despatch of share certificates in respect of New Investec Shares and for payment of the Special Dividend	22 August 2007[(3)]

Notes:

(1) Please see "Action to be taken" on page 8.

(2) To commence at 9.15 a.m. or immediately after the conclusion or adjournment of the Court Meeting, if later.

(3) These times and dates are indicative only and will depend, among other things, on the dates upon which the Court sanctions the Scheme and confirms the associated reduction of capital of Kensington.

Unless otherwise stated, all references in this document to times are to London times.

The Court Meeting and the Extraordinary General Meeting will both be held at the offices of Panmure Gordon & Co., Moorgate Hall, 155 Moorgate, London EC2M 6XB on 18 July 2007.

TO VOTE ON THE OFFER

Whether or not you plan to attend the Meetings:

1. **Complete and return the BLUE Form of Proxy, so as to be received by no later than 9.00 a.m. on 16 July 2007; and**

2. **Complete and return the WHITE Form of Proxy, so as to be received by no later than 9.15 a.m. on 16 July 2007.**

If you require assistance, please telephone Lloyds TSB Registrars on 0870 609 2158 (from within the UK) or +44 1903 276342 (from outside the UK) between 8.30 a.m. and 5.30 p.m. Monday to Friday

The completion and return of Forms of Proxy will not prevent you from attending and voting at the Court Meeting or the Extraordinary General Meeting, or at any adjournment thereof, in person should you wish to do so and are so entitled.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

This page should be read in conjunction with the ACTION TO BE TAKEN set out on page 8 of this document and the rest of the document.

ACTION TO BE TAKEN

The Court Meeting and the Extraordinary General Meeting will be held at the offices of Panmure Gordon & Co., Moorgate Hall, 155 Moorgate, London EC2M 6XB on 18 July 2007 at 9.00 a.m. and 9.15 a.m. respectively (or, in the case of the Extraordinary General Meeting, if later, as soon as the Court Meeting has been concluded or adjourned). The Scheme requires approval at both of these meetings.

Please check that you have received the following with this document:

- a blue Form of Proxy for use in respect of the Court Meeting;
- a white Form of Proxy for use in respect of the Extraordinary General Meeting; and
- a reply-paid envelope for use in the United Kingdom.

If you have not received all of these documents, please contact Lloyds TSB Registrars on the helpline telephone number indicated below.

To vote on the Offer:

Whether or not you plan to attend both or either of the Meetings, please complete and sign both the blue and white Forms of Proxy and return them to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZX as soon as possible, but in any event so as to be received by no later than 9.00 a.m. on 16 July 2007, in the case of the Court Meeting (blue form) and by no later than 9.15 a.m. on 16 July 2007, in the case of the Extraordinary General Meeting (white form). This will enable your votes to be counted at the Meetings in the event of your absence.

If the blue Form of Proxy for use at the Court Meeting is not returned by 9.00 a.m. on 16 July 2007, it may be handed to the Chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the Extraordinary General Meeting, unless the white Form of Proxy is returned by the time mentioned in the instructions printed thereon, it will be invalid.

If you are a member of CREST you may be able to use the CREST electronic proxy appointment services. Further details are set out in the Notice of Court Meeting and Notice of Extraordinary General Meeting. Proxies submitted electronically must be sent as soon as possible, and in any event so as to be received by no later than 9.00 a.m. on 16 July 2007 in the case of the Court Meeting and 9.15 a.m. on 16 July 2007 in the case of the Extraordinary General Meeting (or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The completion and return of a Form of Proxy will not prevent you from attending and voting at the Court Meeting or the Extraordinary General Meeting, or any adjournment thereof, in person should you wish to do so and are so entitled.

It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of opinion of the Kensington Shareholders. You are therefore strongly urged to sign and return your Forms of Proxy for both the Court Meeting and the Extraordinary General Meeting as soon as possible.

Helpline

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call the Company's Registrars, Lloyds TSB Registrars, on 0870 609 2158 or, if telephoning from outside the United Kingdom, on +44 1903 276342 between 8.30 a.m. and 5.30 p.m. Monday to Friday. Please note that calls to these numbers may be monitored or recorded and that, for legal reasons, the helpline cannot provide advice on the merits of the Acquisition or give any financial advice.

Table of Contents

PART I

LETTER ON BEHALF OF THE KENSINGTON DIRECTORS

KENSINGTON GROUP PLC

(Registered in England and Wales with number 03050321)

Directors:	*Registered office:*
Peter G Birch CBE (Chairman)	1 Sheldon Square
Alison Hutchinson	London
Roger Blundell	W2 6PU
John Herring	
D Gareth Jones	
Toby Strauss	

25 June 2007

To Kensington Shareholders and, for information only, participants in the Kensington Share Schemes

Dear Kensington Shareholder

Recommended Offer by Investec for Kensington

1 Introduction

On 30 May 2007, the combined boards of Investec and Investec Limited and the Kensington Directors announced that they had reached agreement on the terms of a recommended offer for Kensington by Investec to be implemented by means of a scheme of arrangement under section 425 of the Companies Act.

I am writing to you on behalf of the Kensington Directors to explain the background to, and terms of, the Offer and to explain why the Kensington Directors are unanimously recommending that Kensington Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the Extraordinary General Meeting. The Kensington Directors who hold Kensington Shares have irrevocably undertaken to vote in favour of the resolutions in respect of their own registered shareholdings, as more particularly set out in paragraph 3 below. This letter also explains the action that you are now asked to take. Further details of the Offer are set out in the explanatory statement from Rothschild in Part II of this document.

2 Summary of the Offer

It is intended that the Acquisition be implemented by way of the Scheme, details of which are set out in paragraph 12 of Part II of this document and which is set out in full in Part IX of this document.

Under the terms of the Offer, which is subject to the Conditions set out in Part III of this document, the Kensington Shares will be cancelled and Kensington Shareholders will receive:

for each Kensington Share	**0.7 of a New Investec Share plus a special dividend of 26 pence payable by Kensington**

The terms of the Offer value each Kensington Share at 482 pence and the entire issued and to be issued share capital of Kensington at approximately £262 million, based on the closing share price of Investec of 652 pence per share on 22 June 2007, being the latest practicable date prior to the posting of this document. The New Investec Shares will not qualify for the final dividend of 13 pence per Investec Share that the combined boards of Investec and Investec Limited have proposed for the financial year ended 31 March 2007. Investec shares will trade ex dividend on the London Stock Exchange from 25 July 2007.

The value of 482 pence for each Kensington Share represents a discount of approximately 1.6 per cent. to the closing price of 490 pence per Kensington Share on 29 May 2007, being the day immediately before the announcement of the Offer, and a discount of approximately 36.7 per cent. to the closing share price of 761.5 pence on 16 February 2007, the last Business Day prior to the commencement of the Offer Period.

The New Investec Shares to be issued under the Scheme are expected to represent approximately 5.8 per cent. of the aggregate issued share capital of Investec and Investec Limited as enlarged by the acquisition of Kensington.

Fractions of New Investec Shares will not be allotted or issued pursuant to the Offer and will be disregarded.

3 Irrevocable Undertakings

Each of myself, Alison Hutchinson and Gareth Jones, who are the only Kensington Directors holding Kensington Shares, has irrevocably undertaken to vote in favour of the resolutions to be proposed at the Court Meeting and the Extraordinary General Meeting in respect of our registered holdings of Kensington Shares, and to direct, where possible, or otherwise use our reasonable endeavours to arrange, that the registered holder should vote in favour of the resolutions in relation to our other beneficial shareholdings. The aggregate beneficial holdings of the Kensington Directors amount to 199,566 Kensington Shares, representing approximately 0.4 per cent. of Kensington's issued share capital.

Further information on the irrevocable undertakings of the Kensington Directors is set out in paragraph 4(f) of Part VIII of this document.

4 Background to and reasons for the recommendation

While the Kensington Directors believe that Kensington has a number of competitive advantages, including an established distribution capability, an innovative product range, prudent risk management and a track record of excellent service, its core specialist mortgage sector has become increasingly competitive, particularly from the entry of providers with access to lower cost funding. This, together with the high level of "teaser" discounts in the UK market, which reduce the margins paid by customers in the initial lending period, has put significant downward pressure on new business margins, whilst, at the same time, customer behaviour has changed, with more borrowers waiting until the end of the initial lending period before switching to another product or lender. This has reduced Kensington's income from early redemption charges which have historically been a significant part of Kensington's revenues. Kensington expects that there will be continued pressure on the Kensington Group's net interest margin as existing higher margin mortgages redeem and are replaced by the lower margin loans currently being written.

In response to these emerging challenges, the Kensington Directors instigated a review of the group and its operations. On 19 February 2007, Kensington announced that it was continuing its review of the Kensington Group considering the best options to maximise shareholder value, and on 23 March 2007 it confirmed that it continued to be in discussions with a number of parties who had approached it. The Kensington Directors believe that the Offer, announced on 30 May 2007, will secure Kensington's future as part of a stronger group with complementary capabilities at a fair price. A number of preliminary conclusions from the review were also announced in Kensington's trading update on 30 May 2007, which is included in Part V of this document.

As announced on 30 May 2007, the Kensington Directors believe that Kensington's cost base is too high as a percentage of income. In addition, restrictions under Kensington's warehouse funding arrangements have limited Kensington's ability to develop new products. As a result, Kensington announced a number of important initiatives which it has already started to implement:

- a cost reduction programme targeting annualised savings in the region of £8 million to be delivered by the end of two years, including the elimination of certain duplicated functions across the Kensington Group and the automation of certain business processes;
- a £9 million capital investment in information technology to increase automation, enhance efficiency and improve competitiveness at the point of sale; and

- entry into a number of market segments where, subject to making appropriate funding arrangements, Kensington will be able to leverage its existing distribution platform and underwriting skills.

Kensington's principal funding source of working capital has been to raise debt secured against the Kensington Group's retained interests in its securitised mortgage book. This funding has been used to support writing new business, contribute to Kensington overheads and finance investments in new initiatives. Historically, on completion of a securitisation, Kensington was able to raise debt to cover all of the origination costs of the mortgages and the securitisation costs including a contribution of collateral to the securitisation vehicles. As the value of new business has reduced, Kensington is no longer able to raise sufficient debt to cover all of these initial costs and therefore requires working capital to be found from other sources. As a result of this financing constraint, Kensington has increased the proportion of whole loan sales which generate cash on disposal. The Kensington Directors expect that in the region of 60 per cent. of Kensington's lending in 2007 (approximately 25 per cent. in 2006) will be sold.

One consequence of the business review is that, in part as a result of those factors, the Kensington Directors have come to the view that, as an independent entity, the Kensington Group may not be able to raise sufficient capital in the debt markets to support significant growth in the size of the managed loan book.

As a result of these and other factors announced in its trading update on 30 May 2007, the Kensington Directors are cautious about the short-term prospects for the Kensington Group and expect 2007 total revenue to be significantly below 2006.

The Kensington Directors believe that the combination of Investec's stronger balance sheet, access to lower cost of funding and capital markets expertise, together with Kensington's recognised brand, established distribution, innovative product range, prudent risk management and track record for excellent service will create a strong combination for the growing non-standard mortgage marketplace.

As the consideration for Kensington Shareholders is in the form of shares, Kensington Shareholders will have an opportunity to share in value created from the combination and will also benefit from Investec's broader franchise across a range of markets and geographies.

5 Financial effects of the Offer

Under the Offer, Scheme Shareholders will receive 0.7 of a New Investec Share for each Kensington Share plus a special dividend of 26 pence per Kensington Share payable by Kensington. On the bases and assumptions set out in the notes below and assuming that the Scheme becomes effective, the following tables show, for illustrative purposes only, the financial effects on the capital and income for a holder of 100 Kensington Shares. No account is taken of any liability to taxation in assessing the financial effects of the Scheme.

(a) ***Capital value***

Consideration received on the sale of 100 Kensington Shares:	
Market value of 70 Investec Shares(1)	£456
Special Dividend	£26
Value of consideration received	£482
Market value of 100 Kensington Shares(2)	£490
Decrease in capital value	*£8*
Representing a decrease of	*1.6%*

(b) ***Income***

Income from the reinvestment of the Special Dividend(3)	£1
Dividend income on 70 Investec Shares(4)	£16
Value of income received	£18(5)
Dividend income on 100 Kensington Shares(6)	£24
Decrease in income received of	*£6*
Representing a decrease of	*26.7%*

(1) The market value of the Investec Shares is based on the closing share price of 652p per share as at 22 June 2007, being the last practicable date prior to the posting of this document. No adjustment has been made to exclude the final dividend of 13p per Investec Share in respect of the year ended 31 March 2006, to which the holders of New Investec Shares will not be entitled. Adjusting to exclude this dividend would reduce the value of consideration received by 9 pence per Kensington Share.

(2) The market value of the Kensington Shares is based on the closing share price of a Kensington Share on 29 May 2007, being the last Business Day prior to the announcement of the Acquisition.

(3) The income from the reinvestment of the Special Dividend has been calculated on the assumption that the cash is re-invested to yield approximately 5.74 per cent. being FTSE Actuaries UK Gilts Index yield for UK gilts of maturities of up to five years as obtained from the Financial Times published on 22 June 2007, being the latest practicable date prior to the posting of this document. The amount of £1 is the income of £1.49 calculated on the basis set out in this footnote rounded down to the nearest £.

(4) The income on Investec Shares is based on the aggregate dividend of 23p per Investec Share paid and proposed to be paid in respect of the year ended 31 March 2007. The amount of £16 is the dividend income of £16.10 rounded down to the nearest £.

(5) Being the sum of £1.49 (see footnote (3)) and £16.10 (see footnote (4)) rounded up to the nearest £.

(6) The income on Kensington Shares is based on the aggregate dividend of 24p per Kensington Share paid in respect of the year ended 30 November 2006. There can be no assurance that Kensington Shareholders would continue to receive this level of income in future years.

6 Management and employees

Investec has confirmed that it attaches great importance to the skills and experience of the current management team and employees of Kensington. Accordingly, Investec intends that Alison Hutchinson and other members of the management team will continue to be involved in the ongoing business following the completion of the Acquisition. The board of Investec has confirmed that it intends to safeguard the existing employment rights, including pension rights, of all employees of Kensington.

Kensington recently decided to close its London office. This will be accompanied by a reduction in the overall number of employees. The remaining London staff will be offered positions in Kensington's premises in Reading or, if the Scheme does not become effective, in smaller, lower cost London premises to be identified. If the Scheme becomes effective, Investec intends to re-locate the remaining London-based Kensington employees to its business premises in the City of London.

Other than those changes being implemented in order to effect Kensington's cost reduction plans, including the closure of its principal office in London, Investec does not currently expect to make any material changes to the conditions of employment of Kensington's employees or to the aggregate level of staffing at Kensington.

The Kensington Directors have undertaken to resign as directors of Kensington upon the Scheme becoming effective if required by Investec.

7 Kensington Share Schemes

Details of the impact of the Scheme on the Kensington Share Schemes are set out in paragraph 10 of Part II of this document.

8 Implementation Agreement

Kensington and Investec entered into an Implementation Agreement on 30 May 2007 which provides, among other things, for the implementation of the Acquisition and contains assurances and confirmations between the parties, including provisions to implement the Scheme on a timely basis and governing the conduct of the business of Kensington. Upon the termination of the Implementation Agreement in certain circumstances, the Implementation Agreement also provides that Kensington shall pay a break fee to Investec. Further information regarding the Implementation Agreement is set out in paragraph 6(a) of Part VIII of this document.

9 UK taxation

Your attention is drawn to Part VII of this document. If you are in any doubt about your tax position, or you are subject to taxation in any jurisdiction other than the UK, you are strongly advised to consult an appropriate professional independent financial adviser.

10 Meetings and action to be taken

Details of the Court Meeting and the Extraordinary General Meeting to be held and the action to be taken in respect of the Scheme are set out in paragraph 12 of Part II of this document.

It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of opinion of the Kensington Shareholders. You are therefore strongly urged to sign and return your Forms of Proxy for both the Court Meeting and the Extraordinary General Meeting as soon as possible.

Overseas Shareholders should refer to paragraph 16 of Part II of this document.

Details relating to settlement are included in paragraph 14 of Part II of this document.

Notices convening the Court Meeting and the Extraordinary General Meeting are set out in Parts XI and XII of this document respectively.

11 Further information

Your attention is drawn to the letter from Rothschild set out in Part II of this document (being the explanatory statement required pursuant to section 426 of the Companies Act).

12 Recommendation

The Kensington Directors, who have been so advised by Rothschild, consider the terms of the Offer to be fair and reasonable. In providing its advice, Rothschild has taken into account the commercial assessments of the Kensington Directors.

Accordingly, the Kensington Directors unanimously recommend Kensington Shareholders to vote in favour of the resolutions to approve and implement the Scheme to be proposed at the Court Meeting and the Extraordinary General Meeting as the Kensington Directors who hold Kensington Shares have irrevocably undertaken to do in respect of their own registered shareholdings, and to direct, where possible, or otherwise use their reasonable endeavours to arrange, that the registered holder should vote in favour in relation to their other beneficial holdings of Kensington Shares.

Kensington Shareholders are referred to the investment considerations set out in Part IV and the financial effects of the Offer set out in paragraph 5 of this Part I.

Yours faithfully,

Peter G Birch CBE
Chairman

PART II

EXPLANATORY STATEMENT

(in compliance with section 426 of the Companies Act)

N M Rothschild & Sons Limited
New Court
St. Swithin's Lane
London EC4P 4DU

25 June 2007

To Kensington Shareholders and, for information only, participants in the Kensington Share Schemes

Dear Kensington Shareholder

Recommended Offer by Investec for Kensington

1 Introduction

On 30 May 2007, the combined boards of Investec and Investec Limited and the Kensington Directors announced that they had reached agreement on the terms of a recommended offer by Investec for Kensington to be implemented by means of a scheme of arrangement under section 425 of the Companies Act, including a capital reduction under section 135 of the Companies Act.

The Kensington Directors have been advised by Rothschild in connection with the Offer. Rothschild has been authorised by the Kensington Directors to write to you to set out the terms of the Offer and the Scheme and to provide you with other relevant information. Statements made in this letter which refer to the background to the recommendation of the Kensington Directors and to information concerning the business of Kensington reflect the views of the Kensington Directors.

The Kensington Directors, who have been so advised by Rothschild, consider the terms of the Offer to be fair and reasonable. In providing its advice, Rothschild has taken into account the Kensington Directors' commercial assessment.

The terms of the Scheme are set out in full in Part IX of this document. Your attention is also drawn to the additional information set out in Part VIII of this document.

2 Recommendation

Your attention is drawn to the letter from Peter Birch, the Chairman of Kensington, on behalf of the Kensington Directors, set out in Part I of this document, which forms part of this explanatory statement. That letter explains why the Kensington Directors consider the terms of the Offer to be fair and reasonable and why the Kensington Directors unanimously recommend that Kensington Shareholders vote in favour of the resolutions to approve and implement the Scheme to be proposed at the Court Meeting and the Extraordinary General Meeting, as the Kensington Directors who hold Kensington Shares have irrevocably undertaken to do in respect of their own registered shareholdings, as more particularly set out in paragraph 5 below. In providing its advice, Rothschild has taken into account the Directors' commercial assessment.

3 Summary of the Offer

Under the terms of the Offer, which is subject to the Conditions set out in Part III of this document, the Kensington Shares will be cancelled and Scheme Shareholders will receive:

for each Kensington Share	**0.7 of a New Investec Share plus the special dividend of 26 pence payable by Kensington**

The terms of the Offer value each Kensington Share at 482 pence and the entire issued and to be issued share capital of Kensington at approximately £262 million, based on the closing share price of Investec of 652 pence per share on 22 June 2007, being the latest practicable date prior to the publication of this document.

The value of 482 pence for each Kensington Share represents a discount of approximately 1.6 per cent. to the closing price of 490 pence per Kensington Share on 29 May 2007, being the date immediately before the announcement of the Offer, and a discount of approximately 36.7 per cent. to the closing share price of 761.5 pence, on 16 February 2007, the last Business Day prior to the commencement of the Offer Period.

The New Investec Shares to be issued under the Scheme are expected to represent approximately 5.8 per cent. of the aggregate issued share capital of Investec and Investec Limited as enlarged by the acquisition of Kensington.

Fractions of New Investec Shares will not be allotted or issued pursuant to the Offer and will be disregarded.

The New Investec Shares will be issued credited as fully paid and will rank *pari passu* in all respects with existing Investec Shares and will be entitled to all dividends and other distributions declared, made or paid by Investec by reference to a record date on or after the Effective Date, except that the New Investec Shares will not qualify for the final dividend of 13 pence per Investec Share that the combined boards of Investec and Investec Limited have proposed for the financial year ended 31 March 2007. Investec shares will trade ex dividend on the London Stock Exchange from 25 July 2007.

Further information on Investec is set out in paragraph 7 of this Part II of this document.

The implementation of the Scheme is subject to the Conditions, which are summarised in paragraph 12(c) of Part II of this document and set out in full in Part III of this document.

It is expected that the Court Hearing will be held on 7 August 2007 and that the Effective Date will be 8 August 2007.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Extraordinary General Meeting.

Applications will be made to the UKLA for the listing of the Kensington Shares on the Official List to be cancelled and to the London Stock Exchange for such shares to cease to be admitted to trading on its market for listed securities, in each case as of the Effective Date.

4 Background to and reasons for the Acquisition

The Investec Group is an international specialist banking group that provides a diverse range of financial products and services to niche clients in three principal markets, the United Kingdom, Australia and South Africa, as well as certain other geographies. The Investec Group has five core business divisions: Investment Banking, Capital Markets, Private Client Activities, Asset Management and Property Activities. Upon completion of the Offer, Kensington will become part of Investec's Capital Markets division, which reported strong growth in operating profit before goodwill and non-operating items of 75.3 per cent. to £117.3 million in the financial year ended 31 March 2007.

The combined boards of Investec and Investec Limited believe that the Acquisition offers Investec an attractive bolt-on acquisition that, based on the last reported full year financial results of both companies, would have represented 9 per cent. of the Investec Group's total assets (excluding loans subject to securitisation). In addition, Kensington adds a strong mortgage origination platform and a significantly enhanced presence in the non-standard mortgage sector in the UK, Ireland and Sweden, and will provide Investec's principal finance and securitisation activities with a number of attractive opportunities.

Investec has a high regard for the Kensington franchise, in particular:

- Kensington's strong market position, established distribution capability and innovative product range has enabled it to complete new advances in excess of £4 billion in the financial year ended 30 November 2006;
- Kensington's recognised brand and market presence, coupled with its prudent risk management; and

- Kensington's track record for service excellence, which has been re-confirmed by Fitch at the highest residential mortgage special servicer rating in Europe granted to date.

Investec believes that the Acquisition represents a compelling strategic fit, delivering increased scale in a market in which it is already present.

Investec has undertaken an extensive due diligence of Kensington's existing mortgage book, and operations, and is confident of Kensington's future prospects under its ownership. Investec will provide Kensington with access to a stronger balance sheet, subject to strict capital allocation criteria, access to lower funding costs and capital markets expertise.

Investec has identified tangible opportunities for value creation, including the elimination of head office costs and duplicated functions, in addition to the initiatives announced by Kensington on 30 May 2007, as well as funding cost benefits. In addition, leveraging Investec's stronger balance sheet will provide the option to write higher quality business and to reduce the proportion of whole loan sales. Investec believes that integration will be a straightforward process, leveraging Investec's extensive integration experience.

5 Irrevocable undertakings

Each of Peter Birch, Alison Hutchinson and Gareth Jones, who are the only Kensington Directors holding Kensington Shares, has irrevocably undertaken to vote in favour of the resolutions to be proposed at the Court Meeting and the Extraordinary General Meeting in respect of their registered holdings of Kensington Shares, and to direct, where possible, or otherwise use their reasonable endeavours to arrange, that the registered holder should vote in favour of the resolutions in relation to their other beneficial shareholdings. The aggregate beneficial holdings of the Kensington Directors amount to 199,566 Kensington Shares, representing approximately 0.4 per cent. of Kensington's issued share capital.

Further information on the irrevocable undertakings of the Kensington Directors is set out in paragraph 4(f) of Part VIII of this document.

6 Information on Kensington

Founded in 1995, Kensington is a specialist lender offering first and second charge mortgages. Kensington specialises in lending to people who do not conform to the rigid criteria of traditional lenders, such as the self-employed, contractors, older borrowers, temporary employees and those with adverse credit history.

The Kensington Group includes two wholly-owned subsidiaries which trade as Kensington Mortgages and Kensington Secured Loans and its Money Partners joint venture as well as its subsidiary Start Mortgages in Ireland and its associate Bluestep in Sweden.

Kensington completed £4,066 million of loans in 2006 and has completed over 150,000 loans and advanced more than £14 billion of mortgages since 1995. As at 30 April, 2007, Kensington had mortgage assets under management of £7.1 billion.

For the financial year ended 30 November 2006, Kensington reported total revenue of £202.0 million. It generated group profit before tax and goodwill impairment of £65.2 million and earnings per share (excluding tax adjustments in respect of prior periods and goodwill impairment) of 86.6 pence. Reported profit before taxation amounted to £49.1 million, earnings attributable to shareholders amounted to £36.3 million and basic earnings per share amounted to 69.5 pence. Kensington reported net assets of £180.3 million as at 30 November 2006 and total assets of £8,101.4 million. In its trading statement released on 30 May 2007, Kensington announced that trading conditions in the five months to 30 April 2007 were challenging. The Kensington Directors are cautious about the short-term prospects for the Kensington Group and expect 2007 total revenue to be significantly below that for 2006.

Financial information on Kensington, including the full text of the trading statement issued on 30 May 2007, is set out in Part V of this document.

7 Information on the Investec Group

The Investec Group is an international, specialist banking group that provides a diverse range of financial products and services to clients in three principal markets, the UK, Australia and South Africa, as well as certain other geographies. The Investec Group comprises the following business divisions:

- Investment Banking
- Capital Markets
- Private Client Activities
- Asset Management
- Property Activities

Since the Investec Group was founded in South Africa in 1974, it has expanded through a combination of substantial organic growth and a series of strategic acquisitions in South Africa, the UK and Australia, and other geographies in which the Investec Group operates. The Investec Group employs approximately 5,400 people world-wide.

In July 2002, the Investec Group implemented a dual listed company structure with listings on the London and Johannesburg Stock Exchanges. The combined group's current market capitalisation is approximately £4.0 billion as at 22 June 2007, being the latest practicable date prior to the posting of this document.

For the year ended 31 March 2007, the Investec Group reported total profit before tax (before goodwill and exceptional items) of £466.6 million, assets of £26.3 billion and total capital resources of £2.7 billion.

The combined boards of Investec and Investec Limited believe that the acquisition of Kensington will be earnings enhancing before synergies in the first full year following completion. This statement should not be interpreted to mean that per share earnings of the Investec Group for the current or future financial years, or those of the combined group, will necessarily match or exceed the historical published per share earnings of the Investec Group. There will be no changes to the Investec Group's financial objectives as a result of the Acquisition.

Financial information on Investec is set out in Part VI of this document.

8 Management and employees

Investec has confirmed that it attaches great importance to the skills and experience of the current management team and employees of Kensington. Accordingly, Investec intends that Alison Hutchinson and other members of the management team will continue to be involved in the ongoing business following the completion of the Acquisition. Investec has confirmed that it intends to safeguard the existing employment rights, including pension rights, of all employees of Kensington.

Kensington recently decided to close its London office. This will be accompanied by a reduction in the overall number of employees. The remaining London staff will be offered positions in Kensington's premises in Reading or, if the Scheme does not become effective, in smaller, lower cost London premises to be identified. If the Scheme becomes effective, Investec intends to re-locate the remaining London-based Kensington employees to its business premises in the City of London.

