

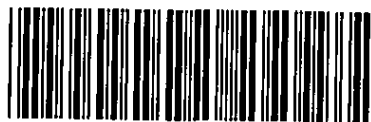
Company Number 3633621

Investec Plc

## 2007 Annual Financial Statements

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## Corporate information

### Investec plc and Investec Limited

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##### Registration number

Investec plc Reg No 3633621  
Investec Limited Reg No 1925/002833/06

##### Auditors

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Ernst & Young Inc

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#### Directorate

##### Executive Directors

Stephen Koseff (Chief Executive Officer)  
Bernard Kantor (Managing Director)  
Glynn Burger (Group Risk and Finance Director)  
Alan Tapnack

##### Non-Executive Directors

Hugh Herman (Chairman)  
Sam Abrahams  
George Alford  
Cheryl Carolus  
Haruko Fukuda  
Donn Jowell  
Geoffrey Howe  
Ian Kantor  
Sir Chips Keswick (Senior Independent NED)  
Peter Malungani  
Sir David Prosser  
Peter Thomas  
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## Who we are

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

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

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

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

## What we do

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

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

## Mission statement

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

## Values

<ul style="list-style-type: none"> <li>Outstanding talent - empowered, enabled and inspired</li> <li>Mentocracy</li> <li>Passion, energy, stamina, tenacity</li> <li>Entrepreneurial spirit</li> </ul>	<ul style="list-style-type: none"> <li>Respect for others</li> <li>Embrace diversity</li> <li>Open and honest dialogue</li> <li>Unselfish contribution to colleagues, clients and society</li> </ul>
Distinctive Performance	Dedicated Partnerships
Client Focus	Cast-iron Integrity
<ul style="list-style-type: none"> <li>Distinctive offering</li> <li>Leverage resources</li> <li>Break china for the client</li> </ul>	<ul style="list-style-type: none"> <li>Moral strength</li> <li>Risk consciousness</li> <li>Highest ethical standards</li> </ul>

## Philosophies

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

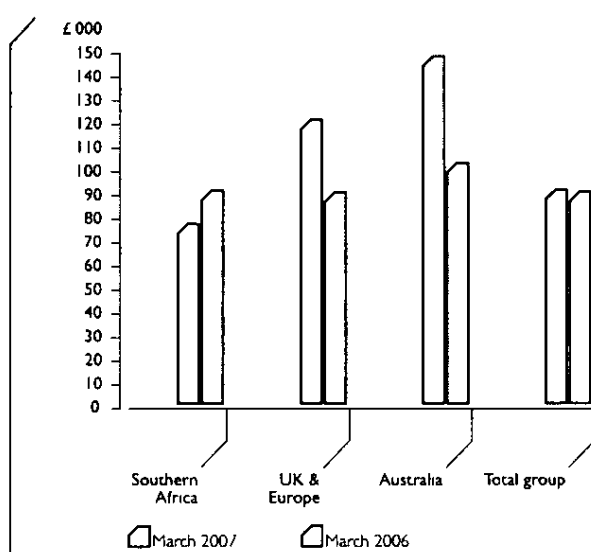
## Snapshot of the year

### Overview

- Strong group performance
- Benefited from benign market conditions
- Succeeded in building scale in the UK and Australia
- South Africa performed well in local currency
- Good contribution from all our businesses
- Strong brand which is gaining momentum
- Disciplined approach to recruiting the best talent
- Comfortably met all our financial return objectives

### Penetrated our core markets

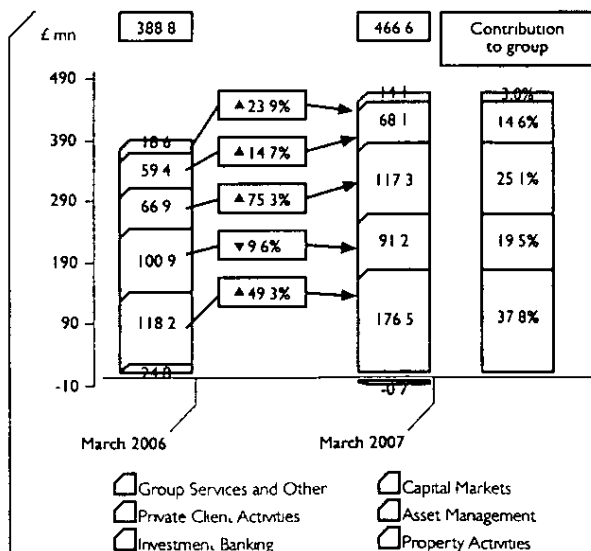
#### Operating profit per employee\*



### All businesses contributed to the performance

#### Operating profit\* by business

- Operating profit\* up 20.0% to £466.6 million



\* Before goodwill non-operating items and taxation

## Financial highlights

- Adjusted attributable earnings\* up 30.7% to £300.7 million
- Adjusted earnings per share\* up 27.2% to 53.3 pence
- Proposed full year dividend up 26.4% to 23.0 pence
- Average loans and advances up 23.6% to £9.9 billion
- Average third party assets under management up 23.2% to £56.2 billion

### Comfortably met all our financial targets

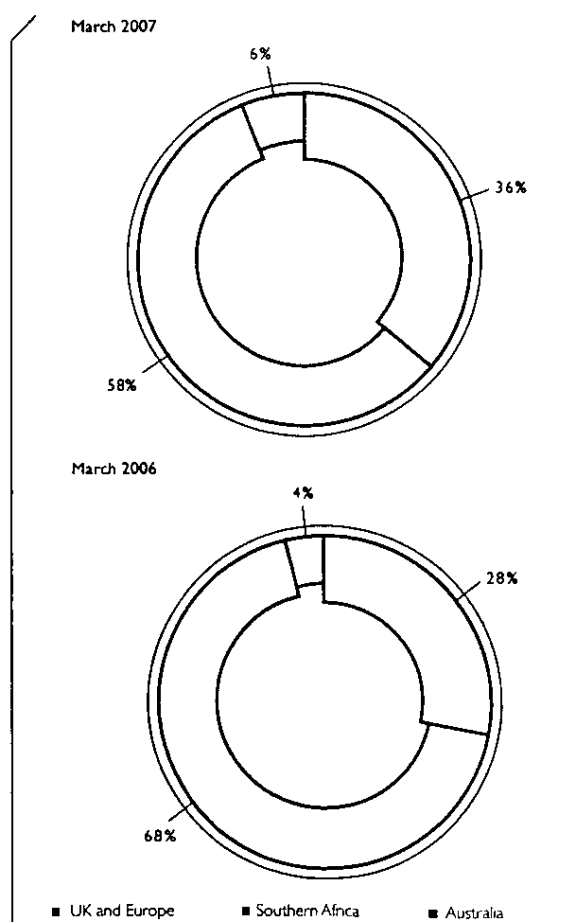
	Target	31 March 2007	31 March 2006
ROE	>20%	26.1%	25.5%
Cost to income ratio	<65%	59.0%	58.7%
Adjusted EPS* growth	10%	27.2%	55.6%
	> UK RPI		
Dividend cover (times)	1.7 - 2.3	2.3	2.3
Capital adequacy ratio	13% - 16%	Plc 24.7% Ltd 14.7%	Plc 17.7% Ltd 16.3%

#### Note

These targets were disclosed in May 2004 and are medium to long-term targets. We aim to achieve them through varying market conditions.

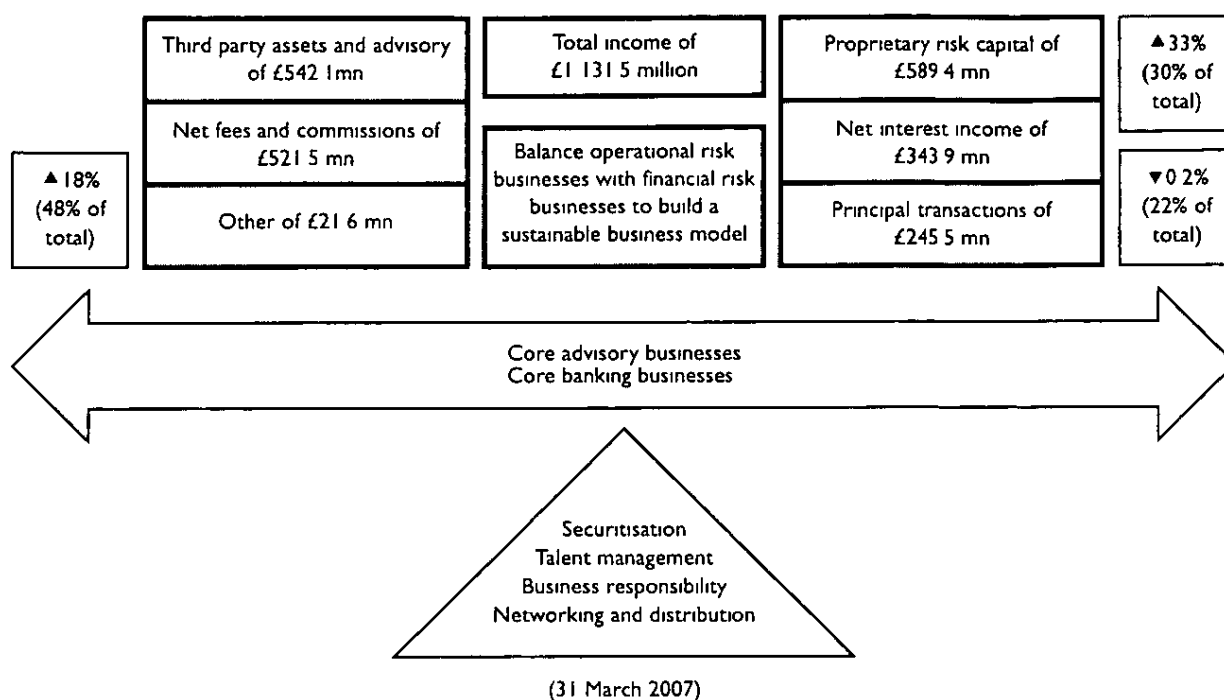
### Leveraged off our platforms

#### Operating profit\* by geography



## Strategic focus

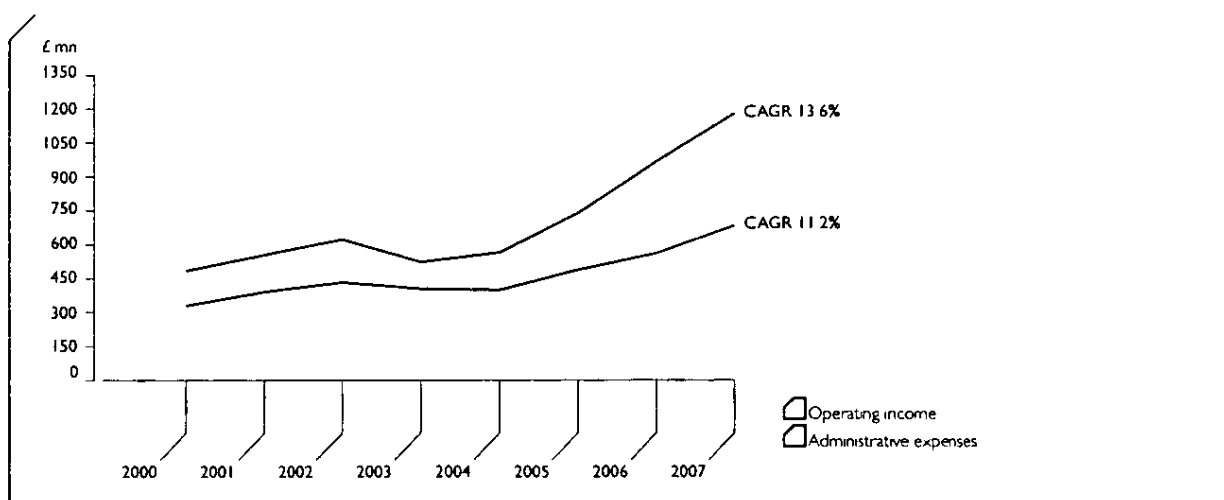
### Sustainable business model



#### Note

Analysis excludes income from private equity investments that are required to be consolidated

### Maintaining efficiency



Clear growth strategy

UK and Europe	<ul style="list-style-type: none"><li>• Continue to push organic growth</li><li>• Actively seeking bolt-on acquisitions</li></ul>
Australia	<ul style="list-style-type: none"><li>• Continue to grow organically</li><li>• Actively seeking bolt-on acquisitions</li></ul>
Southern Africa	<ul style="list-style-type: none"><li>• Continue to benefit from strong South African economy</li><li>• Deepen existing strong presence</li></ul>

Outlook

- Good underlying momentum driving organic growth across businesses
- Recent rating upgrades
  - Solid understanding of and disciplined approach to credit.
  - Effective capital management
- Good expense control while investing for growth
- Experienced management team
- Recognised brand
- The increase in scale and market penetration that we have achieved across all our geographies should continue to support the operating results of our businesses as expressed in local currencies
- Assuming current favourable market conditions persist we would expect to deliver on our stated growth and financial return objectives

## Summary of results

	31 March 2007	31 March 2006	% Change
<b>Income statement and selected returns</b>			
Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items (£'000)	300 704	230 017	30.7%
Headline earnings (£'000)	294 881	222 805	32.3%
Operating profit before goodwill non-operating items and taxation (£'000)	466 585	388 767	20.0%
Operating profit before goodwill non-operating items and taxation SA (% of total)	57.6%	68.3%	
Operating profit before goodwill, non-operating items and taxation Non-SA (% of total)	42.4%	31.7%	
Cost to income ratio	59.0%	58.7%	
Staff compensation to operating income ratio	40.9%	40.1%	
Return on average adjusted shareholders' equity (post tax)	26.1%	25.5%	
Return on average adjusted tangible shareholders' equity (post tax)	31.7%	32.7%	
Operating profit per employee (£'000)	92.3	91.5	
Net interest income as a percentage of operating income net of insurance claims	29.2%	26.8%	
Non-interest income as a percentage of operating income net of insurance claims	70.8%	73.2%	
Effective operational tax rate (excluding Assurance Activities)	26.3%	27.3%	
<b>Balance sheet</b>			
Total capital resources (including subordinated liabilities) (£million)	2 665	2 042	30.5%
Total equity (including preference shares and minority interests) (£million)	1 834	1 512	21.3%
Shareholders' equity (excluding minority interests) (£million)	1 542	1 226	25.8%
Total assets (£million)	26 300	23 901	10.0%
Loans and advances to customers (£million)	10 190	9 605	6.1%
Loans and advances to customers as a percentage of total assets	38.7%	40.2%	
Third party assets under management (£million)	56 086	56 331	(0.4%)
Capital adequacy ratio Investec plc	24.7%	17.7%	
Capital adequacy ratio Investec Limited	14.7%	16.3%	
<b>Salient financial features and key statistics</b>			
Adjusted earnings per share before goodwill and non-operating items (pence)	53.3	41.9	27.2%
Headline earnings per share (pence)	52.3	40.6	28.8%
Basic earnings per share (pence)	54.7	53.8	1.7%
Diluted earnings per share (pence)	50.4	50.0	0.8%
Dividends per share (pence)	23.0	18.2	26.4%
Dividend cover (times)	2.3	2.3	-
Net tangible asset value per share (pence)	178.6	148.9	19.9%
Weighted number of ordinary shares in issue (million)	563.8	548.8	2.7%
Total number of shares in issue (million)	609.3	593.2	2.7%
Closing share price (pence)	658	588	11.9%
Market capitalisation (£million)	4 009	3 488	14.9%
Number of employees in the group	5 430	4 453	21.9%
Closing ZAR/£ exchange rate	14.20	10.72	32.4%
Ave ZAR/£ exchange rate	13.38	11.43	17.1%

### Note

Refer to definitions on page 236. An eight year review is provided on page 34.

## Presentation of financial information

Under the contractual arrangements implementing the DLC structure, Investec plc and Investec Limited effectively form a single economic entity, in which the economic and voting rights of ordinary shareholders are equalised. In accordance with this structure the directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies. Accordingly, the results for Investec plc and Investec Limited set out in this report reflect the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS) denominated in Pounds Sterling (i.e. "Investec's consolidated results"). All references in this document referring to "Investec" or "the group" relate to the combined DLC group comprising Investec plc and Investec Limited.



## Operating financial review 2007

### Strong performance shows the strength and depth of our business

In another strong year for global financial markets, we are pleased to report a solid performance that enabled us to deliver on all our stated financial objectives. These results demonstrate the strength and depth of our business which, together with an improved range of products, has increased our ability to attract high quality talent. Brand building continues to be a priority and, while we are an international group with our roots in South Africa, we are starting to gain increasing recognition on the international stage.

On balance, all our core geographies performed well in local currencies as we increased the scale of our activities and penetrated our key markets. We continued to leverage off our platforms, with the UK and Australia performing particularly well following some of the initiatives implemented over the past four years. The UK and Australian operations posted a significant increase in attributable post-tax earnings of 55.5% and 71.4% respectively comprising a combined 43.8% of total attributable earnings. South Africa produced a solid performance in Rands but increased marginally in Sterling because of the weak exchange rate.

As a consequence, adjusted earnings per share (before goodwill and non-operating items) grew by 27.2% to 53.3 pence, from 41.9 pence, with the board recommending a final dividend of 13.0 pence per ordinary share. This brings the total dividends per share for the year to 23.0 pence, up from 18.2 pence in 2006.

### Balanced portfolio of businesses

We continue to benefit from our balanced portfolio of business, with the majority of our businesses achieving good results.

('Operating profit' in the text below refers to profit before goodwill, non-operating items and taxation)

#### Private Client Activities

Private Client Activities reported strong growth in operating profit of 49.3% to £176.5 million. The performance of the Private Banking division was driven by strong growth in advances and non-interest income. The division continued to penetrate its core markets, with all areas of specialisation performing well. Momentum and an evolving brand supported performance with the benefits of scale having a positive impact on bottom line. The average private client lending book grew by 24.4% to £6.5 billion and the division increased its average retail deposit book by 28.6% to £5.2 billion. Ongoing momentum supports the outlook of this business with the focus on reinvestment and using existing strategies for scale and long-term growth.

Private Client Portfolio Management and Stockbroking recorded solid growth with the Private Client business in South Africa performing strongly and achieving an increase in average funds under management of 33.8% to £7.6 billion. The division benefited from increased volumes, higher asset levels, new product launches and a strong focus on efficiency. Continued growth in this business will be supported by the launch of products appealing to sophisticated private clients, an aggressive approach to asset gathering through the reorganisation of client-facing teams and good market fundamentals. The Rensburg Sheppards plc integration in the UK was successfully completed and our results include Investec's 47.1% share of the directors' estimate of the post-tax profit of Rensburg Sheppards plc.

#### Capital Markets

Capital Markets (formerly Treasury and Specialised Finance) posted a significant increase in operating profit of 75.3% to £117.3 million. Growth was underpinned by a solid performance from the division's advisory structuring, asset creation, trading and distribution activities, with average advances increasing by 22.2% to £3.0 billion. A number of the businesses established over the past few years made meaningful contributions and increased the capability of the business in the UK.

In Australia, we benefited from higher activity levels and increased scale largely as a result of the acquisition of NM Rothschild & Sons (Australia) Limited in July 2006. Looking forward we will continue to pursue a strategy around specialist funds, with securitisation and capital markets a key focus.

#### Investment Banking

Our Investment Banking division recorded a 9.6% decline in operating profit, to £91.2 million. Corporate Finance benefited from a high level of activity from all underlying businesses across all geographies, with profits increasing by 36.9%. The improved quality of employees, clients and investment portfolios enabled a strong integrated investment banking platform with a growing market presence. The unlisted investments within the private equity and direct investments portfolios continued to perform well. However the entrepreneurial investment component of the Direct Investment division generated less revenue than in prior years.

The quality and strength of our deal pipeline and investment portfolios should continue to drive activity and sustain momentum. We strive to build value in our direct investments and private equity portfolios independently of market realisations and market conditions.

## Asset Management

Asset Management achieved an increase in operating profit of 14.7% to £68.1 million. This was underpinned by the strong momentum of the UK and international business and ongoing sound performance in Southern Africa. The value of average assets under management increased by 12.8%, to £30.8 billion. Solid long-term investment performance continues to support the fundamentals of the business and we invested in strengthening our manufacturing and distribution capabilities.

Momentum across the business remains positive and we have a number of new initiatives in place to drive future growth.

## Property Activities

Our Property Activities generated an operating profit of £14.1 million, a decline of 23.9%. The South African division continued to perform well, benefiting from strong equity and property fundamentals, higher average funds under management and realisations. The results were negatively affected by a lower contribution from our investment property portfolio due to increased funding costs and rising interest rates.

We have a good stock of trading opportunities and have refocused our activities into trading, fund management and 'private equity' style funds. We are also developing a broader local and global property business, offering investors a spectrum of global products and capitalising on our skills across the group.

## Group Services and Other Activities

Group Services and Other Activities posted an operating loss of £0.7 million. This was largely as a result of increased variable remuneration, given the growth in our profitability and a decline in the contribution from our assurance activities.

## We remain well capitalised

We have been able to sustain our growth through internal capital generation and have a solid capital position across the group. We also believe we are in a comfortable position for Basel II which comes into effect in January 2008.

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The capital adequacy ratio of Investec plc is 24.7%, largely as a result of the issue of £131.2 million of non-redeemable, non-cumulative, non-participating preference shares and a £350 million Upper Tier II perpetual capital issue. Investec Limited has a capital adequacy ratio of 14.7% which is well above minimum acceptable requirements and within our target range. We have bolstered our capital base in Australia in order to sustain the future growth anticipated in that region. Investec Bank (Australia) Limited, is now well capitalised at 23.8%. We remain committed to maintaining a level of capital that can be used efficiently in our daily activities, while ensuring that we have a sufficient capital buffer to support our strong growth aspirations.

## Sustainability efforts enhanced

During the past year we strengthened our sustainability efforts, motivated by our desire to be an effective corporate citizen and we were included, for the first time, in the Dow Jones Sustainability Indices. We adopted a formal philosophy on our sustainability approach known as 'Our Business Responsibility' for internal dialogue and reporting purposes which was rolled out to raise awareness across the group.

Our sustainability efforts in South Africa have traditionally focused on the backlog of socio-economic needs in the country. Our social investment activities have an entrepreneurial focus, including innovative efforts on CIDA City Campus and The Business Place which has won us many accolades. Our UK business also made progress in their sustainability drive winning the prestigious City of London prize for best of breed practices in the field of waste management.

In the year ahead we will seek to perpetuate 'Our Business Responsibility' effort, both internally and externally. We will do this by attempting to empower communities through entrepreneurship and education, recognising the true value of diversity and addressing the challenges posed by climate change and the use of natural resources.

In South Africa we continue our transformation and empowerment efforts, striving for greater representivity within the organisation by supporting black entrepreneurs and creating empowerment platforms. In April 2007, we submitted our second financial sector report to the Charter Council, which was reviewed and included a comprehensive analysis of our positioning in this regard. We are pleased to have sustained an 'A' rating.

## Strong values support a solid culture of governance

Our strong values of integrity, responsibility and risk consciousness underpin our solid culture of governance. We believe that effective communication is fundamental in building stakeholder relationships and, as a board, we are committed to providing meaningful, transparent, timely and accurate financial and non-financial information to all our stakeholders. A number of initiatives are in place to ensure the highest standard of corporate governance in each of the jurisdictions in which we operate.

## Credit goes to all our people

Credit for our performance ultimately goes to over 5 000 dedicated employees in our offices around the world who drive our success and make us distinctive. The growth path of the group is chartered by its leaders and we have many excellent people at the helm. The overall performance of the group is aided by a strong board of directors. We thank the board for its continued support and commitment which have enabled us to drive the group forward.

Even though our staff numbers have grown substantially in the past few years, we have a well-established culture which emphasises open and honest communication and support between management and staff. Furthermore, we are always mindful that our financial performance is very much dependent on the continued support of our clients and shareholders, and we will continue to remain responsive to their evolving needs.


## Our strategy is to be distinctive

Our strategy is to be a distinctive specialist banking group driven by commitment to our values and philosophies. To deliver on our strategy, we focus on maintaining a balanced portfolio of business, leveraging off our existing platforms and building our loan portfolios. In line with this growth strategy, in July 2006 we acquired NM Rothschild & Sons (Australia) Limited which bolstered our operations in that region.

Going forward, we will continue to push organic growth in the UK and Europe and Australia, focusing on bringing in new clients and seeking revenue generation. While this is an important driver of our growth, we also continue to look for 'bolt-on' acquisitions, where we can build on and enhance our existing capabilities. In South Africa, we will continue to grow organically and we expect to benefit from the strong local economy which should assist in deepening our presence in this geography.

## The outlook remains encouraging

Good underlying momentum continues to drive organic growth across the businesses in all our geographies. Although expenses have grown, we have a disciplined approach to cost control, while investing for growth. Our experienced management team are experts in their fields and we believe that our brand is becoming well recognised. We expect to benefit from recent recruitment of talented staff, which should support the increase in scale and market penetration that we have experienced across all our geographies. Given our balanced portfolio of business activities, we believe that if current market conditions persist, we will continue to deliver on our stated growth and financial return objectives.

  
 Hugh Herman  
 Chairman

  
 Stephen Koseff  
 Chief Executive Officer

  
 Bernard Kantor  
 Managing Director

The operating financial review provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read together with the sections that follow on pages 9 to 152 which elaborate on the aspects highlighted in this review.

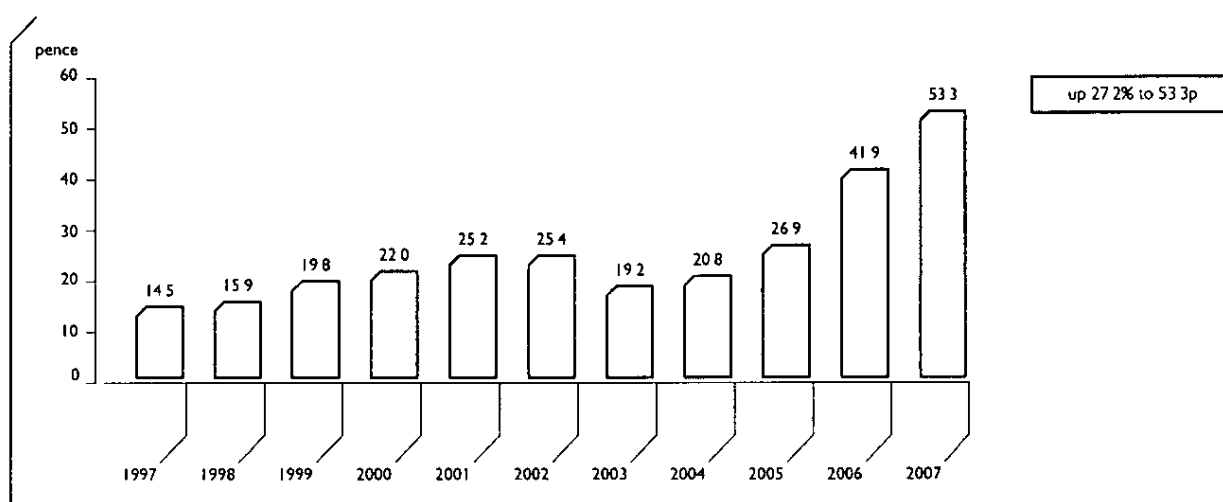
## Financial review

Investec delivered a solid set of results driven by strong performances from our balanced portfolio of businesses.

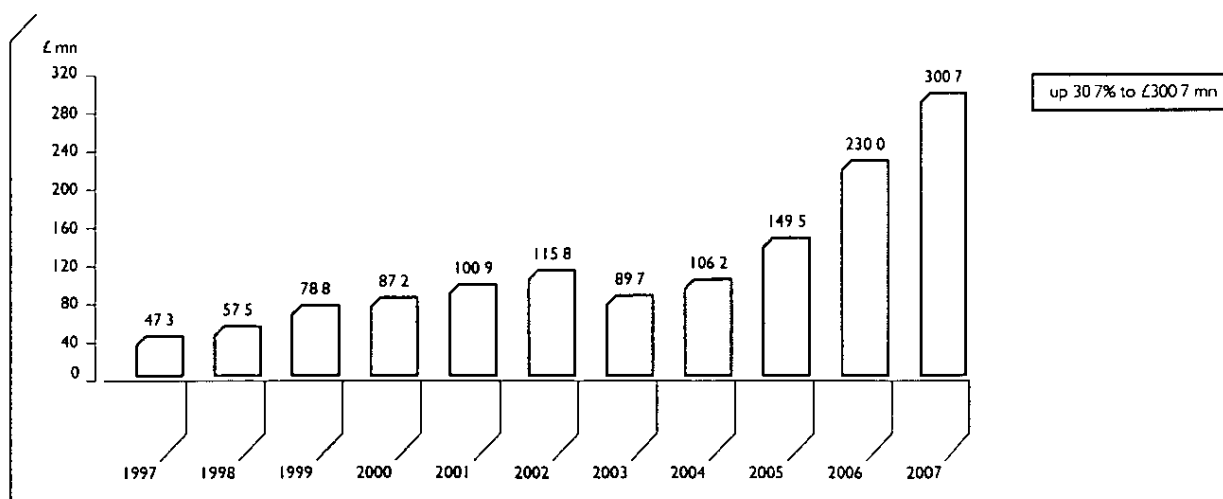
This commentary and analysis of our financial results for the year ended 31 March 2007 provides an overview of our financial performance relative to the group's results for the year ended 31 March 2006. Further detail on the performance of our business divisions is provided in the Divisional Review section of this report. The commentary and analysis are based on our consolidated financial results presented in accordance with IFRS denominated in Pounds Sterling. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of the operations of the group going forward.