Other than those changes being implemented in order to effect Kensington's cost reduction plans, including the closure of its principal office in London, Investec does not currently expect to make any material changes to the conditions of employment of Kensington's employees or to the aggregate level of staffing at Kensington.

9 The Kensington Directors and the effect of the Scheme on their interests

Details of the interests of the Kensington Directors in the share capital of Kensington are set out in paragraph 4(b)(v) of Part VIII of this document. Kensington Shares held by the Kensington Directors will be subject to the Scheme.

Particulars of the service contracts (including termination provisions) and letters of appointment of the Kensington Directors are set out in paragraph 5 of Part VIII of this document.

If required by Investec, the Kensington Directors have undertaken to resign as directors of Kensington upon the Scheme becoming effective.

The effect of the Scheme on the interests of the Kensington Directors does not differ from its effect on the like interests of any other person.

The Kensington Directors who hold Kensington Shares have given irrevocable undertakings to Investec to vote in favour of the resolutions to approve and implement the Scheme to be proposed at the Court Meeting and the Extraordinary General Meeting as set out in Part VIII of this document as described in paragraph 5 above.

10 Kensington Share Schemes

The Scheme will extend to all Kensington Shares issued or unconditionally allotted on the exercise of options and vesting of awards granted under the Kensington Share Schemes at or before 6.00 p.m. on the day before the date of the Court Hearing. All participants' rights under the Kensington Share Schemes will be honoured and their options and awards dealt with in accordance with the rules of the Kensington Share Schemes. Further details will be provided to the participants in the Kensington Share Schemes in separate communications.

11 Implementation Agreement

Kensington and Investec entered into an Implementation Agreement on 30 May 2007 which provides, among other things, for the implementation of the Acquisiton and contains assurances and confirmations between the parties, including provisions to implement the Scheme on a timely basis and governing the conduct of the business of Kensington. Upon the termination of the Implementation Agreement in certain circumstances, the Implementation Agreement also provides that Kensington shall pay a break fee to Investec.

Further information regarding the Implementation Agreement is set out in paragraph 6(a) of Part VIII of this document.

12 Structure of the Acquisition

(a) ***Introduction***

The Acquisition is to be effected by means of a scheme of arrangement between Kensington and its shareholders under section 425 of the Companies Act. The provisions of the Scheme are set out in full in Part IX of this document.

The purpose of the Scheme is to provide for Investec to become the owner of the whole of the issued share capital of Kensington, to be achieved by the cancellation of the Scheme Shares held by Kensington Shareholders and the application of the reserve arising from such cancellation in paying up in full New Kensington Shares, equal to the number of Scheme Shares cancelled, and issuing the same to Investec and/or its nominee(s). The procedure involves an application by Kensington to the Court to sanction the Scheme and to confirm the cancellation of the Scheme Shares, in consideration for which Kensington Shareholders will receive New Investec Shares (as summarised in paragraph 3 above).

In addition, subject to the Scheme becoming effective, Kensington Shareholders will receive a special dividend of 26 pence per Kensington Share payable by Kensington.

To become effective, the Scheme requires, inter alia, the approval of a majority in number of those Scheme Shareholders, present and voting (and entitled to vote) either in person or by proxy at the Court Meeting, representing 75 per cent. or more in value of all Scheme Shares voted by such Scheme Shareholders and the passing of the Special Resolution to implement the Scheme at the Extraordinary

General Meeting. The Scheme also requires the sanction of the Court as well as the satisfaction or waiver of the other Conditions set out in Part III of this document. Upon the Scheme becoming effective, it will be binding on all Kensington Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Extraordinary General Meeting.

The last day of dealings in, and for registration of transfers of, Kensington Shares will be the last Business Day prior to the Effective Date (expected, subject to the satisfaction or waiver of all the Conditions, to be 8 August 2007).

Prior to the Scheme becoming effective, applications will be made to the UKLA for the listing of Kensington Shares to be cancelled and to the London Stock Exchange for the Kensington Shares to cease to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that this will take effect on the Effective Date.

On the Effective Date, share certificates in respect of Scheme Shares will cease to be valid and should be destroyed. In addition, on the Effective Date, entitlements to Scheme Shares held within the CREST system will be cancelled.

(b) *The Meetings*

Before the Court's approval can be sought to sanction the Scheme, the Scheme will require approval by Scheme Shareholders at the Court Meeting and the passing of the Special Resolution by Kensington Shareholders at the Extraordinary General Meeting. Notices of the Court Meeting and the Extraordinary General Meeting are set out in Parts XI and XII of this document respectively. All holders of Scheme Shares whose names appear on the register of members of Kensington at 6.00 p.m. on 16 July 2007 or, if such meetings are adjourned, on the register of members at 6.00 p.m. on the date two days before the date set for the adjourned meetings, are entitled to attend and vote at the relevant meeting in respect of the number of Scheme Shares registered in their name at the relevant time.

The Court Meeting

The Court Meeting, which has been convened for 9.00 a.m. on 18 July 2007, is being held at the direction of the Court to seek the approval of Scheme Shareholders for the Scheme. At the Court Meeting, voting will be by way of poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. In order for the resolution to be passed it must be approved by a majority in number of those Scheme Shareholders, present and voting, either in person or by proxy, representing 75 per cent. or more by value of all Scheme Shares, voted on the resolution.

Scheme Shareholders have the right to raise any objections they may have to the Scheme at the Court Meeting.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Kensington Shareholder opinion.

The Extraordinary General Meeting

The Extraordinary General Meeting has been convened for 9.15 a.m. on 18 July 2007, or as soon thereafter as the Court Meeting has concluded or been adjourned, to consider and, if thought fit, pass the Special Resolution (which requires a majority in favour representing at least 75 per cent. of the votes cast) to approve:

(i) the cancellation and extinguishing of the Scheme Shares in accordance with the Scheme;

(ii) a reduction of Kensington's share capital equal to the nominal value of the Scheme Shares which are to be cancelled pursuant to the Scheme and the subsequent issue of New Kensington Shares to Investec in accordance with the Scheme;

(iii) the giving of authority to the Kensington Directors pursuant to section 80 of the Companies Act to allot securities in the Company; and

(iv) certain amendments to Kensington's articles of association as described below.

Amendments to Kensington's articles of association

As the Scheme will apply only to Scheme Shares, it is proposed that Kensington's articles of association be amended to provide that, subject to the Scheme becoming effective, any Kensington Share issued after 6.00 p.m. on the day before the date of the Court Hearing (other than to Investec (or its nominee(s)) will immediately be transferred to Investec (or as it may direct) in consideration of and conditional upon the Investec Group issuing or procuring the transfer of 0.7 of a New Investec Share and paying 26p in cash to the New Member for each Kensington Share transferred (as adjusted by the Kensington Directors in the event of any reorganisation of, or alteration to, the share capital of Kensington or Investec in such manner, if any, as Kensington's auditors may determine to be appropriate).

It is also proposed that Kensington's articles of association be amended to ensure that any Kensington Shares which are issued after the Extraordinary General Meeting but on or before 6.00 p.m. on the day before the date of the Court Hearing will be subject to and bound by the Scheme.

For the purposes of implementing the Scheme, one authorised, unissued Kensington Share will be reclassified as a deferred share (the "Deferred Share") and issued to Investec for cash prior to the Effective Date. The Deferred Share will have limited rights and will not constitute a Scheme Share. Accordingly, the Deferred Share will not be cancelled and will continue to be in issue after the Effective Date. It is proposed that Kensington's articles of association will be amended to create the Deferred Share and to allow the Kensington Directors to issue it to Investec.

The proposed amendments to Kensington's articles of association referred to above are set out in the Notice of Extraordinary General Meeting in Part XII of this Scheme document.

Voting

Voting on the Special Resolution will be by way of a poll and each Kensington Shareholder present in person or by proxy will be entitled to one vote for every Kensington Share held.

Modifications to the Scheme

Investec and the Company may jointly consent on behalf of all concerned to any modification of, or addition to, the Scheme or to any condition which the Court may approve or impose.

Further information on the action to be taken is set out in paragraph 17 of this Part II.

(c) *Conditions to the Acquisition*

The Conditions to the Acquisition are set out in full in Part III of this document. In summary, the implementation of the Scheme is conditional upon:

(a) the approval of the Scheme by a majority in number, representing not less than three-fourths in value, of the holders of Kensington Shares present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);

(b) the Special Resolution being duly passed by the requisite majority at the Extraordinary General Meeting (or any adjournment thereof);

(c) the sanction of the Scheme (with or without modification on terms acceptable to Investec and Kensington) and the confirmation of the associated Capital Reduction by the Court, an office copy of the Court Order and the minute of such reduction attached thereto being delivered for registration to the Registrar of Companies and, in relation to the Capital Reduction, the Court Order being registered by him; and

(d) the other conditions set out in Part III of this document which are not summarised in paragraphs (a) to (c) above being satisfied or, where permitted, waived.

(d) *Sanction of the Scheme by the Court*

Under the Companies Act, the Scheme also requires the sanction of the Court and the Capital Reduction must be confirmed by the Court. The Court hearing to sanction the Scheme and to confirm the Capital Reduction is expected to be held on 7 August 2007. Investec has confirmed that it will be represented by counsel at such hearing so as to consent to the Scheme and to undertake to the Court to be bound thereby.

The Scheme will become effective in accordance with its terms on delivery of an office copy of the Court Order and the minute of reduction of capital attached thereto to the Registrar of Companies, and the registration, in relation to the reduction of capital, of the Court Order by him.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the Special Resolution at the Extraordinary General Meeting. If the Scheme does not become effective by 28 September 2007 (or such later date (if any) as Investec and Kensington may, with the consent of the Panel, agree and (if required) the Court may allow) the Acquisition will not proceed.

(e) *Implementation of the Offer by way of a Takeover Offer*

At any time before the Scheme becomes effective, or following the withdrawal or lapse of the Scheme, Investec may elect, subject to the consent of the Panel, to implement the Offer by way of a Takeover Offer, in which case further documents will be despatched to Kensington Shareholders. In such circumstances, Investec or the relevant member of the Investec Group will need, with the consent of the Panel, to make such alterations to the Conditions and the Offer as are necessary to comply with the provisions of the City Code.

13 Delisting and re-registration

It is intended that, on or shortly after the Effective Date, a request will be made by Kensington to the UK Listing Authority to cancel the listing of the Kensington Shares on the Official List and to the London Stock Exchange to cancel the admission to trading of the Kensington Shares on the London Stock Exchange's market for listed securities.

On the Effective Date, Kensington will become a wholly owned subsidiary of Investec and share certificates in respect of Kensington Shares will cease to be valid and should be destroyed. In addition, on the Effective Date, entitlements to Kensington Shares held within the CREST system will be cancelled.

14 Settlement

Subject to the Scheme becoming effective (and except as provided in paragraph 16 below in relation to certain Overseas Shareholders), settlement of the consideration to which any holder of Scheme Shares is entitled under the Scheme will be effected in the manner set out below.

(a) *Consideration where Scheme Shares are held in uncertificated form (that is, in CREST)*

Where, on the Effective Date, a Scheme Shareholder holds Scheme Shares in uncertificated form, the New Investec Shares to which the Scheme Shareholder is entitled will be issued in uncertificated form through CREST. Investec will procure that CRESTCo is instructed to credit the Scheme Shareholder's appropriate stock account in CREST with the applicable number of New Investec Shares at the commencement of dealings in the New Investec Shares.

As from the Scheme Record Time, each holding of Scheme Shares credited to any stock account in CREST will be disabled and all Scheme Shares will be removed from CREST in due course.

(b) ***Consideration where Scheme Shares are held in certificated form***

Where, on the Effective Date, a Scheme Shareholder holds Scheme Shares in certificated form, the New Investec Shares to which the Scheme Shareholder is entitled will be issued in certificated form.

Definitive certificates for the New Investec Shares will be despatched by first class post (or by such other method as may be approved by the Panel) within 14 days after the Effective Date.

On the Effective Date, each certificate representing a holding of Scheme Shares will cease to be valid. Following settlement of the consideration to which a Scheme Shareholder is entitled under the Scheme, such Scheme Shareholder will be bound on the request of Kensington either: (i) to destroy such Kensington Share certificates; or (ii) to return such Kensington Share certificates to Kensington, or to any person appointed by Kensington, for cancellation.

(c) ***Special Dividend***

Subject to the Scheme becoming effective, Scheme Shareholders on the register of the Company at the Scheme Record Time will be sent the Special Dividend within 14 days of the Effective Date.

(d) ***General***

Fractions of New Investec Shares will not be allotted or issued pursuant to the Scheme and will be disregarded.

All documents and remittances sent to Scheme Shareholders in accordance with this paragraph will be sent at the risk of the person entitled thereto.

In relation to New Investec Shares to be issued in certificated form, temporary documents of title will not be issued pending the despatch by post of definitive certificates for such New Investec Shares as referred to in sub-paragraph (b) above. Pending the issue of definitive certificates for such New Investec Shares, former Kensington Shareholders wishing to register transfers of such New Investec Shares may certify their share transfer forms against the register of members of Investec by contacting the Investec Registrars, Computershare Investor Services plc on 0870 702 0003. On the registration of any such transfers, the transferee will receive a share certificate in respect of the New Investec Shares which are the subject of the relevant transfer.

Save with the consent of the Panel, settlement of the consideration to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms set out in this Part II without regard to any lien, right of set off, counterclaim or analogous right to which Investec may otherwise be, or claim to be, entitled against any Scheme Shareholder.

15 United Kingdom taxation

Your attention is drawn to Part VII of this document.

Kensington Shareholders who are in any doubt about their taxation position, or who are subject to taxation in a jurisdiction outside the United Kingdom, are strongly advised to contact an appropriate professional independent financial adviser.

16 Overseas shareholders

The implications of the Scheme and the Acquisition for Overseas Shareholders may be affected by the laws of the relevant jurisdiction(s). Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

In respect of any Overseas Shareholders with a registered address in a jurisdiction in which Investec is advised that the allotment and/or issue of New Investec Shares might infringe local law or regulation or where compliance with such law or regulation Investec considers to be unduly onerous, Investec will issue such New Investec Shares to such Overseas Shareholders and shall, unless instructed otherwise by such Overseas Shareholder, appoint a person who shall be deemed to be authorised to sell such New Investec Shares on behalf of such Overseas Shareholder, with the proceeds being remitted to such Overseas Shareholders.

This document has been prepared for the purposes of complying with English law, the City Code and the Listing Rules and the information disclosed herein may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction.

17 Action to be taken

The Court Meeting and the Extraordinary General Meeting will be held at the offices of Panmure Gordon & Co., Moorgate Hall, 155 Moorgate, London EC2M 6XB on 18 July 2007 at 9.00 a.m. and 9.15 a.m. respectively (or, in the case of the Extraordinary General Meeting, as soon as the Court Meeting has been concluded or adjourned, if later). The Scheme requires approval at both of these meetings.

Please check that you have received the following with this document:

- a blue Form of Proxy for use in respect of the Court Meeting;
- a white Form of Proxy for use in respect of the Extraordinary General Meeting; and
- a reply-paid envelope for use in the United Kingdom.

If you have not received all of these documents, please contact Lloyds TSB Registrars on the helpline telephone number indicated below.

To vote on the Offer:

Whether or not you plan to attend the Meetings, please complete and sign both the blue and white Forms of Proxy and return them to the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZX as soon as possible, but in any event so as to be received by no later than 9.00 a.m. on 16 July 2007, in the case of the Court Meeting (blue form), and by no later than 9.15 a.m. on 16 July 2007, in the case of the Extraordinary General Meeting (white form). This will enable your votes to be counted at the Meetings in the event of your absence.

If the blue Form of Proxy for use at the Court Meeting is not returned by 9.00 a.m. on 16 July 2007, it may be handed to the Chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the Extraordinary General Meeting, unless the white Form of Proxy is returned by the time mentioned in the instructions printed thereon, it will be invalid.

If you are a member of CREST you may be able to use the CREST electronic proxy appointment services. Further details are set out in the Notice of Court Meeting and Notice of Extraordinary General Meeting. Proxies submitted electronically must be sent as soon as possible, and in any event so as to be received by no later than 9.00 a.m. on 16 July 2007 in the case of the Court Meeting and 9.15 a.m. on 16 July 2007 in the case of the Extraordinary General Meeting (or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The completion and return of a Form of Proxy will not prevent you from attending and voting at the Court Meeting or the Extraordinary General Meeting, or any adjournment thereof, in person should you wish to do so and are so entitled.

Helpline

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call the Company's Registrars, Lloyds TSB Registrars, on 0870 609 2158 or, if telephoning from outside the United Kingdom, on +44 1903 276342 between 8.30 a.m. and 5.30 p.m. Monday to Friday.

Please note that calls to these numbers may be monitored or recorded and that, for legal reasons, the helpline cannot provide advice on the merits of the Acquisition or give any financial advice.

Overseas Shareholders should refer to paragraph 16 of this Part II of this document. Details relating to settlement are included in paragraph 14 of this Part II of this document.

Notices convening the Court Meeting and the Extraordinary General Meeting are set out in Parts XI and XII of this document respectively.

18 Further information

The terms of the Scheme are set out in full in Part IX of this document. Your attention is also drawn to the further information contained in this document and, in particular, to the conditions to the Scheme and the Acquisition in Part III, the Investec Investment Considerations in Part IV, the financial information in Parts V and VI and the Additional Information set out in Part VIII of this document.

Yours very truly,

Robert Leitão

for and on behalf of
N M Rothschild & Sons Limited

PART III

CONDITIONS TO THE IMPLEMENTATION OF THE SCHEME AND THE ACQUISITION

The Offer is conditional upon the Scheme becoming effective by 28 September 2007 or such later date as Investec and Kensington may, with the consent of the Panel, agree and (if required) the Court may allow.

1 The Scheme will be subject to the following conditions:

(a) the approval of the Scheme by a majority in number, representing not less than three-fourths in value, of the holders of Kensington Shares present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);

(b) the EGM Resolution being duly passed by the requisite majority at the Extraordinary General Meeting (or any adjournment thereof); and

(c) the sanction of the Scheme (with or without modification on terms acceptable to Investec and Kensington) and the confirmation of the associated Capital Reduction by the Court, an office copy of the Court Order and the minute of such reduction attached thereto being delivered for registration to the Registrar of Companies and, in relation to the Capital Reduction, the Court Order being registered by him.

2 In addition, Investec and Kensington have agreed that, subject to the requirements of the Panel in accordance with the City Code, the Offer will be conditional upon the following matters and, accordingly, the Court Order sanctioning the Scheme will not be delivered to the Registrar of Companies for registration unless such Conditions have been satisfied or waived:

(a) the first to occur of the following:

(i) the Competition Authority in Ireland ("Competition Authority") having furnished to Investec and Kensington a copy of its determination, pursuant to section 21(2)(a) or section 22(3)(a) of the (Irish) Competition Act, 2002, as amended ("Competition Act"), that the Offer may be put into effect; or

(ii) the period specified in section 21(2) of the Competition Act (as extended, where relevant, pursuant to section 21(4) of that Act) having elapsed without the Competition Authority having informed Investec and Kensington of the determination (if any) it has made under section 21(2) of that Act in relation to the Offer; or

(iii) the Competition Authority having furnished to Investec and Kensington a copy of its determination, pursuant to section 22(3)(c) of the Competition Act, that the Offer may be put into effect subject to conditions specified by the Competition Authority being complied with (such conditions being acceptable to Investec and Kensington); or

(iv) the period specified in section 22(4)(a) of the Competition Act having elapsed without the Competition Authority having made a determination under section 22(3) of the Competition Act in relation to the Offer;

(b) the Financial Services Authority having formally (and unconditionally) approved Investec (and any relevant affiliate of Investec which would be deemed to be acquiring control (as such term is defined in the FSMA)) as a controller of all and any relevant entities within the Kensington Group which are authorised in the UK by the Financial Services Authority under the FSMA (pursuant to the provisions of Part XII of the FSMA);

(c) the South African Reserve Bank having formally (and unconditionally) approved the acquisition of Kensington by Investec;

(d) the New Investec Shares to be issued pursuant to the Scheme being admitted to the Official List of the UK Listing Authority (the "UKLA") and being admitted to trading on the London Stock Exchange or, if Investec and Kensington so determine and subject to the consent of the Panel, the UKLA agreeing to admit such shares to the Official List and the London Stock Exchange agreeing to admit such shares to trading subject only to (i) the allotment of such shares and/or (ii) the Scheme becoming effective;

(e) no Irish Competition Authority or any other court or competition, antitrust or supervisory body or other government, governmental or regulatory agency or body in each case in any jurisdiction and whose consent or clearance is required in order for the Offer to proceed (each a "**Relevant Authority**") having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or having enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, notice, order or decision that would or might be reasonably expected to:

(i) make the Offer or the acquisition or proposed acquisition of any shares in, or control or management of, Kensington by Investec or any member of the Investec Group void, unenforceable and/or illegal in any jurisdiction or directly or indirectly prohibit, restrain, prevent or otherwise restrict, materially delay or otherwise interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise challenge or interfere with, the Offer or the acquisition of any shares in, or control or management of, Kensington by any member of the Investec Group;

(ii) require, prevent or delay the divestiture (or alter the terms of any proposed divestiture) by the Investec Group or the Kensington Group of all or any part of their respective businesses, assets or properties, or impose any limitation on their ownership of any of their respective assets or properties or any part thereof;

(iii) impose any limitation on, or result in any delay in, the ability of any member of the Investec Group to acquire or hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Kensington Group or on the ability of any member of the Kensington Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any other member of the Kensington Group;

(iv) other than in the implementation of the Offer, require any member of the Investec Group or of the Kensington Group to acquire or offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Kensington Group or any member of the Investec Group;

(v) impose any material limitation on the ability of any member of the Investec Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any member of the Kensington Group or conduct all or part of their respective businesses following the implementation of the Offer; or

(vi) otherwise adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Kensington Group,

in each case to an extent which is material in the context of the Offer or the Investec Group taken as a whole, and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference, or take any other step under the laws of any jurisdiction, having expired, lapsed or been terminated;

(f) all necessary filings, applications and/or notifications having been made and all appropriate waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated, in each case in respect of the Offer and the acquisition of any shares or other securities in, or control of, Kensington by Investec or any member of the Investec Group and all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals ("authorisations") necessary in any jurisdiction for or in respect of the Offer and the proposed acquisition of any shares or other securities in, or control or management of, Kensington by Investec or any member of the Investec Group being obtained in terms and in a form satisfactory to Investec, acting reasonably, from appropriate Relevant Authorities or from any persons or bodies with whom any member of the Investec Group or the Kensington Group has entered into contractual arrangements, and such authorisations, together with all authorisations necessary or appropriate for any member of the Kensington Group to carry on its business, remaining in full force and effect, in each case where the absence of such authorisation would have a material adverse effect on the Kensington Group taken as a whole or the ability of the Investec Group to implement the Offer, and there being no notice or other intimation of any intention to revoke, suspend, restrict or modify or not to renew any of the same having been made;

(g) save as disclosed to Investec by or on behalf of Kensington, or as publicly announced by Kensington by the delivery of an announcement to a Regulatory Information Service before the time of the announcement of the Offer (the "Announcement"), or as disclosed in the Annual Report and Accounts for the financial year ended 30 November 2006, there being no provision of any agreement, arrangement, licence, permit, franchise or other instrument to which any member of the Kensington Group is a party, or by or to which any such member or any of its assets is or may be bound, entitled or subject, which, as a direct result of the Offer or the acquisition or proposed acquisition by any member of the Investec Group of any shares or other securities in, or change in the control or management of, Kensington, would or might result in:

(i) any monies borrowed by, or any other indebtedness (actual or contingent) of, or any grant available to, any such member of the Kensington Group becoming repayable or capable of being declared repayable immediately or earlier than the stated repayment date, or the ability of such member of the Kensington Group to borrow monies or incur any indebtedness being or becoming capable of being withdrawn or inhibited;

(ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member of the Kensington Group or any such security interest (whenever arising or having arisen) becoming enforceable;

(iii) any assets or interest of any such member of the Kensington Group being or falling to be disposed of or charged, or any right arising under which any such asset or interest could be required to be disposed of or charged;

(iv) the interest or business of any such member of the Kensington Group in or with any other person, firm or company (or any agreements or arrangements relating to such interest or business) being terminated or adversely affected;

(v) any such member of the Kensington Group ceasing to be able to carry on business under any name under which it presently does so;

(vi) the value of any such member of the Kensington Group or its financial or trading position or prospects being prejudiced or adversely affected;

(vii) any such agreement, arrangement, licence, permit, franchise or other instrument or the rights, liabilities, obligations or interests of any such member being terminated or adversely modified or any onerous obligation arising or any adverse action being taken or arising thereunder; or

(viii) the creation of any liabilities (actual or contingent) by any such member of the Kensington Group, and which in each such case would be material in the context of the Kensington Group taken as a whole, and no event having occurred which, under any provision of any agreement, arrangement, licence, permit, franchise or other instrument to which any member of the Kensington Group is a party or by or to which any such member or any of its assets may be bound or be subject, is likely to result in any events or circumstances as are referred to in subparagraphs (i) to (viii) of this paragraph (g) and which in each such case would be material in the context of the Kensington Group taken as a whole;

(h) save as disclosed to Investec by or on behalf of Kensington or as publicly announced by Kensington by the delivery of an announcement to a Regulatory Information Service before the time of the Announcement, or as disclosed in the Annual Report and Accounts for the financial year ended 30 November 2006, no member of the Kensington Group having since 30 November 2006:

(i) issued or agreed to issue or authorised the issue of additional shares or securities of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between Kensington and wholly-owned subsidiaries of Kensington and save for the issue of Kensington Shares to employees or packagers (as such term is used in the Annual Report and Accounts for the financial year ended 30 November 2006) on the exercise of options granted under, or the grant or vesting of options under, the Kensington Share Schemes);

(ii) implemented or authorised any merger or demerger or, other than in the ordinary course of business, acquired or disposed of or transferred, mortgaged or charged, or created any other security interest over, any asset or any right, title or interest in any asset or authorised, proposed or announced its intention to propose the same in each case which is material in the context of the Kensington Group taken as a whole;

(iii) entered into, implemented or authorised any reconstruction, amalgamation, scheme or other transaction or arrangement (other than the Scheme) which is material in the context of the Kensington Group taken as a whole other than transactions between wholly-owned members of the Kensington Group;

(iv) made, proposed, authorised or announced its intention to make, propose or authorise any material change in its loan capital or, other than in the ordinary course of business, issued or authorised the issue of any debentures or incurred any material indebtedness or increased materially any indebtedness or become subject to any material contingent liability;

(v) entered into, varied or terminated, or authorised the entry into, variation or termination of, any contract, commitment or arrangement (whether in respect of capital expenditure or otherwise) which is outside the ordinary course of business or which is of a long term, onerous or unusual nature or magnitude or which involves or could involve an obligation of a nature or magnitude which is material in the context of the Kensington Group taken as a whole;

(vi) save as between Kensington and members of the Kensington Group entered into any contract, commitment or arrangement which would be restrictive on the business of any member of the Kensington Group which is material in the context of the Kensington Group taken as a whole;

(vii) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or having entered into or taken steps to enter into a moratorium, composition, compromise or arrangement with its creditors in respect of its debts or ceased or threatened to cease carrying on all or a substantial part of its business, in each case as would have a material adverse effect on the Kensington Group taken as a whole;

(viii) taken any corporate action or (to an extent which is material in the context of the Kensington Group taken as a whole) had any step, application, filing in court, notice or legal proceedings started or served or threatened against it for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a receiver, administrator, administrative receiver, liquidator, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any of its assets and revenues;

(ix) waived, compromised or settled any claim to an extent which is material in the context of the Kensington Group taken as a whole;

(x) entered into or varied or made an offer (which remains open for acceptance) to vary the terms of any contract, commitment or arrangement with any director or senior executive of Kensington or changed or entered into any commitment to change the terms of any Kensington Share Schemes, in each case as would be material in the context of the Kensington Group taken as a whole;

(xi) made or consented to any change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to, any change to the trustees in each case as would be material in the context of the Kensington Group taken as a whole; or

(xii) entered into any contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or proposed or announced any intention to effect or propose, any of the transactions, matters or events referred to in this condition which in each case is material in the context of the Kensington Group taken as a whole;

(i) save as disclosed to Investec by or on behalf of Kensington or as publicly announced by Kensington by the delivery of an announcement to a Regulatory Information Service before the time of the Announcement, or as disclosed in the Annual Report and Accounts for the financial year ended 30 November 2006:

(i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Kensington Group which in any such case is material in the context of the Kensington Group taken as a whole;

(ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Kensington Group or to which any member of the Kensington Group is a party (whether as claimant or defendant or otherwise) and no investigation by any Relevant Authority or other investigative body against or in respect of any member of the Kensington Group having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Kensington Group which in any such case is material in the context of the Kensington Group taken as a whole;

(iii) no contingent or other liability having arisen which would, or might reasonably be expected to, materially and adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Kensington Group to an extent which is material in the context of the Kensington Group taken as a whole; and

(iv) no steps having been taken which are likely to result in the withdrawal (without replacement), cancellation or termination of any licence, permit or consent held by any member of the Kensington Group which is necessary for the carrying on by the Kensington Group of the business and which is material in the context of the Kensington Group taken as a whole;

(j) save as disclosed to Investec by or on behalf of Kensington or as publicly announced by Kensington by the delivery of an announcement to a Regulatory Information Service before the time of the Announcement, or as disclosed in the Annual Report and Accounts for any of the financial years ended 30 November 2004, 2005 and 2006, Investec not having discovered:

(i) that any financial, business or other information concerning the Kensington Group publicly disclosed at any time since 1 December 2003 by any member of the Kensington Group is materially misleading, contains a material misrepresentation of fact or omits to state a material fact necessary to make the information contained therein not misleading;

(ii) that any member of the Kensington Group or any partnership, company or other entity in which any member of the Kensington Group has an interest is subject to any liability, contingent or otherwise, which is material in the context of the Kensington Group taken as a whole; or

(iii) any information which affects the import of any information disclosed at any time by or on behalf of the Kensington Group and which is material in the context of the Kensington Group taken as a whole.

Investec reserves the right to waive all or any of the conditions in 2 (other than 2(d)), in whole or in part.

If Investec is required by the Panel to make an offer or offers for any Kensington Shares under Rule 9 of the City Code, Investec may make such alterations to the above conditions as are necessary to comply with the provisions of that Rule.

The Offer will lapse and the Scheme will not proceed if, before the date of the Court Meeting and the Extraordinary General Meeting, the European Commission initiates proceedings under Article 6(1)(c) of the Regulation in respect of the Offer or any matter arising from or relating to the Offer or, following a referral by the European Commission to a competent authority in the United Kingdom under Article 9(1) of the Regulation the Offer or any matter arising from or relating to the Offer is referred to the Competition Commission.

Investec reserves the right to elect to effect the Offer by way of a Takeover Offer. In such event, such offer will be implemented on and subject to the same terms and conditions (subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. of the Kensington Shares to which such offer relates (but capable of waiver in accordance with Rule 10 of the City Code) in substitution for condition 1), so far as applicable, to those that would apply to the Scheme.

The Offer and the Scheme will be governed by English law and will be subject to the jurisdiction of the English Courts.

PART IV

INVESTEC INVESTMENT CONSIDERATIONS

The attention of Kensington Shareholders is drawn to certain investment considerations relating to Investec Shares. The majority of these investment considerations are contingencies which may or may not occur and the Investec Group is not in a position to express a view on the likelihood of any such contingency occurring. The Investec Group believes that the factors described below represent the principal risks inherent in holding Investec Shares; however the performance of the Investec Group may be affected by other factors which may not be considered significant by the Investec Group based on information currently available to it or which it may not currently be able to anticipate. Kensington Shareholders should read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision.

The investment considerations include the following:

The Investec Group's financial performance is subject to inherent risks concerning borrower credit

The Investec Group's financial performance is subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Changes in the credit quality of the Investec Group's borrowers and counterparties, or arising from systemic risk in the financial systems, could reduce the value of the Investec Group's assets and require increased provisions for bad and doubtful debts. In addition, changes in economic conditions may result in a deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

The Investec Group has established credit quality management policies and actively monitors credit exposure on an ongoing basis to mitigate such risks.

The Investec Group is subject to inherent risks of market fluctuations which could reduce profitability

The Investec Group is subject to the inherent risk of the following market fluctuations:

(i) interest rates (changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs);

(ii) bond and equity price risks; and

(iii) currency exchange rate fluctuations.

In addition, the performance of financial markets may cause changes in the value of the Investec Group's investment and trading portfolios.

The Investec Group has implemented risk management processes to mitigate and control these and other market risks to which the Investec Group is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Investec Group's financial performance.

Operational risks or employee misconduct could have a negative impact on the results of the Investec Group's operations

The Investec Group's profitability is dependent on the ability to process a large number of transactions efficiently and accurately. Operational risk and losses can result from inadequate or failed internal processes, documentation, people, systems, fraud, failure to obtain proper internal authorisation, failure to comply with regulatory requirements, equipment failures, natural disasters or the failure of external systems (for example, those of the Investec Group's suppliers and counterparties).

The Investec Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled. Notwithstanding the measures taken to control these risks, any weakness in these systems could have a negative impact on the Investec Group's results of operations and financial condition during the affected period.

Liquidity risk may impair the Investec Group's ability to fund its operations and adversely affect its financial condition

Ready access to funds is essential to any banking business, including those operated by the Investec Group. An inability to access funds, or the markets from which it raises funds, may lead to the Investec Group being unable to finance its operations adequately, which in turn could have a material adverse effect on the Investec Group's results of operations and financial condition. In particular, the Investec Group takes deposits with maturities which are shorter than the loans it makes. This exposes the Investec Group to the risk that depositors could withdraw their funds at a faster rate than the rate at which borrowers repay their loans, thus causing liquidity strains. In addition, the Investec Group's ability to raise or access funds may be impaired by factors that are not within its control, such as general market conditions, severe disruption of the financial markets or negative views about the prospects for the industries or regions in which the Investec Group operates. In addition, the Investec Group's borrowing costs and access to funds may be adversely affected by any reduction in its credit rating and no assurance can be given that any rating agency will not at some time in the future reduce such credit ratings.

The Investec Group's net interest earnings may be adversely affected by interest rate risk

The Investec Group is potentially exposed to the risk that interest rates paid to depositors and yields earned from loans change at different times with varying degrees of predictability. If the interest rates paid to depositors rise at a faster rate than the yields earned from loans, the Investec Group's results of operations and financial condition may be adversely affected.

The Investec Group's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks

The Investec Group has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Certain methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which the Investec Group operates, its clients or other matters that are publicly available to, or otherwise accessible by, the Investec Group. This information may not be accurate, complete, up-to-date or properly evaluated in some cases. Any failure by the Investec Group's risk management techniques may have a material adverse effect on its results of operations and financial condition.

The financial services industry in which the Investec Group operates is intensely competitive

The financial services industry in which the Investec Group operates is intensely competitive. The Investec Group competes on the basis of a number of factors, including customer services and quality, transaction execution, products and services, innovation, reputation and price. New competitors, including companies other than banks, may disintermediate the market and, as a result, they may acquire significant market share. Some of the Investec Group's competitors also offer a wider range of services and products than the Investec Group, have greater name recognition and financial resources and more extensive customer bases. Such competitors may be able to respond more quickly to new or evolving opportunities, technologies and customer requirements than the Investec Group and may be able to undertake more extensive promotional activities. If the Investec Group is unable to compete successfully, its future revenue and profit growth could be materially adversely affected.

The Investec Group may be unable to recruit, retain and motivate key personnel

The Investec Group's performance is largely dependent on the talents and efforts of key personnel, many of whom have been employed by the Investec Group for a substantial period of time and have developed with the business. In addition, while the Investec Group is covered by a general directors' and officers' insurance policy, it does not maintain "key man" insurance in respect of management employees. Competition in the financial services industry for qualified employees is significant.

In relation to the development and training of new staff, the Investec Group relies on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. The Investec Group's continued ability to compete effectively and further develop its businesses depends on its ability to retain and motivate its existing employees and to attract new employees. In addition, the South African operations of the Investec Group have been, and may continue to be, affected by the general skill shortages occurring in the labour pool in the industry in which the Investec Group operates.

The Investec Group may be vulnerable to the failure of its systems

The Investec Group relies on the proper functioning of its systems which may fail as a result of hardware or software failure or power or telecommunications failure. Such a failure may not be adequately covered by its business resumption and disaster recovery planning. Any significant degradation, failure or lack of capacity of the Investec Group's information systems, or any other systems in the trading process, could therefore cause it to fail to complete transactions on a timely basis, which would have an adverse effect on its business, results of operations and financial condition or could give rise to adverse regulatory and reputation consequences for the Investec Group's business.

The Investec Group's future success will depend in part on its ability to respond to changing technologies and demands of the market place. The Investec Group's failure to upgrade its information and communications system on a time or cost-effective basis could have an adverse effect on its business, financial condition and/or operating results and could damage its relationships with its clients and counterparties.

The Investec Group may be vulnerable to breaches of its security systems

The secure storage, use and transmission of confidential information are critical elements of the Investec Group's operations. The Investec Group's networks and systems may be vulnerable to unauthorised access and other security problems. The Investec Group cannot be certain that its existing security measures will prevent security breaches, including break-ins, viruses or disruptions. Anyone who circumvents the security measures could use the Investec Group's or its client's confidential information wrongfully which could expose it to a risk of loss, adverse regulatory consequences or litigation.

Terrorist acts and other acts of war could have a negative impact on the business and results of operations of the Investec Group

Terrorist and other acts of war or hostility, and responses to those acts, may create economic and political uncertainties. This could have a negative impact on South African and international economic conditions and the business and results of operations of the Investec Group in ways that cannot be predicted.

Future growth in the Investec Group's earnings depends on strategic decisions regarding organic growth and potential acquisitions

The Investec Group devotes substantial management and planning resources to the development of strategic plans for organic growth by developing more business from existing customers and the identification of possible acquisitions. If these expenditures and efforts are unsuccessful, the Investec Group's results of operations may grow more slowly or decline.

The Investec Group is subject to capital requirements that could limit its operations

The Investec Group is subject to capital adequacy guidelines adopted by the South African Reserve Bank which provide for a minimum target ratio of capital to risk-adjusted assets. Any failure by the Investec Group to maintain its ratios may result in sanctions against the Investec Group which may in turn restrict the Investec Group's operations. In addition, the Basel Committee has issued proposals for reform of the 1988 Basel Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk.

The Investec Group has implemented numerous initiatives in preparation for the framework transition and has internally assessed and provided for the anticipated budgetary impacts of the implementation. Notwithstanding this, it is difficult to predict the precise effects of the potential changes that might result from implementation of the proposals on the Investec Group's calculations of capital or the impact of these revisions on other aspects of its operations. Kensington Shareholders should consult their own advisers as to the consequences for them of the potential application of the new Basel Capital Accord proposals.

Political, social and economic risks in South Africa and the region may have an adverse effect on the Investec Group's operations and profits

A significant part of the Investec Group's operations are based in South Africa, which contributes a major proportion of its revenues. Operations in this market are subject to various risks which need to be assessed in comparison to jurisdictions elsewhere. These include political, social and economic risks, such as economic volatility, recession, inflationary pressure, exchange rate risks, exchange controls, crime and diseases (including e.g. HIV/AIDS). The existence of such factors may have a negative impact on South African and international economic conditions and more specifically on the business and reported results of the Investec Group.

The impact of any future change in law or regulation on the Investec Group's business is uncertain

The nature and impact of future changes in laws, regulations and regulatory policies cannot be predicted and are beyond the Investec Group's control. Changes in such laws, regulations and regulatory policies may have an adverse effect on the Investec Group's financial condition and results of operations.

PART V

FINANCIAL INFORMATION ON THE KENSINGTON GROUP

1. Trading statement issued on 30 May 2007

The following trading statement was issued on 30 May 2007.

For the purposes of this trading statement, **MPL** refers to Money Partners Limited, **Start** refers to Start Mortgages Holdings Limited, **TML** refers to TML Financial Solutions Limited and **KM** refers to Kensington Mortgages Limited.

"Trading update for the 5 months to 30 April 2007

Trading conditions have been challenging in the first five months to 30 April 2007. This has primarily been caused by intense competition from other providers, particularly those with access to lower cost funding, putting additional pressure on margins. In addition, more customers are redeeming outside the early redemption charge (ERC) period which has reduced the value of new business and the amount of income expected from business already written. As a result, the short-term outlook for the business has deteriorated and 2007 total revenue is expected to be significantly below 2006.

Key operational highlights

- Total new business completions for the Group (including KM, MPL, and Start) were over £1.5bn, which is in line with the same period in 2006, with the total offer pipeline up 4 per cent. over the same period in 2006 to £607m. Kensington has retained its risk based pricing principles and not chased volume growth. The mortgage book was £7.1bn at the end of April 2007, compared to £7.2bn at the end of November 2006.

- Annualised net interest income as a percentage of average assets under management was 2.1 per cent. in the period, compared to 2.6 per cent. in the year ended November 2006. The Kensington Directors expect that there will be continued pressure on the Group's net interest margin as existing higher margin mortgages redeem and are replaced by the lower margin loans currently being written.

- Average Group gross reversionary margins on first charge new business in the period were 2.6 per cent. down from 2.9 per cent. in the same period last year. The level of interest received from borrowers in the initial lending period continues to be significantly reduced by the current high levels of "teaser" discounts prevalent in the UK market.

- The trend for more customers to wait until the end of the ERC period to repay their mortgage has continued and the lower income from ERC receipts is reflected in the reduction in net interest income margin above. Average ERC income received from ERC's in the period was 2.73 per cent. down from 3.46 per cent. in the same period in 2006.

- Asset quality across the Group portfolio remains strong. The percentage of accounts 90 days or more in arrears at the end of April was 9.25 per cent., down from 10.46 per cent. at the end of April 2006 despite the impact of a maturing portfolio and higher levels of whole loan sales. Crystallised loan losses in the five months were £13.6m, compared to £13.8m in the same period last year. The loan impairment charge for the period was £14.3m, compared to £22.9m in the same period last year. At 30 April 2007, the weighted average indexed loan-to-value ratio (LTV) of the UK portfolio remained low at 67 per cent. (30 April 2006, 69 per cent.) and 59 per cent. of mortgage assets under management had a debt service ratio below 25 per cent.

- The new broader product range at KM has been well received by the market and KM's new business pipeline was £457m at the end of April, an increase of 7 per cent. over the same period last year. Approximately 26 per cent. of the pipeline related to KM's specialist prime first-charge mortgage range which is at lower margins than the core adverse business, and which is covered by the recently announced forward flow arrangement with Bradford & Bingley.

- MPL has had a challenging start to the year, with completions in the period down by 24 per cent. compared to the prior period and the first charge pipeline at 30 April 2007 44 per cent. lower than at the same time last year. MPL was loss making in the period. In May 2007, MPL entered into a forward flow arrangement with a third party to originate a broad range of products including a range of high adverse/high LTV mortgages, which are outside the Kensington Group's risk criteria. Kensington is evaluating a possible impairment in the carrying value of the Group's investment in MPL, which at 30 April 2007 was approximately £27m including debt.

- Start, our mortgage business in Ireland, has once again performed strongly, generating attractive profits. The business continues to grow, with an increase in completions to €303m in the period compared to €208m in the same period last year, and margins remain strong.

- Bluestep, a specialist lender in Sweden in which the Group has a 15 per cent. interest, performed in line with management's expectations.

- The sale of TML, Kensington's direct to consumer mortgage business, was completed in April 2007. As previously reported, an exceptional charge of approximately £8m will be recognised this year.

- During the period, £462m of mainly near prime business was sold through the established whole loan sale (WLS) programme. The average net return on WLS's during the period was 1.16 per cent. which was significantly lower than the 2.2 per cent. average net return received in the first half of 2006, reflecting the change in value of the loans, and slightly below the average net return achieved in the second half of 2006 at 1.3 per cent. An additional £226m of specialist prime was sold in the period.

- In March, the UK business completed a securitisation issuance under the new KMS programme totalling £800 million which included collateral originated by KM and MPL. Demand among investors was strong, notwithstanding the issues affecting the US sub-prime market.

Capital requirements

Kensington's principal source of funding working capital has been to raise debt secured against the Group's retained interests in its securitised mortgage book. This funding has been used to support writing new business, contribute to Group overheads and finance investments in new initiatives.

Historically, on completion of a securitisation, the Group was able to raise debt to cover all of the origination costs of the mortgages and the securitisation costs including a contribution of collateral to the securitisation vehicles. As the value of new business has reduced, the Group is no longer able to raise sufficient debt to cover all of these initial costs and therefore requires working capital to be found from other sources. As a result of this financing constraint, the Group has increased the proportion of whole loan sales, which generate cash on disposal. The Kensington Directors expect that in the region of 60 per cent. of the Group's lending in 2007 will be sold (approximately 25 per cent. in 2006).

One consequence of the business review is that the Kensington Directors have come to the view that, as an independent entity, the Group may not be able to raise sufficient capital in the debt markets to support significant growth in the size of the managed loan book.

As at 25 May 2007, Kensington had outstanding debt including bank loans of £256.8m (£334.6m on 30 November 2006) secured against the Group's interests in its securitised mortgage book. The group also has a further £125m of subordinated debt which is due for repayment in 2015.

Business review

The business review announced on 23 March 2007 is seeking to address the challenges the business faces from increased competition, pressure on new business margins, lower ERC income and a cost base which is too high as a percentage of income. In addition, restrictions under the Group's warehouse funding arrangements have limited the Group's ability to develop new product lines. The business review, which is ongoing, has identified a number of immediate initiatives:

- A cost reduction programme targeting annualised savings in the region of £8m to be delivered by the end of two years, including the elimination of certain duplicated functions across the Group and the automation of certain business processes.
- A £9m capital investment in information technology to increase automation, enhance efficiency and improve competitiveness at the point of sale.
- Entry into a number of market segments where, subject to making appropriate funding arrangements, Kensington will be able to leverage its existing distribution platform and underwriting skills.

Initial estimates are that the one-off costs associated with the business review, implementation of the cost efficiency programme (including a property rental provision and related costs of approximately £6m) and a write-off of capitalised technology will be in the range of £20-25m and will be charged in the current year. This estimate is before any potential impairment in the carrying value of Kensington's investment in MPL and the approximately £8m exceptional charge in respect of TML.

Outlook

The Kensington Directors are cautious about the short-term prospects for the Group and expects 2007 total revenue to be significantly below 2006.

The Kensington Directors and the combined boards of Investec and Investec Limited have reached agreement on the terms of a recommended offer for Kensington by Investec.

The Kensington Directors are unanimously recommending this offer from Investec, a specialist banking group, which secures Kensington's future as part of a stronger group with complementary capabilities at a fair price.

The Kensington Directors believe that the combination of Investec's stronger balance sheet, access to lower cost of funding, and capital markets expertise, together with Kensington's recognised brand, established distribution, innovative product range, prudent risk management and track record for service excellence, create a strong combination for the growing non-standard mortgage marketplace.

As the consideration for Kensington is primarily in the form of shares, Kensington's shareholders will have an opportunity to share in value created from the combination, and will also benefit from Investec's broader franchise across a range of markets and geographies."

2. Indebtedness

As at 31 May 2007, Kensington had oustanding debt including bank loans of £256.8m (£334.6m on 30 November 2006) secured against the Group's interests in its securitised mortgage book. The Group also has a further £125m of subordinated debt which is due for repayment in 2015. At the same date, cash balances held within the Group treasury accounts to support the operating activity of the Group were £75.2m (2006: £148.9m).

3. Nature of financial information

The following financial information in sections 4 to 12 below has been extracted without material adjustment from Kensington's consolidated audited results for the three years ended 30 November 2006.

The financial year ended 30 November 2006 was the first year that Kensington presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 30 November 2005. In preparing the IFRS accounts for the year ended 30 November 2006, the financial statements for the year ended 30 November 2005, which had been prepared in accordance with UK GAAP were restated as noted below.

4. Consolidated income statement

The information contained in the consolidated income statement set out below was prepared in accordance with IFRS for the two years ended 30 November 2006.

	Note	*Year to 30 November 2006 £m*	*Year to 30 November 2005* £m*
Investment income	10.1	550.3	409.3
Finance costs	10.2	(380.5)	(297.2)
Net interest income		169.8	112.1
Fees and commissions receivable		15.4	78.1
Profit on sale of mortgages		16.8	16.4
Fees and commissions payable		–	(44.1)
Total revenue		202.0	162.5
Operating expenses		(91.5)	(76.0)
Loan impairment charge	10.3	(45.1)	(30.2)
Goodwill impairment charge		(16.1)	–
Change in fair value of equity options		0.6	–
Share of joint venture result		(0.8)	(0.5)
Profit on sale of investments		–	0.1
PROFIT BEFORE TAXATION		49.1	55.9
Taxation	10.4	(12.8)	(17.4)
PROFIT AFTER TAXATION		36.3	38.5
Minority interest**		(0.2)	0.8
PROFIT FOR THE PERIOD		36.1	39.3
Attributable to:			
Equity holders of the parent		36.3	38.5
Minority interest		(0.2)	0.8
		36.1	39.3
Earnings per ordinary share – basic		69.5p	76.2p
Earnings per ordinary share – diluted		68.2p	74.3p

* *Comparatives for the year ended 30 November 2005 have been restated to comply with IFRS after taking advantage of the exemption from the implementation of International Accounting Standard (IAS) 32 and IAS 39 in respect of financial instruments. The adoption of IAS32 and IAS 39 from 1 December 2005 increased shareholders equity by £9.1 million at 1 December 2005.*

** *Minority interests arise in relation to the 65.09 per cent. (2005: 64.09 per cent.) ownership of Start Mortgages Holdings Limited by Kensington Group plc.*

5. Consolidated balance sheet

	Note	£m	30 November 2006 £m
NON-CURRENT ASSETS			
Goodwill	10.5	0.9	
Share of interest in joint venture	10.6	19.9	
Available for sale investments		4.1	
Intangible assets		4.8	
Property, plant and equipment		6.6	
Loans and receivables – mortgage balances		7,175.1	
Deferred tax asset		2.5	
			7,213.9
CURRENT ASSETS			
Trade and other receivables		7.5	
Cash and cash equivalents	10.7	870.9	
Derivatives financial instruments	10.8	9.1	
			887.5
Total assets			8,101.4
CURRENT LIABILITIES			
Financial liabilities – financing	10.9	1,369.2	
Tax liabilities		14.0	
Trade and other payables		50.6	
Derivatives financial instruments	10.8	101.1	
			1,534.9
NON-CURRENT LIABILITIES			
Financial liabilities – financing	10.9		6,386.2
Total liabilities			7,921.1
NET ASSETS			180.3
EQUITY			
Share capital		5.3	
Share premium account		55.9	
Capital redemption reserve		0.9	
Other reserves		0.1	
Share based payment reserve		2.1	
Own shares held in Employee Benefit Trust		(5.2)	
Hedging reserves		(0.9)	
Retained earnings		123.0	
			181.2
Minority interest			(0.9)
TOTAL EQUITY			180.3

6. Consolidated cash flow statement

	2006
	£m
Net cash inflow from operating activities	
Profit before taxation	49.1
Adjusted for:	
Depreciation charges and assets written off	5.2
Share of interest in joint venture	0.8
Change in fair value of equity options	(0.6)
Goodwill impairment	16.1
Loan impairment provision	13.7
	84.3
Changes in operating assets	
Increase in debtors and derivative assets	(0.4)
Increase in loans and receivables – mortgage balances	(1,352.2)
	(1,352.6)
Changes in operating liabilities	
Trade and other payables	(13.7)
Derivative financial instruments	83.7
Taxation	(18.1)
Increase in financial liabilities	1,163.0
	1,214.9
Cash flows from investing activities	
Purchase of property, plant and equipment	(6.3)
Acquisition of subsidiary	–
Purchase of share of interest in joint venture	(13.1)
Purchase of available for sale investments	(4.1)
	(23.5)
Cash flows from financing activities	
Dividends paid	(11.9)
Proceeds on issue of share capital	1.3
Loan to Employee Share Trust to purchase the Company's shares	(5.2)
Share buy back	–
	(15.8)

7. Dividend per share for the two years ended 30 November 2006

As reported in the consolidated audited financial statements for the year ended 30 November 2006.

	2006	*2005*
	Per share	*Per share*
Dividend on ordinary shares		
Interim	15.0p	11.0p
Final	8.0p	6.5p
Total dividend paid during the year	23.0p	17.5p

8. Derivatives and other financial instruments

The Group's financial instruments, other than derivatives, and fixed and variable mortgages, comprise a subordinated bond issue, short-term loan facilities, longer-term bank loans, mortgage-backed floating rate notes, cash and other liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations. The purpose of these financial instruments is to fund the initial origination of mortgages, to finance the long-term investment in mortgages and to provide the Group's working capital.

The Group also enters into derivatives transactions in the nature of interest rate swaps to manage the interest rate risks associated with certain fixed interest rate mortgages and currency swaps to manage the currency risks associated with certain foreign currency denominated notes issued in its securitisations.

The Group's policy is not to trade in financial instruments.

The main risks associated with the Group's financial instruments are liquidity, interest rate, credit and foreign currency fluctuations.

9. Significant accounting policies for the year ended 30 November 2006

9.1 ***Basis of Accounting***

The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC Interpretations that, under European Regulations, were effective at the Group's first reporting date under IFRS, 1 December 2005, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS at that date. Previously, the Group prepared financial information in accordance with applicable United Kingdom accounting standards.

At the date of authorisation of the financial statements there were Standards and Interpretations that were in issue but not yet effective which have not been applied in the financial statements. At that time, the Kensington Directors anticipated that the adoption of these standards and interpretations in future periods would have no material impact on the Group except for the additional capital and financial instrument disclosures required by IFRS7 and the related amendment to IAS1 when effective.

The 30 November 2005 comparative figures were restated from UK GAAP where necessary to comply with IFRS adoption. The Group took advantage of the exemption available under IFRS 1 'First Time Adoption of International Financial Reporting Standards' in respect of the adoption of IAS 32 and 39 for the comparatives and accordingly applied the requirements of these standards from 1 December 2005.

The company did not take advantage of the exemption available under IFRS 1 'First Time Adoption of International Financial Reporting Standards' in respect of the adoption of IAS 32 and 39.

9.2 ***Accounting convention***

The financial statements were prepared under the historical cost convention except for the revaluation of certain financial instruments, where required by IAS 39.

9.3 ***Basis of consolidation***

The consolidated financial statements include the results of the Company, all its subsidiaries (including Special Purpose Vehicles that are consolidated in accordance with SIC 12) over which the Company had control and interest in joint ventures (together the "**Group**") drawn up to 30 November 2006. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year were included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments were made to the financial statements of the subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses were eliminated on consolidation.

Minority interests represent the portion of the profit and loss and net assets not held by the Group. They are presented separately to the Group's, in the consolidated income statement and within equity in the consolidated balance sheet. Minority interest consists of the amount of those interests at the date of original business combination and the minority's share of changes in equity since that date.