### Solid growth record

Adjusted earnings per share before goodwill and non operating items\*



Adjusted attributable earnings before goodwill and non-operating items

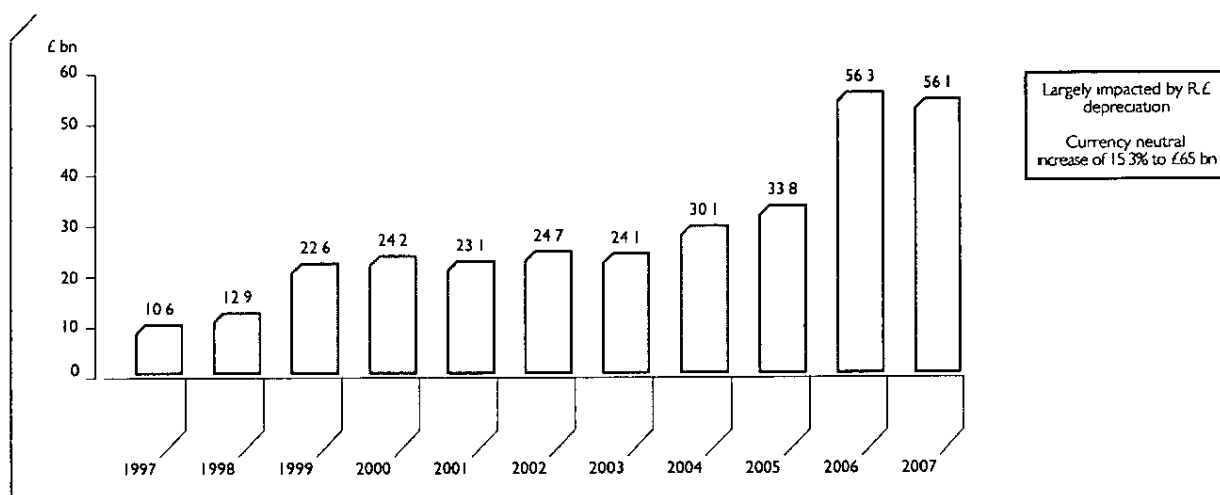


#### Note

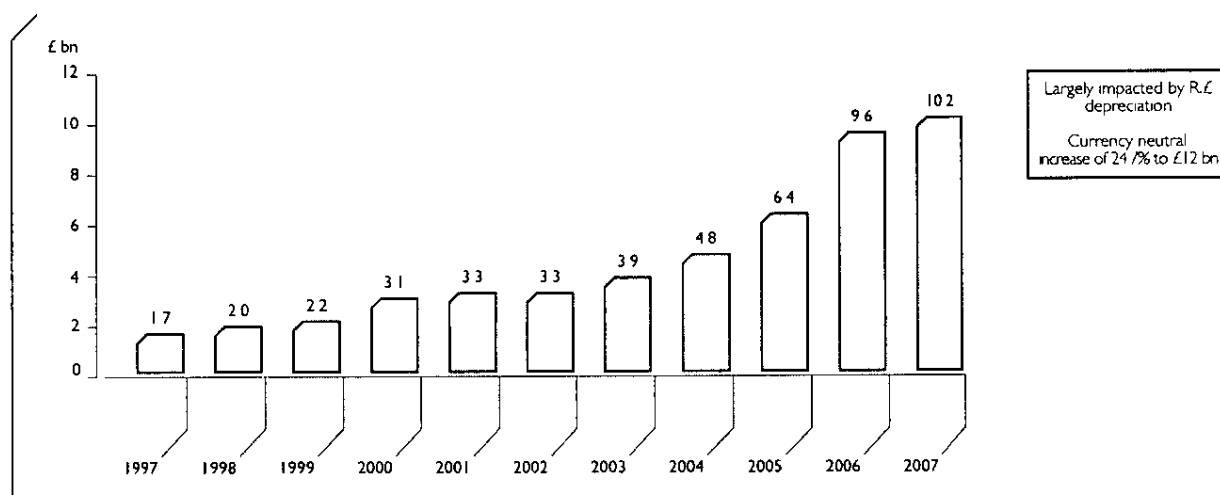
Results are shown for the year ended 31 March. Prior to 2005 the numbers are reported in terms of UK/SA GAAP and thereafter in terms of IFRS.

\* Historical EPS numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.

## Third party assets under management



## Loans and advances



## Note

Results are shown for the year ended 31 March, unless otherwise indicated. Prior to 2005 the numbers are reported in terms of UK/SA GAAP and thereafter in terms of IFRS.

## An overview of Investec's key income drivers

Investec provides a wide range of financial products and services to a niche client base in three principal markets, the UK South Africa and Australia. Investec is organised as a network comprising five principal business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities.

In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding and other activities such as our Trade Finance operations.

There are therefore a number of key income drivers for our business which are discussed below.

Business activity	Key income drivers	Income impacted primarily by	Income statement - reflected as
<b>Private Client Activities</b>			
Private Banking	• Interest earned in connection with the bank's lending activities	• Size of loan portfolio • Interest rate environment	• Net interest income
	• Fees earned for advisory, banking and lending services	• Levels of activity	• Net interest income and fees and commissions
	• Income earned in respect of growth and acquisition finance activities	• Quality of transactions and deal flow	• Fees and commissions and principal transactions
Private Client Portfolio Management and Stockbroking	<ul style="list-style-type: none"> <li>• Fees levied as a percentage of assets under management</li> <li>• Commissions earned for executing transactions for clients</li> <li>• Performance fees paid for achieving outperformance against benchmark</li> </ul>	<ul style="list-style-type: none"> <li>• Movement in the value of assets underlying client portfolios</li> <li>• The level of clients' investment activity, which in turn is affected by, among other things, the performance of the global stock markets, the equity investment risk appetite of our clients and market liquidity</li> </ul>	• Fees and commissions
<b>Capital Markets</b>			
	• Trading and hedging	<ul style="list-style-type: none"> <li>• Client activity</li> <li>• Market opportunities</li> <li>• Volatility and liquidity</li> </ul>	• Principal transactions
	• Product structuring and distribution	<ul style="list-style-type: none"> <li>• The level of clients' investment activity which in turn is affected by, among other things, the performance of the global markets and the investment risk appetite of our clients</li> <li>• Distribution channels</li> <li>• Ability to create innovative products</li> </ul>	• Fees and commissions and principal transactions
	• Asset creation	<ul style="list-style-type: none"> <li>• Rate environment</li> <li>• Size of loan portfolio</li> <li>• Credit spreads</li> <li>• Clients' capital and infrastructural investments</li> </ul>	<ul style="list-style-type: none"> <li>• Fees and commissions</li> <li>• Net interest income</li> <li>• Principal transactions (in certain cases)</li> </ul>

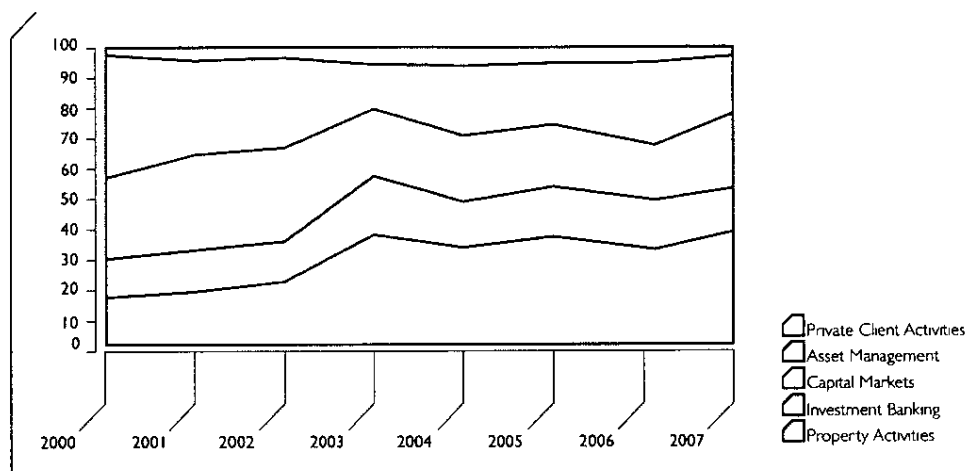
## An overview of Investec's key income drivers

Business activity	Key income drivers	Income impacted primarily by	Income statement - reflected as
	<ul style="list-style-type: none"> <li>Advisory</li> </ul>	<ul style="list-style-type: none"> <li>The demand for our specialised advisory services, which in turn, is affected by applicable tax, regulatory and other economic factors e.g. project activity in the relevant markets</li> </ul>	<ul style="list-style-type: none"> <li>Fees and commissions</li> </ul>
<b>Investment Banking</b>			
Corporate Finance	<ul style="list-style-type: none"> <li>Fees resulting from the provision of capital raising and financial advisory work</li> </ul>	<ul style="list-style-type: none"> <li>Macro- and micro- economic fundamentals</li> <li>Industry-specific trends</li> <li>Underlying stock market activity particularly in our primary markets</li> </ul>	<ul style="list-style-type: none"> <li>Fees and commissions</li> </ul>
Institutional Research, Sales and Trading	<ul style="list-style-type: none"> <li>Brokerage commissions</li> <li>Trading and market making activities</li> </ul>	<ul style="list-style-type: none"> <li>Stock market trading volume and volatility</li> <li>Client allocation of broking transactions</li> <li>Our ability to source securities and execute trades on behalf of our clients</li> </ul>	<ul style="list-style-type: none"> <li>Fees and commissions and principal transactions</li> </ul>
Private Equity and Direct Investments	<ul style="list-style-type: none"> <li>Sale of investments and revaluation of trading investments</li> <li>Dividends</li> </ul>	<ul style="list-style-type: none"> <li>Macro- and micro- economic market conditions</li> <li>Availability of profitable exit routes</li> <li>Whether appropriate market conditions exist to maximise gains on sale</li> <li>Attractive investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Principal transactions</li> </ul>
<b>Asset Management</b>			
	<ul style="list-style-type: none"> <li>Fees levied as a percentage of assets under management</li> </ul>	<ul style="list-style-type: none"> <li>Movements in the value of the assets underlying client portfolios</li> <li>Performance fees earned on client portfolios</li> </ul>	<ul style="list-style-type: none"> <li>Fees and commissions</li> </ul>
<b>Property Activities</b>			
	<ul style="list-style-type: none"> <li>Fees levied as a percentage of assets under management</li> <li>Administration fees for managing client portfolios</li> <li>Trading and development activities</li> </ul>	<ul style="list-style-type: none"> <li>Movements in the value of assets underlying client portfolios</li> <li>Efficiency and scale of administration services</li> <li>Macro- and micro- economic market conditions</li> <li>Availability of profitable exit routes</li> <li>Whether appropriate market conditions exist to maximise gains on sale</li> </ul>	<ul style="list-style-type: none"> <li>Fees and commissions</li> <li>Principal transactions</li> </ul>
<b>Group Services and Other Activities</b>			
<ul style="list-style-type: none"> <li>International Trade Finance</li> <li>Central Funding</li> </ul>	<ul style="list-style-type: none"> <li>These businesses earn a variety of management and banking fees, brokerage, commissions</li> <li>As this division is responsible for the group's central funding requirements, this income is offset by the cost of group funding (net of return on the group's central capital)</li> </ul>	<ul style="list-style-type: none"> <li>A variety of factors including</li> <li>Interest rate environment</li> <li>Rand/Dollar exchange rate, in the case of the International Trade Finance operations</li> <li>Level of client activity</li> </ul>	<ul style="list-style-type: none"> <li>All categories of income other than net operating income from associates and assurance activities</li> </ul>

## A balanced portfolio of businesses

- We have a much more balanced portfolio of businesses than we did in 2000
- We will continue to balance our operational risk businesses with financial risk businesses to build a sustainable business model

% contribution to operating profit\*



\* Before goodwill, non-operating items and taxation, and excluding Group Services and Other Activities  
Results are shown for the year ended 31 March

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## Risks relating to Investec's operations

We face a number of risks that could affect our business operations. These risks are summarised briefly in the table below. For information pertaining to the management and monitoring of these risks, see the references provided.

Key risks	Managing risks - further information
• Market risk, conditions and fluctuations could adversely affect our businesses in a number of ways	See pages 83 to 87
• Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risks	See pages 71 to 99
• Credit risk exposes us to losses caused by financial or other problems experienced by our clients	See pages 74 to 83
• Liquidity risk may impair our ability to fund our operations	See pages 90 to 93
• Our net interest earnings may be adversely affected by interest rate risk	See pages 87 to 89
• We may be unable to recruit, retain and motivate key personnel	See our website
• Employee misconduct could cause harm that is difficult to detect	See pages 95 and 96
• Operational risk may disrupt our business or result in regulatory action	See pages 95 and 96
• We may be vulnerable to the failure of our systems and breaches of our security systems	See pages 95 and 96
• We may have insufficient capital in the future and may be unable to secure additional financing when it is required	See pages 97 to 99
• The financial services industry in which we operate is intensely competitive	See pages 6 to 8 and 14 and 15
• Legal and regulatory risks are substantial in our businesses	See page 97
• Reputational risk	See page 97

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also impair our business operations. Our business financial condition or results of operations could be materially adversely affected by any of these risk factors.



## Risks relating to the markets in which Investec operates

Due to the nature of our businesses, we have been and will continue to be affected by changes in a number of macro-economic fundamentals. These include the condition of worldwide financial markets, general economic cycles, levels of exchange and interest rates and inflation, in particular in the UK, South Africa and Australia, where the group derives most of its profit as well as to a lesser extent, the US and Europe.

### Fluctuations in exchange rates

Our reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial condition of our individual companies are reported in the local currencies in which they are domiciled, including Rands, Australian Dollars, Euros and US Dollars. These results will then be translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial statements. In the case of the income statements, the weighted average rate for the relevant period is applied and, in the case of the balance sheets, the relevant closing rate is used.

The table below sets out the movements in relevant exchange rates against Pounds Sterling over the reporting period. These rates are indicative only and are not necessarily the rates at which the relevant currencies were converted into Pounds Sterling, for the purposes of preparation of our combined consolidated financial statements.

Currency per £1.00	31 March 2007		31 March 2006	
	Year end	Average	Year end	Average
South African Rand	14.20	13.38	10.72	11.43
Australian Dollar	2.42	2.47	2.44	2.37
Euro	1.47	1.47	1.43	1.47
US Dollar	1.96	1.90	1.74	1.78

Source: Datastream

Exchange rates between local currencies and Pounds Sterling have fluctuated over the year. The most significant impact arises from the depreciation of the Rand. The average exchange rate over the year has depreciated by 17.1% and the closing rate has depreciated by 32.4% since 31 March 2006.

Notwithstanding, the depreciation of the Rand, we have posted a solid increase in earnings as a result of a very strong performance from our UK and Australian operations which recorded an increase in net profit after tax, before goodwill and non-operating items of 55.5% and 71.4%, respectively.

The following table provides an analysis of the impact of the Rand depreciation on our reported numbers.

	Results as reported at 31 March 2007	Currency neutral results at 31 March 2007**
Southern African operating profit* (£'000)	268,673	319,724
Southern African profit after tax* (£'000)	195,735	232,832
Total group operating profit before tax* (£'000)	466,585	517,636
Adjusted earnings attributable to ordinary shareholders*	300,704	333,001
Adjusted EPS* (pence)	53.3	59.1
Total assets (£'million)	26,300	31,095

\* Before goodwill and non-operating items

\*\* For balance sheet items we have assumed that the Rand/Pound Sterling closing exchange rate has remained neutral since 31 March 2006. For income statement items we have used the average Rand/Pound Sterling exchange rate that was applied in the prior year, i.e. 11.43.

### Fluctuations in interest rates

The shape of the yield curve, the time lag between changes in interest rates applicable to assets and liabilities, and the volatility of interest rates in each of our principal geographic markets can affect our net interest income, principal transactions generated by the Interest Rate and Forex desks and fees in our Capital Markets division. As a matter of policy, we do not take on material unhedged, long-dated interest rate positions. The table on the following page sets out movements in certain interest rates, affecting our businesses over the reporting period.

	31 March 2007		31 March 2006	
	Year end	Average	Year end	Average
UK Clearing Banks Base Rate	5.25%	4.82%	4.50%	4.59%
LIBOR - 3 month	5.62%	5.08%	4.61%	4.68%
South Africa Prime Overdraft Rate	12.50%	11.62%	10.50%	10.52%
Jibar - 3 month	9.18%	8.30%	7.09%	7.05%
Reserve Bank of Australia cash target rate	6.25%	5.99%	5.50%	5.50%

Source Datastream

## Macro-economic data

Key macro-economic data pertaining to the group's three principal geographies the UK, South Africa and Australia is set out below

	31 March 2007	31 March 2006
<b>UK</b>		
GDP (% change over the period)	2.9%	2.2%
FTSE All Share Index (year-end)	3,283.2	3,048.0
FTSE All Share Index (% change over the period)	7.7%	24.0%
Per capita GDP (£)	21,311	20,143
Per capita GDP (% change over calendar year)	2.2%	1.5%
<i>Source: Office for National Statistics</i>		
<b>South Africa</b>		
GDP (% real growth over the period)	5.0%	4.5%
JSE All Share Index (year-end)	27,267.2	20,351.7
JSE All Share Index (% change over the period)	34.0%	53.0%
Per capita GDP (real value) (R)	25,300	24,421
Per capita GDP (% real growth change over calendar year)	3.6%	3.6%
<i>Source: South African Reserve Bank Quarterly Bulletin</i>		
<b>Australia</b>		
GDP (% change over the period)	2.7%	3.1%
All Ordinaries Index (year-end)	5,978.8	5,087.2
All Ordinaries Index (% change over the period)	17.5%	24.1%
Per capita GDP (A\$)	48,684	45,353
Per capita GDP (% change over calendar year)	1.2%	1.3%

Source: Australian Bureau of Statistics

## Salient features of the group's results in the year under review

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

- Investec plc issued an additional £50.6 million non-redeemable, non-cumulative non-participating preference shares on 22 February 2007
- Following shareholder approval the group implemented a subdivision of the ordinary shares of both Investec plc and Investec Limited by way of a five for one split, effective 4 September 2006
- Investec plc issued £80.6 million (R1,036 million) non-redeemable, non-cumulative, non-participating preference shares on 3 August 2006
- The consolidation of two private equity investments effective May 2006 and July 2006 respectively
- The acquisition of NM Rothschild & Sons (Australia) Limited effective 7 July 2006
- A subsidiary of Investec plc issued €200 million (£133 million) preferred securities in June 2005
- The sale of our UK Private Client Stockbroking business Can Sheppard's Crosthwaite Ltd to Rensburg plc on 6 May 2005. We retain a 47.1% interest in the combined entity Rensburg Sheppard's plc

## Income statement analysis

Further details on the key income drivers and significant variances in the various components of the group's operating income, expenses and profit can be found in the description of our principal businesses on pages 35 to 70

## Total operating income

Operating income increased by 22.0% to £1 177 million (2006 £964.6 million). The various components of total operating income are analysed below.