The financial statements were presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

For the purposes of presenting consolidated financial statements, the results and financial position of each Group company were expressed in pounds sterling, the Group's presentation currency. The assets and liabilities of the Group's foreign operations were translated into sterling at exchange rates prevailing on the balance sheet date. Income and expense items were translated at the average exchange rates for the period. Exchange differences arising, if any, were classified as equity and transferred to reserves. Such translation differences were recognised as income or expense in the period in which the operation is disposed of.

9.4 ***Income recognition***

9.4a *Investment income and expense - effective interest rate*

For all financial assets and liabilities measured at amortised cost (including mortgage balances and financing), investment income and expenses were recognised in the Income Statement on an Effective Interest Rate ('EIR') basis.

Under IAS 39, the Group's mortgage loan assets were classified as loans and receivables and were initially recognised at the initial advance net of any fees or other charges paid or received and then subsequently measured on an 'amortised cost' basis. This requires that, for all loan assets, revenue is recognised over the estimated (not contractual) life of the mortgage loan, taking into account all incremental income and expenditure directly attributable to the loan, in the same way that all these factors would be taken into account in determining an investment return for a product.

The rate at which revenue was recognised is referred to as the EIR and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan. The revenue stream includes interest, upfront fees, estimated early redemption charges, upfront costs such as procurement fees, commissions and other external fees paid all of which are spread across the expected life of the loan using the EIR, The effect of discounts and fixed rates offered were spread over the expected life of the loan rather than the discount period.

In respect of financial liabilities, the Group incurs set up costs in arranging financing. These incremental set up costs were spread across the expected repayments of the liabilities at the EIR which is equivalent to the rate that discounts estimated future cash flows throughout the estimated life to the net carrying value of the liabilities.

Any fees, commissions, charges, interest or other cashflows forming part of the yield for financial asset and liabilities and recognised as profit or loss through the EIR calculation were presented within investment income and expense respectively in the Income Statement.

9.4b *Profit on sale of mortgages*

The Group periodically sold portfolios of mortgages to external third parties. The profit on sale of these mortgages represents the excess of the consideration received over amortised cost of the mortgages, less the transaction costs.

9.5 ***Impairment of mortgage balances***

Impairment was only recognised when, following an impairment event after initial recognition, there was objective evidence to suggest at the balance sheet date that the value of the loan is impaired. The impairment provision on any loan is that amount which would reduce the carrying value of the asset to the estimated value of the future cash flows related to the loan, including realisation of collateral, discounted at the original EIR. Evidence of impairment events includes default or delinquency in interest or principal payments. Once an impairment event occurred future cashflows were estimated on the basis of historical loss experience, adjusted to reflect the prevailing economic conditions.

9.6 ***Leasing***

Rentals payable under operating leases were charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease were also spread on a straight line basis over the lease term.

9.7 ***Intangible assets***

Information technology development costs were capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. The costs that were capitalised were then written off to the income statement on a straight-line basis over 3 years from the date the asset created came into use within the business.

9.8 ***Pension costs***

The Group operates a defined contribution pension scheme and contributions to the scheme were charged to the income statement as they accrue.

9.9 ***Goodwill***

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill was initially recognised as an asset at cost and was subsequently measured at cost less any accumulated impairment losses. Goodwill which was recognised as an asset was reviewed for impairment at least annually. Any impairment was recognised immediately in the income statement and was not subsequently reversed.

As permitted by IFRS1, unamortised goodwill arising on acquisitions before the date of transition to IFRS was retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

9.10 ***Investments in joint ventures***

In the Group's financial statements, investments in joint ventures were accounted for using the equity method. The consolidated income statement includes the Group's share of the joint venture's profits less losses while the Group's share of the net assets of the joint venture is shown in the consolidated balance sheet.

9.11 ***Available for sale investments***

Unquoted equity investments have been classified as available-for-sale, and are recognised initially and measured at subsequent reporting dates at fair value. Unrealised gains or losses arising from changes in fair value were recognised directly in equity, until the investment was disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity was included in the income statement for the period. Any dividends were recognised in the income statement when the right of payment was established,

Where the fair value of unquoted securities could not be measured reliably because there was no observable price or alternative reliable method of estimating fair value, these investments were measured at cost.

9.12 ***Property, plant and equipment***

Property, plant and equipment were stated at cost less accumulated depreciation and net of any provision for impairment.

9.13 ***Depreciation***

Depreciation was provided on cost in annual instalments over the lives of the assets on a straight line basis. The rates of depreciation were as follows:

Short term leasehold property	*Over the period of the lease*
Computer equipment	25% per annum and 33% per annum
Furniture, fixtures and office equipment	20% per annum
Motor vehicles	25% per annum
Development costs	33% per annum

9.14 ***Financial Instruments***

9.14a *Mortgage loans*

Mortgage loans are considered to be 'loans and receivables' as defined by IAS39. They were therefore accounted for on an amortised cost basis.

On initial recognition, mortgage loans were recorded at the initial advance net of any fees or other charges paid or received that form part of the EIR. Thereafter they were recorded at amortised cost using the effective interest rate, less any provision where the mortgage loans were considered to be impaired.

Mortgage loans were derecognised when the rights to receive the cash flows expired.

9.14b *Financial liabilities*

Financial liabilities comprise loan notes payable in respect of the mortgage backed floating rate notes, short-term loans, bank loans and subordinated loan. Financial liabilities were initially recorded in the balance sheet as the proceeds received net of any direct issue costs. On subsequent reporting dates, financial liabilities were measured at amortised cost based on the original effective interest rate.

9.14c *Derivative financial instruments and hedge accounting*

Derivatives were recognised in the Group's balance sheet on a trade date basis.

Foreign exchange and interest rate derivatives

Foreign exchange and interest rate derivatives were transacted by the Group purely for hedging purposes, in line with approved risk management policies. The Group did not enter into such derivatives for speculative purposes.

The Group transacted interest rate swap, interest rate cap and cross currency interest rate swap contracts to alter the risk profile of existing underlying exposures of the Group in line with the Group's risk management policies.

Derivatives were held in the balance sheet at fair value. Changes in the fair value of derivative financial instruments that did not qualify for hedge accounting were recognised in the income statement as they arose, within investment income in respect of the interest rate and interest rate cap derivatives and within financing costs in respect of the cross currency interest rate swaps.

Changes in the fair value of derivative financial instruments that were designated as and were effective as hedges of future cash flows were recognised directly in equity and the ineffective portion was recognised immediately in the income statement. When the hedged cash flow affected the income statement, the effective portion recognised in equity was recycled to the income statement in the period or periods that the hedged cash flow affects it.

Hedge accounting was discontinued when the hedging instrument expired or was sold, terminated, or exercised, no longer qualified for hedge accounting, or was dedesignated. At that time, any cumulative gain or loss on the hedging instrument recognised in equity was retained in equity until the forecasted transaction occurs. If a hedged transaction was no longer expected to occur, the net cumulative gain or loss recognised in equity was transferred to the income statement immediately.

The fair value for interest rate and foreign currency derivatives was estimated using discounted cash flow models based on quoted market interest rates and foreign currency prices.

Equity options

The Group has an investment in two unquoted companies, Money Partners Holdings Limited and Start Mortgages Holding Limited, and has an option to increase its ownership in the ordinary shares of those entities. These options were classified as derivative instruments and accordingly the estimated fair value of these options, if any, was included in the balance sheet and the movement in their fair value taken to the income statement.

The fair value of the equity options was calculated using a Black Scholes model.

9.15 ***Foreign currencies***

Mortgage-backed floating rate loan notes included in financial liabilities, denominated in foreign currencies at the balance sheet date, were reported at the rates of exchange prevailing at the reporting date. Any exchange differences arising in the period on the settlement or retranslation of foreign currency liabilities were included in the income statement within finance costs.

9.16 ***Share based payments***

The Group issues equity settled share based payments to certain employees. Equity settled share based payments were measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled shared based payments was expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market based vesting conditions.

The fair value of the options granted was determined using option pricing models, which take into account the exercise price of the options, the current share price, the risk free interest rate, the expected volatility of the Kensington share price over the life of the option and other relevant factors.

As permitted by IFRS 1, only those options which were granted after 7 November 2002, and not vested by 1 December 2005, were restated on transition to IFRS.

9.17 ***Taxation***

The current UK corporation tax was provided at amounts expected to be paid (or recovered) using the tax rates and laws that were enacted by the balance sheet date.

Deferred tax was provided in full on temporary timing differences which resulted in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a subsequent date, at the rates expected to apply when they crystallise based on then current tax rates and law. Deferred tax assets were recognised to the extent that it was regarded as more likely than not that they would be recovered. Deferred tax assets and liabilities were not discounted.

9.18 ***Significant accounting judgements and estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates were based on management's knowledge of the amount at the time of preparation, actual results ultimately may differ from those estimates.

The most significant use of accounting judgements and estimates was:

Effective Interest Rate (EIR)

In order to determine the EIR applicable to mortgage loans an estimate must be made of the expected life of each mortgage loan and hence the cash flows related thereto. These estimates are based on historical data and reviewed as appropriate. The accuracy of the EIR applied would therefore be compromised by any differences between actual borrower behaviour and that predicted. Any changes in these estimates will result in an adjustment to the carrying value of the mortgage assets. The corresponding charge or release to the income statement will be included in the period in which the estimates are revised.

Impairment losses on mortgages

The level of potential credit losses is uncertain and depends on a number of factors such as unemployment levels, interest rates, house price levels and other general economic conditions. The Group bases impairment provisions on estimates based on historical loss experience. Actual cash flows on financial assets may differ from management estimates, resulting in an increase or decrease of impairment charges and provisions.

9.19 ***Segmental information***

The Group considers that the dominant business risks and returns are within one business segment being the provision of a range of mortgage loans. The Group's operations are materially all within one geographical market, being the United Kingdom.

10. Notes to the consolidated audited financial statements for the year ended 30 November 2006

10.1 *Investment income*

	2006	*2005*
	£m	*£m*
Investment income receivable	540.2	409.3
Change in fair value of interest rate derivatives	10.1	–
	550.3	409.3

10.2 *Finance costs*

	2006	*2005*
	£m	*£m*
Interest payable on:		
Short term loans repayable within five years	59.9	36.1
Bank loans repayable within five years	20.4	17.3
Subordinated loan	8.1	0.2
Mortgage backed floating rate notes repayable after five years	290.3	243.6
Change in fair value of cross currency interest rate swaps	84.7	–
Unrealised exchange gain on restatement of loan liabilities	(82.9)	–
	380.5	297.2

10.3 *Loan impairment charge*

	2006	*2005*
	£m	*£m*
Losses in the year	31.4	11.6
Movement in provision for the year	13.7	18.6
Total impairment charge for the year	45.1	30.2

10.4 *Tax*

Analysis of the tax charge in the year

	2006	*2005*
	£m	*£m*
Current tax		
Corporation tax at 30 per cent. based on the profit for the year	20.0	18.4
Adjustment in respect of prior periods	(7.5)	(3.9)
	12.5	14.5
Deferred tax		
Deferred tax – origination and reversal of timing differences	–	(0.6)
Adjustment in respect of prior periods	0.3	3.5
	12.8	17.4

Factors affecting the tax charge for the year

The current tax charge arising in respect of the year is lower (2005 – higher) than the standard rate of UK corporation tax of 30 per cent.. The differences are explained below.

	2006	*2005*
	£m	*£m*
Profit on ordinary activities before tax	49.1	55.9
Expected charge at 30%	14.7	16.8
Prior period adjustment	(7.2)	(0.5)
Non-deductible expenses (including goodwill)	5.1	0.9
Other	0.2	0.2
Current tax charge for the year	12.8	17.4

10.5 ***Goodwill***

	£m
Cost – At 1 December 2005	17.0
Impairment charge for 2006	(16.1)
At 30 November 2006	0.9

10.6 ***Subsequent events***

On 28 January 2007 the Group entered into a contract to sell all of the issued share capital of TML Financial Solutions Limited (TML) for a nominal consideration. The disposal was completed on 25 April 2007. The Group expects to incur a loss on disposal of approximately £8 million which includes pre-sale reorganisation and transaction costs of £4 million and property costs of £4 million. These costs will be included in the 2007 results.

Further to the decision to sell TML, the remaining acquisition goodwill has been fully impaired and a £16.1 million charge has been included in the income statement for the year ended 30 November 2006.

10.7 ***Share of interest in joint venture***

	2006
	£m
Money Partners Holdings Limited	
At 1 December 2005	–
Purchase of additional 37.5% share	13.1
Exercise of option on equity	7.6
Share of joint venture result	(0.8)
At 30 November 2006	19.9

On 1 November 2006 the Group increased its shareholding in Money Partners Limited (MPL) which operates in the United Kingdom, from 20 per cent. to 57.5 per cent. through exercising an option over 30% of the issued share capital of MPL and purchasing an additional 7.5 per cent. in a seprarte transaction. The value of the equity option (£7.6 million at 1 November 2006) forms part of the purchase cost, along with the £13.1 million in cash paid immediately and deferred consideration up to a maximum of £11 million. The deferred consideration, if any, is calculated by reference to MPL's audited post tax profit for the year ending 30 November 2008. The Group holds a further option to purchase the remaining 42.5 per cent. share capital of MPL.

The Group continues to share control of MPL with the other founder shareholder of MPL since the Group is precluded from making key decisions around the financial, strategic and operating policies of the business without the approval of the other founder shareholder. Accordingly, despite the increase in shareholding to 57.5 per cent. from 20 per cent., it will continue to be treated as a joint venture and accounted for using the equity method.

10.8 ***Cash and cash equivalents***

	2006	*2005*
	£m	*£m*
Cash deposits with instant access	734.9	908.6
Cash deposits repayable on demand	136.0	55.0
	870.9	963.6

The Group cash and cash equivalents include £653.3m (2006) and £762.7m (2005) respectively relating to SPV Companies (consolidated in accordance with SIC 12) towards the repayment of their financial liabilities.

10.9 ***Derivatives***

	2006	*2006*	*2006*
	Notional amount	*Assets*	*Liabilities*
	£m	*£m*	*£m*
Interest rate			
Interest rate swaps	2,992.7	8.9	–
LIBOR caps	1,897.1	0.2	–
Basis rate swaps	2,868.6	–	1.6
Foreign exchange			
Currency swaps	2,672.2	–	99.5
	10,379.3	9.1	101.1

Equity options

The Group has an investment in two unquoted companies, Money Partners Holdings Limited and Start Mortgages Holding Limited, and has an option to increase its ownership in the ordinary shares to 100 per cent. of the shares. These options are classified as derivative instruments and accordingly the estimated fair value of these options is included in the balance sheet and the movement in their fair value taken to the income statement. The fair value of the equity options owned by the Group and the Company at 30 November 2006 was £nil.

10.10 ***Financing***

	2006
	£m
Short term loans – Note (i)	1,347.8
Bank loans – Note (ii)	334.6
Subordinate loan – Note (iii)	134.6
Mortgage backed floating rate Notes – Note (iv)	5,938.4
	7,755.4

The maturity profile is as follows:		
Less than 1 year		1,369.2
1 – 2 years	62.0	
2 – 5 years	251.2	
More than 5 years	134.6	
Mortgage backed floating rate Notes	5,938.4*	
		6,386.2
		7,755.4

**The maturity profile of the mortgage backed floating rate loan notes issued by the SPV Companies has not been included as these are repaid in line with the redemption profile of the securitised mortgages. The average expected life of securitised mortgages is between three and four years.*

(i) Short-term loans (also known as 'warehouse facilities') are used to fund the provision of mortgage loans which together with other assets provide security to the facility provider. Short-term loan facilities at 30 November 2006 amounted to £2,873 million and are only available to fund the origination of mortgages. These include facilities of €1 billion in respect of the operation of Start Mortgages Limited in the Republic of Ireland.

(ii) Bank loans are secured by charges over specific cash flows from SPV Companies.

(iii) As at 30 November 2006, £125 million of principal was outstanding. The subordinated debt has a fixed rate of 9 per cent. per annum and is due for repayment in December 2015.

(iv) Mortgage backed floating rate notes have been issued by SPV Companies in order to finance the purchase of certain mortgage loans originated by the Group. The SPV Companies are ultimately beneficially owned by charitable trusts. The Group is not obliged to support any losses of the SPV Companies and does not intend to do so. The terms and conditions of the securitisations provide that the note holders will receive interest and repayment of principal only to the extent that sufficient funds are generated by the mortgage portfolios acquired by the SPV Companies. Note holders have no recourse to the Group in any form. The SPV Companies have the option to call the notes before the contractual dates.

The priority and amount of claims on the proceeds generated by the assets are determined in accordance with a strict priority of payments. The Group is entitled to further deferred consideration or residual income depending on the performance of the SPV Companies, although the proceeds already received by the Group from the securitisation of the mortgage loans are non-returnable. The Group has an option to sell further mortgages to the same SPV Companies over a fixed period of time.

The SPV Companies have undrawn committed loan facilities of £623.8 million to provide short-term funding for income shortfalls.

10.11 *Interest rate profile*

The Group's policy is to maintain floating rate assets and broadly match these with floating rate liabilities, hedging fixed rate assets by the use of derivatives including interest rate swaps and caps.

The rates of interest payable on the short-term loans, bank loans and mortgage-backed floating rate notes are reset either monthly or quarterly on the basis of LIBOR. The interest rates being charged on the Group's variable rate mortgages are determined by reference to the Group's funding costs, the underwriting risk and rates being charged on similar products in the marketplace.

With the exception of the £134.6 million of fixed-rate subordinated debt, all the Group's financial liabilities are reset to floating rate at least every three months. All foreign currency floating rate notes are swapped into GBP LIBOR by the cross currency interest rate swaps.

There are no non-interest bearing financial assets or liabilities.

As at 30 November 2006, 41.5 per cent. (approximately £2,956 million) of the outstanding mortgage loans were still within their initial fixed rate period.

To minimise the exposure to interest rate risk, the Group has £2,992 million of interest rate swaps outstanding to hedge these fixed-rate mortgages and a proportion of the undrawn fixed-rate mortgages offered to customers.

Interest rate and currency profile of the Mortgage backed floating rate notes is as follows:

		2006	
Currency of issue	*£m*	*Floating rate*	*Margin range*
Pound sterling	3,044.7	Libor	0.04% – 3.80%
US Dollar	572.7	USD Libor	0.01% – 3.00%
Euro	2,321.0	Euribor	0.07% – 3.55%
	5,938.4		

The EIR on the Mortgage backed floating rate notes approximates to the contractual interest rates on the Notes. The margin range reflects the variety of floating rate notes issued by the SPVs ranging from AAA rated to BB rated.

All liabilities in respect of foreign currency mortgage-backed floating rate notes have been swapped into Sterling.

The fair value of financial assets and liabilities is considered to be materially the same as carrying value because floating rate assets and liabilities reset to market on a regular basis and the average period of the fixed rate mortgage assets is less than 2 years.

11. Effect of changing accounting policies as a result of adoption of IFRS

	Share capital	*Share premium*	*Capital redemption reserve*	*Other reserves*	*Share based payment reserves*	*Profit and loss*	*Total*	*Minority interest*	*Total*
	£ m	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*
As at 1 December 2004 – UK GAAP	5.1	52.1	0.9	0.2	–	55.6	113.9	(0.3)	113.6
IAS 17 – Leasing	–	–	–	–	0.2	0.2	–	0.2	
IFRS 2 – Share based payment	–	–	–	–	0.3	(0.3)	–	–	–
IAS 10 – Dividends	–	–	–	–	–	5.6	5.6	–	5.6
As at 1 December 2004 – IFRS	5.1	52.1	0.9	0.2	0.3	61.1	119.7	(0.3)	119.4

	Share capital	*Share premium*	*Capital redemption reserve*	*Other reserves*	*Share based payment reserves*	*Profit and loss*	*Total*	*Minority interest*	*Total*
	£ m	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*	*£ m*
As at 30 November 2005 – UKGAAP	5.2	54.7	0.9	0.1	0.4	78.6	139.9	(1.1)	138.8
IFRS transition adjustments for 2005:									
IFRS 3 – Goodwill amortisation write back	–	–	–	–	–	2.1	2.1	–	2.1
IAS 17 – Leasing	–	–	–	–	–	0.5	0.5	–	0.5
IFRS 2 – Share based payment	–	–	–	–	0.7	(0.7)	–	–	–
IAS 10 – Dividends	–	–	–	–	–	7.7	7.7	–	7.7

11. Effect of changing accounting policies as a result of adoption of IFRS (continued)

	Share capital £ m	*Share premium £ m*	*Capital redemption reserve £ m*	*Other reserves £ m*	*Share based payment reserves £ m*	*Profit and loss £ m*	*Total £ m*	*Minority interest £ m*	*Total £ m*
As at 30 November 2005 –IFRS	5.2	54.7	0.9	0.1	1.1	88.2	150.2	(1.1)	149.1
IFRS transition adjustments:									
IAS 39									
Effective interest rate									
Investment income	–	–	–	–	–	3.3	3.3	–	3.3
Finance cost	–	–	–	–	–	3.3	3.3	–	3.3
Loan impairment – IAS 39	–	–	–	–	–	4.7	4.7	–	4.7
Derivatives – Swaps and other derivatives	–	–	–	–	–	(16.5)	(16.5)	–	(16.5)
Derivatives – Options on equity	–	–	–	–	–	7.0	7.0	–	7.0
Restatement of financial liabilities	–	–	–	–	–	11.2	11.2	–	11.2
Deferred corporation tax	–	–	–	–	–	(3.9)	(3.9)	–	(3.9)
As at 1 December 2005 – IFRS	5.2	54.7	0.9	0.1	1.1	97.3	159.3	(1.1)	158.2

PART VI

FINANCIAL INFORMATION ON THE INVESTEC GROUP

1. Nature of financial information

The following financial information in sections 2 to 6 (inclusive) has been extracted without material adjustment from Investec Group's consolidated audited results for the three years ended 31 March 2007.

2. Combined consolidated income statement

For the year to 31 March

	Notes	*2007 £'000*	*2006 £'000*	*2005 £'000*
Interest receivable		1,233,226	934,389	734,765
Interest payable		(889,311)	(675,237)	(587,945)
Net interest income		343,915	259,152	146,820
Fees and commissions receivable		577,773	478,465	439,958
Fees and commissions payable		(56,275)	(41,591)	(25,818)
Principal transactions		245,463	246,059	135,358
Operating income from associates		10,685	6,694	14,474
Investment income on assurance activities		36,821	141,559	258,855
Premiums and reinsurance recoveries on insurance contracts		80,542	164,631	246,537
Other operating income		49,685	2,721	6,120
Other income		944,694	998,538	1,075,484
Claims and reinsurance premiums on insurance business		(111,492)	(293,135)	(478,894)
Total operating income net of insurance claims		1,177,117	964,555	743,410
Impairment losses on loans and advances		(16,530)	(9,160)	(27,796)
Operating income		1,160,587	955,395	715,614
Administrative expenses		(680,687)	(558,887)	(485,444)
Depreciation, amortisation and impairment of property, equipment and intangibles		(13,315)	(7,741)	(10,130)
Operating profit before goodwill		466,585	388,767	220,040
Goodwill		2,569	(21,356)	(37,010)
Operating profit		469,154	367,411	183,030
Profit/(loss) on disposal of group operations		–	73,573	(14,629)
Profit before taxation		469,154	440,984	168,401
Taxation		(119,781)	(111,616)	(60,463)
Profit after taxation		349,373	329,368	107,938
Earnings attributable to minority shareholders		9,054	14,267	2,371
Earnings attributable to shareholders		340,319	315,101	105,567
		349,373	329,368	107,938
Earnings per share (pence)				
– Basic	6.2	54.7	53.8	16.9
– Diluted	6.2	50.4	50.0	16.2
Dividends per share (pence)				
Interim	6.3	10.0	7.6	6.0
Final	6.3	13.0	10.6	7.4

3. Combined consolidated balance sheet

At 31 March

	2007 *£'000*	*2006* *£'000*
Assets		
Cash and balances at central banks	102,751	190,838
Loans and advances to banks	2,476,969	1,830,603
Cash equivalent advances to customers	687,918	690,236
Reverse repurchase agreements and cash collateral on securities borrowed	2,185,322	756,645
Trading securities	2,151,036	1,640,088
Derivative financial instruments	724,492	1,081,287
Investment securities	1,776,601	1,266,673
Loans and advances to customers	10,190,252	9,604,589
Interests in associated undertakings	70,332	63,099
Deferred taxation assets	59,394	60,035
Other assets	1,408,159	1,272,787
Property and equipment	131,505	26,916
Investment properties	85,424	163,049
Goodwill	195,883	183,560
Intangible assets	35,829	10,094
	22,281,867	18,840,499
Financial instruments at fair value through income in respect of		
– liabilities to customers	3,024,997	3,628,574
– assets related to reinsurance contracts	992,824	1,431,876
	26,299,688	23,900,949
Liabilities		
Deposits by banks	2,347,095	1,879,483
Derivative financial instruments	509,919	705,764
Other trading liabilities	321,863	457,254
Repurchase agreements and cash collateral on securities lent	1,765,671	358,278
Customer accounts	9,384,848	8,699,165
Debt securities in issue	3,333,716	2,950,103
Current taxation liabilities	113,967	137,426
Deferred taxation liabilities	48,048	26,210
Other liabilities	1,790,405	1,582,856
Pension fund liabilities	1,467	2,013
	19,616,999	16,798,552
Liabilities to customers under investment contracts	3,004,254	3,488,756
Insurance liabilities, including unit-linked liabilities	20,743	139,818
Reinsured liabilities	992,824	1,431,876
	23,634,820	21,859,002
Subordinated liabilities (including convertible debt)	830,705	529,854
	24,465,525	22,388,856

3. Combined consolidated balance sheet (continued)

At 31 March

	2007 *£'000*	*2006* *£'000*
Equity		
Called up share capital	169	165
Share premium	1,129,859	1,028,737
Treasury shares	(109,279)	(96,300)
Equity portion of convertible debentures	2,191	2,191
Perpetual preference shares	292,173	215,305
Other reserves	134,606	156,103
Profit and loss account	92,766	(79,709)
Shareholders' equity excluding minority interests	1,542,485	1,226,492
Minority interests	291,678	285,601
– Perpetual preferred securities issued by subsidiaries	241,081	278,459
– Minority interests in partially held subsidiaries	50,597	7,142
Total equity	1,834,163	1,512,093
Total liabilities and shareholders' equity	26,299,688	23,900,949

4. Combined consolidated cash flow statements

For the year to 31 March

	2007
	£'000
Operating profit adjusted for non cash items	524,434
Taxation paid	(122,881)
Increase in operating assets	(6,125,514)
Increase in operating liabilities	5,858,320
Net cash inflow from operating activities	134,359
Cash flow on acquisition of subsidiaries	(151,402)
Cash flow on acquisition and disposal of property, equipment and intangibles	(27,583)
Net cash outflow from investing activities	(178,985)
Dividends paid to ordinary shareholders	(112,592)
Dividends paid to other equity holders	(38,649)
Proceeds on issue of shares, net of issue costs	90,980
Proceeds on issue of other equity instruments*	151,903
Net inflow on subordinated debt raised	338,829
Net cash inflow from financing activities	430,471
Effects of exchange rates on cash and cash equivalents	(301,588)
Net increase in cash and cash equivalents	84,257
Cash and cash equivalents at the beginning of the year	1,190,183
Cash and cash equivalents at the end of the year	1,274,440
Cash and cash equivalents is defined as including:	
Cash and balances at central banks	102,751
On demand loans and advances to banks	483,771
Cash equivalent advances to customers	687,918
Cash and cash equivalents at the end of the year	1,274,440

* includes equity instruments issued by subsidiaries

Note:

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

5. Significant accounting policies

5.1 *Basis of presentation*

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

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

5.2 *Basis of consolidation*

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

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

The 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.