£'000	31 March 2007	% of total income	31 March 2006	% of total income	% Change
Net interest income	343 915	29.2%	259 152	26.9%	32.7%
Other income	833 202	70.8%	705 403	73.1%	18.1%
Net fees and commissions receivable	521 498	44.3%	436 874	45.3%	19.4%
Principal transactions	245 463	20.9%	246 059	25.5%	(0.2%)
Operating income from associates	10 685	0.9%	6 694	0.7%	59.6%
Net income on Assurance Activities	5 871	0.5%	13 055	1.3%	(55.0%)
Other operating income	49 685	4.2%	2 721	0.3%	>100%
<b>Total operating income net of insurance claims</b>	<b>1 177 117</b>	<b>100.0%</b>	<b>964 555</b>	<b>100.0%</b>	<b>22.0%</b>

The following table sets out information on total operating income by geography for the period under review.

£'000	31 March 2007	% of total income	31 March 2006	% of total income	% Change
UK and Europe	520 979	44.3%	364 687	37.8%	42.9%
Southern Africa	581 441	49.4%	549 263	57.0%	5.9%
Australia	73 998	6.2%	42 643	4.4%	73.5%
Other geographies	699	0.1%	7 962	0.8%	(91.2%)
<b>Total operating income net of insurance claims</b>	<b>1 177 117</b>	<b>100.0%</b>	<b>964 555</b>	<b>100.0%</b>	<b>22.0%</b>

The following table sets out information on total operating income by division for the period under review.

£'000	31 March 2007	% of total income	31 March 2006	% of total income	% Change
Private Banking	343 700	29.2%	247 508	25.6%	38.9%
Private Client Portfolio Management and Stockbroking	41 261	3.5%	37 764	3.9%	9.3%
Capital Markets	271 957	23.1%	182 132	18.9%	49.3%
Investment Banking	208 795	17.7%	183 020	19.0%	14.1%
Asset Management	188 556	16.0%	171 454	17.8%	10.0%
Property Activities	34 400	3.0%	38 528	4.0%	(10.7%)
Group Services and Other Activities	88 448	7.5%	104 149	10.8%	(15.1%)
<b>Total operating income net of insurance claims</b>	<b>1 177 117</b>	<b>100.0%</b>	<b>964 555</b>	<b>100.0%</b>	<b>22.0%</b>

## Net interest income

Net interest income represents interest earned net of interest paid in connection with our portfolio of bank accounts, deposits, lending activity and financial structured products. Net interest income increased by 32.7% to £343.9 million (2006 £259.2 million) as a result of strong growth in advances and increased cash holdings within the Central Funding division.

£'000	31 March 2007	31 March 2006	Variance	% Change
Private Banking	217 435	165 308	52 127	31.5%
Private Client Portfolio Management and Stockbroking	6	480	(474)	(98.8%)
Capital Markets	89 078	71 228	17 850	25.1%
Investment Banking	(2 457)	2 216	(4 673)	>100.0%
Asset Management	5 242	4 050	1 192	29.4%
Property Activities	(5 801)	(4 002)	(1 799)	45.0%
Group Services and Other Activities	40 412	19 872	20 540	>100.0%
<b>Net interest income</b>	<b>343 915</b>	<b>259 152</b>	<b>84 763</b>	<b>32.7%</b>

## Net fees and commissions receivable

Net fees and commissions receivable consist of fees receivable for the provision of asset management, investment advice, banking services retainers, institutional stockbroking commissions and brokerage and similar items that are likely to recur due to the repetitive nature of these activities. Also included are facility arrangement fees, corporate finance fees and similar items that are transactional in nature and therefore create more erratic income streams, offset by fees and commissions payable which predominantly comprise brokerage payable, banking fees and similar charges.

Net fees and commissions increased by 19.4% to £521.5 million (2006: £436.9 million) benefiting from increased transactional activity and higher assets under management.

£'000	31 March 2007	31 March 2006	Variance	% Change
Private Banking	109,596	70,675	38,921	55.1%
Private Client Portfolio Management and Stockbroking	28,053	30,264	(2,211)	(7.3%)
Capital Markets	80,190	55,878	24,312	43.5%
Investment Banking	91,904	82,633	9,271	11.2%
Asset Management	180,539	165,890	14,649	8.8%
Property Activities	28,354	20,586	7,768	37.7%
Group Services and Other Activities	2,862	10,948	(8,086)	(73.9%)
<b>Net fees and commissions receivable</b>	<b>521,498</b>	<b>436,874</b>	<b>84,624</b>	<b>19.4%</b>

## Principal transactions

Principal transactions comprise trading income, the marking-to-market of interest rate instruments, equities and other securities such as foreign exchange instruments, profit on the disposal of dealing properties, dividends received and the profit/loss on realisation of the group's trading investments.

Income from principal transactions decreased marginally by 0.2% to £245.5 million (2006: £246.1 million). Our Growth and Acquisition Finance, Principal Finance (securitisation) and Capital Markets lending divisions delivered a strong performance. This result was offset by a relatively weaker performance from some of the underlying investments in the Direct Investments, UK Private Equity Property and Central Funding divisions.

£'000	31 March 2007	31 March 2006	Variance	% Change
Private Banking	16,381	11,657	4,724	40.5%
Private Client Portfolio Management and Stockbroking	3,137	631	2,506	>100.0%
Capital Markets	102,700	55,098	47,602	86.4%
Investment Banking	73,719	97,864	(24,145)	(24.7%)
Asset Management	171	1,514	(1,343)	(88.7%)
Property Activities	11,847	21,387	(9,540)	(44.6%)
Group Services and Other Activities	37,508	57,908	(20,400)	(35.2%)
<b>Principal transactions</b>	<b>245,463</b>	<b>246,059</b>	<b>(596)</b>	<b>(0.2%)</b>

## Operating income from associates

Operating income from associates increased by 59.6% to £10.7 million (2006: £6.7 million). The current year's figure includes Investec's 47.1% share of the directors' estimate of the post-tax profit of Rensburg Sheppards plc for the period 1 April 2006 to 31 March 2007. In the prior year Rensburg Sheppards plc was accounted for as an associate with effect from 6 May 2005.

£'000	31 March 2007	31 March 2006	Variance	% Change
Operating income from associates	10,685	6,694	3,991	59.6%

## Net income on Assurance Activities

The decline in net income from assurance activities is as a result of the reinsurance of the group risk business. After administration expenses a profit of £1.6 million (2006: £11.5 million) was generated from assurance activities, which represents the residual earnings from the businesses that were retained.

£'000	31 March 2007	31 March 2006	Variance	% Change
Investment income on Assurance Activities	36,821	141,559	(104,738)	(74.0%)
Premiums and reinsurance recoveries on insurance contracts	80,542	164,631	(84,089)	(51.1%)
Claims and reinsurance premiums on insurance business	(111,492)	(293,135)	181,643	(62.0%)
<b>Net income on assurance activities</b>	<b>5,871</b>	<b>13,055</b>	<b>(7,184)</b>	<b>(55.0%)</b>

## Other operating income

Other operating income amounts to £49.7 million (2006: £2.7 million). The operating results of two investments held within the Private Equity portfolio have been consolidated with the respective income and expenses reflected in other operating income and administration expenses. These investments generated a net loss after tax and minority interest of £2.3 million. Any realisation of these investments in excess of their carrying values will be recognised as income from principal transactions. The two investments are Global Ethanol Holdings Limited and Idatech LLC (see page 204 for further information).

## Impairment losses on loans and advances

Impairment losses on loans and advances increased by 80.5% to £16.5 million (2006: £9.2 million). The 2006 year included recoveries of approximately £6.5 million and we have seen a moderate increase in impairment losses in the 2007 year in line with growth in advances.

The percentage of gross defaults to loans and advances has increased from 0.9% to 1.2%. Total impairment coverage as a percentage of net defaults (gross defaults net of security) remains highly satisfactory at 137.9% (2006: 141.4%). Further information on our asset quality is provided on page 79.

£'000	31 March 2007	31 March 2006	Variance	% Change
Private Banking	(6,932)	1,745	(8,677)	>100.0%
Capital Markets	(9,925)	(12,342)	2,417	(19.6%)
Investment Banking	(1)	722	(723)	>100.0%
Asset Management	-	(16)	16	100.0%
Group Services and Other Activities	328	731	(403)	(55.1%)
<b>Impairment losses on loans and advances</b>	<b>(16,530)</b>	<b>(9,160)</b>	<b>(7,370)</b>	<b>80.5%</b>

## Administrative expenses

Total administrative expenses increased by 21.8% to £680.7 million (2006: £558.9 million). Variable remuneration increased by 31.2% to £205.8 million due to increased profitability. Other operating expenses (excluding variable remuneration) increased by 18.1% to £474.9 million largely as a result of an increase in headcount in certain of the businesses in line with our growth initiatives, an increase in costs associated with complying with new and forthcoming regulatory requirements, an investment in product development and IT infrastructure and the consolidation of two private equity investments (resulting in an additional £25 million of costs).

We achieved our target of operating expenses to total operating income of less than 65% with the ratio increasing marginally from 58.7% to 59.0%.

£'000	31 March 2007	% of total expenses	31 March 2006	% of total expenses	% Change
Staff costs (including directors' remuneration)	(482,020)	70.8%	(386,393)	69.1%	24.7%
- fixed	(276,177)	40.6%	(229,506)	41.0%	20.3%
- variable	(205,843)	30.2%	(156,887)	28.1%	31.2%
Business expenses	(105,943)	15.6%	(83,345)	14.9%	27.1%
Equipment (excluding depreciation)	(29,684)	4.4%	(27,311)	4.9%	8.7%
Premises (excluding depreciation)	(35,610)	5.2%	(39,132)	7.0%	(9.0%)
Marketing expenses	(27,430)	4.0%	(22,706)	4.1%	20.8%
<b>Administrative expenses</b>	<b>(680,687)</b>	<b>100.0%</b>	<b>(558,887)</b>	<b>100.0%</b>	<b>21.8%</b>

The following table sets out certain information on administrative expenses by geography for the period under review.

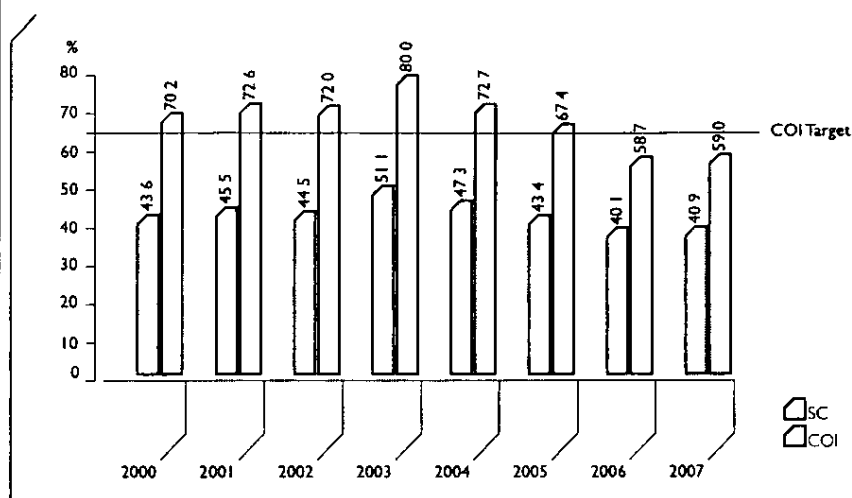
£'000	31 March 2007	% of total expenses	31 March 2006	% of total expenses	% Change
UK and Europe	(339,409)	49.9%	(248,053)	44.4%	36.8%
Southern Africa	(298,911)	43.9%	(277,482)	49.6%	7.7%
Australia	(42,049)	6.2%	(25,376)	4.6%	65.7%
Other geographies	(318)	-	(7,976)	1.4%	(96.0%)
<b>Administrative expenses</b>	<b>(680,687)</b>	<b>100.0%</b>	<b>(558,887)</b>	<b>100.0%</b>	<b>21.8%</b>

The following table sets out certain information on administrative expenses by division for the period under review.

£'000	31 March 2007	% of total expenses	31 March 2006	% of total expenses	% Change
Private Banking	(179,570)	26.4%	(145,044)	26.0%	23.8%
Private Client Portfolio Management and Stockbroking	(19,104)	2.8%	(21,014)	3.8%	(9.1%)
Capital Markets	(143,793)	21.1%	(102,549)	18.3%	40.2%
Investment Banking	(113,068)	16.6%	(82,669)	14.8%	36.8%
Asset Management	(119,542)	17.6%	(111,163)	19.9%	7.5%
Property Activities	(20,174)	3.0%	(19,823)	3.5%	1.8%
Group Services and Other Activities	(85,436)	12.5%	(76,625)	13.7%	11.5%
<b>Administrative expenses</b>	<b>(680,687)</b>	<b>100.0%</b>	<b>(558,887)</b>	<b>100.0%</b>	<b>21.8%</b>

## Financial objectives and performance

## Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



We have significantly rationalised and restructured our operations over the past few of years in an effort to reduce our overall cost base. Increased emphasis continues to be placed on enhancing income growth while at the same time ensuring effective containment of costs.

We have set the following targets over the medium to long-term

- Group COI ratio less than 65% in Pounds Sterling

## Note

The numbers shown in the graph are for the years ended 31 March. The numbers prior to 2005 are reported in terms of UK GAAP.

## Operating profit before goodwill, non-operating items and taxation

As a result of the foregoing factors, Investec's operating profit before goodwill, non-operating items and taxation increased by 20.0% from £388.8 million to £466.6 million.

The following tables set out information on operating profit before goodwill, non-operating items and taxation by geography and by division for the period under review.