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

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

5.3 *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.

5.4 *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 the cost of the acquisition, 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.

5.5 *Share based payments to employees*

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

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

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

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

5.6 *Foreign currency transactions and foreign operations*

The presentation currency of the group is 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 the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

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

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

5.7 *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.

5.8 *Financial instruments*

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

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

5.8.1 *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 and remain in this classification until derecognition. In certain instances debt instruments which contain equity features are designated as held at fair value through profit and loss.

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

- it eliminates or significantly reduces an inconsistent measurement or recognition that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or

investment strategy, and information about the group is provided internally on that basis to the group's key management personnel; and

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

5.8.2 *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.

5.8.3 *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, which are accounted for at fair value through profit and loss.

Loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses subsequent to initial recognition.

5.8.4 *Available for sale assets*

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

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

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

5.8.5 *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.

5.8.6 *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.

5.8.7 *Impairments of financial assets held at amortised cost*

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

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

5.8.8 *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 has expired.

5.8.9 *Derivative instruments*

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

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

5.8.10 *Hedge Accounting*

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

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

Hedge accounting is discontinued when it is determined that the derivative ceases to be highly effective as a hedge; the hedging instrument 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 instrument 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 instrument 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 instrument, which represents an effective hedge, is initially recognised in equity and is released to the income statement in the same period 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.

5.8.11 *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.

5.8.12 *Issued debt and equity financial instruments*

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

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

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

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

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders.

5.9 ***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 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.

5.10 ***Financial guarantees***

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

5.11 ***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 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.

5.12 ***Property and equipment***

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

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

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

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

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

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

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

5.13 *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.

5.14 *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 fair value less cost to sell and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

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

5.15 *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.

5.16 *Taxation and deferred taxation*

Current tax payable is provided on taxable profits at rates that are 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;
- from 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the forseeable future.

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.

Items recognised directly in equity are net of related taxation and deferred taxation.

5.17 *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.

5.18 *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.

5.19 *Intangible assets*

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

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

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

5.20 *Borrowing costs*

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

5.21 *Provisions, contingent liabilities and contingent assets*

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

5.22 *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.

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

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

5.24 *IFRS 8 – Operating Segments (effective for the financial year beginning 1 April 2009)*

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

5.25 *Key management assumptions*

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

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

6. Notes to the combined consolidated audited financial statements for the year ended 31 March 2007

6.1 *Combined consolidated segmental analysis*

For the year to 31 March

Business analysis 2007	*Private Client Activities £'000*	*Capital Markets £'000*	*Investment Banking £'000*	*Asset Management £'000*	*Property Activities £'000*	*Group Services & Other Activities £'000*	*Total Group £'000*
Net interest income	217,441	89,078	(2,457)	5,242	(5,801)	40,412	343,915
Fees and commissions receivable	148,951	82,741	96,438	219,029	28,354	2,260	577,773
Fees and commissions payable	(11,302)	(2,551)	(4,534)	(38,490)	–	602	(56,275)
Principal transactions	19,518	102,700	73,719	171	11,847	37,508	245,463
Operating income from associates	10,253	(11)	147	–	–	296	10,685
Investment income on assurance activities	–	–	–	–	–	36,821	36,821
Premiums and reinsurance recoveries on insurance contracts	–	–	–	–	–	80,542	80,542
Other operating income	100	–	45,482	2,604	–	1,499	49,685
Other income	167,520	182,879	211,252	183,314	40,201	159,528	944,694
Claims and reinsurance premiums on insurance business	–	–	–	–	–	(111,492)	(111,492)
Total operating income net of insurance claims	384,961	271,957	208,795	188,556	34,400	88,448	1,177,117
Impairment losses on loans and advances	(6,932)	(9,925)	(1)	–	–	328	(16,530)
Operating income	378,029	262,032	208,794	188,556	34,400	88,776	1,160,587
Administrative expenses	(198,674)	(143,793)	(113,068)	(119,542)	(20,174)	(85,436)	(680,687)
Depreciation, amortisation and impairment of property, equipment and intangibles	(2,883)	(948)	(4,491)	(902)	(82)	(4,009)	(13,315)
Operating profit before goodwill	176,472	117,291	91,235	68,112	14,144	(669)	466,585
Goodwill	3,560	3,560	–	(6,091)	(2,020)	3,560	2,569
Profit before taxation	180,032	120,851	91,235	62,021	12,124	2,891	469,154
Net intersegment revenue	(118,674)	71,903	(19,090)	688	(5,254)	70,427	–
ROE (pre-tax)	38.7%	37.7%	68.6%	44.9%	50.0%	(0.1%)	36.4%
Cost to income ratio	52.4%	53.2%	56.3%	63.9%	58.9%	>100%	59.0%
Number of permanent employees	2,003	662	320	834	251	940	5,010
Total assets (£ million)	8,043	12,032	804	409	107	4,905	26,300
Adjusted shareholders' equity (£ million)	522	359	131	123	20	115	1,270
Adjusted tangible shareholders' equity (£ million)	502	345	71	11	6	115	1,050

For the year to 31 March

Business analysis 2006	*Private Client Activities £'000*	*Capital Markets £'000*	*Investment Banking £'000*	*Asset Management £'000*	*Property Activities £'000*	*Group Services & Other Activities £'000*	*Total Group £'000*
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	2,164	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)
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, amortisation and impairment of property, equipment and intangibles	(2,794)	(325)	(143)	(899)	(107)	(3,473)	(7,741)
Operating profit before goodwill	118,165	66,916	100,930	59,376	18,598	24,782	388,767
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 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

For the year to 31 March

Business analysis 2005	*Private Client Activities £'000*	*Capital Markets £'000*	*Investment Banking £'000*	*Asset Management £'000*	*Property Activities £'000*	*Group Services & Other Activities £'000*	*Total Group £'000*
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	107,530	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)
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, amortisation and impairment of property, equipment and intangibles	(3,566)	(792)	(321)	(971)	(117)	(4,363)	(10,130)
Operating profit before goodwill	84,009	46,323	49,286	37,027	18,165	(14,770)	220,040
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 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

For the year to 31 March

Geographical analysis 2007	*United Kingdom and Europe £'000*	*Southern Africa £'000*	*Australia £'000*	*Other geographies £'000*	*Total Group £'000*
Net interest income	133,056	171,821	39,024	14	343,915
Fees and commissions receivable	299,027	253,388	24,673	685	577,773
Fees and commissions payable	(43,778)	(12,354)	(143)	–	(56,275)
Principal transactions	77,789	159,921	7,753	–	245,463
Operating income from associates	10,523	–	162	–	10,685
Investment income on assurance activities	–	36,821	–	–	36,821
Premiums and reinsurance recoveries on insurance contracts	–	80,542	–	–	80,542
Other operating income	44,362	2,794	2,529	–	49,685
Other income	387,923	521,112	34,974	685	944,694
Claims and reinsurance premiums on insurance business	–	(111,492)	–	–	(111,492)
Total operating income net of insurance claims	520,979	581,441	73,998	699	1,177,117
Impairment losses on loans and advances	(6,312)	(9,040)	(1,178)	–	(16,530)
Operating income	514,667	572,401	72,820	699	1,160,587
Administrative expenses	(339,409)	(298,911)	(42,049)	(318)	(680,687)
Depreciation, amortisation and impairment of property, equipment and intangibles	(7,876)	(4,817)	(622)	–	(13,315)
Operating profit before goodwill	167,382	268,673	30,149	381	466,585
Goodwill	–	(8,111)	10,680	–	2,569
Profit before taxation	167,382	260,562	40,829	381	469,154
Taxation	(37,370)	(72,938)	(9,473)	–	(119,781)
Profit after taxation	130,012	187,624	31,356	381	349,373
Earnings attributable to minority shareholders	3,643	3,409	2,002	–	9,054
Earnings attributable to shareholders	126,369	184,215	29,354	381	340,319
	130,012	187,624	31,356	381	349,373
Net intersegment revenue	(1,986)	2,513	(527)	–	–
ROE (post-tax)	19.6%	37.1%	15.0%	<(100%)	26.1%
Cost to income ratio	66.7%	52.2%	57.7%	45.5%	59.0%
Effective tax rate (excluding Assurance Activities)	23.8%	27.1%	31.6%	–	26.3%
Number of permanent employees	1,294	3,476	235	5	5,010
Total Assets (£ million)	10,242	14,769	1,288	1	26,300

For the year to 31 March

Geographical analysis 2006	*United Kingdom and Europe £'000*	*Southern Africa £'000*	*Australia £'000*	*Other geographies £'000*	*Total Group £'000*
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)
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, amortisation and impairment of property, equipment and intangibles	(2,607)	(4,452)	(574)	(108)	(7,741)
Operating profit before goodwill	107,736	265,410	15,743	(122)	388,767
Goodwill	–	(21,356)	–	–	(21,356)
Operating profit	107,736	244,054	15,743	(122)	367,411
Profit/(loss) on 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 shareholders	6,893	7,374	–	–	14,267
Earnings attributable to shareholders	146,156	158,302	10,892	(249)	315,101
	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 (excluding Assurance Activities)	28.2%	26.7%	30.4%	–	27.3%
Number of employees	1,166	3,114	168	5	4,453
Total assets (£ million)	7,082	16,173	646	–	23,901

For the year to 31 March

Geographical analysis 2005	*United Kingdom and Europe £'000*	*Southern Africa £'000*	*Australia £'000*	*Other geographies £'000*	*Total Group £'000*
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	–	–	258,855
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)
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, amortisation and impairment of property, equipment and intangibles	(3,307)	(5,658)	(449)	(716)	(10,130)
Operating profit before goodwill	59,894	145,998	10,989	3,159	220,040
Goodwill	(10,413)	(26,597)	–	–	(37,010)
Operating profit	49,481	119,401	10,989	3,159	183,030
Loss on 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 shareholders	252	1,563	–	556	2,371
Earnings attributable to shareholders	35,001	66,762	7,871	(4,067)	105,567
	35,253	68,325	7,871	(3,511)	107,438
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
Total Assets (£ million)	7,391	10,083	549	20	18,043

* Based on 1 April 2005.

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

For the year to 31 March

	United Kingdom and Europe £'000	*Southern Africa £'000*	*Australia £'000*	*Other geographies £'000*	*Total Group £'000*
2007					
Private Client Activities	106,799	53,429	16,244	–	176,472
Capital Markets	51,409	56,145	9,737	–	117,291
Investment Banking	23,294	60,632	7,309	–	91,235
Asset Management	17,555	50,557	–	–	68,112
Property Activities	1,292	12,852	–	–	14,144
Group Services and Other Activities	(32,967)	35,058	(3,141)	381	(669)
Total group	167,382	268,673	30,149	381	466,585
2006					
Private Client Activities	68,932	41,224	8,009	–	118,165
Capital Markets	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
Capital Markets	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

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

For the year to 31 March

	2007 *£'000*	*2006* *£'000*	*2005* *£'000*
Private Client Activities			
Private Banking	154,391	101,523	70,205
Private Client Portfolio Management and Stockbroking	22,081	16,642	13,804
	176,472	118,165	84,009
Capital Markets	117,291	66,916	46,323
Investment Banking			
Corporate Finance	15,890	11,608	7,988
Institutional Research and Sales and Trading	14,394	14,982	4,607
Direct Investments	18,148	34,218	16,568
Private Equity	42,803	40,122	20,123
	91,235	100,930	49,286
Asset Management	68,112	59,376	37,027
Property Activities	14,144	18,598	18,165
Group Services and Other Activities			
International Trade Finance	5,462	4,505	3,545
US continuing operations	–	(120)	(1,022)
UK Traded Endowments	(109)	(47)	(813)
Assurance activities	1,646	11,518	24,760
	6,999	15,856	26,470
Central Funding	66,981	66,777	(1,279)
Central Costs	(74,649)	(57,851)	(39,961)
	(669)	24,782	(14,770)
Total Group	466,585	388,767	220,040

6.2 Earnings per share

For the year to 31 March

	2007	*2006†*	*2005†*
Earnings per share – pence			
Basic earnings per share (pence) 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.	54.7	53.8	16.9
	£'000	*£'000*	*£'000*
Earnings attributable to the shareholders per income statement	340,319	315,101	105,567
Preference dividends paid	(31,850)	(19,940)	(11,738)
Earnings attributable to ordinary shareholders	308,469	295,161	93,829
Earnings from future dilutive convertible instruments	974	2,675	3,043
Diluted earnings attributable to ordinary shareholders	309,443	297,836	96,872
Diluted earnings per share – pence			
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.	50.4	50.0	16.2
Weighted average total number of shares in issue during the year	602,052,096	593,166,365	593,166,365
Weighted average number of treasury shares	(38,269,412)	(44,327,451)	(37,702,025)
Weighted average number of ordinary shares in issue during the year	563,782,684	548,838,914	555,464,340
Weighted average number of shares resulting from future dilutive potential shares	41,146,215	29,424,371	24,876,265
Weighted average number of shares resulting from future dilutive convertible instruments	8,787,292	17,869,970	17,869,970
Adjusted weighted number of shares potentially in issue	613,716,191	596,133,255	598,210,575
Adjusted earnings per share-pence			
Adjusted earnings per share (pence) 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.	53.3	41.9	26.0

	2007 £'000	2006† £'000	2005† £'000
Earnings attributable to shareholders per income statement	340,319	315,101	105,567
Goodwill	(2,569)	21,356	37,010
Profit on disposal of group operations	–	(73,573)	14,629
Preference dividends paid	(31,850)	(19,940)	(11,738)
Additional earnings attributable to other equity holders*	(5,196)	(12,927)	(1,275)
Adjusted earnings attributable to ordinary shareholders before goodwill impairment and non-operating items	300,704	230,017	144,193
Earnings from future dilutive convertible instruments	974	2,675	3,043
Diluted adjusted earnings attributable to ordinary shareholders	301,678	232,692	147,236
Diluted adjusted earnings per share – pence	49.2	39.0	25.5

† Restated for the share subdivision on 4 September 2006, whereby each Investec Limited share of R0.001 and each Investec share of £0.001 was subdivided into 5 shares of R0.0002 and £0.0002 respectively.

Earnings per share – pence			
As previously reported:			
Basic		268.9	84.5
Diluted		249.8	81.0
Adjusted earnings per share – pence			
As previously reported:			
Basic		209.5	129.8
Diluted		195.2	127.5

* In accordance with IFRS, dividends attributable to equity holders are 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.

6.3 Dividends

For the year to 31 March

	2007		*2006*		*2005*	
	Pence per share	*Total (£'million)*	*Pence per share#*	*Total (£'million)*	*Pence per share#*	*Total (£'million)*
Ordinary Dividend						
Final dividend for prior year	10.60	55,415	7.40	41,681	6.00	30,767
Interim dividend for current year	10.00	57,177	7.60	42,754	6.00	24,631
Total dividend attributable to ordinary shareholder recognised in current financial year	20.60	112,592	15.00	84,435	12.00	55,398

The directors have proposed a final dividend in respect of the financial year ended 31 March 2007 of 13 pence per ordinary share.

The final dividend will be payable on 13 August 2007 to shareholders on the register at the close of business on 27 July 2007.

	2007			*2006*		*2005*	
Perpetual preference dividend	*Pence per share ^*	*Cents per share **	*Total (£'million)*	*Cents per share*	*Total (£'million)*	*Cents per share*	*Total (£'million)*
Final dividend for prior year	–	759.16	20,411	504.19	6,917	446.00	5,432
Interim dividend for current year	9.30	797.50	11,439	767.13	13,023	427.70	6,306
Total dividend attributable to perpetual preference shareholder recognised in current financial year	9.30	1,556.66	31,850	1,271.32	19,940	873.70	11,738

The directors have declared a final dividend in respect of the financial year ended 31 March 2007 of 30.2 pence (Investec shares traded on the JSE Limited) and 6.51 pence (Investec shares traded on the Channel Island Stock Exchange), 428.44 cents (Investec Limited) and 459.04 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable on 4 July 2007 to shareholders on the register at the close of business on 29 June 2007.

Ordinary dividends per share as previously reported pence per share		
Final dividend for prior year	37	30
Interim dividend for current year	38	30
	75	60

^ Perpetual preference share dividends from Investec plc

* Perpetual preference share dividends from Investec Limited and Investec Bank limited

Restated for the share subdivision on 4 September 2006, whereby each Investec Limited share of R0.001 and each Investec share of £0.001 was subdivided into 5 shares of R0.0002 and £0.0002 respectively.

PART VII

UNITED KINGDOM TAXATION

The following paragraphs, which are intended as a general guide only, are based on current UK tax legislation and UK HMRC practice. They summarise certain limited aspects of the UK taxation treatment of Kensington Shareholders once the Scheme becomes effective, and they relate only to the position of individual or corporate Kensington Shareholders who hold their Kensington Shares beneficially as an investment, otherwise than under an individual savings account (ISA) or as employment related securities, and who are resident or ordinarily resident in the UK for taxation purposes (except in so far as express reference is made to the treatment of non-UK residents).

If you are in any doubt as to your taxation position or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate independent professional adviser.

UK taxation on chargeable gains

(a) ***Acquisition of Investec Shares***

Kensington Shareholders who do not hold (either alone or together with persons connected with such Kensington Shareholder) more than five per cent., of, or of any class of, shares in or debentures of Kensington, will not be treated as having made a disposal of his Kensington Shares to the extent that such Kensington Shareholder receives New Investec Shares. Instead, the New Investec Shares will be treated as the same asset as the Kensington Shares in respect of which they are issued and treated as acquired at the same time and for the same consideration as those Kensington Shares.

Kensington Shareholders who hold (either alone or together with persons connected with such Kensington Shareholder) more than five per cent. of, or of any class of, shares in or debentures of Kensington are advised that an application for clearance has been made to HMRC under Section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Scheme. If such clearance is obtained, any such Kensington Shareholders will be treated in the manner described in the preceding paragraph. The Scheme is not conditional on such clearance being obtained. If such clearance is not obtained, such Kensington Shareholders, depending on personal circumstances, may be liable to UK capital gains tax or corporation tax on the disposal of Kensington Shares for the market value, on the date of exchange, of the New Investec Shares received as consideration.

(b) ***Disposal of New Investec Shares***

A subsequent disposal of the New Investec Shares may, depending on individual circumstances (including the availability of exemptions and allowable losses), give rise to a liability to UK tax on capital gains.

Where a Kensington Shareholder is not treated as having made a disposal of Kensington Shares on receipt of the New Investec Shares, any chargeable gain or allowable loss on a disposal of the New Investec Shares should be calculated taking into account a proportion of the allowable cost to the holder of acquiring the Kensington Shares based on an apportionment of the allowable cost of the Kensington Shares by reference to the market value of the New Investec Shares at the time of the exchange.

When calculating a chargeable gain but not an allowable loss, indexation allowance on that proportion of the original allowable cost should be added to the calculation of such chargeable gain. For corporate shareholders, this indexation allowance will be calculated by reference to the date of disposal of the New Investec Shares. For individual shareholders, the indexation allowance will only be available where the allowable cost in question was incurred prior to 1 April 1998 and, in addition indexation allowance on such expenditure will apply only until 1 April 1998. Thereafter, taper relief (if available) will apply until disposal, depending on the number of complete years for which the Kensington Shares/New Investec Shares have been held.

UK taxation on dividends

Investec will not be required to withhold tax at source when paying a dividend on the New Investec Shares. Under current UK taxation legislation, no tax will be withheld by Kensington or Investec on payment of the Special Dividend.

An individual Kensington Shareholder who is resident in the United Kingdom (for tax purposes) and who receives a dividend from Investec or the Special Dividend will be entitled to a tax credit which may be set off against the shareholder's total income tax liability on the dividend. The tax credit will be equal to 10 per cent. 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 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 per cent. of the gross dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A United Kingdom resident individual 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 shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match the shareholder's tax liability on the gross dividend and such shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the 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, will not be entitled to claim repayment of the tax credit attaching to dividends paid by Investec or the Special Dividend.

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

Non-United Kingdom resident shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by Investec or the Special Dividend. A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. 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 Investec or the Special Dividend.

Other Tax Matters

Specified tax provisions may apply to Kensington Shareholders who have acquired or who acquire their Investec shares by exercising options under the Kensington Share Schemes, including provisions imposing a charge to income tax.

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

(a) ***Acceptance of the Offer***

No stamp duty or SDRT will be payable by Kensington Shareholders as a result of accepting the Offer.

(b) ***New Investec Shares***

Stamp duty or SDRT will generally be payable on a transfer or sale of, or on an agreement to transfer, New Investec Shares.

PART VIII

ADDITIONAL INFORMATION

1 Responsibility Statements

The Kensington Directors, whose names are set out in paragraph 2(a) below, accept responsibility for the information contained in this document except for that information for which the Investec Directors accept responsibility. To the best of the knowledge and belief of the Kensington Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Investec Directors, whose names are set out in paragraph 2(b) below, accept responsibility for the information contained in this document relating to Investec, the New Investec Shares and the Investec Directors, their respective immediate families and persons connected with them (within the meaning of section 346 of the Companies Act). To the best of the knowledge and belief of the Investec Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Kensington Directors and the Investec Directors

(a) The Kensington Directors and their respective functions are:

Name	*Position held*
Peter G Birch CBE	*Non-Executive Director/Chairman*
Alison Hutchinson	*Group Chief Executive*
Roger Blundell	*Group Finance Director*
D Gareth Jones	*Senior Independent Director*
Toby Strauss	*Non-Executive Director*
John Herring	*Non-Executive Director*

The Company's registered office is at 1 Sheldon Square, London W2 6PU.

(b) The Investec Directors and their respective functions are:

Name	*Position held*
Hugh Sidney Herman	*Non-Executive Director/Chairman*
Stephen Koseff	*Executive Director/Chief Executive Officer*
Bernard Kantor	*Executive Director/Managing Director*
Alan Tapnack	*Executive Director*
Glynn Robert Burger	*Executive Director/Risk and Finance*
Samuel Ellis Abrahams	*Non-Executive Director*
George Francis Onslow Alford	*Non-Executive Director*
Cheryl Carolus	*Non-Executive Director*
Haruko Fukuda	*Non-Executive Director*
Geoffrey Michael Thomas Howe	*Non-Executive Director*
Donn Edward Jowell	*Non-Executive Director*
Ian Robert Kantor	*Non-Executive Director*
Sir John Chippendale Lindley Keswick	*Non-Executive Director/Senior Independent Director*
Mangalani Peter Malungani	*Non-Executive Director*
Sir David John Prosser	*Non-Executive Director*
Peter Richard Suter Thomas	*Non-Executive Director*
Fani Titi	*Non-Executive Director*

Investec's registered office is at 2 Gresham Street, London EC2V 7QP.

3 Market quotations

Set out below are the closing middle market quotations of Kensington Shares and Investec Shares as derived from the Daily Official List on:

(a) the first Business Day of each of the six months immediately prior to the date of this document;

(b) 16 February 2007 (being the last Business Day before the commencement of the Offer Period); and

(c) 22 June 2007 (being the latest practicable date prior to the posting of this document):

Date	*Kensington Share Price (pence)*	*Investec Share Price (pence)*
1 December 2006	753	616.5
2 January 2007	800	670.5
1 February 2007	810	630
16 February 2007	761.5	654
1 March 2007	835	610.5
2 April 2007	666.5	667
1 May 2007	579	713.5
22 June 2007	457	652

4 Shareholdings and dealings

(a) ***Definitions***

References in this paragraph 4 to:

(i) "acting in concert" are to such term as defined in the City Code;

(ii) an "affiliated associate" of a company are to a company's parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);

(iii) an "associate" of a company are to:

(A) affiliated associates of that company;

(B) connected advisers and persons controlling, controlled by or under the same control as such connected advisers;

(C) the directors (together with their close relatives and related trusts) of the company and the directors of any company covered in sub-paragraph (a)(iii)(A) above; and

(D) the pension funds of the company or any company covered in sub-paragraph (a)(iii)(A) above;

(iv) a "connected adviser" are to such term as defined in the City Code;

(v) "control" means an interest, or interests, in shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control;

(vi) "dealings" are to such term as defined in the City Code;

(vii) "disclosure period" means the period commencing on 19 February 2006 (being the date 12 months prior to the commencement of the Offer Period) and ending on the latest practicable date prior to the publication of this document;

(viii) an "exempt principal trader" or "exempt fund manager" are to such terms as defined in the City Code;

(ix) a person is treated as "interested" in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities) and "interests" shall be construed accordingly. In particular, a person is treated as "interested" in securities if:

(A) he owns them;

(B) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;

(C) by virtue of any agreement to purchase, option or derivative, he:

(I) has the right or option to acquire them or call for their delivery; or

(II) is under an obligation to take delivery of them,

whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

(D) he is a party to any derivative:

(I) whose value is determined by reference to their price; and

(II) which results, or may result, in his having a long position;

(x) "relevant securities of Kensington" include:

(A) securities of Kensington which are being offered for or which carry voting rights attributable to the share capital of Kensington which are exercisable at a general meeting;

(B) equity share capital of Kensington; and

(C) securities of Kensington carrying conversion or subscription rights into any of the foregoing;

(xi) "relevant securities of Investec" include:

(A) securities of Investec which are being offered for or which carry voting rights attributable to the share capital of Investec which are exercisable at a general meeting;

(B) equity share capital of Investec; and

(C) securities of Investec carrying conversion or subscription rights into any of the foregoing; and

(xii) "relevant securities of Investec Limited" include:

(A) securities of Investec Limited which are being offered for or which carry voting rights attributable to the share capital of Investec Limited which are exercisable at a general meeting;

(B) equity share capital of Investec Limited; and

(C) securities of Investec Limited carrying conversion or subscription rights into any of the foregoing.

(b) ***Interests in Kensington Shares***

(i) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by Investec.

(ii) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by the Investec Directors or any persons whose interests the Investec Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006.

(iii) As at the last day of the disclosure period, 1,220 Kensington Shares were held by Rensburg Sheppards Investment Management Limited and 3,073 short positions in Kensington Shares were held by Citigroup Global Markets Inc. (other than in its capacity as exempt market maker).

Other than as disclosed above, as at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by persons acting in concert with Investec.

(iv) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by any person with whom Investec, or any person acting in concert with Investec, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(v) As at the last day of the disclosure period, the following interests in Kensington Shares, all of which are beneficial unless otherwise stated, were held by the Kensington Directors:

Name	*Number of Kensington Shares*
Peter G. Birch CBE	135,000
Alison Hutchinson	3,095
Roger Blundell	Nil
D Gareth Jones	73,691
Toby Strauss	Nil
John Herring	Nil

As at the last day of the disclosure period, the following outstanding options and awards over Kensington Shares were held by the Kensington Directors:

Name	*Scheme*	*Number of Kensington Shares under option/subject to award*	*Date of Grant*	*Exercise price per Kensington Share (£)*	*Exercise period*
Alison Hutchinson	PSIP[(1)]	26,102	23 February 2006	Nil	30 November 2008 – 31 January 2009
	Approved[(2)]	7,520	8 November 2004	3.99	8 November 2007
	Unapproved[(3)]	242,480	8 November 2004	3.99	8 November 2007
Roger Blundell	PSIP[(1)]	37,313	1 September 2006	Nil	30 November 2008 – 31 January 2009

Notes

(1) Performance Share Incentive Plan

(2) Kensington Group plc (Approved) Executive Share Option Scheme 2001

(3) Kensington Group plc (Unapproved) Executive Share Option Scheme 2001

Other than as disclosed above, as at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by the Kensington Directors or any persons whose interests the Kensington Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006.

(vi) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by any company which is an associated affiliate of Kensington.

(vii) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by any pension fund of Kensington or of any company which is an associated affiliate of Kensington.

(viii) As at the last day of the disclosure period, 317,776 Kensington Shares were held by Ogier Employee Benefit Trustee Limited, as trustee of the Kensington Group plc Employee Share Trust.

Other than as disclosed above, as at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by any employee benefit trust of Kensington or of any company which is an associated affiliate of Kensington.

(ix) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by any connected advisor to: (a) Kensington; (b) an associated affiliate of Kensington; or (c) a person acting in concert with Kensington, or by any persons controlling, controlled by or under the same control as any such advisor (except for an exempt principal trader or exempt fund manager).

(x) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Kensington were held by any person with whom Kensington, or any person who is an associate of Kensington, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(xi) As at the last day of the disclosure period, there are no relevant securities of Kensington which Investec or any person acting in concert with Investec has borrowed or lent, save for any shares which have been either on-lent or sold.

(xii) As at the last day of the disclosure period, there are no relevant securities of Kensington which Kensington or any person acting in concert with Kensington has borrowed or lent, save for any shares which have been either on-lent or sold.

(c) ***Dealings in Kensington Shares***

(i) During the disclosure period, there were no dealings in any relevant securities of Kensington by Investec.

(ii) During the disclosure period, there were no dealings in any relevant securities of Kensington by the Investec Directors or any persons whose interests the Investec Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006.

(iii) During the disclosure period, the following dealings in any relevant securities of Kensington by persons deemed to be acting in concert with Investec have taken place:

Date	*Party*	*Transaction*	*Number of Kensington Shares*	*Price per Kensington Share*
28 February 2006	Investec Asset Management Limited	Buy	300	£11.32
24 April 2006	Rensburg Sheppards Investment Management Limited	Buy	250	£11.27
5 June 2006	Investec Asset Management Limited	Sell	526	£10.38
10 June 2006	Investec Asset Management Limited	Sell	220	£10.38
18 July 2006	Investec Asset Management Limited	Sell	52,791	£8.02
1 September 2006	Rensburg Sheppards Investment Management Limited	Sell	250	£8.27
23 May 2007	Hargreave Hale Limited	Buy	4,000	£5.29
23 May 2007	Hargreave Hale Limited	Sell	4,000	£5.40

During the disclosure period, the following dealings in any relevant securities of Kensington by persons deemed to be acting in concert with Investec (other than as disclosed above and other than in their capacity as exempt market makers) have taken place:

Transaction period	*Party*	*Transaction*	*Number of Kensington Shares*	*Price per Kensington Share (US$)*		*Price per Kensington Share (£)*	
				High	*Low*	*High*	*Low*
April 2006	Citigroup Global Markets Inc.	Buy	3,410	20.95	20.40	11.94	10.81
April 2006	Citigroup Global Markets Inc.	Sell	3,410	20.93	20.62	11.93	11.75

Other than as disclosed above, during the disclosure period, there were no dealings in any relevant securities of Kensington by persons acting in concert with Investec.

(iv) During the disclosure period, there were no dealings in any relevant securities of Kensington by any person with whom Investec, or any person acting in concert with Investec, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(v) During the period starting on the first day of the Offer period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Kensington by the Kensington Directors or any persons whose interests the Kensington Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006.

(vi) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Kensington by any company which is an associated affiliate of Kensington.

(vii) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Kensington by any pension fund of Kensington or of any company which is an associated affiliate of Kensington.

(viii) On 1 March 2007, Ogier Employee Benefit Trustee Limited, as trustee of the Kensington Group plc Employee Share Trust, transferred 6,809 Kensington Shares to beneficiaries of the Employee Share Trust entitled thereto.

On 5 June 2007, Ogier Employee Benefit Trustee Limited, as trustee of the Kensington Group plc Employee Share Trust, transferred 10,243 Kensington Shares to beneficiaries of the Employee Share Trust entitled thereto.

On 20 June 2007. Ogier Employee Benefit Trustee Limited, as trustee of the Kensington Group plc Employee Share Trust, transferred 151,898 Kensington Shares to beneficiaries of the Employee Share Trust entitled thereto.

Other than as disclosed above, during the disclosure period, there were no dealings in any relevant securities of Kensington by any employee benefit trust of Kensington or of any company which is an associated affiliate of Kensington.

(ix) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Kensington by any connected advisor to: (a) Kensington; (b) an associated affiliate of Kensington; or (c) a person acting in concert with Kensington, or by any persons controlling, controlled by or under the same control as any such advisor (except for an exempt principal trader or exempt fund manager).

(x) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Kensington by any person with whom Kensington, or any person who is an associate of Kensington, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(xi) During the disclosure period, neither Investec nor any person acting in concert with Investec has borrowed or lent any relevant securities of Kensington, save for any shares which have been either on-lent or sold.

(xii) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, neither Kensington nor any person acting in concert with Kensington has borrowed or lent any relevant securities of Kensington, save for any shares which have been either on-lent or sold.

(d) *Interests in Investec Shares*

(i) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by Kensington.

(ii) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by the Kensington Directors or any persons whose interests the Kensington Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006.

(iii) As at the last day of the disclosure period, the following interests in Investec Shares, all of which are beneficial unless otherwise stated, were held by the Investec Directors:

Name	*Number of Investec Shares*
Hugh Sidney Herman	1,369,915
Stephen Koseff	4,845,383
Bernard Kantor	1,500
Glynn Robert Burger	2,410,095
Samuel Ellis Abrahams	30,000
Haruko Fakuda	5,000
Donn Edward Jowell	11,700
Ian Robert Kantor	1,380,066
Sir John Chippendale Lindley Keswick	15,759
Sir David John Prosser	10,000
Peter Richard Suter Thomas	415,855

As at the last day of the disclosure period, the following interests in shares of Investec Limited, all of which are beneficial unless otherwise stated, were held by the Investec Directors:

Name	*Number of Investec Limited shares*
Hugh Sidney Herman	44,525
Stephen Koseff	420,265
Bernard Kantor	420,265
Alan Tapnack	185,105
Glynn Robert Burger	432,385
Mangalani Peter Malungani	7,728,890
Fani Titi	1,540,000
Ian Robert Kantor	2,126,536
Sir John Chippendale Lindley Keswick	9,250
Peter Richard Suter Thomas	255,955

As at the last day of the disclosure period, the following outstanding options over unissued Investec Shares were held by the Investec Directors:

Name	*Scheme*	*Number of Investec Shares under option/ subject to award*	*Date of Grant*	*Exercise price per Investec Share*	*Exercise Period*
Stephen Koseff	ILSOP(1)	41,250	20 December 2002	R22.39	20 December 2007 – 20 March 2008
	IPSMP(3)	150,000	3 March 2006	Nil cost options	June 2009 – June 2010
Bernard Kantor	ISOP(2)	72,905	20 December 2002	£1.59	20 December 2007 – 20 March 2012
	IPSMP(3)	150,000	3 March 2006	Nil cost options	June 2009 – June 2010
Glynn Robert Burger	ILSOP(1)	78,750	20 June 2002	R32.90	20 June 2007 –
		41,250	20 December 2002	R22.39	20 March 2008
	IPSMP(3)	120,000	3 March 2006	Nil cost options	June 2009 – June 2010
Alan Tapnack	ISOP(2)	59,070	28 August 2002	£2.10	20 June 2007 –
		72,905	20 December 2002	£1.59	20 March 2012
	IPSMP(3)	120,000	3 March 2006	Nil cost options	June 2009 – June 2010

Notes

(1) Investec Limited Share Option and Purchase Scheme 2002

(2) Investec plc Share Option Plan

(3) Investec Share Matching Plan

As at the last day of the disclosure period, the following outstanding options over unissued shares of Investec Limited were held by the Investec Directors:

Name	*Scheme*	*Number of Investec Limited shares under option/subject to award*	*Date of Grant*	*Exercise price per share of Investec Limited*	*Exercise Period*
Stephen Koseff	ILSOP(1)	21,250	20 December 2002	R22.26	20 December 2007 – 20 March 2008
Glynn Robert Burger	ILSOP(1)	46,250	20 June 2002	R32.90	20 June 2007 – 20 March 2008
		21,250	20 December 2002	R22.26	20 December 2007 – 20 March 2008
Alan Tapnack	ISOP(2)	34,680	20 June 2002	R32.90	20 June 2007 – 20 September 2007

Notes

(1) Investec Limited Share Option and Purchase Scheme 2002

(2) Investec plc Share Option Plan

As at the last day of the disclosure period, the following interests in Investec Shares were held by Investec Directors through a leveraged equity plan called Fintique II:

Name	*Number of Investec Shares under entitlement*	*Exercise price per Investec Share*	*Settlement Period*
Hugh Sidney Herman	451,045	R8.33	1 April 2007 – 31 July 2008
Stephen Koseff	918,420	R8.33	1 April 2007 – 31 July 2008
Glynn Robert Burger	629,515	R8.33	1 April 2007 – 31 July 2008

As at the last day of the disclosure period, the following interests in shares of Investec Limited were held by Investec Directors through Fintique II:

Name	*Number of Investec Limited shares under entitlement*	*Exercise price per share of Investec Limited*	*Settlement Period*
Hugh Sidney Herman	264,900	R8.33	1 April 2007 – 31 July 2008
Stephen Koseff	539,395	R8.33	1 April 2007 – 31 July 2008
Bernard Kantor	221,500	R8.33	1 April 2007 – 31 July 2008
Glynn Robert Burger	369,715	R8.33	1 April 2007 – 31 July 2008
Alan Tapnack	168,340	R8.33	1 April 2007 – 31 July 2008

Other than as disclosed above, as at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec or Investec Limited were held by the Investec Directors or any persons whose interests the Investec Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006.

(iv) As at the last day of the disclosure period, the following interests in Investec Shares, all of which are beneficial unless otherwise stated, were held by persons acting in concert with Investec:

Name	*Number of Investec Shares*
Investec Asset Management (Proprietary) Limited	2,831,081
Hargreave Hale Limited	29,000
Investec Asset Management Limited	11,840
Investec Bank (UK) Limited	125,000
Rensburg Sheppards Investment Management Limited	812,571
Rensburg Fund Management Limited	175,000
Investec Securities Limited	1,534,418[1]

Notes

(1) Long: 1,180,851; Short: 353,567

As at the last day of the disclosure period, the following interests in shares in Investec Limited were held by persons acting in concert with Investec:

Name	*Number of Investec Limited shares*
Investec Asset Management (Proprietary) Limited	15,442,358
Investec Securities Limited	970,160

As at the last day of the disclosure period, 324 Investec Shares were held by Merrill Lynch, Pierce, Fenner & Smith, Inc. (other than in its capacity as an exempt market maker).

As at the last day of the disclosure period, Investec Limited held the following options over Investec Shares:

Options:

Date	*Transaction*	*Number of shares*	*Price*
09/10/06	Purchased European Put Options due 31/05/07 strike R70.00	60,000	R3.50
05/12/06	Purchased European Call Options due 18/12/07 strike R85.07	11,810	
18/12/06	Written European Call Options due 18/12/07 strike R85.07	11,810	
09/10/06	Purchased European Call Options due 31/05/07 strike R91.00	60,000	R2.38
13/10/06	Written European Put Options due 31/05/07 strike 53.50	60,000	R1.1167
05/12/06	Purchased European Put Options due 18/12/06 strike R85.07	11,810	
18/12/06	Written European Put Options due 18/12/06 strike R85.07	11,810	
01/03/07	Purchased European Put Options due 31/05/07 strike R53.50	20,000	
01/03/07	Written European Put Options due 31/05/07 strike R70.00	20,000	R0.53
01/03/07	Written European Call Options due 31/05/07 strike R91.00	20,000	R4.27
01/03/07	Purchased European Call Options due 31/05/07 strike R97.50	20,000	R3.00
30/05/07	Purchased European Put Options due 31/05/07 strike R53.50	40,000	
30/05/07	Written European Call Options due 31/05/07 strike R91.00	40,000	R5.675
30/05/07	Written European Call Options due 31/05/07 strike R97.50	20,000	R0.16
30/05/07	Written European Put Options due 31/05/07 strike R70.00	40,000	
12/06/07	Written European Call Options due 31/10/07 strike R85.00	12,500	R11.25

As at the last day of the disclosure period, Investec Limited held the following futures over Investec Shares:

Futures:

Transaction Period	*Transaction*	*Written*	*Purchased*	*High Price*	*Low Price*
14/06/06	Futures due 15/06/06	0	9,000	R327.92	R327.92
02/06/06 – 21/09/06	Futures due 21/09/06	112,800	110,800	R368.95	R68.85
20/09/06 – 21/12/06	Futures due 21/12/06	498,700	324,200	R88.69	R69.44
29/11/06 – 15/03/07	Futures due 15/03/07	127,900	127,900	R95.30	R84.30
02/03/07 – 15/06/07	Futures due 21/06/07	158,100	130,200	R109.01	R89.51
21/05/07 – 15/06/07	Futures due 20/09/07	252,400	183,100	R103.71	R92.91

NOTE:

Dealings aggregated in accordance with Note 2 of Rule 24.3 of the City Code. Purchases and sales are aggregated separately and are not netted off. The highest and lowest prices per share have been stated. A full list of dealings are on display as set out in paragraph 11(f) of Part VIII of this document.

Other than as disclosed above, as at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by persons acting in concert with Investec.

(v) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by any person with whom Investec, or any person acting in concert with Investec, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(vi) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by any company which is an associated affiliate of Kensington.

(vii) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by any pension fund of Kensington or of any company which is an associated affiliate of Kensington.

(viii) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by any employee benefit trust of Kensington or of any company which is an associated affiliate of Kensington.

(ix) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by any connected advisor to: (a) Kensington; (b) an associated affiliate of Kensington; or (c) a person acting in concert with Kensington, or by any persons controlling, controlled by or under the same control as any such advisor (except for an exempt principal trader or exempt fund manager).

(x) As at the last day of the disclosure period, no interests or rights to subscribe or short positions in relevant securities of Investec were held by any person with whom Kensington, or any person who is an associate of Kensington, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(xi) As at the last day of the disclosure period, there are no relevant securities of Investec which Kensington or any person acting in concert with Kensington has borrowed or lent, save for any shares which have been either on-lent or sold.

(xii) As at the last day of the disclosure period, there are no relevant securities of Investec which Investec or any person acting in concert with Investec has borrowed or lent, save for any shares which have been either on-lent or sold.

(e) ***Dealings in Investec Shares***

(i) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Investec by Kensington.

(ii) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Investec by the Kensington Directors or any persons whose interests the Kensington Directors are taken to be interested in pursuant to sections 820 to 828 of the Companies Act 2006.

(iii) During the disclosure period, the following dealings in relevant securities of Investec by the Investec Directors have taken place:

Date	*Party*	*Transaction*	*Number of Investec Shares*	*Price per share*
12 June 2006	Hugh Sidney Herman	Disposal of vested stock options	19,199	£1.59
12 June 2006	Hugh Sidney Herman	Disposal of vested stock options	11,026	£2.10
4 July 2006	Hugh Sidney Herman	Disposal of vested stock options	4,093	R64.03
18 September 2006	Donn Edward Jowell	Sale	91,289	R69.24
22 May 2006	Sir David John Prosser	Purchase	10,000	R69.24
12 June 2006	Peter Richard Suter Thomas	Disposal of vested stock options	48,000	£1.59
12 June 2006	Peter Richard Suter Thomas	Disposal of vested stock options	27,565	£2.10
5 July 2006	Peter Richard Suter Thomas	Disposal of vested stock options	10,230	R64.03
12 June 2006	Ian Robert Kantor	Disposal of vested stock options	239,995	£1.59

Date	*Party*	*Transaction*	*Number of Investec Shares*	*Price per share*
12 June 2006	Ian Robert Kantor	Disposal of vested stock options	137,820	£2.10
5 July 2006	Ian Robert Kantor	Disposal of vested stock options	51,170	R64.03
15 March 2007	Ian Robert Kantor	Acquisition through Fintique II staff scheme	225,496	
19 March 2007	Ian Robert Kantor	Disposal through Fintique II staff scheme	25,684	
14 June 2006	Glynn Robert Burger	Disposal of vested stock options	191,995	£1.59
14 June 2006	Glynn Robert Burger	Disposal of vested stock options	110,255	£2.10
5 July 2006	Glynn Robert Burger	Disposal of vested stock options	40,930	R64.03
2 March 2006	Alan Tapnack	Disposal of vested stock options	61,555	£7.93
6 March 2006	Stephen Koseff	Acquisition of vested nil cost stock options	750,000	
16 March 2006	Stephen Koseff	Disposal of vested stock options	41,250	R111.96
12 June 2006	Stephen Koseff	Disposal of vested stock options	239,995	£1.59
12 June 2006	Stephen Koseff	Disposal of vested stock options	137,820	£2.10
5 July 2006	Stephen Koseff	Disposal of vested stock options	51,180	R64.03

During the disclosure period, the following dealings in relevant securities of Investec Limited by the Investec Directors have taken place:

Date	*Party*	*Transaction*	*Number of Investec Limited Shares*	*Price per share*
27 November 2006	Stephen Koseff	Sell	500,000	R80.50
16 March 2006	Bernard Kantor	Purchase of vested stock options	1,500,000	R255.00
12 June 2006	Bernard Kantor	Disposal of vested stock options	239,995	£1.59
12 June 2006	Bernard Kantor	Disposal of vested stock options	137,835	£2.10
4 July 2006	Bernard Kantor	Disposal of vested stock options	51,160	R64.03
21 August 2006	Bernard Kantor	Buy	99,770	R68.40
21 August 2006	Bernard Kantor	Disposal of vested stock options	1,500,000	R51.00
20 September 2006	Bernard Kantor	Sell	250,000	R64.92
31 January 2007	Bernard Kantor	Buy	85,200	R81.00
21 August 2006	Bernard Kantor	Disposal of call option	1,250,000	R84.00
21 November 2006	Bernard Kantor	Purchase of call option	500,000	R84.00
21 November 2006	Bernard Kantor	Disposal of call option	500,000	R94.00
21 January 2007	Bernard Kantor	Purchase of put option	750,000	R82.00
21 August 2006	Bernard Kantor	Purchase of put option	750,000	R66.00
31 January 2007	Bernard Kantor	Disposal of put option	750,000	R66.00

Date	Party	Transaction	Number of Investec Limited Shares	Price per share
19 February 2007	Ian Robert Kantor	Purchase through Fintique II staff scheme	995,925	R22.00
19 February 2007	Ian Robert Kantor	Purchase through Fintique II staff scheme	995,925	R27.37
15 March 2007	Ian Robert Kantor	Purchase through Fintique II staff scheme	132,435	
19 March 2007	Ian Robert Kantor	Purchase through Fintique II staff scheme	15,085	
10 November 2006	Peter Richard Suter Thomas	Inherited	8,570	
8 December 2006	Peter Richard Suter Thomas	Sell	8,570	R81.34

Other than as disclosed above, during the disclosure period, there were no dealings in relevant securities of Investec or Invested Limited by the Investec Directors.

(iv) During the disclosure period, the following dealings in relevant securities of Investec by persons deemed to be acting in concert with Investec have taken place:

19/02/06 – 29/05/06 – Buys – 7,453,506 shares

High	Low
£33.25	£26.20
R376.50	R376.50

19/02/06 – 29/05/06 – Sells – 6,543,267 shares

High	Low
£33.22	£26.03
R376.05	R283.50

30/05/06 – 31/08/06 – Buys – 9,107,381 shares

High	Low
£32.20	£24.26
R371.94	R302.00

30/05/06 – 31/08/06 – Sells – 7,832,318 shares

High	Low
£29.70	£5.33
R368.41	R302.2

01/09/06 – 31/11/06 – Buys – 36,285,313 shares

High	Low
£27.09	£4.97
R370.47	R61.61

01/09/06 – 31/11/06 – Sells – 40,628,281 shares

High	Low
£27.09	£4.93
R369.31	R61.61

01/12/06 – 28/02/07 – Buys – 10,288,067 shares

High	Low
£6.74	£5.97
R94.10	R83.45

01/12/06 – 28/02/07 – Sells – 16,400,643 shares

High	Low
£6.74	£5.93
R94.10	R82.26

01/03/07 – 31/03/07 – Buys – 9,185,484 shares

High	Low
£6.73	£5.85
R95.29	R85.05

01/03/07 – 31/03/07 – Sells – 17,091,905 shares

High	Low
£6.72	£5.85
R96	R84.70

01/04/07 – 30/04/07 – Buys – 3,052,691 shares

High	Low
£7.29	£6.65
R102.3	R93.45

01/04/07 – 30/04/07 – Sells – 2,733,089 shares

High	Low
£7.30	£6.64
R102	R93.99

01/05/07 – 29/05/07 – Buys – 7,323,929 shares

High	Low
£7.70	£7.00
R108.25	R97.58

01/05/07 – 29/05/07 – Sells – 5,811,815 shares

High	Low
£7.82	£6.94
R108	R98

30/05/07 – 21/06/07 – Buys – 7,765,153 shares

High	Low
£7.03	£6.40
R99.80	R91.50

30/05/07 – 21/06/07 – Sells – 7,863,615 shares

High	Low
£7.05	£6.39
R99.80	R91.65

During the disclosure period, the following dealings in relevant securities of Investec Limited by persons deemed to be acting in concert with Investec have taken place:

19/02/06 – 29/05/06 – Buys – 1,181,500 shares

High	Low
R368.01	R281.00

19/02/06 – 29/05/06 – Sells – 1,323,848 shares

High	Low
R372.00	R280.00

30/05/06 – 31/08/06 – Buys – 1,098,417 shares

High	Low
R355.00	R289.00

30/05/06 – 31/08/06 – Sells – 1,437,214 shares

High	Low
R356.50	R289.00

01/09/06 – 31/11/06 – Buys – 2,853,492 shares
High Low
R354.57 R60.35

01/09/06 – 31/11/06 – Sells – 4,879,915 shares
High Low
R356.50 R60.35

01/12/06 – 28/02/07 – Buys – 2,492,743 shares
High Low
R91.00 R78.00

01/12/06 – 28/02/07 – Sells – 1,737,495 shares
High Low
R92.00 R77.90

01/03/07 – 31/03/07 – Buys – 5,119,593 shares
High Low
R94.22 R83.16

01/03/07 – 31/03/07 – Sells – 1,270,110 shares
High Low
R94.60 R81.80

01/04/07 – 30/04/07 – Buys – 665,991 shares
High Low
R101.00 R93.00

01/04/07 – 30/04/07 – Sells – 1,966,136 shares
High Low
R100.66 R93.00

01/05/07 – 29/05/07 – Buys – 1,607,111 shares
High Low
R105.10 R94.09

01/05/07 – 29/05/07 – Sells – 822,553 shares
High Low
R104.30 R94.61

30/05/07 – 21/06/07 – Buys – 242,520 shares
High Low
R95.74 R88.70

30/05/07 – 21/06/07 – Sells – 168,113 shares
High Low
R95.95 R89.65

During the disclosure period, the following dealings in relevant securities of Investec by persons deemed to be acting in concert with Investec (other than as disclosed above and other than in their capacity as exempt market makers) have taken place:

By Merril Lynch, Pierce, Fenner & Smith, Inc.:

01/09/06 – 31/11/06 – Buys – 1,968,848 shares
High Low
£6.11 £4.99

01/09/06 – 31/11/06 – Sells – 1,609,046 shares
High Low
£6.09 £4.94

01/12/06 – 28/02/07 – Buys – 2,032,665 shares

High	Low
£6.75	£6.08

01/12/06 – 28/02/07 – Sells – 1,787,923 shares

High	Low
£6.74	£6.02

01/03/07 – 31/03/07 – Buys – 1,053,922 shares

High	Low
£6.71	£5.89

01/03/07 – 31/03/07 – Sells – 1,083,685 shares

High	Low
£6.71	£5.90

01/04/07 – 30/04/07 – Buys – 636,203 shares

High	Low
£7.25	£6.63

01/04/07 – 30/04/07 – Sells – 499,336 shares

High	Low
£7.19	£6.65

01/05/07 – 29/05/07 – Buys – 458,088 shares

High	Low
£7.68	£6.94

01/05/07 – 29/05/07 – Sells – 552,112 shares

High	Low
£7.69	£6.94

30/05/07 – 21/06/07 – Buys – 10,572 shares

High	Low
£6.93	£6.84

30/05/07 – 21/06/07 – Sells – 76,097 shares

High	Low
£6.83	£6.78

During the disclosure period, the following dealings in relevant securities of Investec Limited by persons deemed to be acting in concert with Investec (other than as disclosed above and other than in their capacity as exempt market makers) have taken place:

By Citigroup Global Markets South Africa (Proprietary) Limited:

19/02/06 – 28/02/06 – Buys – 5,048 shares

High	Low
R313.50	R301.00

19/02/06 – 28/02/06 – Sells – 18,175 shares

High	Low
R313.50	R299.50

01/03/06 – 31/05/06 – Buys – 857,244 shares

High	Low
R370.00	R280.00

01/03/06 – 31/05/06 – Sells – 764,918 shares

High	Low
R370.00	R280.00

01/06/06 – 01/09/06 – Buys – 449,185 shares[(2)]

High	Low
R356.50	R295.50

01/06/06 – 01/09/06 – Sells – 450,444 shares

High	Low
R355.00	R291.00

04/09/06 – 30/11/06 – Buys – 1,792,359 shares

High	Low
R81.79	R64.50

04/09/06 – 30/11/06 – Sells – 1,792,269 shares

High	Low
R81.79	R62.84

01/12/06 – 31/12/06 – Buys – 654,087 shares

High	Low
R88.24	R77.90

01/12/06 – 31/12/06 – Sells – 671,727 shares

High	Low
R88.78	R79.09

01/01/07 – 31/01/07 – Buys – 439,641 shares

High	Low
R92.00	R83.56

01/01/07 – 31/01/07 – Sells – 426,155 shares

High	Low
R92.00	R85.26

01/02/07 – 18/02/07– Buys – 1,560,580 shares

High	Low
R88.98	R84.69

01/02/07 – 18/02/07– Sells – 1,556,890 shares

High	Low
R88.50	R84.90

19/02/07 – 21/06/07 – Buys – 7,986,533 shares

High	Low
R104.59	R83.30

19/02/07 – 21/06/07– Sells – 7,986,069 shares

High	Low
R104.40	R81.80

By Merrill Lynch International Inc.:

19/02/06 – 29/05/06 – Buys – 31,787 shares

High	Low
£10.17	£9.69

19/05/06 – 29/05/06 – Sells – 12,207 shares

High	Low
£9.69	£9.55

30/05/06 – 31/08/06 – Buys – 318,821 shares

High	Low
£10.26	£8.01

30/05/06 – 31/08/06 – Sells -243,812 shares

High	Low
£10.28	£8.24

01/09/06 – 31/11/06 – Buys – 137,115 shares

High	Low
£9.39	£7.74

01/09/06 – 31/11/06 – Sells – 379,271 shares

High	Low
£9.41	£7.63

01/12/06 – 28/02/07 – Buys – 230,129 shares

High	Low
£8.89	£7.40

01/12/06 – 28/02/07 – Sells – 215,343 shares

High	Low
£8.86	£7.41

01/03/07 – 31/03/07 – Buys – 157,141 shares

High	Low
£8.40	£6.61

01/03/07 – 31/03/07 – Sells – 330,526 shares

High	Low
£8.49	£6.70

01/04/07 – 30/04/07 – Buys – 81,418 shares

High	Low
£6.67	£5.67

01/04/07 – 30/04/07 – Sells – 103,768 shares

High	Low
£6.62	£5.57

01/05/07 – 29/05/07 – Buys – 94,646 shares

High	Low
£5.87	£4.87

01/05/07 – 29/05/07 – Sells – 184,713 shares

High	Low
£5.87	£4.90

30/05/07 – 21/06/07 – Buys – 3,420 shares

High	Low

£4.87	£4.87

30/05/07 – 21/06/07 – Sells – 2,644 shares

High	Low
£4.87	£4.87

NOTES:

(1) Dealings aggregated in accordance with Note 2 of Rule 24.3 of the City Code. Purchases and sales are aggregated separately and are not netted off. The highest and lowest prices per share have been stated. A full list of dealings are on display as set out in paragraph 11(f) of Part VIII of this document.