For the year to 31 March 2007

£'000	UK & Europe	Southern Africa	Australia	Other geo-graphies	Total group	% Change	% of Total
Private Banking	96 734	41 413	16 244	-	154 391	52.1%	33.1%
Private Client Portfolio Management and Stockbroking	*10 065	12 016	-	-	22 081	32.7%	4.7%
Capital Markets	51 409	56 145	9 737	-	117 291	75.3%	25.1%
Investment Banking	23 294	60 632	7 309	-	91 235	(9.6%)	19.6%
Asset Management	17 555	50 557	-	-	68 112	14.7%	14.6%
Property Activities	1 292	12 852	-	-	14 144	(23.9%)	3.0%
Group Services and Other Activities	(32 967)	35 058	(3 141)	381	(669)	(>100.0%)	(0.1%)
<b>Total group</b>	<b>167 382</b>	<b>268 673</b>	<b>30 149</b>	<b>381</b>	<b>466 585</b>	<b>20.0%</b>	<b>100.0%</b>
% Change	55.4%	1.2%	91.5%	>100.0%	20.0%		
% of Total	35.9%	57.6%	6.5%	0.1%	100.0%		

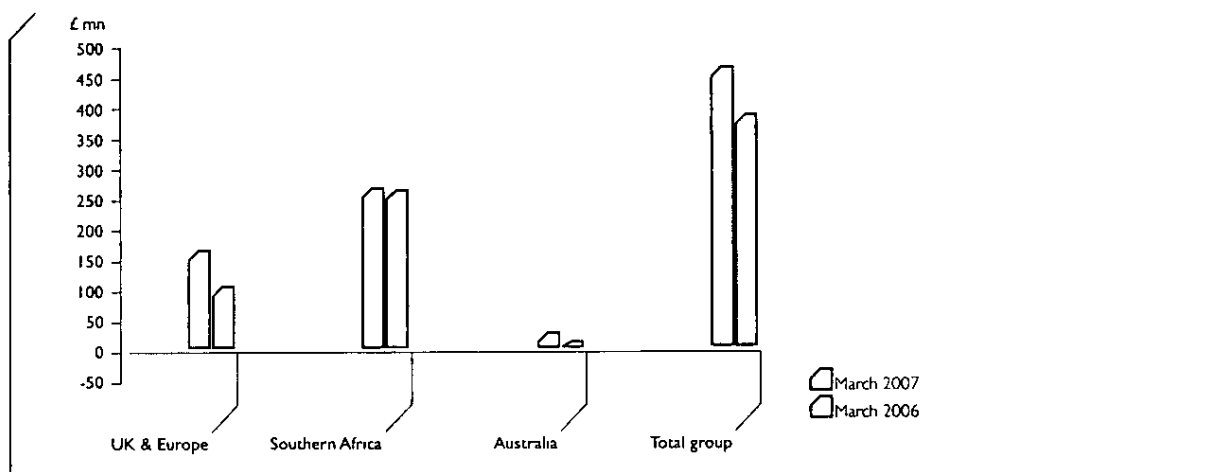
\* This number is net of an estimate of tax of approximately £5 million.

For the year to 31 March 2006

£'000	UK & Europe	Southern Africa	Australia	Other geo-graphies	Total group	% of Total
Private Banking	61 533	31 981	8 009	-	101 523	26.1%
Private Client Portfolio Management and Stockbroking	**7 399	9 243	-	-	16 642	4.3%
Capital Markets	22 507	43 560	849	-	66 916	17.2%
Investment Banking	29 631	65 887	5 412	-	100 930	26.0%
Asset Management	10 609	48 767	-	-	59 376	15.3%
Property Activities	2 023	16 575	-	-	18 598	4.8%
Group Services and Other Activities	(25 966)	49 397	1 473	(122)	24 782	6.4%
<b>Total group</b>	<b>107 736</b>	<b>265 410</b>	<b>15 743</b>	<b>(122)</b>	<b>388 767</b>	<b>100%</b>
% of Total	27.7%	68.3%	4.0%	-	100%	

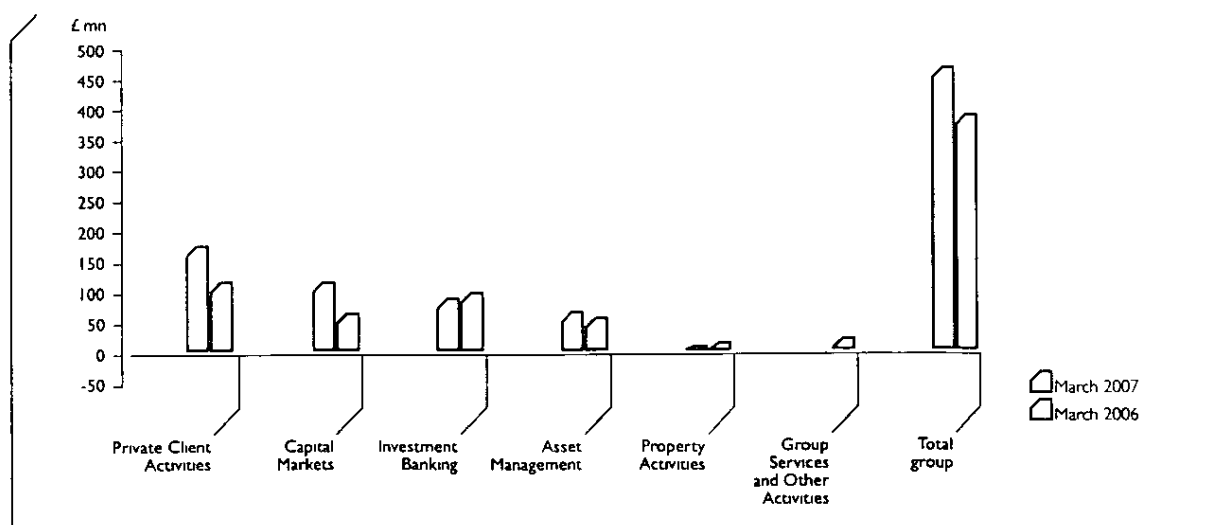
\*\* This number is net of tax of £3.6 million

Operating profit before goodwill, non-operating items and taxation by geography



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Operating profit before goodwill, non-operating items and taxation by division





## Goodwill

The current year reflects net income of £2.6 million largely relating to

- The acquisition of NM Rothschild & Sons (Australia) Limited at a discount to net assets resulting in a net gain of £10.7 million
- An impairment of £6.1 million in the South African Asset Management business relating to businesses acquired in prior years
- An impairment of £2.0 million attributable to property management contracts with respect to a portfolio of properties sold

The prior year largely relates to impairments attributable to property management contracts with respect to a portfolio of properties sold and the Institutional Asset Management business in South Africa (relating to the loss of assets resulting from corporate actions)

£'000	31 March 2007	31 March 2006	Variance	% Change
Goodwill	2 569	(21 356)	23 925	>100 0%

## Non-operating items

The prior year non-operating item of £73.6 million principally included a profit of £79.5 million arising out of the effective 52.3% sale of Carr Sheppards Crosthwaite to Rensburg offset by Investec's £3 million share of integration costs relating to the transaction

## Taxation

The operational effective tax rate of the group decreased marginally from 27.3% to 26.3%

	Effective tax rates 31 March 2007*	Effective tax rates 31 March 2006*	31 March 2007 £'000	31 March 2006 £'000	Variance £'000	% Change
UK and Europe	23.8%	28.2%	(37 370)	(28 387)	(8 983)	31.6%
Southern Africa	27.1%	26.7%	(72 938)	(78 378)	5 440	(6.9%)
Australia	31.6%	30.4%	(9 473)	(4 851)	(4 622)	95.3%
Taxation	26.3%	27.3%	(119 781)	(111 616)	(8 165)	7.3%

\* excluding Assurance Activities

## Earnings attributable to minority interests

Earnings attributable to minority interests of £9.1 million largely comprise

- Operating profits in relation to investments held in the Private Equity division £10.0mn
- A profit on the sale of a portfolio of investment properties in which minorities had a 23.1% holding £2.2mn
- In accordance with IFRS the Euro denominated preferred securities issued by a subsidiary of Investec plc are reflected on the balance sheet as part of minority interests. The transaction is hedged and a forex translation loss arising on the hedge is reflected in operating profit before goodwill, with the equal and opposite impact reflected in earnings attributable to minorities (£3.4mn)

## Earnings attributable to ordinary shareholders

As a result of the foregoing factors earnings attributable to ordinary shareholders increased from £315.1 million to £340.3 million

## Dividends and earnings per share

	Year to 31 March 2007	Year to 31 March 2006 <sup>^</sup>
<b>Ordinary dividends - pence per share</b>		
Interim	100	76
Final	130	106
	<b>230</b>	<b>182</b>
<b>Earnings</b>	<b>£'000</b>	<b>£'000</b>
Earnings attributable to shareholders	340 319	315 101
Preference dividends paid	(31 850)	(19 940)
Earnings attributable to ordinary shareholders	<b>308 469</b>	<b>295 161</b>
Earnings resulting from future dilutive convertible instruments	974	2 675
Diluted earnings attributable to ordinary shareholders	<b>309 443</b>	<b>297 836</b>
<b>Weighted number of shares in issue</b>		
Weighted total average number of shares in issue during the year	602 052 096	593 166 365
Weighted average number of treasury shares	(38 269 412)	(44 327 451)
Weighted average number of shares in issue during the year	<b>563 782 684</b>	<b>548 838 914</b>
Weighted average number of shares resulting from future dilutive potential shares	41 146 215	29 424 371
Weighted average number of shares resulting from future dilutive convertible instruments	8 787 292	17 869 970
Adjusted weighted number of shares potentially in issue	<b>613 716 191</b>	<b>596 133 255</b>
<b>Earnings per share - pence</b>		
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year	<b>54.7</b>	<b>53.8</b>
<b>Diluted earnings per share - pence</b>		
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	<b>50.4</b>	<b>50.0</b>
<b>Adjusted earnings per share - pence</b>		
Adjusted earnings per share is calculated by dividing the earnings before goodwill and non-operating items attributable to the ordinary shareholders and after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year	<b>53.3</b>	<b>41.9</b>
	<b>£'000</b>	<b>£'000</b>
Earnings attributable to shareholders	340 319	315 101
Goodwill	(2 569)	21 356
Profit on disposal of group operations	-	(73 573)
Preference dividends paid	(31 850)	(19 940)
Additional earnings attributable to other equity holders*	(5 196)	(12 927)
Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items	<b>300 704</b>	<b>230 017</b>

\* In accordance with IFRS, dividends attributable to equity holders is accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders, where required Investec is of the view that EPS is best reflected by adjusting for earnings that are 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

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

## Dividends and earnings per share (continued)

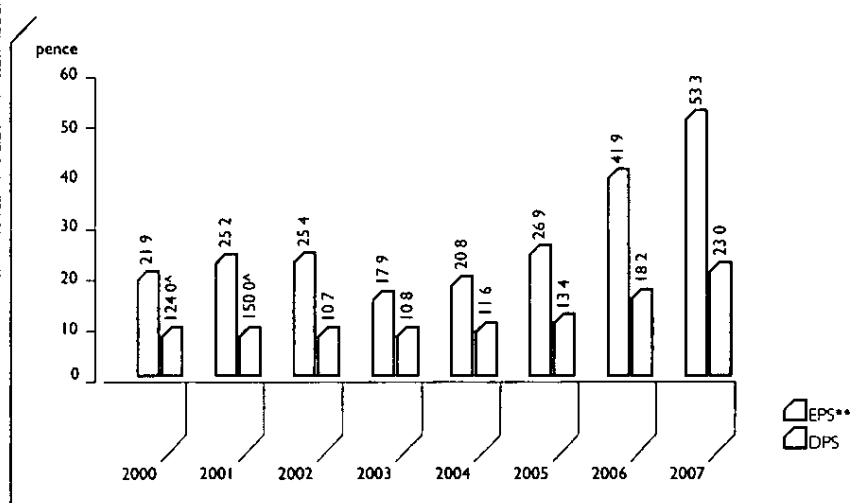
	Year to 31 March 2007	Year to 31 March 2006 <sup>^</sup>
<b>Headline earnings per share - pence</b>		
Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No 1 "The Definition of Headline Earnings" and is disclosed in accordance with the JSE listing requirements and is in terms of circular 7/2002 issued by the South African Institute of Chartered Accountants		
	52.3	40.6
<b>Earnings attributable to shareholders</b>	<b>£'000</b>	<b>£'000</b>
Goodwill	340 319	315 101
Profit on disposal of group operations	(2 569)	21 356
Preference dividends paid	-	(73 573)
Other headline adjustments*	(31 850)	(32 867)
Other headline adjustments*	(11 019)	(7 212)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>294 881</b>	<b>222 805</b>

\* Other headline adjustments include the fair value of investment properties and realisation gains/losses on available for sale instruments

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

## Financial objectives and performance

## Adjusted earnings per share (EPS) and dividends per share (DPS)



\*\* Adjusted EPS before goodwill and non-operating items as defined on page 236

<sup>^</sup> The dividend for 2000 and 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling. The numbers have been adjusted for the 5:1 share split that took place on 4 September 2006

In the medium to long-term, we aim to achieve adjusted EPS growth (in Pounds Sterling) of 10% in excess of UK inflation. We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 and 2.3 times based on earnings per share as defined above, denominated in Pounds Sterling. We maintain this range to allow us the ability to apply a progressive dividend policy in terms of which dividends should grow in line with earnings. Interim and final dividends will be declared and proposed in accordance with the above policy.

## Note

The numbers shown in the graph are for the years ended 31 March. The numbers prior to 2005 are reported in terms of UK GAAP.

## Balance sheet analysis

Since 31 March 2006 total shareholders' equity (including minority interests) increased by 21.3% to £1.8 billion largely as a result of the issue of £131.2 million of non-redeemable, non-cumulative, non-participating preference shares by Investec plc and increased retained earnings offset partially by negative foreign currency adjustments

Net asset value per share increased from 182.2 pence to 216.0 pence, and net tangible asset value per share (which excludes goodwill and intangible assets) increased from 148.9 pence to 178.6 pence

The return on adjusted average shareholders' equity (inclusive of compulsorily convertible instruments) increased from 25.5% to 26.1%, meeting our target of greater than 20%

Investec plc and Investec Limited have capital adequacy ratios well in excess of the minimum regulatory requirements. The capital adequacy of Investec plc (applying UK Financial Services Authority rules to its capital base) is 24.7% (31 March 2006 17.7%). The capital adequacy of Investec Limited (applying South African Reserve Bank rules to its capital base) is 14.7% (31 March 2006 16.3%).

On balance sheet assets have increased by 100% to £26.3 billion since 31 March 2006

## ROE - an assessment of economic capital utilised

In order to assess the return on economic capital utilised, the group believes that certain adjustments should be made to the income statement analysis and balance sheet analysis as reflected under IFRS. The group believes that these adjustments are necessary as they reflect the actual utilisation of capital and return thereon notwithstanding accounting conventions.

The methodology applied in assessing the utilisation of the group's economic capital is as follows:

- A notional return on capital (net of the cost of subordinated debt and preference shares) which is managed and borne in the centre is allocated from Group Services and Other Activities to the business segments based on their total capital utilisation
- Shareholders' equity is increased to reflect permanent capital which is reflected under subordinated debt

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£'000	31 March 2007	31 March 2006	Average year end 2007	1 April 2005	Average year end 2006
Calculation of average shareholders' equity					
Shareholders' equity per balance sheet (excluding preference shares)	1,250,312	1,011,187	1,130,750	733,760	872,474
Add Convertible debt included in subordinated liabilities	19,079	28,016	23,547	28,355	28,185
<b>Adjusted shareholders' equity</b>	<b>1,269,391</b>	<b>1,039,203</b>	<b>1,154,297</b>	<b>762,115</b>	<b>900,659</b>
Goodwill and intangible assets (excluding software)	(219,854)	(189,700)	(204,777)	(203,900)	(196,800)
<b>Adjusted tangible shareholders' equity</b>	<b>1,049,537</b>	<b>849,503</b>	<b>949,520</b>	<b>558,215</b>	<b>703,859</b>

£'000	31 March 2007	31 March 2006
Operating profit before goodwill and non-operating items	466,585	388,767
Minority interests	(9,054)	(14,267)
Preference dividends	(37,046)	(32,867)
<b>Profit before taxation</b>	<b>420,485</b>	<b>341,633</b>
Tax on ordinary activities	(119,781)	(111,616)
<b>Profit after taxation</b>	<b>300,704</b>	<b>230,017</b>
Pre-tax return on average adjusted shareholders' equity	36.4%	37.9%
Post-tax return on average adjusted shareholders' equity	26.1%	25.5%
Pre-tax return on average adjusted tangible shareholders' equity	44.3%	48.5%
Post-tax return on average adjusted tangible shareholders' equity	31.7%	32.7%

## ROE by country

£'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
Total operating profit	167 382	268 673	30 149	381	466 585
Tax on ordinary activities	(37 370)	(72 938)	(9 473)	-	(119 781)
Minority interests	(3 643)	(3 409)	(2 002)	-	(9 054)
Preference dividends	(13 711)	(23 335)	-	-	(37 046)
<b>Profit on ordinary activities after taxation - 31 March 2007</b>	<b>112 658</b>	<b>168 991</b>	<b>18 674</b>	<b>381</b>	<b>300 704</b>
Profit on ordinary activities after taxation - 31 March 2006	64 915	154 332	10 892	(122)	230 017
<b>Adjusted shareholders' equity at 31 March 2007</b>	<b>631 953</b>	<b>475 026</b>	<b>162 412</b>	<b>-</b>	<b>1 269 391</b>
Goodwill and intangible assets (excluding software)	163 034	40 561	16 259	-	219 854
<b>Adjusted tangible shareholders' equity at 31 March 2007</b>	<b>468 919</b>	<b>434 465</b>	<b>146 153</b>	<b>-</b>	<b>1 049 537</b>
<b>Adjusted shareholders' equity at 31 March 2006</b>	<b>516 401</b>	<b>436 086</b>	<b>86 727</b>	<b>(11)</b>	<b>1 039 203</b>
Goodwill and intangible assets (excluding software)	125 480	52 627	11 593	-	189 700
<b>Adjusted tangible shareholders' equity at 31 March 2006</b>	<b>390 921</b>	<b>383 459</b>	<b>75 134</b>	<b>(11)</b>	<b>849 503</b>
<b>Adjusted average shareholders' equity - 31 March 2007*</b>	<b>574 177</b>	<b>455 556</b>	<b>124 570</b>	<b>(6)</b>	<b>1 154 297</b>
Adjusted average shareholders' equity - 31 March 2006*	461 564	360 613	78 442	40	900 659
<b>Post tax return on average shareholders' equity - 31 March 2007</b>	<b>19.6%</b>	<b>37.1%</b>	<b>15.0%</b>	<b>(6.350.0%)</b>	<b>26.1%</b>
Post tax return on average shareholders' equity - 31 March 2006	14.1%	42.8%	13.9%	(305.0%)	25.5%

\* This number is not necessarily a straight line average as these numbers are calculated on a monthly basis using actual capital utilised

## ROE by division

£'000	PB*	PCSB*	CM*	IB*	AM*	PA*	GSO*	Total group
<b>Total operating profit</b>	<b>154 391</b>	<b>22 081</b>	<b>117 291</b>	<b>91 235</b>	<b>68 112</b>	<b>14 144</b>	<b>(669)</b>	<b>466 585</b>
Notional return on regulatory capital	42 015	3 348	31 861	6 008	1 021	805	(85 058)	-
Notional cost of statutory capital	(3 072)	(726)	(1 830)	1	(5 172)	(706)	11 505	-
Cost of subordinated debt	(15 093)	(1 345)	(11 382)	(2 168)	(374)	(259)	30 621	-
Minority interest	-	-	228	(9 224)	-	-	(58)	(9 054)
Cost of preference shares	(9 070)	(815)	(7 302)	(1 243)	(247)	(194)	(18 175)	(37 046)
Absorption of additional residual costs**	(14 758)	(3 523)	(13 852)	(19 703)	(4 932)	(5 151)	61 649	-
<b>Adjusted earnings/(losses) - 31 March 2007</b>	<b>154 413</b>	<b>19 020</b>	<b>115 284</b>	<b>64 906</b>	<b>58 408</b>	<b>8 639</b>	<b>(185)</b>	<b>420 485</b>
Adjusted earnings/(losses) - 31 March 2006	102 758	14 665	66 262	91 714	51 353	15 363	(482)	341 633
<b>Adjusted shareholders' equity at 31 March 2007</b>	<b>478 947</b>	<b>42 932</b>	<b>358 724</b>	<b>130 816</b>	<b>123 211</b>	<b>19 975</b>	<b>114 786</b>	<b>1 269 391</b>
Goodwill and intangible assets (excluding software)	17 434	2 550	13 720	60 094	112 112	13 944	-	219 854
<b>Adjusted tangible shareholders' equity at 31 March 2007</b>	<b>461 513</b>	<b>40 382</b>	<b>345 004</b>	<b>70 722</b>	<b>11 099</b>	<b>6 031</b>	<b>114 786</b>	<b>1 049 537</b>
<b>Adjusted shareholders' equity at 31 March 2006</b>	<b>372 651</b>	<b>37 122</b>	<b>293 542</b>	<b>63 875</b>	<b>140 042</b>	<b>17 124</b>	<b>114 847</b>	<b>1 039 203</b>
Goodwill and intangible assets (excluding software)	17 536	3 371	13 787	17 704	128 160	9 142	-	189 700
<b>Adjusted tangible shareholders' equity at 31 March 2006</b>	<b>355 115</b>	<b>33 751</b>	<b>279 755</b>	<b>46 171</b>	<b>11 882</b>	<b>7 982</b>	<b>114 847</b>	<b>849 503</b>
<b>Adjusted average shareholders' equity - 31 March 2007^</b>	<b>404 897</b>	<b>43 034</b>	<b>306 192</b>	<b>94 570</b>	<b>130 129</b>	<b>17 264</b>	<b>158 211</b>	<b>1 154 297</b>
Adjusted average shareholders' equity - 31 March 2006^	351 205	35 921	242 905	53 380	141 361	19 993	55 894	900 659
<b>Pre-tax return on adjusted average shareholders' equity - 31 March 2007</b>	<b>38.1%</b>	<b>44.2%</b>	<b>37.7%</b>	<b>68.6%</b>	<b>44.9%</b>	<b>50.0%</b>	<b>(0.1%)</b>	<b>36.4%</b>
Pre-tax return on adjusted average shareholders' equity - 31 March 2006	29.3%	40.8%	27.3%	171.8%	36.3%	76.8%	(0.9%)	37.9%

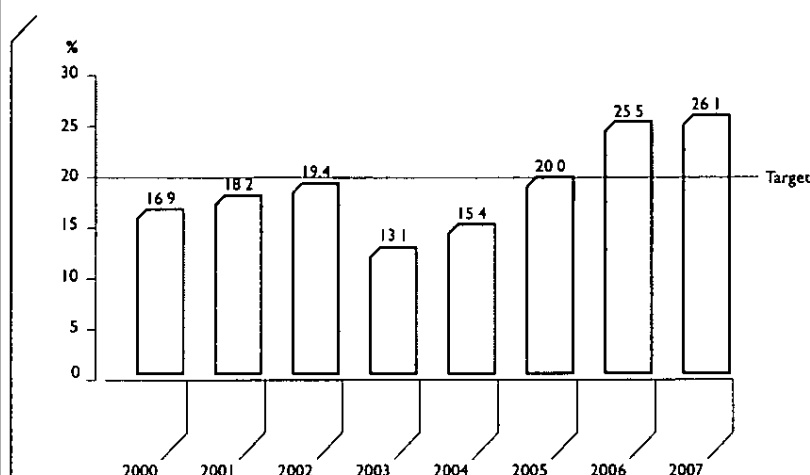
\* Where PC=Private Client Activities CM=Capital Markets IB=Investment Banking AM=Asset Management PA=Property Activities GSO=Group Services and Other Activities

\*\* This allocation represents a portion of the costs remaining in the centre which are indirectly allocated to operating divisions as they facilitate their operations but are excluded in calculating performance incentive remuneration. These allocations are based on management's estimates of relative benefit derived.

^ This number is not necessarily a straight line average as these numbers are calculated on a monthly basis using actual capital utilised.

## Financial objectives and performance

### ROE\*



\* ROE is post-tax return on adjusted average shareholders' equity (inclusive of compulsorily convertible instruments) as calculated on page 25

Our objective is to continue to focus on increasing ROE as opposed to nominal capital through the efficient deployment of our capital base. We intend to generate ROE in excess of our cost of capital.

We have set the following targets over the medium to long-term:

- Group ROE greater than 20% in Pounds Sterling

#### Note

The numbers shown in the graph are for the years ended 31 March. The numbers prior to 2005 are reported in terms of UK GAAP.

## Capital adequacy

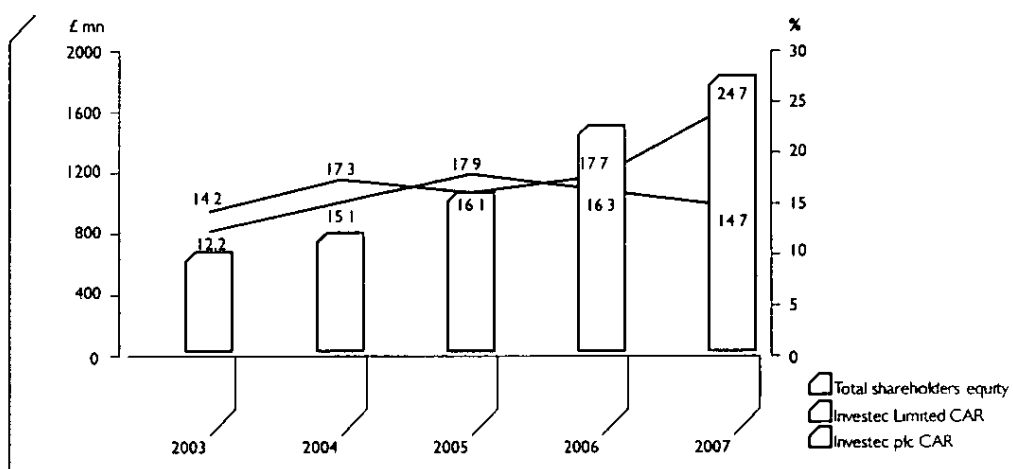
Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank (UK) Limited (IBUK) and Investec Bank Limited (IBL) are the main banking subsidiaries of Investec plc and Investec Limited respectively. Investec Bank (Australia) Limited (IBAL) is a subsidiary of IBUK. Investec plc and Investec Limited are well capitalised and capital adequacy ratios exceed the minimum regulatory requirements.

	IBL R'million	Investec Limited R'million	IBAL A\$million	IBUK £million	Investec plc £million
<b>31 March 2007</b>					
Net qualifying capital	12 789	13 687	568	1 284	1 357
Risk-weighted assets	90 426	93 075	2 383	5 121	5 485
Capital adequacy ratio	14.1%	14.7%	23.8%	24.2%	24.7%
Tier 1 ratio	9.3%	10.4%	19.0%	13.2%	14.8%
<b>31 March 2006</b>					
Net qualifying capital	11 976	12 134	269	725	762
Risk-weighted assets	74 309	74 560	1 422	3 815	4 312
Capital adequacy ratio	16.1%	16.3%	18.9%	19.0%	17.7%
Tier 1 ratio	10.4%	11.1%	18.0%	14.4%	11.6%

The above ratios are determined under South African Reserve Bank regulations in respect of IBL (consolidated) and Investec Limited (consolidated) and Financial Services Authority requirements in respect of IBUK (consolidated) and Investec plc (consolidated).

## Financial objectives and performance

## Total shareholders' equity and capital adequacy ratios (CAR)



We intend to maintain a sufficient level of capital to satisfy regulatory requirements as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long-term. Investec plc and Investec Limited aim to maintain a capital adequacy ratio of 13% to 16% and target a tier 1 ratio of 10%.

**Note**

The numbers shown in the graph are for the years ended 31 March. The numbers prior to 2005 are reported in terms of UK GAAP.



## Net tangible asset value per share

In calculating net tangible asset value per share we assume that all previously issued Compulsory Convertible Debentures (CCD's) are treated as equity. Under IFRS however, a portion of these CCD's are treated as debt and not included in shareholders' equity. As a result, adjustments must be made to the shareholder base which would more appropriately reflect their permanent capital nature.

£'000	31 March 2007	31 March 2006	Notes
Shareholders' equity	1 542 485	1 226 492	
Less perpetual preference shares issued by holding companies	(292 173)	(215 305)	
Convertible debt included in subordinated liabilities	19 079	28 016	
Less goodwill and intangible assets (excluding software)	(219 854)	(189 700)	
<b>Net tangible asset value</b>	<b>1 049 537</b>	<b>849 503</b>	
Number of shares in issue	609.3	593.2	
CCD's	8.8	18.0	Relates to convertible debt mentioned above
Treasury shares	(30.4)	(40.5)	
<b>Number of shares in issue in this calculation (million)</b>	<b>587.7</b>	<b>570.7</b>	
<b>Net tangible asset value per share (pence)</b>	<b>178.6</b>	<b>148.9</b>	

## Total third party assets under management

£'million	31 March 2007	31 March 2006
Private Banking funds under advice	2 532	1 888
UK and Europe	951	642
South Africa	1 275	1 006
Australia	306	240
Private Client Portfolio Management and Stockbroking	21 836	20 944
South Africa Private Client Securities	7 436	7 844
Rensburg Sheppards plc	*14 400	13 100
Property Activities	1 825	1 846
Investec Asset Management	29 893	31 653
UK and international	13 095	11 820
Southern Africa	16 798	19 833
Total third party assets under management	56 086	56 331

31 March 2007 £'million	UK, Europe & Other	Southern Africa	Total
Private Banking	1 257	1 275	2 532
Private Client Portfolio Management and Stockbroking	*14 400	7 436	21 836
- Discretionary	-	1 297	n/a
- Non-discretionary	-	6 139	n/a
Institutional	6 070	10 855	16 925
Retail	7 025	5 943	12 968
Property Activities	-	1 825	1 825
Total third party assets under management	28 752	27 334	56 086

31 March 2006 £'million	UK, Europe & Other	Southern Africa	Total
Private Banking	882	1 006	1 888
Private Client Portfolio Management and Stockbroking	13 100	7 844	20 944
- Discretionary	-	1 338	n/a
- Non-discretionary	-	6 506	n/a
Institutional	5 694	14 088	19 782
Retail	6 126	5 745	11 871
Property Activities	-	1 846	1 846
Total third party assets under management	25 802	30 529	56 331

\* As reported by Rensburg Sheppards plc in June 2007

# Number of employees

## By division - permanent employees

	31 March 2007
<b>Private Banking</b>	
UK and Europe	429
SA and Other	1 305
Australia	78
<b>Total</b>	<b>1 812</b>
<b>Private Client Portfolio Management and Stockbroking</b>	
SA and Other	191
<b>Total</b>	<b>191</b>
<b>Private Client Activities Total</b>	
UK and Europe	429
SA and Other	1 496
Australia	78
<b>Total</b>	<b>2 003</b>
<b>Capital Markets</b>	
UK and Europe	276
SA and Other	348
Australia	38
<b>Total</b>	<b>662</b>
<b>Investment Banking</b>	
UK, Europe and Hong Kong	143
SA and Other	139
Australia	33
USA	5
<b>Total</b>	<b>320</b>
<b>Asset Management</b>	
UK and Europe	231
SA and Other	603
<b>Total</b>	<b>834</b>
<b>Property Activities</b>	
UK and Europe	3
SA and Other	248
<b>Total</b>	<b>251</b>
<b>Group Services and Other Activities</b>	
UK and Europe	212
SA and Other	642
Australia	86
<b>Total</b>	<b>940</b>
<b>Total number of permanent employees</b>	<b>5 010</b>

By geography	31 March 2007	31 March 2006	31 March 2005	31 March 2004
UK and Europe	1 294	1 166	1 308	1 431
South Africa and Other	3 476	3 114	2 648	2 627
Australia	235	168	140	112
USA	5	5	67	75
Israel	-	-	-	213
Temps and contractors	420	#	#	#
<b>Total number of employees</b>	<b>5 430</b>	<b>4 453</b>	<b>4 163</b>	<b>4 458</b>

# The treatment of temps and contractors for headcount disclosure purposes was not consistently applied across all divisions. The line of business information now only reflects permanent headcount. The geographical information has been presented for comparative purposes. Historical information did include temps and contractors.