(2) Each Investec Limited share of R0.001 and Investec share of £0.001 was subdivided into 5 shares of R0.0002 and £0.0002 respectively on 4 September 2006.

(v) During the disclosure period, there were no dealings in any relevant securities of Investec by any person with whom Investec, or any person acting in concert with Investec, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(vi) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Investec by any company which is an associated affiliate of Kensington.

(vii) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Investec by any pension fund of Investec or of any company which is an associated affiliate of Kensington.

(viii) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Investec by any employee benefit trust of Kensington or of any company which is an associated affiliate of Kensington.

(ix) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Investec by any connected advisor to: (a) Kensington; (b) an associated affiliate of Kensington; or (c) a person acting in concert with Kensington, or by any persons controlling, controlled by or under the same control as any such advisor (except for an exempt principal trader or exempt fund manager).

(x) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, there were no dealings in any relevant securities of Investec by any person with whom Kensington, or any associate of Kensington, has any arrangement of the kind referred to in Note 6 on Rule 8 of the City Code.

(xi) During the period starting on the first day of the Offer Period and ending on the last day of the disclosure period, neither Kensington nor any person acting in concert with Kensington has borrowed or lent any relevant securities of Investec, save for any shares which have been either on-lent or sold.

(xii) During the disclosure period, neither Investec nor any person acting in concert with Investec has borrowed or lent any relevant securities of Investec, save for any shares which have been either on-lent or sold.

(f) ***Irrevocable Undertakings***

Each of Peter Birch, Alison Hutchinson and Gareth Jones, who are the only Kensington Directors holding Kensington Shares, has irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the resolution required to implement the Acquisition to be proposed at the Extraordinary General Meeting in respect of their own registered shareholdings, and to direct, where possible, or otherwise use their reasonable endeavours to arrange, that the registered holder should vote in favour in relation to their other beneficial holdings of Kensington Shares as set out opposite his or her name below:

Person providing irrevocable undertaking	*Number of Kensington Shares committed*
Peter G Birch CBE	135,000
Alison Hutchinson	3,095
D Gareth Jones	61,471

In aggregate, these irrevocables relate to 199,566 Kensington Shares, representing approximately 0.4 per cent. of the entire issued share capital of Kensington.

Each of Peter Birch, Alison Hutchinson and Gareth Jones has further undertaken that they will not, in relation to Kensington Shares which they hold as registered holder:

(i) sell, transfer, charge, pledge or grant any option over or otherwise dispose of any such Kensington Shares or any interest in any such Kensington Shares other than pursuant to the Scheme; or

(ii) accept any other offer in respect of any such Kensington Shares (whether it is conditional or unconditional and irrespective of the means by which it is to be implemented);

and, in relation to Kensington Shares which they hold beneficially or otherwise hold an interest in (other than the legal ownership thereof) they will, where entitled to do so, direct the registered holder thereof not to or, where not so entitled, will use reasonable endeavours to arrange that the registered holder thereof does not:

(iii) sell, transfer, charge, pledge or grant any option over or otherwise dispose of any such Kensington Shares or any interest in any such Kensington Shares other than pursuant to the Scheme; or

(iv) accept any other offer in respect of any such Kensington Shares (whether it is conditional or unconditional and irrespective of the means by which it is to be implemented).

Unless and until the Offer lapses or is withdrawn, each of the Kensington Directors has irrevocably undertaken not to acquire any further interest in Kensington Shares other than pursuant to the share options and awards described in paragraph 10 of Part II of this document.

Each of the Kensington Directors has further irrevocably undertaken, subject to compliance by each Kensington Director with their fiduciary duties, the City Code, any applicable law and the requirements of the Panel, the Financial Services Authority, the London Stock Exchange plc or any other relevant regulatory authority:

(a) to recommend that Kensington Shareholders vote in favour of the Scheme, except to the extent that the relevant Kensington Director considers, acting in good faith and having taken legal advice to that effect, that such recommendation should not be given (or should be withdrawn or modified) in order to comply with their fiduciary duties as a Kensington Director;

(b) that they will not solicit or encourage any person other than Investec to make any offer for any Kensington Shares or other securities of Kensington and will immediately inform Investec of any approach by a third party made after 30 May 2007 which may lead to such an offer;

(c) to use all reasonable endeavours to ensure that Investec and its advisers are provided with such information:

    (i) regarding the Kensington Group as Investec reasonably requires, provided that the supply of such information is consistent with the relevant Kensington

Director's fiduciary duties to Kensington or other legal duties or duties arising under the City Code; and

(ii) as is in the relevant Kensington Director's possession in relation to him or her and the members of their immediate family which may be required by Investec for inclusion in any document relating to the Offer in order to comply with regulatory requirements, in particular Rule 24 of the City Code;

(d) co-operate with Investec and use all reasonable endeavours to ensure the Scheme becomes effective, including (without limitation) the obtaining of any regulatory and third party consents, provided that, in so doing, the Kensington Directors shall not be required to expend any money or incur any liability, or procure the expending of any money or incurring of any liability;

(e) join with Investec in endeavouring to obtain such consents of clients or customers or other third parties as are necessary to avoid termination or variation of contracts which are material to the business of any member of the Kensington Group, provided that, in so doing, the Kensington Directors shall not be required to expend any money or incur any liability, or procure the expending of any money or incurring of any liability;

(f) subject to any overriding fiduciary duty, to not make any statement or take any action or procure the taking of any action which may be prejudicial to the success of the Offer and will not communicate with any person in relation to, nor discuss with any person, the terms of the Offer or any matter relating to it without the prior consent of Investec or Citi, but this shall not apply to any communications or discussions with fellow Kensington Directors and the relevant Kensington Director's or Kensington's professional advisers; and

(g) if required by Investec, the Kensington Directors have undertaken to resign as a director of Kensington upon the Scheme becoming effective.

The Kensington Directors have undertaken that where the Offer is made by general offer, their obligations under their respective irrevocable undertakings shall continue to apply.

5 Kensington Directors and Investec Directors

(a) Service agreements of the Kensington Directors

Save as disclosed below, there are no service contracts in force between any Kensington Director and Kensington or any of its subsidiaries and, save as set out below, no such contract has been entered into or amended during the six months preceding the publication of this document.

Executive Appointments

The two Executive Directors of Kensington have entered into service agreements, the particulars of which are set out below:

Executive Director	*Date of Agreement*	*Basic Salary*
Alison Hutchinson	9 August 2004	£300,000 p.a.[1]
Roger Blundell	28 June 2006	£265,000 p.a.

Alison Hutchinson was appointed as a Kensington Director with the position of Group Chief Executive on 22 March 2007. Mrs A Hutchinson was promoted to her current position in March 2007, having previously held the position of Managing Director of Kensington Mortgages Limited. Mrs A Hutchinson's service agreement is with Kensington Mortgages Limited and is dated 9 August 2004.

On 30 March 2007, amendments were made to Mrs A Hutchinson's service agreement including salary increase, appointment as Group Chief Executive, extension of termination notice period and an increase in

1 Increased from £240,000 by the Remuneration Committee with effect from 30 March 2007.

the percentage of her annual bonus entitlement. There have been no other amendments made to her service agreement in the last 6 months.

Either Kensington Mortgages Limited or Mrs A Hutchinson may terminate the service agreement with not less than 12 months' written notice. Kensington Mortgages Limited reserves the right to pay salary in lieu of notice. Kensington Mortgages Limited shall be entitled to terminate Mrs A Hutchinson's employment without notice if it considers there are grounds to dismiss her.

Mrs A Hutchinson is entitled to receive a retention bonus of £250,000 on 1 October 2007 and a further payment of £250,000 on 1 April 2008. Each payment is conditional upon her continued employment on the due date for that payment. If Kensington Mortgages Limited terminates her employment without cause, Mrs A Hutchinson will be entitled to receive any unpaid amount of the retention bonus.

Kensington Mortgages Limited will also provide:

- a contribution each year towards Mrs A Hutchinson's pension of a sum equal to 10 per cent. of her base salary under the service contract increasing to 15 per cent. after 5 years of service;
- an on-plan annual bonus of 70 per cent. of Mrs A Hutchinson's base salary under the service contract, calculated by reference to performance-related criteria;
- life assurance cover to supply Mrs A Hutchinson's dependants with a lump sum benefit equal to 4 times her basic salary;
- private medical insurance cover for Mrs A Hutchinson, her spouse and children;
- permanent health insurance to cover long term disability;
- a car allowance of £10,000 per annum together with reimbursement for business mileage; and
- at Kensington's discretion, a one off grant of options over 250,000 Kensington Shares.

Roger Blundell was appointed as a Kensington Director with the position of Group Finance Director on 29 August 2006. Mr R Blundell's service agreement is with Kensington Mortgages Limited and is dated 28 June 2006.

Either Kensington Mortgages Limited or Mr R Blundell may terminate Mr R Blundell's service agreement with not less than 12 months' written notice. Kensington Mortgages Limited reserves the right to pay salary in lieu of notice. Kensington Mortgages Limited shall be entitled to terminate Mr R Blundell's service agreement without notice if it considers there are grounds to dismiss him.

At the discretion of the Board, Mr R Blundell is eligible to receive an on-plan annual bonus of 52.5 per cent. of the basic salary under the service contract, calculated by reference to performance-related criteria. Solely for the 2006 bonus year, Mr R Blundell is entitled to a minimum bonus of £200,000. The bonus will be subject to Kensington Mortgages Limited's and Mr R Blundell's performance. In the event that Mr R Blundell leaves Kensington Mortgages Limited within 12 months from the start of employment, Mr R Blundell shall be obliged to repay to Kensington Mortgages Limited the net amount of the bonus in full.

Mr R Blundell is entitled to a one off grant of Kensington Shares to the value of £150,000. Mr R Blundell is also eligible to participate in the Performance Share Incentive Plan Scheme (PSIP) from February 2007, under which he is entitled to a potential grant of at least 100 per cent. of his salary, dependent on Kensington achieving certain performance targets.

Kensington Mortgages Limited will also provide:

- a contribution each year towards Mr R Blundell's pension of a sum equal to 10 per cent. of his base salary under the service contract increasing to 15 per cent. after 5 years of service;
- life assurance cover to supply Mr R Blundell's dependants with a lump sum benefit equal to 4 times his basic salary;
- private medical insurance cover for Mr R Blundell, his spouse and children;

- permanent health insurance to cover long term disability; and
- a car allowance of £10,000 per annum.

Non-Executive Appointments

The following Non-Executive Directors have been appointed by Kensington:

Non-Executive Director	*Date of Appointment*	*Fee*
Peter Birch *(Chairman)*	28 June 2000	£130,000 p.a.[2]
David Gareth Jones	1 January 2002	£78,000 p.a.[3]
John Anthony Herring	25 April 2003	£43,500 p.a.[4]
Toby Strauss	1 June 2005	£43,500 p.a.[5]

Terms

The Non-Executive Directors are appointed by means of a letter of appointment. The non-executive appointments continue for an initial period of 1 year and are thereafter renewable on an annual basis. The fees of the above Non-Executive Directors are not performance related or pensionable.

Under the terms of the letter of appointment, each Non-Executive Director or Kensington may terminate the agreement in accordance with the provisions of Kensington's Articles of Association, under which no notice or fees will be due to such directors. In certain circumstances (i.e. serious misconduct, wilful neglect, bankruptcy and fraud), Kensington may terminate such appointments forthwith by written notice and otherwise in accordance with the provisions of Kensington's Articles of Association. Each Non-Executive Director may, by written notice to Kensington, resign with immediate effect.

Within 10 days of Mr P Birch's appointment as Chairman, Peter Birch was granted options over shares in Kensington equivalent to 250,000 Kensington Shares.

(b) Investec Directors

There will be no effect on the emoluments of any Investec Director as a result of the Acquisition.

6 Material contracts

Kensington

Save as set out below, no contracts have been entered into by any member of the Kensington Group otherwise than in the ordinary course of business since 19 February 2005 (the date two years prior to the commencement of the Offer Period) which are or may be material:

(a) ***Implementation Agreement***

On 30 May 2007, Kensington and Investec entered into the Implementation Agreement, which provides among other things for the implementation of the Scheme and under which:

(i) the parties have agreed to keep each other informed and consult with each other on a regular basis towards completion of the Acquisition;

(ii) the parties have agreed to work co-operatively and reasonably with each other to satisfy the Conditions relating to regulatory matters;

(iii) Kensington has agreed to co-ordinate implementation of the Acquisition with Investec, and in particular agrees to take all such steps as are necessary to implement the Scheme in a timely manner; and

2 Increased from £125,000 by the Remuneration Committee with effect from 1 December 2006.

3 Increased from £75,000 by the Remuneration Committee with effect from 1 December 2006.

4 Increased from £42,000 by the Remuneration Committee with effect from 1 December 2006.

5 Increased from £42,000 by the Remuneration Committee with effect from 1 December 2006.

(iv) Investec has agreed to use all reasonable endeavours to co-operate with Kensington, liaise with the Financial Services Authority and take all other action to obtain the consent of the Financial Services Authority to the acquisition of control of Kensington Mortgage Company Limited and Kensington Personal Loans Limited by Investec.

Subject to the fiduciary duties of the Kensington Directors and save as required by the City Code or any applicable law or regulation, Kensington has further undertaken, until the earlier of the Effective Date and termination of the Implementation Agreement in accordance with its terms, to not, except with the prior written consent of Investec (among other things):

(i) carry on its business and that of the Kensington Group other than in the ordinary and usual course (and in all material respects consistent with past practice);

(ii) undertake any material long term commitment or enter into, amend or terminate any material long term contract (other than in the ordinary and usual course);

(iii) enter into any new arrangements for the provision of new working capital facilities or otherwise increase gross indebtedness in respect of borrowed money;

(iv) take any action with would amount to an action requiring the approval of shareholders in general meeting under Rule 21 of the City Code or enter into any transaction that would require the approval of Kensington Shareholders under the Listing Rules;

(v) recommend or declare any dividend or distribution other than the 26 pence Special Dividend referred to in this Scheme document;

(vi) propose any change to its articles of association or memorandum of association other than such changes as Investec may reasonably require in order to implement any proposals in relation to holders of options under the Kensington Share Schemes or otherwise in connection with the implementation of the Acquisition;

(vii) take any action or omit to take any action which is or could reasonably be expected to delay or be prejudicial to the successful outcome of the Scheme or which would, or would reasonably be expected to, have the effect of breaching any of the Conditions as a result of which the Panel would permit Investec to invoke such condition; or

(viii) repay, accelerate or otherwise amend the terms of any indebtedness outstanding between a member of the Kensington Group and a third party other than in the usual course of carrying on its business or cancel any facilities available to Kensington.

Kensington has also agreed:

(i) to notify Investec of any material adverse change in the business and assets of any member of the Kensington Group which is material in the context of the Kensington Group; and

(ii) that, unless the agreement is terminated in accordance with its terms or the Scheme is not effective by 28 September 2007, Kensington shall not, and shall procure that each member of the Kensington Group shall not, solicit, initiate, encourage or negotiate or otherwise seek to procure or facilitate any initial approach to or entertain any approach from, or enter into any negotiations with, any other person with a view to a transaction taking place which would preclude or materially restrict or delay the Acquisition.

The Implementation Agreement may, subject to compliance with the City Code and the requirements of the Panel, terminate in certain circumstances, including:

(i) in the event that such termination is agreed in writing between Kensington and Investec at any time before the Effective Date;

(ii) upon service of a written notice by one party to the other party in the event of a material breach by the other party of any of the obligations set out in the Implementation Agreement which, if capable of remedy, it has failed to remedy within seven Business Days of a written notice from the other party requesting the same;

(iii) upon the delivery of a notice in writing from one party to the other if it is announced by or on behalf of Kensington that the Kensington Directors have determined not to give, or to withdraw, modify or qualify its recommendation of the Offer;

(iv) upon the Offer lapsing;

(v) if an Alternative Proposal (or any amendment, variation or revision of such Alternative Proposal) becomes or is declared wholly unconditional or is completed or a scheme in connection with such Alternative Proposal becomes effective;

(vi) if the Kensington Shareholders do not vote to approve the Acquisition at the Court Meeting or the EGM Resolution is not approved at the Extraordinary General Meeting;

(vii) if the Court Order(s) are not granted or (save as the parties may otherwise agree in writing) the Effective Date has not occurred on or before 28 September 2007; and

(viii) if Investec elects, in accordance with the provisions of the Implementation Agreement, to implement the Acquisition by way of Takeover Offer, if the Takeover Offer, once announced under Rule 2.5 of the City Code, lapses in accordance with its terms or is withdrawn or not made.

In the event that the Implementation Agreement terminates as a result of:

(i) a material breach by Kensington of any of the obligations set out in the Implementation Agreement which, if capable of remedy, it has failed to remedy within seven Business Days or a written notice from Investec requesting the same; or

(ii) the occurrence of any of the events contemplated by: (a) paragraph (iii) or (v) above; or (b) paragraph (vi) or (vii) above arising as a result of a material breach by Kensington,

then Kensington shall pay to Investec a break fee of 1 per cent of the value of the Acquisition (including the Special Dividend) calculated as at close of business on 29 May 2007.

(b) TML Share Purchase Agreement

On 28 January 2007, Kensington entered into a share purchase agreement with Customer Financial Solutions Limited, whereby Kensington agreed to sell the entire issued share capital of TML Financial Solutions Limited to Customer Financial Solutions Limited for nominal consideration. Pursuant to this agreement, Kensington provided Customer Financial Solutions Limited with certain warranties and indemnities customary for the sale of a wholly-owned subsidiary. Liability under the warranties and indemnities is in each case limited to a fixed amount. The sale of TML Financial Solutions Limited was completed on 25 April 2007.

(c) Money Partners Holdings Limited call option variation

On 18 October 2006, Kensington, certain shareholders of Money Partners Holdings Limited and David Johnson entered into a deed of variation of various call option agreements whereby Kensington exercised the options granted to it to purchase (i) 600,000 ordinary shares; and (ii) 150,000 ordinary shares respectively, in Money Partners Holdings Limited for an initial consideration of £13,100,000 and deferred consideration (if any) calculated by reference to Money Partners Holdings Limited's audited 2008 post-tax profit.

(d) Sale and Purchase Agreement for Residential 1 Limited

On 10 November 2006, Money Partners Holdings Limited, Mr D J Churchill, Mr M G Gilsenan and Mr C J Hardiman-Scott entered into a sale and purchase agreement whereby Money Partners Holdings Limited purchased the whole of the issued share capital in Residential 1 Limited for consideration of

£1,200,000 plus an amount of deferred consideration, which sale and purchase agreement contained standard warranties and indemnities for a transaction of this nature.

Save as set out below, no contracts have been entered into by any member of the Investec Group otherwise than in the ordinary course of business since 19 February 2005 (the date two years prior to the commencement of the Offer Period) which are or may be material:

Investec

(e) Implementation Agreement

The Implementation Agreement as described in paragraph 6(a) of this Part VIII relating to Kensington.

(f) Subscription Agreement

On 19 January 2007, Investec Finance plc, a wholly owned subsidiary of Investec, entered into a subscription agreement with Dresdner Bank AG London Branch and UBS Limited (collectively, the **Managers**), under which it agreed to issue £350,000,000 of Fixed/Floating Undated Subordinated Callable Step-Up Notes (the **Notes**) on 23 January 2007 under the £1,000,000,000 Euro Medium Term Note Programme established by it. In accordance with the terms of the agreement, the Managers agreed to subscribe or procure subscribers for the Notes at a price of 98.789 per cent. of the principal amount of the Notes, being the issue of 99.239 per cent. less a combined management and underwriting commission of 0.45 per cent. of such principal amount.

The following summary contains basic information about the terms of the outstanding Notes.

(a) Interest accrues at a 6.25 per cent. per annum Fixed Rate for the period from 23 January 2007 to 23 January 2017 and thereafter three month sterling LIBOR plus 2.11 per cent. Floating Rate.

(b) The Interest Payment Dates for the Fixed Rate element are 23 January and 23 July in each year up to, and including, 23 January 2017 (the "Initial Call Date").

(c) The Interest Payment Dates for the Floating Rate element are 23 January, 23 April, 23 July and 23 October in each year from, but excluding the Initial Call Date.

(d) There is no maturity date for the Notes.

(e) The Notes are callable at par on the Initial Call Date or on any Interest Payment Date thereafter subject to Investec Bank (UK) Limited (the "Guarantor") having made the required notifications to the Financial Services Authority.

(f) Application was made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange with effect from 23 January 2007.

(g) Rothschild Australia Share Purchase Agreement

On 7 July 2006, Investec Bank (UK) Limited, a wholly owned subsidiary of Investec, acquired the entire share capital of N.M. Rothschild Australia Holdings Pty Limited and its subsidiary, N.M. Rothschild and Sons (Australia) Limited, (**Rothschild Australia**) for £77,249,000. Upon acquisition, Rothschild Australia changed its name to Investec Australia Limited. The agreement contained warranties and indemnities standard for this type of transaction. Liability was limited to the amount of the purchase price.

(h) Carr Sheppards Acquisition Agreement

On 23 March 2005, Carr Sheppards Crosthwaite (Holdings) Limited, a subsidiary of Investec, agreed, under the terms of an Acquisition Agreement, to sell Carr Sheppards Crosthwaite Limited (**CSC**) to Rensburg plc (**Rensburg**) in consideration of £188,000,000, settled through the issue of 25.5 million shares of £0.10 each in Rensburg to Investec 1 Limited (**Investec 1**) and the creation of a £60,000,000 subordinated loan in favour of Investec 1. As part of the acquisition, CSC Shareholders were entitled to a special dividend of 45 pence per existing ordinary share. Of the 25.5 million shares to be issued to Investec 1, Investec 1 agreed to immediately transfer 2.8 million shares to an employee benefit trust for the benefit of certain CSC shareholders, resulting in a holding of 47.7 per cent. of Rensburg's enlarged share capital.

The agreement contained warranties and indemnities standard for the sale of a wholly-owned subsidiary. Liability was limited to a fixed amount.

Investec 1 also entered into a Lock Up and Stand Still Agreement in relation to its shareholding in Rensburg, under which it has undertaken that it will not for a period of five years following admission, vote any shares held in excess of 30 per cent. of the issued share capital of Rensburg. It has also agreed not to dispose of the 22.7 million shares issued to, and held by, it for a period of 18 months from admission and thereafter for a period of 18 months not to dispose of such shares other than as intended in a manner to maintain an orderly market in the ordinary shares of Rensburg.

The subordinated loan of £60,000,000 is documented in a Term Subordinated Loan Agreement dated 23 March 2005, between Investec 1 and Rensburg. Facility A (£45,000,000) attracts a fixed interest rate set at 2.25 per cent. above the ten year UK swap rate as at the close of business the day before completion (7.155 per cent.), while Facility B (£15,000,000) attracts a floating interest rate of 2.25 per cent. above six months' LIBOR. On 8 May 2007, £10,000,000 of the loan was repaid ahead of schedule. The loan was originally scheduled for repayment in equal annual instalments of £5,625,000 for Facility A and £1,875,000 for Facility B, commencing on 6 May 2008. The repayment on 8 May 2007 was made wholly against Facility B. The prepayment is to be applied in chronological order against the future scheduled repayment obligations of the floating rate portion of the loan.

7 Financing of the Offer

The Acquisition will be financed by the issue of New Investec Shares to Kensington Shareholders. As a result, on completion of the Acquisition, Kensington Shareholders will own approximately 5.8 per cent. of the aggregate issued share capital of Investec and Investec Limited as enlarged by the acquisition of Kensington.

The Special Dividend will be funded out of the available cash resources of Kensington.

8 Material Change

(a) Save as disclosed in this document, the Kensington Directors are not aware of any material change in the financial or trading position of the Company since 30 November 2006 (being the date to which the last published audited accounts of the Company were prepared).

(b) Save as disclosed in this document, the Kensington Directors are not aware of any material change in relation to any material information previously published by or on behalf of Kensington during the Offer Period.

(c) Save as disclosed in this document, the Investec Directors are not aware of any material change in the financial or trading position of Investec since 31 March 2007 (being the date to which the last published audited accounts of Investec were prepared).

9 Sources and bases of information

(a) The value placed by the Offer on the existing issued and to be issued share capital of Kensington is based on 52,606,507 Kensington Shares in issue and unexercised options over a total of 1,686,409 Kensington Shares on 22 June 2007, the last Business Day prior to the date of posting of this Scheme document.

(b) The Closing Prices of the Kensington Shares on 29 May 2007, the last Business Day prior to the date of the announcement of the Offer, are derived from the Daily Official List.

(c) Unless otherwise stated, the financial information relating to Kensington is extracted from the annual report of Kensington for the financial year ending 30 November 2006.

10 General

(a) Rothschild has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

(b) Citi has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

(c) Merrill Lynch has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

(d) Panmure Gordon has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

(e) There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Kensington Shares to be acquired by Investec pursuant to the Scheme will be transferred to any other person, save that Investec reserves the right to transfer any such shares to any member of the Investec Group.

(f) Save as disclosed in this document, no agreement, arrangement or understanding (including compensation arrangement) exists between Investec or any person acting in concert with it for the purposes of the Offer and any of the Kensington Directors, recent directors, Kensington Shareholders or recent shareholders of the Company having any connection with or dependence upon the outcome of the Offer.

11 Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Linklaters, One Silk Street, London EC2Y 8HQ during usual business hours on any Business Day prior to the Effective Date or the date that the Scheme lapses or is withdrawn, whichever is the earlier:

(a) the current memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Company, marked to show the changes set out in the Special Resolution to be proposed at the Extraordinary General Meeting;

(c) the current memorandum and articles of association of Investec;

(d) the annual report of Kensington for the financial years ended 30 November 2005 and 30 November 2006 and the Kensington trading statement issued on 30 May 2007;

(e) the annual report and accounts of Investec for the financial year ended 31 March 2006, the interim results of Investec for the half-year ended 30 September 2006 and the preliminary results announcement of Investec for the financial year ended 31 March 2007 (the annual report and accounts of Investec for the financial year ended 31 March 2007 will be made available for inspection following despatch to shareholders);

(f) a full list of the dealings referred to in paragraphs 4(b)(iii), 4(c)(iii), 4(d)(iv) and 4(e)(iv) above in respect of which the Panel has given consent to aggregation of dealings;

(g) the deeds of irrevocable undertaking referred to in paragraph 4(f) above;

(h) copies of the service contracts and letters of appointment referred to in paragraph 5 above;

(i) copies of the contracts referred to in paragraph 6 above;

(j) copies of the written consents referred to in paragraph 10 above;

(k) this document and the Forms of Proxy; and

(l) the Implementation Agreement.