## Operating profit (before goodwill, non-operating items and taxation and excluding income from associates) per employee

By division	PB*	PCSB*	CM*	IB*	AM*	PA*	GSO*	Total group
Number of employees - 31 March 2007	1 941	205	715	336	924	273	1 036	5 430
Number of employees - 31 March 2006	1 598	167	530	287	790	258	823	4 453
Number of employees - 31 March 2005	1 280	415	445	245	723	225	830	4 163
Average employees - year to 31 March 2007	1 769	186	623	312	857	266	929	4 942
Average employees - year to 31 March 2006	1 439	**157	488	266	757	242	827	4 176
Operating profit <sup>^</sup> - 31 March 2007 (£'000)	154 203	12 016	117 302	91 088	68 112	14 144	(965)	455 900
Operating profit <sup>^</sup> - 31 March 2006 (£'000)	101 655	10 253	66 991	100 623	59 376	18 598	24 577	382 073
<b>Operating profit per employee<sup>^^</sup></b>								
- 31 March 2007 (£'000)	87.2	64.6	188.3	291.9	79.5	53.2	(1.0)	92.3
Operating profit per employee <sup>^^</sup>								
- 31 March 2006 (£'000)	70.6	65.3	137.3	378.3	78.4	76.9	29.7	91.5

By geography	UK & Europe	Southern Africa	Australia	Other geographies	Total group
Number of employees - 31 March 2007	1 412	3 778	235	5	5 430
Number of employees - 31 March 2006	1 166	3 114	168	5	4 453
Number of employees - 31 March 2005	1 308	2 648	140	67	4 163
Average employees - year to 31 March 2007	1 289	3 446	202	5	4 942
Average employees - year to 31 March 2006	**1 105	2 881	154	36	4 176
Operating profit <sup>^</sup> - 31 March 2007 (£'000)	156 859	268 673	29 987	381	455 900
Operating profit <sup>^</sup> - 31 March 2006 (£'000)	100 834	265 410	15 950	(121)	382 073
<b>Operating profit per employee<sup>^^</sup></b>					
- 31 March 2007 (£'000)	121.7	78.0	148.5	76.2	92.3
Operating profit per employee <sup>^^</sup>					
- 31 March 2006 (£'000)	91.3	92.1	103.6	(3.4)	91.5

\* Where PB=Private Banking PCSB=Private Client Stockbroking CM=Capital Markets IB = Investment Banking  
AM=Asset Management PA= Property Activities GSO=Group Services and Other Activities

<sup>^</sup> Excluding operating income from associates

<sup>^^</sup> Based on average number of employees over the period

\*\* Adjusted for the sale of Carr Sheppards Crosthwaite to Rensburg plc

# Eight year review

## Salient features\*

For the year ended 31 March**	2007	2006	2005	2004	2003	2002	2001	2000
<b>Income statement and selected returns</b>								
Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items (£'000)	300 704	230 017	149 510	106 203	89 668	127 613	100 906	87 246
Headline earnings (£'000)	294 881	222 805	147 037	105 873	83 595	115 777	100 906	87 246
Operating profit before goodwill, non-operating items and taxation (£'000)	466 585	388 767	224 124	132 260	85 762	158 567	133 196	123 474
Operating profit. Southern Africa (% of total)	57.6%	68.3%	66.9%	58.6%	81.0%	51.6%	25.6%	15.4%
Operating profit. UK, Europe, Australia and Other (% of total)	42.4%	31.7%	33.1%	41.4%	19.0%	48.4%	74.4%	84.6%
Cost to income ratio	59.0%	58.7%	67.4%	72.7%	80.0%	72.0%	72.6%	70.2%
Staff compensation to operating income ratio	40.9%	40.1%	43.4%	47.3%	51.1%	44.5%	45.5%	43.6%
Return on average adjusted shareholders' equity	26.1%	25.5%	20.0%	15.4%	13.1%	19.4%	18.2%	16.9%
Net-interest income as a percentage of operating income	29.2%	26.8%	23.2%	18.8%	21.3%	26.5%	28.9%	24.6%
Non-interest income as a percentage of operating income	70.8%	73.2%	76.8%	81.2%	78.7%	73.5%	71.1%	75.4%
Effective tax rate	26.3%	27.3%	28.8%	21.0%	6.3%	18.0%	22.6%	29.2%
<b>Balance sheet</b>								
Total capital resources (including subordinated liabilities (£'million))	2 665	2 042	1 579	1 303	958	958	842	639
Total equity (including preference shares and minority interests) (£'million)	1 834	1 512	1 076	805	679	768	603	555
Total assets (£'million)	26 300	23 901	19 917	15 319	14 914	16 957	15 984	16 030
Loans and advances (£'million)	10 190	9 605	6 408	4 846	3 909	3 314	3 299	3 083
Loans and advances as a percentage of total assets	38.7%	40.2%	32.2%	31.6%	26.2%	19.5%	20.6%	19.2%
Third party assets under management (£'million)	56 086	56 331	33 855	47 763	40 559	44 219	43 977	45 853
Capital adequacy ratio Investec plc	24.7%	17.7%	16.1%	17.3%	14.2%	^	^	^
Capital adequacy ratio Investec Limited	14.7%	16.3%	17.9%	15.1%	12.2%	^	^	^
<b>Salient financial features and key statistics</b>								
Adjusted earnings per share before goodwill and non-operating items (pence)#	53.3	41.9	26.9	20.8	19.2	28.0	25.2	22.0
Headline earnings per share (pence)#	52.3	40.6	26.5	20.7	17.9	25.4	25.2	22.0
Basic earnings per share (pence)#	54.7	53.8	17.8	12.0	(13.4)	3.0	19.8	18.0
Diluted earnings per share (pence)#	50.4	50.0	17.1	11.9	(13.4)	2.8	19.3	17.9
Dividends per share (pence)#	23.0	18.2	13.4	11.6	10.8	10.8	^^13.7	^^12.3
Dividend cover (times)	2.3	2.3	2.0	1.8	1.8	2.6	1.8	1.8
Net tangible asset value per share (pence)#	178.6	148.9	99.2	83.0	75.0	74.8	^	^
Weighted number of ordinary shares in issue (million)#	563.8	548.8	555.5	511.5	466.5	456.5	401.0	397.0
Total number of shares in issue (million)#	609.3	593.0	593.0	593.0	565.0	461.0	405.0	403.0
Closing share price (pence)#	658	588	311	218	123	161	346	497
Market capitalisation (£'million)	4 009	3 488	1 844	1 292	695	742	1 400	2 005
Number of employees in the group	5 430	4 453	4 163	4 458	4 874	5 529	4 836	4 441
Average ZAR/£ exchange rate	13.38	11.43	11.47	12.02	15.04	13.65	10.82	9.93

\* Refer to definitions on page 236

\*\* From 2000 to 2004 numbers are reported in terms of UK GAAP and for 2005 2006 and 2007 in terms of IFRS

^ Calculation not comparable

^^ The dividend for 2000 and 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling The Rand dividend per share for 2000 and 2001 was 620 cents and 750 cents respectively

# For comparative purposes historical information has been adjusted for the 5:1 share split that took place on 4 September 2006

## Integrated global management structure

### Global roles

Chief Executive Officer - Stephen Koseff  
Managing Director - Bernard Kantor

Executive Director - Alan Tapnack  
Group Risk and Finance Director - Glynn Burger

### Geographic business leaders

Divisional business leaders		South Africa Andy Leith Glynn Burger David Lawrence	United Kingdom Bradley Fried	Australia Geoff Levy Brian Schwartz	SE Asia Richard Forlee
	Private Banking Steven Heilbron				
	Private Client Stockbroking Henry Blumenthal SA		Support structures		
	Capital Markets David van der Walt		Banking and Institutions - David Lawrence Chief Integrating Officer - Allen Zimble Corporate Governance Internal Audit and Compliance - Bradley Tapnack Finance and Operations - Rayanne Jacobson		
	Investment Banking Bradley Fried and Andy Leith		IT - Ingrid David and Simon Shapiro Marketing - Raymond van Niekerk Risk Management - Ciaran Whelan Share Schemes and Secretariat - Les Pretorius		
	Asset Management Hendrik du Toit				
	Property Activities Sam Hackner				

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### Group operating structure

Our strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in our principal business areas. Our core philosophy has been to build well-defined value-added businesses focused on serving the needs of select market niches where we can compete effectively.

Private Client Activities	Capital Markets	Investment Banking	Asset Management	Property Activities
Private Banking • Private Client Portfolio Management and Stockbroking	• Specialised Lending Structured Derivatives Securitisation Specialist funds	Corporate Finance • Institutional Research Sales and Trading Direct Investments • Private Equity	• Institutional • Retail	• Fund Management • Listed Funds • Trading and Development • Property Management
Australia Southern Africa • UK and Europe	Australia • Southern Africa • UK and Europe	Australia Hong Kong Southern Africa UK and Europe USA	• Hong Kong Southern Africa • UK and Europe	Southern Africa UK and Europe
Group Services and Other Activities • Central Services      Central Funding      International Trade Finance				

## Private Client Activities

Partner of choice from wealth creation to wealth management

### Scope of activities

Private Client Activities comprises two businesses Private Banking and Private Client Portfolio Management and Stockbroking

#### Private Banking

Activities	<ul style="list-style-type: none"> <li>- Banking Activities</li> <li>- Growth and Acquisition Finance</li> <li>- Investment Management and Advisory Services</li> <li>- Specialised Lending</li> <li>- Structured Property Finance</li> <li>- Trust and Fiduciary Services</li> </ul>
Target market	<ul style="list-style-type: none"> <li>- Ultra high net worth individuals</li> <li>- Active wealthy entrepreneurs</li> <li>- High income professionals including property developers and investors, self-employed entrepreneurs</li> <li>- management buyout and management buy-in candidates and sophisticated investors</li> </ul>

#### Private Client Portfolio Management and Stockbroking

Activities	- Investment portfolio management and stockbroking
Target market	Private Client Securities, South Africa High net worth individuals Rensburg Sheppards plc, UK Transaction concluded in May 2005, see page 43

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### Strategic focus

#### Private Banking

Investec Private Bank positions itself as the 'investment bank for private clients' offering specialist financial services to our chosen target market. This strategy is underpinned by the fundamental and aspirational philosophy of 'out thinking' as opposed to 'out muscling' competitors

#### Private Client Portfolio Management and Stockbroking

##### South Africa

**Mission** To be the premier South African portfolio management and stockbroking house

We differentiate ourselves by

- Continually demonstrating superior portfolio management returns to clients
- Introducing new discretionary and non-discretionary products and services
- Offering clients additional value through products developed within the broader Investec group
- Enhancing client focus with teams offering specialist solutions to clients
- Leveraging cross-sell opportunities within the Investec group

## Private Client Activities

Partner of choice from wealth creation to wealth management

### Management structure

#### Private Banking

##### Global Head of Private Banking

Steven Heilbron

##### UK and Europe

Regional Head  
Banking and Treasury  
Growth and Acquisition Finance  
Investment Management

Steven Heilbron

Linda McBain

Avron Epstein

Robert Gottlieb

Kim Hillier

Private Client Lending

Wayne Preston

Nicky Walden

Specialised Lending

David Drewienka

Structured Property Finance

Paul Stevens

Trust and Fiduciary

Robert Clifford

Investec Bank Channel Islands

Mort Mirghavameddin

Investec Bank Ireland

Michael Cullen

Investec Bank Switzerland

Peter Gyger

Regional Head Manchester

Richard Heggie

Finance and Operations

Chris Forsyth

IT

Alan Bletcher

Marketing

Antonia Keri

##### South Africa

National Head

Paul Hanley

Regional Heads (Cape Town)

Rob Nicoletta

Michael Barr

Regional Head (Durban)

Colin Franks

Regional Head (Johannesburg)

Wessel Oosthuysen

Regional Head (Pretoria)

Wouter de Vos

Regional Head (Port Elizabeth)

Andy Vogel

Banking

Carol-Ann van der Merwe

Investment Management

Warren King

Treasury

Les Scott

Compliance

Geoff Cooke

Credit Risk

Michael Leisegang

Finance

Lianne D'Agnese

Human Resources

Tracey Rowe

IT

Denton Mul

Marketing

Carol-Ann van der Merwe

Risk Management

Tim Till

##### Australia

Growth and Acquisition Finance

Mark Joffe

Michael Sack

Private Client Treasury and Investments

Ivan Katz

Specialised Lending

Ashley Krongold

Strategic Management

Colin Jensen

Structured Property Finance

Tim Johansen

Wealth Management

Robert Lipman

Business Systems

Angelica Stein

Finance

Kelley-Ann Axiom

Marketing

Ngaire Threlfall

Operations

Steven Munitz

Risk Management

Mike Sargeant

#### Private Client Portfolio Management and Stockbroking

Head of Private Client Securities

South Africa

Henry Blumenthal

Investment Process

Donald Glyn

Peter Armitage

Finance and Operations

Andrew Birrell

Cape Town region

Jonathan Bloch

Stephen Glanz

Angus Robertson

Durban region

Craig Hudson

Johannesburg region

Paul Deuchar

Raymond Goss

Pietermaritzburg region

Andrew Smythe

Port Elizabeth region

Andy Vogel

Pretoria region

Len Olivier

Online Services

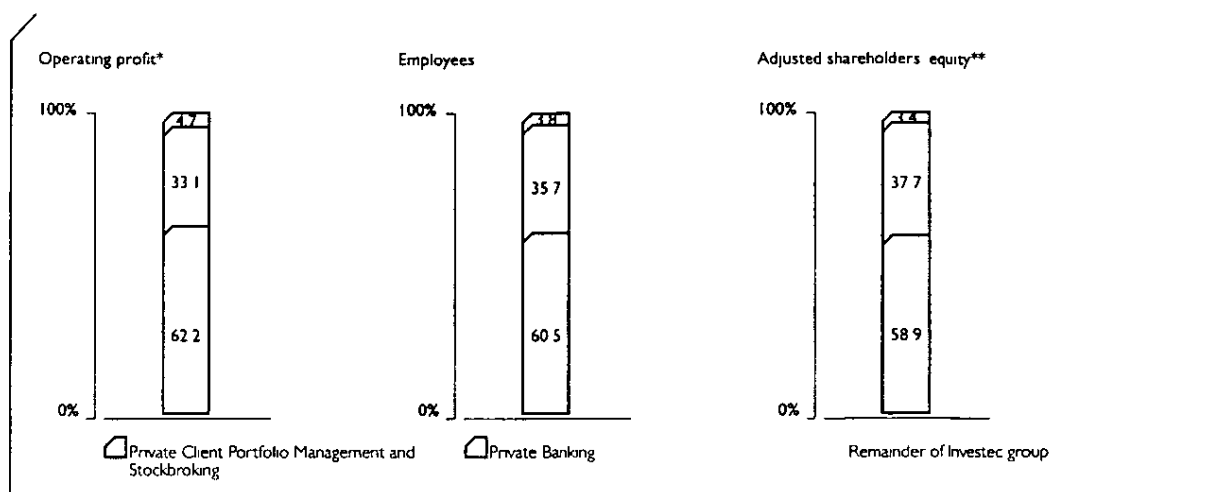
Ockert Olivier

Risk Management

Alex Harding



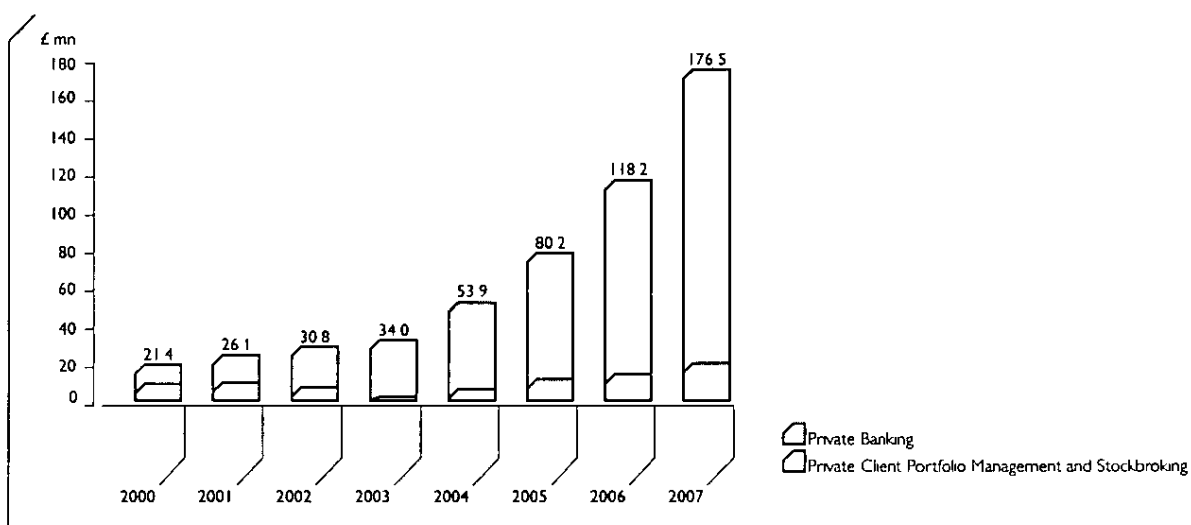
## Contribution analysis



\* Before goodwill, non-operating items and taxation and excluding Group Services and Other Activities

\*\* As calculated on page 27

## Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill, non-operating items and taxation.