PART IX

THE SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE No. 4280 of 2007
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF KENSINGTON GROUP PLC

and

IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT
(under section 425 of the Companies Act 1985)

between

Kensington Group plc
and the Scheme Shareholders
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

"Business Day"	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London;
"Capital Reduction"	the proposed reduction of share capital of Kensington pursuant to the Scheme;
"certificated" or in **"certificated form"**	not in uncertificated form;
"Companies Act"	the Companies Act 1985, as amended;
"the Company" or **"Kensington"**	Kensington Group plc, registered in England and Wales (no. 03050321);
"Court"	the High Court of Justice in England and Wales;
"Court Hearing"	the hearing by the Court of the petition to sanction the Scheme and confirm the Capital Reduction;
"Court Meeting"	the meeting of the Scheme Shareholders to be convened by an order of the Court under section 425 of the Companies Act to consider and, if thought fit, approve this Scheme (with or without amendment) and any adjournment thereof;
"Court Order"	the order of the Court sanctioning the Scheme under section 425 of the Companies Act and confirming the Capital Reduction;
"CREST"	the system for paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the CREST Regulations;

"CRESTCo"	CrestCo Limited;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755);
"Deferred Share"	the Kensington Share that is to be reclassified as a deferred share and subsequently issued to Investec prior to the Effective Date;
"Effective Date"	the date on which this Scheme becomes effective in accordance with clause 5 of this Scheme;
"holder"	includes a person entitled by transmission;
"Investec"	Investec plc, registered in England and Wales (no. 03633621);
"Kensington Share"	an ordinary share of £0.10 in the capital of Kensington;
"Kensington Shareholder"	a holder of a Kensington Share;
"New Investec Shares"	the new ordinary shares of £0.0002 each in the capital of Investec to be issued to Scheme Shareholders pursuant to the Scheme;
"New Kensington Shares"	the new Kensington Shares to be issued to Investec and/or its nominee(s) in accordance with clause 1.2.2 of the Scheme;
"Panel"	the Panel on Takeovers and Mergers;
"pounds", "pence", "sterling" and **"£"**	the lawful currency of the United Kingdom;
"Scheme"	this scheme of arrangement in its present form or with or subject to any modification, addition or condition which the Company and Investec may agree and which the Court may approve or impose;
"Scheme Record Time"	6.00 p.m. on the Business Day immediately preceding the Effective Date;
"Scheme Shareholders"	holders of Scheme Shares;
"Scheme Shares"	(i) the Kensington Shares in issue at the date of this Scheme; (ii) any Kensington Shares which are unconditionally issued after the date of this Scheme document but before the Voting Record Time; and (iii) any Kensington Shares issued on or after the Voting Record Time and at or before 6.00 p.m. on the day before the date of the Court Hearing either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed to be bound by the Scheme, in each case excluding the Deferred Share;

"Voting Record Time"	6.00 p.m. on the day which is two days before the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the second day before the date of such adjourned meeting;
"subsidiary" and **"subsidiary undertaking"**	have the meanings ascribed to them under the Companies Act;
"uncertificated" or **"in uncertificated form"**	recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by virtue of the CREST Regulations; and
"United Kingdom" or **"UK"**	the United Kingdom of Great Britain and Northern Ireland.

and where the context so admits or requires, the plural includes the singular and *vice versa*. References to clauses are to clauses of this Scheme.

(B) At the date of this Scheme, the authorised share capital of the Company is £10,000,000 divided into 100,000,000 ordinary shares of 10 pence each, of which 52,606,507 ordinary shares have been issued and are credited as fully paid and the remainder are unissued.

(C) As at the date of this document, Investec does not own any Kensington Shares. It is proposed that one authorised, unissued Kensington Share will be reclassified as a deferred share (the "**Deferred Share**") and subsequently issued to Investec for cash prior to the Effective Date. The Deferred Share will have limited rights and will not constitute a Scheme Share. As such, the Deferred Share will not be cancelled and will continue to be issued after the Effective Date.

(D) Investec agrees to appear by counsel on the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

THE SCHEME

1 Cancellation of the Scheme Shares

1.1 On the Effective Date, the capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares.

1.2 Subject to and forthwith upon the said reduction of capital taking effect:

1.2.1 the authorised share capital of the Company shall be increased to its former amount by the creation of such number of New Kensington Shares as is equal to the number of Scheme Shares cancelled pursuant to clause 1.1 above; and

1.2.2 the reserve arising in the books of account of the Company as a result of the said reduction of capital shall be capitalised and applied in paying up in full at par the New Kensington Shares created pursuant to clause 1.2.1 of this Scheme above, which shall be allotted and issued credited as fully paid to Investec and/or its nominee(s).

2 Consideration for cancellation of the Scheme Shares

2.1 Subject to and in consideration for the cancellation of the Scheme Shares and the allotment and issue of the New Kensington Shares as provided in clause 1 of this Scheme, Investec shall (subject as hereinafter provided) issue credited as fully paid to or for the account of each holder of the Scheme Shares (as appearing in the register of members of the Company at the Scheme Record Time):

for each Scheme Share **0.7 of a New Investec Share**

2.2 In addition, subject to the Scheme becoming effective, the holders of the Scheme Shares (as appearing in the register of members of the Company at the Scheme Record Time) will receive a special dividend of 26 pence per Scheme Share payable by the Company.

2.3 The aggregate number of Investec Shares to which a Scheme Shareholder is entitled under clause 2.1 shall, in each case, be rounded down to the nearest whole number except in the case of any Scheme Shareholder (if any) holding only one Scheme Share in which case the entitlement of such Scheme Shareholder will be rounded up. Accordingly, no fraction of a New Investec Share shall be allotted to any Scheme Shareholder, and all fractions of Investec Shares to which Scheme Shareholders would otherwise have been entitled shall be disregarded.

2.4 The Investec Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Investec Shares and will be entitled to all dividends and other distributions declared, made or paid by Investec by reference to a record date on or after the Effective Date, except that the New Investec Shares will not qualify for the final dividend of 13 pence per Investec Share that the combined boards of Investec and Investec Limited have proposed for the financial year ended 31 March 2007.

2.5 The Investec Shares to be issued pursuant to clause 2.1 shall be issued free from all liens, charges, equitable interests, encumbrances and other third party rights and interest of any nature whatsoever.

2.6 The provisions of this clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any holder of Scheme Shares with a registered address in a jurisdiction outside the United Kingdom, Investec is advised that the allotment and/or issue of New Investec Shares pursuant to this clause would or might infringe the laws of such jurisdiction or would or might require Investec to comply with any governmental or other consent or any registration, filing or other formality with which, in the opinion of Investec, it would be unable to comply or compliance with which Investec regards as unduly onerous, then the New Investec Shares to which such holder is entitled will be issued to such Overseas Shareholders and such Overseas Shareholders shall be entered on the register of members of Investec, and Investec shall, unless instructed otherwise by such Overseas Shareholders, appoint a person who shall be deemed to be authorised on behalf of such Overseas Shareholders to procure that any shares in respect of which Investec has made such determination shall as soon as practicable be sold with the net proceeds of such sale being remitted to such Overseas Shareholders.

Any sale under this clause 2.6 shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions incurred in connection with such sale including any amount in respect of value added tax thereon) shall be paid to the persons entitled thereto in accordance with their entitlements. To give effect to any sale under clause 2.6, the person referred to in clause 2.6 shall be authorised as attorney on behalf of the holder concerned to execute and deliver as transferor an instrument or instruction of transfer and to give such instructions and to do all other things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of the Company, Investec or the nominee shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

3 Settlement

3.1 As soon as practicable after the Effective Date and, in any event, no later than 14 days from the Effective Date, Investec shall despatch, or procure the despatch of, definitive share certificates for the New Investec Shares by first class post (or by such other method as may be approved by the Panel) to shareholders who hold Scheme Shares in certificated form. Such certificates will be sent at the risk of the person entitled to them.

3.2 Where, on the Effective Date, a Scheme Shareholder holds Scheme Shares in uncertificated form, the New Investec Shares to which the Scheme Shareholder is entitled will be issued in uncertificated form through CREST. Investec shall procure that CRESTCo is instructed to credit the Scheme Shareholder's appropriate stock account in CREST with the applicable number of New Investec Shares at the commencement of dealings in New Investec Shares. As from the Scheme Record Time, each holding of Scheme Shares credited to any stock account in CREST shall be disabled and all Scheme Shares will be removed from CREST in due course thereafter.

3.3 Scheme Shareholders will receive the Special Dividend within 14 days of the Effective Date.

3.4 All deliveries of notices, share certificates, cheques, warrants and/or payments required to be made pursuant to this Scheme shall be effected by sending the same by first class post in prepaid envelopes (or by such other method as may be approved by the Panel) addressed to the persons entitled thereto at their respective registered address as appearing in the register of members of the Company at the Scheme Record Time (or, in the case of joint holders, at the registered address of that one of the joint holders whose name stands first in the said register in respect of such joint holding at that time) or in accordance with any special instructions regarding communications, and neither Investec nor the Company nor their respective agents shall be responsible for any loss or delay in the transmission of any notices, certificates, cheques, warrants and/or payments sent in accordance with this clause 3.4, which shall be sent at the risk of the persons entitled thereto.

3.5 The provisions of this clause 3 shall be subject to any prohibition or condition imposed by law.

4 Certificates and Cancellations

With effect from and including the Effective Date:

4.1 all certificates representing Scheme Shares shall cease to have any effect as evidence of present title to the Scheme Shares comprised therein and every Scheme Shareholder shall be bound at the request of the Company to deliver up the same to the Company or as it may direct.

4.2 CRESTCo shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form.

5 Effective Date

5.1 The Scheme shall become effective in accordance with its terms as soon as an office copy of the Court Order shall have been delivered to the Registrar of Companies for registration and, in the case of the confirmation of the reduction of capital, shall have been registered by him in England and Wales.

5.2 Unless the Scheme shall become effective on or before 28 September 2007 or such later date as Investec and the Company may agree with the approval of the Court and/or the Panel if required, the Scheme shall not become effective.

6 Modification

Investec and the Company may jointly consent on behalf of all concerned to any modification of, or addition to, the Scheme or to any condition which the Court may approve or impose.

Dated 25 June 2007

PART X

DEFINITIONS

In this document (with the exception of Part IX), the following words and expressions have the following meanings, unless the context requires otherwise:

Acquisition	the proposed acquisition by Investec of the entire issued and to be issued share capital of Kensington by means of the Scheme as described in this document.
Admission	admission of the New Investec Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities.
Alternative Proposal	a proposed offer, merger, acquisition, scheme of arrangement, recapitalisation or other business combination relating to any direct or indirect acquisition of fifty per cent. or more of the Kensington Shares or all or a material part of the business or assets of the Kensington Group proposed by any third party which is not a concert party (as defined in the City Code) of Investec.
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London or Johannesburg.
Capital Reduction	the proposed reduction of share capital of Kensington pursuant to the Scheme.
certificated form or **in certificated form**	not in uncertificated form.
Citi	Citigroup Global Markets Limited.
City Code	the UK City Code on Takeovers and Mergers.
Closing Price	the closing middle market quotation of a Kensington Share as derived from the Daily Official List.
Companies Act or **Act**	the Companies Act 1985 (as amended).
Company or **Kensington**	Kensington Group plc.
Company's Registrars or **Lloyds TSB Registrars**	Lloyds TSB Registrars of The Causeway, Worthing, West Sussex BN99 6ZX.
Conditions	the conditions to the Scheme and the Acquisition which are set out in Part III of this document.
Court	the High Court of Justice in England and Wales.
Court Hearing	the hearing by the Court of the petition to sanction the Scheme and confirm the Capital Reduction.
Court Hearing Date	the date of the Court Hearing.
Court Meeting	the meeting of the Scheme Shareholders convened by an order of the Court under section 425 of the Companies Act to consider and, if thought fit, approve the Scheme (with or without amendment), notice of which is set out in Part XI of this document, and any adjournment thereof.

Court Order	the order of the Court sanctioning the Scheme under section 425 of the Companies Act and confirming the reduction of share capital under section 137 of the Companies Act provided for by the Scheme.
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the CREST Regulations.
CRESTCo	CRESTCo Limited.
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by CRESTCo on 15 July 1996 and as amended since).
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755).
Daily Official List	the daily official list of the London Stock Exchange.
Deferred Share	the Kensington Share that is to be reclassified as a deferred share and issued to Investec prior to the Effective Date.
Effective Date	the date on which the Scheme becomes effective in accordance with clause 5 of the Scheme.
Extraordinary General Meeting	the extraordinary general meeting of Kensington Shareholders, notice of which is set out in Part XII of this document, and any adjournment thereof.
Financial Services Authority	the UK Financial Services Authority.
Fitch	Fitch Ratings.
Forms of Proxy	either or both of the blue form of proxy for use at the Court Meeting and the white form of proxy for use at the Extraordinary General Meeting which accompany this document, as the context requires.
FSMA	Financial Services and Markets Act 2000 (as amended).
group	in relation to any person, means that person and any companies which are holding companies, subsidiaries or subsidiary undertakings of it or of any such holding company.
Group	for the purposes of Part V of this document only, means Kensington, all its subsidiaries (including special purpose vehicles that are consolidated in accordance with SIC 12) over which Kensington has control, and interests in joint ventures.
HMRC	HM Revenue & Customs.
holder	includes any person entitled by transmission.
Implementation Agreement	the deed entered into between Kensington and Investec dated 30 May 2007 in connection with the implementation of the Acquisition.

Investec	Investec plc.
Investec Directors	the directors of Investec, whose names are set out in paragraph 2(b) of Part VIII of this document.
Investec Group	Investec, Investec Limited and their respective subsidiaries and, where the context permits, each of them.
Investec Shares	means each ordinary share of £0.0002 in the capital of Investec.
Kensington	Kensington Group plc.
Kensington Directors	the directors of Kensington, whose names are set out in paragraph 2(a) of Part VIII of this document.
Kensington Group	Kensington and its subsidiary undertakings and, where the context permits, each of them.
Kensington Share	an ordinary share of £0.10 in the capital of Kensington.
Kensington Shareholder	a holder of a Kensington Share.
Kensington Share Schemes	the Kensington Inland Revenue Approved Executive Share Options Scheme 2000, the Kensington (Unapproved) Executive Share Option Scheme 2000, the Kensington Sharesave Option Scheme 2000, the Kensington Performance Share and Investment Plan, the Kensington Long Term Incentive Plan, the Norland Executive Share Option Scheme and the Norland Packager Share Option Scheme.
Listing Rules	the listing rules of the UK Listing Authority, as amended.
London Stock Exchange	London Stock Exchange plc.
Meetings	the Court Meeting and the Extraordinary General Meeting.
Members	members of the Company on the register of members at any relevant date.
Merrill Lynch	Merrill Lynch International.
New Investec Shares	the new ordinary shares of £0.0002 in the capital of Investec to be issued to Scheme Shareholders pursuant to the Scheme.
Offer	the offer of 0.7 of a New Investec Share per Kensington Share plus the Special Dividend.
Offer Period	the period commencing on 19 February 2007 and ending on the Effective Date.
Official List	the official list of the UK Listing Authority.
Overseas Shareholders	Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the UK.
Panel	the Panel on Takeovers and Mergers.
R	South African Rand.
Panmure Gordon	Panmure Gordon (UK) Limited.
pounds or **£**	UK pounds sterling.
Registrar of Companies	The Registrar of Companies in England and Wales.

Regulation	Council Regulation 139/2004/EC on the control of concentrations between undertakings.
Regulatory Approvals	all regulatory approvals and consents necessary to implement the Acquisition.
Regulatory Information Service	any of the services approved by the London Stock Exchange for the distribution to the public of Alternative Investment Market announcements and included within the list maintained on the London Stock Exchange's website, www.londonstockexchange.com.
Relevant Authority	any court or competition, antitrust, national, supranational or supervisory body or other government, governmental, trade or regulatory agency or body, in each case in any jurisdiction and including, without limitation, the Panel.
Rothschild	N M Rothschild & Sons Limited.
Scheme or **Scheme of Arrangement**	the scheme of arrangement proposed to be made under section 425 of the Companies Act between Kensington and the holders of Scheme Shares as set out in Part IX of this document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Kensington and Investec.
Scheme Record Time	6.00 p.m. on the Business Day immediately preceding the Effective Date.
Scheme Shareholders	holders of Scheme Shares.
Scheme Shares	(i) the Kensington Shares in issue at the date of this document; (ii) any Kensington Shares which are unconditionally issued after the date of this Scheme document but before the Voting Record Time; and (iii) any Kensington Shares issued on or after the Voting Record Time and at or before 6.00 p.m. on the day before the date of the Court Hearing either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed to be bound by the Scheme, in each case, excluding the Deferred Share.
Special Dividend	the special dividend of 26 pence per Kensington Share payable by Kensington subject to the Scheme becoming effective.
Special Resolution or **EGM Resolution**	means the special resolution to approve, amongst other things, the cancellation of the entire issued share capital of Kensington, the amendments to Kensington's articles of association and such other matters as may be necessary for, connected with or desirable for, the implementation of the Offer.
SPV Companies	means the special purpose vehicle companies formed by Kensington for the purposes of funding its mortgage lending via securitisations, as more fully described in note (iv) to paragraph 10.10 of Part V of this document.
subsidiary or **subsidiary undertaking** or **undertaking**	each have the meanings given by the Companies Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A thereof).

Takeover Offer	means the implementation of the Offer by means of a takeover offer under the City Code.
UK Listing Authority or **UKLA**	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part I of the Financial Services and Markets Act 2000.
uncertificated or **in uncertificated form**	recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST.
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland.
US or **United States**	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
US$** or **$	United States dollars.
US Person	a "U.S. person" as defined in Regulation S under the U.S. Securities Act.
U.S. Securities Act	the U.S. Securities Act of 1933 (as amended).
Voting Record Time	6.00 p.m. on the day which is two days before the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the second day before the date of such adjourned meeting.

PART XI

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE **No. 4280 of 2007**
CHANCERY DIVISION
COMPANIES COURT
REGISTRAR RAWSON

IN THE MATTER OF KENSINGTON GROUP PLC

– and –

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated 22 June 2007 made in the above matters, the Court has directed a meeting to be convened of the holders of Scheme Shares (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the "**Scheme of Arrangement**") proposed to be made between Kensington Group Plc (the "**Company**") and the holders of the Scheme Shares and that such meeting will be held at the offices of Panmure Gordon & Co., Moorgate Hall, 155 Moorgate, London EC2M 6XB on 18 July 2007, at 9.00 a.m. at which place and time all holders of the said shares are requested to attend.

A copy of the Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 426 of the Companies Act 1985 are incorporated in the document of which this notice forms part.

Holders of Scheme Shares may vote in person at the said meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A blue form of proxy for use at the said meeting is enclosed with this notice. Holders of Scheme Shares who are members of CREST may use the CREST electronic proxy appointment services. Further details are set out below.

Completion of this form of proxy will not prevent a holder of Scheme Shares from attending and voting at the said meeting, or any adjournment thereof, in person if he wishes to do so.

It is requested that the blue form of proxy (together with any power of attorney or other authority under which it is signed, or a certified copy of such power of attorney) be lodged with the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZX not less than 48 hours before the time appointed for the said meeting, but if forms are not so lodged they may be handed to the Chairman at the meeting.

In the case of joint holders of Scheme Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Entitlement to attend and vote at the meeting or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on the day which is two days before the date of the meeting or adjourned meeting (as the case may be). In each case, changes to the register of members of the Company after such time will be disregarded.

By the said Order, the Court has appointed Peter Birch or, failing him, Gareth Jones or, failing him, Alison Hutchinson or, failing her, Roger Blundell, to act as Chairman of the said meeting and has directed the Chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 25 June 2007

LINKLATERS LLP
One Silk Street
London EC2Y 8HQ

Solicitors for the Company

Notes:

1. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes that can be cast), members must be entered on the Company's register of members at 6.00 p.m. on 16 July 2007 (the Voting Record Time). If the meeting is adjourned to be entitled to attend and vote at such meeting (and for the purposes of determination by the Company of the number of votes that can be cast), members must be entered on the Company's register of members at 6.00 p.m. on the day which is two days before the day of such adjourned meeting or, if the Company gives notice of this adjourned meeting and an entitlement time is specified in that notice, at the time specified in that notice.

2. Electronic proxy appointment through CREST

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Court Meeting (and any adjournment(s) thereof) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Lloyds TSB Registrars (ID 7RA01) by no later than 9.00 a.m. on 16 July 2007. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Lloyds TSB Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning physical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

PART XII

NOTICE OF EXTRAORDINARY GENERAL MEETING

KENSINGTON GROUP PLC

(the **"Company"**)

(Registered in England and Wales No. 03050321)

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at the offices of Panmure Gordon & Co., Moorgate Hall, 155 Moorgate, London EC2M 6XB on 18 July 2007, at 9.15 a.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this notice forms part) convened for 9.00 a.m. on the same day and at the same place, by an order of the High Court of Justice, shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

for the purpose of giving effect to the scheme of arrangement dated 22 June 2007 (the "**Scheme**") between the Company and the holders of its Scheme Shares (as defined in the Scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman of the meeting in its original form or subject to such modification, addition or condition approved or imposed by the Court and agreed to by Investec plc ("Investec") and the Company:

(a) the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;

(b) on the effective date of the Scheme, the issued share capital of the Company be reduced by cancelling and extinguishing all of the Scheme Shares (as defined in the Scheme);

(c) subject to and forthwith upon the reduction of share capital referred to in paragraph (b) above taking effect and notwithstanding anything to the contrary in the articles of association of the Company:

  (i) the share capital of the Company be increased to its former amount by the creation of such number of new ordinary shares of 10 pence each as shall be equal to the aggregate number of Scheme Shares cancelled pursuant to paragraph (b) above;

  (ii) the reserve arising in the books of account of the Company as a result of the reduction of share capital referred to in paragraph (b) above be capitalised and applied in paying up in full at par all of the new ordinary shares created pursuant to paragraph (c)(i) above, which shall be allotted and issued, credited as fully paid, to Investec and/or its nominee(s);

  (iii) the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to allot the new ordinary shares referred to in paragraph (c)(i) above, provided that: (1) the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be the aggregate nominal amount of the said new ordinary shares created pursuant to sub-paragraph (c)(i) above; (2) this authority shall expire (unless previously revoked, varied or renewed) on the fifth anniversary of this resolution; and (3) this authority shall be in addition and without prejudice to any other authority under the said section 80 previously granted and in force on the date on which this resolution is passed;

(d) subject to the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new article 140:

"Scheme of Arrangement

(i) In this Article, the Scheme means the scheme of arrangement dated 25 June 2007 between the Company and the holders of its Scheme Shares (as defined in the Scheme) under section 425 of the Act in its original form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Investec plc and the Company and (save as defined in this Article) expressions defined in the Scheme shall have the same meanings in this Article.

(ii) Notwithstanding any other provision of these Articles, if the Company issues any shares (other than to Investec plc or its nominee(s)) at or after the adoption of this Article and on or before 6.00 p.m. on the day before the date of the court hearing to sanction the Scheme and to confirm the reduction of capital ("**Capital Reduction**") provided for by the Scheme, those shares will be issued subject to the terms of the Scheme and the holders of those shares will be bound by the Scheme accordingly.

(iii) Subject to the Scheme becoming effective, if any shares are issued to any person (a "**New Member**") (other than under the Scheme or to Investec plc or its nominee(s)) after 6.00 p.m. on the day before the date of the court hearing to sanction the Scheme and confirm the Capital Reduction (the "**Post-Scheme Shares**"), such Post-Scheme Shares will be immediately transferred to Investec plc (or as it may direct) in consideration of and conditional on the Investec Group (as defined in the Scheme) issuing or procuring the transfer of 0.7 of a New Investec Share (as defined in the Scheme) and paying 26p in cash to the New Member, for each such Post-Scheme Share.

(iv) On any reorganisation of, or material alteration to, the share capital of the Company and/or the share capital of Investec plc (including, without limitation, any sub-division and/or consolidation), the number of New Investec Shares (as defined in the Scheme) to be issued or transferred under paragraph (iii) of this Article will be adjusted by the Kensington Directors (as defined in the Scheme) in the manner, if any, as the Company's auditors may determine to be appropriate.

(v) To give effect to any transfer required by paragraph (iii) above, the Company may appoint any person as attorney and/or agent for the New Member to transfer the Post-Scheme Shares to Investec plc and/or its nominee(s) and do all such other things and execute and deliver all such documents as may in the opinion of the attorney and/or agent, be necessary or desirable to vest the Post-Scheme Shares in Investec plc or its nominee(s) and pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as Investec plc may direct. If such an attorney and/or agent is so appointed, the New Member shall not thereafter (except to the extent that such an attorney and/or agent fails to act in accordance with the directions of Investec plc) be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed by Investec plc. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares"; and

(e) with effect from the passing of this resolution:

(i) one authorised but unissued share of the Company be reclassified as a Deferred Share of 25 pence, such Deferred Share to have the rights set out in the Articles of Association of the Company as amended pursuant to paragraph (ii) below;

(ii) the Articles of Association of the Company be altered by the adoption and inclusion of the following new Article 141:

"Deferred Share

The Deferred Share so designated by special resolution of the Company passed on the same date as the date of adoption of this Article shall have all the rights of an ordinary share as set out in these Articles, save that:

(i) the holder of the Deferred Share shall not be entitled to receive a dividend or other distribution or to have any other right to participate in the profits of the Company;

(ii) the holder of the Deferred Share shall have no right to attend or vote at any general meeting of the Company; and

(iii) on a return of capital or winding-up of the Company, the holder of the Deferred Share shall be entitled, subject to the payment to the holders of all other classes of shares of the amount paid up or credited as paid up on such shares, to repayment of the amounts paid up or credited as paid up on the Deferred Share, but shall have no further or other right to participate in the assets of the Company.";

(iii) the directors be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to allot the said Deferred Share provided that (a) this authority shall (unless previously revoked, varied or renewed) expire on 28 September 2007; and (b) this authority shall be in addition and without prejudice to any other authority under the said section 80 previously granted and in force on the date on which this resolution is passed; and

(iv) pursuant to and during the period of the said authority, the directors be empowered to allot the said Deferred Share wholly for cash as if section 89 (1) of the said Act did not apply to any such allotment.

By order of the Board

Ann Tomsett
Company Secretary

25 June 2007

Head Office
1 Sheldon Square
London W2 6PU

Notes:

1. In order to reflect more accurately the views of members, the Directors have decided that voting on the Special Resolution set out in this Notice will be conducted by way of a poll rather than a show of hands and, accordingly, the Chairman will call for a poll in respect of the Special Resolution. A poll enables the views of those members who are unable to attend the meeting, but who have completed a Form of Proxy, to be taken into account. A poll also takes into account the number of votes attaching to the shares held by each voting shareholder.

2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

3. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company but must attend the meeting in person.

4. A white Form of Proxy is enclosed with this notice for members who are unable to attend the meeting. Instructions for use are shown on the form. Lodging a white Form of Proxy will not prevent the member from attending and voting in person (in substitution for their proxy) at the meeting or any adjournment thereof.

5. To be valid, the white Form of Proxy, together with any power of attorney or other authority under which it is signed, or a duly certified copy thereof, must be received at the offices of the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZX, not later than 9.15 a.m. on 16 July 2007.

6. Any amendments you make to the white Form of Proxy must be initialled by you.

7. Electronic proxy appointment through CREST

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the EXTRAORDINARY GENERAL MEETING (and any adjournment(s) thereof) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Lloyds TSB Registrars (ID 7RA01) by no later than 9.15 a.m. on 16 July 2007. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Lloyds TSB Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning physical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Copies of the Company's articles of association as proposed to be amended by the Special Resolution set out in the Notice of Meeting are available for inspection at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ during normal business hours on any Business Day until the time when the Scheme becomes effective or lapses or is withdrawn, whichever is the earlier, and will also be available for inspection at the place of the meeting for at least 15 minutes before, and during, the meeting.