# Private Banking

Partner of choice from wealth creation to wealth management

## Overview and financial analysis

- Operating profit increased by 52.1% to £154.4 million, contributing 33.1% to group profit
- Excellent growth was achieved in all key geographies
- Key earnings drivers
  - Loans and advances increased by 11.3% to £6.9 billion
  - The deposit book increased by 16.5% to £5.6 billion
  - Funds under advice increased by 34.1% to £2.5 billion

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	217 435	165 308	52 127	31.5%
Net fees and commissions receivable	109 596	70 675	38 921	55.1%
Principal transactions	16 381	11 657	4 724	40.5%
Other operating income and operating income from associates	288	(132)	420	>100.0%
Impairment losses on loans and advances	(6 932)	1 745	(8 677)	>100.0%
Admin expenses and depreciation	(182 377)	(147 730)	(34 647)	23.5%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>154 391</b>	<b>101 523</b>	<b>52 868</b>	<b>52.1%</b>
UK and Europe	96 734	61 533	35 201	57.2%
Southern Africa	41 413	31 981	9 432	29.5%
Australia	16 244	8 009	8 235	>100.0%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>154 391</b>	<b>101 523</b>	<b>52 868</b>	<b>52.1%</b>
Adjusted shareholders' equity*	478 947	372 651	106 296	28.5%
ROE (pre-tax)*	38.1%	29.3%		
Cost to income ratio	53.1%	59.7%		
Operating profit per employee (£'000)*	87.2	70.6		23.5%

\* As calculated on pages 27 and 33

The variance in operating profit over the year can be explained as follows

- The solid increase in net interest income has been driven by
  - Strong growth in loans and advances and deposits
  - A strong increase in arrangement and exit fees associated with an 18% increase in lending turnover
- The impact of IAS 18 resulted in a cumulative R506 million (2006 R345 million) of lending fees in the South African business being deferred for recognition as margin by 31 March 2010
- Net fees and commissions receivable principally include fees in relation to trust and fiduciary services investment management banking and treasury activities, as well as profit shares arising out of lending transactions. The growth in net fees and commissions receivable has been driven by strong activity levels in the majority of these areas of specialisation
- Principal transactions include the revaluations and realisations of equity and warrant positions held (these are associated with our lending activities and the manner in which certain of our deals are structured). The increase in principal transactions reflects the increasing contribution made by the Growth and Acquisition Finance business
- Impairment losses on loans and advances, after adjusting for £5.6 million of recoveries in the prior year increased from £3.8 million to £6.9 million. This increase is the result of impairments held against certain transactions in South Africa
- The increase in expenses is mainly as a result of an increase in variable remuneration in line with growth in profitability a 22% rise in average headcount and investment in product development and infrastructure

## Loans, deposits and funds under advice

£'million As at	UK and Europe		Southern Africa		Australia		Total		% Change
	31 March 2007	31 March 2006	31 March 2007	31 March 2006	31 March 2007	31 March 2006	31 March 2007	31 March 2006	
Residential	1 084	818	868	908	10	11	1 962	1 737	13.0%
Commercial	787	721	1 609	1 559	417	319	2 813	2 599	8.2%
Cash-backed loans	119	117	-	-	-	-	119	117	1.7%
Other	412	325	862	925	102	51	1 376	1 301	5.8%
Securitised assets	-	-	605	424	-	-	605	424	43.0%
<b>Total gross loans and advances</b>	<b>2 402</b>	<b>1 981</b>	<b>3 944</b>	<b>3 816</b>	<b>529</b>	<b>381</b>	<b>6 875</b>	<b>6 178</b>	<b>11.3%</b>
Specific impairments	2	2	11	10	2	1	15	13	15.4%
Portfolio impairments	2	1	3	6	-	-	5	7	(28.6%)
<b>Net loans and advances</b>	<b>2 398</b>	<b>1 978</b>	<b>3 930</b>	<b>3 800</b>	<b>527</b>	<b>380</b>	<b>6 855</b>	<b>6 158</b>	<b>11.3%</b>
<b>Asset quality</b>									
Gross defaults	16	13	45	41	10	1	71	55	
Collateral value	15	11	34	29	9	-	58	40	
Specific impairments	2	2	11	10	2	1	15	13	
<b>Net defaults (limited to zero)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>100.0%</b>
Gross defaults as a % of gross loans and advances	0.7%	0.7%	1.1%	1.1%	1.9%	0.3%	1.0%	0.9%	
<b>Total deposits</b>	<b>3 439</b>	<b>2 921</b>	<b>1 851</b>	<b>1 650</b>	<b>270</b>	<b>202</b>	<b>5 560</b>	<b>4 773</b>	<b>16.5%</b>

Net loans and advances as at	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
	£'million			Home currency 'million		
UK and Europe	2 398	1 978	21.2%	£2 398	£1 978	21.2%
Southern Africa	3 930	3 800	3.4%	R55 786	R40 749	36.9%
Australia	527	380	38.7%	A\$1 279*	A\$928	37.8%
<b>Net loans and advances</b>	<b>6 855</b>	<b>6 158</b>	<b>11.3%</b>			

\* Includes A\$189 million acquired from Rothschild's

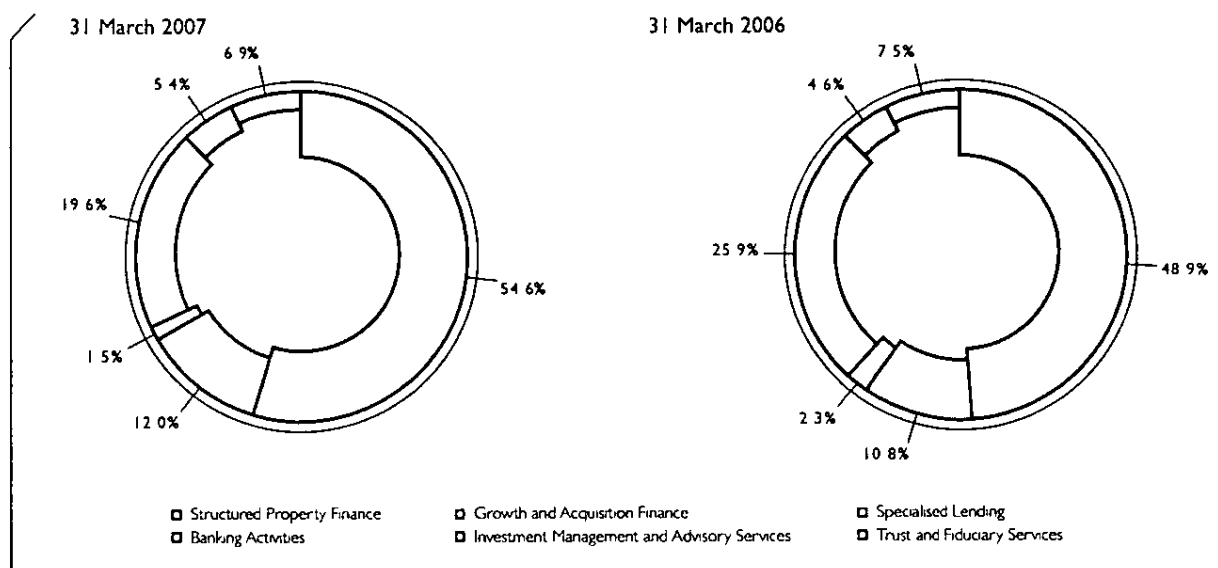
Deposits as at	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
	£'million			Home currency 'million		
UK and Europe	3 439	2 921	17.7%	£3 439	£2 921	17.7%
Southern Africa	1 851	1 650	12.2%	R26 277	R17 687	48.6%
Australia	270	202	33.7%	A\$655	A\$495	32.3%
<b>Total deposits</b>	<b>5 560</b>	<b>4 773</b>	<b>16.5%</b>			

Funds under advice as at	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
	£'million			Home currency 'million		
UK and Europe	951	642	48.1%	£951	£642	48.1%
Southern Africa	1 275	1 006	26.7%	R18 111	R10 784	67.9%
Australia	306	240	27.5%	A\$740	A\$586	26.3%
<b>Total funds under advice</b>	<b>2 532</b>	<b>1 888</b>	<b>34.1%</b>			

# Private Banking

Partner of choice from wealth creation to wealth management

## Analysis of total income by area of specialisation



## Developments

### UK and Europe

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

## South Africa

- The Structured Property Finance and Growth and Acquisition Finance teams completed 29 transactions, providing R2.7 billion in funding for black economic empowerment initiatives
- The Wealth Management team's increased focus on the ultra-wealthy South African private client led to a significant increase in assets under advice
- The pricing strategy for transactional banking was revised from being transaction based to a consolidated monthly fee. The change has had a materially favourable impact on client behaviour and client acquisition, with notable progress being made with clients engaging Investec as their primary banking partner
- Significant investment in information technology relating to the Banking specialisation was undertaken as a result of the considerable increase in volumes of online banking transactions resulting from client acquisition and client usage
- We securitised R1.4 billion of our commercial loans under the first multi-borrower commercial securitisation undertaken in South Africa

## Australia

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

## Outlook

- On the assumption that current market conditions prevail, the earnings outlook across all geographies is positive, with good deal pipelines in place
- There are planned growth strategies in each jurisdiction, which include the expansion of distribution capability together with new strategic initiatives

# Private Client Portfolio Management and Stockbroking

Partner of choice from wealth creation to wealth management

## Overview and financial analysis

- Operating profit increased by 32.7% to £22.1 million, contributing 4.7% to group profit
- Private client funds under management in South Africa grew by 25.6% from R84.1 billion to R105.6 billion

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	6	480	(474)	(98.8%)
Net fees and commissions receivable	28,053	30,264	(2,211)	(7.3%)
Principal transactions	3,137	631	2,506	>1000%
Other operating income and operating income from associates	10,065	6,389	3,676	57.5%
Admin expenses and depreciation	(19,180)	(21,122)	1,942	(9.2%)
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>22,081</b>	<b>16,642</b>	<b>5,439</b>	<b>32.7%</b>
UK and Europe	10,065	7,399	2,666	36.0%
Southern Africa	12,016	9,243	2,773	30.0%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>22,081</b>	<b>16,642</b>	<b>5,439</b>	<b>32.7%</b>
Adjusted shareholders' equity*	42,927	37,122	5,805	15.6%
ROE (pre-tax)*	44.2%	40.8%		
Cost to income ratio	46.5%	55.9%		
Operating profit per employee (£'000)*	64.6	65.3		(1.1%)

\* As calculated on pages 27 and 33

The variance in operating profit over the year can be explained as follows

- The South African Private Client business benefited from higher asset levels and increased volumes over the year
- Investec's UK Private Client Stockbroking business, Carr Sheppards Crosthwaite was sold to Rensburg plc on 6 May 2005. We retain a 47.1% interest in the combined entity, Rensburg Sheppards plc. Prior to 6 May 2005 the results of Carr Sheppards Crosthwaite have been consolidated into the group's results. After 6 May 2005 the results of the combined entity Rensburg Sheppards plc have been equity accounted and the directors' estimate of these results are included in the line item 'operating income from associates' (the £10.1 million income reflected above is post an estimate for tax of approximately £5 million)

## Developments

### UK and Europe

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

\*Key points

- Profit before tax of £25.7 million (16 months ended 31 March 2006 £13.0 million)
- Adjusted\* profit before tax of £35.9 million (16 months ended 31 March 2006 £29.1 million)
- Basic earnings per share of 37.5p (16 months ended 31 March 2006 20.9p)
- Adjusted\* basic earnings per share of 57.1p (16 months ended 31 March 2006 55.1p)
- Proposed final dividend of 15p per ordinary share, giving a total dividend for the year of 22.5p
- In respect of the acquisition of Carr Sheppards Crosthwaite the achievement by 31 March 2007 of future annualised pre-tax cost synergies of approximately £5.5 million per annum
- Group funds under management at 31 March 2007 of £14.40 billion (31 March 2006 £13.13 billion), an increase of 9.7%
- Before amortisation of the client relationships intangible asset, share-based payments relating to the Employee Benefit Trust ('EBT'), reorganisation costs and profit on disposal of available-for-sale investments. These items amount to a net charge before tax of £10.2 million (16 months ended 31 March 2006 £16.1 million) and a net charge after tax of £8.6 million (16 months ended 31 March 2006 £12.5 million)\*

## South Africa

- Revenue increased substantially over the prior period assisted by higher trading volumes

Funds under management as at	31 March 2007	31 March 2006 R'million	% Change	31 March 2007	31 March 2006 £'million	% Change
Discretionary	18 419	14 343	28.4%	1 297	1 338	(3.1%)
Non-discretionary	87 177	69 744	25.0%	6 139	6 506	(5.6%)
Total	105 596	84 087	25.6%	7 436	7 844	(5.2%)

R'million	31 March 2007	31 March 2006
Net flows at cost over the period		
Discretionary	1 065	2 799
Non-discretionary	2 316	13 957
Total	3 381	*16 756

- \* Includes HSBC funds acquired of R13.4 billion (R2.1 billion discretionary and R11.3 billion non-discretionary)

## Outlook

### South Africa

- Market conditions were strong over the past year, encouraging many private clients to enter or remain in the stock market. This was partly driven by the flow of funds into emerging economies given their favourable valuation fundamentals compared to developed economies. Although valuations can be supported by local underlying fundamentals, there are concerns that given the record price and index levels, driven by strong performances from resource counters, the South African market remains vulnerable to external shocks that will affect emerging economies.
- Revenue from stockbroking advisory and execution activities is expected to increase above that of the prior year, although at a modest rate. This is dependent on current market conditions remaining benign.
- Revenue from portfolio management activities is expected to increase, given the base effect of higher portfolio values.

## Capital Markets

Specialist structuring and advisory business

### Scope of activities

The growth and development of the business over the last few years has caused us to reflect on the appropriateness of the name Treasury and Specialised Finance. The name is not reflective of our core activities and has caused some confusion in the market, as a result from now on we will rebrand ourselves Investec Capital Markets. This does not mean a change of direction of the business.

The Capital Markets division provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of Investec's wholesale debt, structuring proprietary trading, capital markets and derivatives business.

### Strategic focus

Our objectives include:

- Continuing to remain a focused and specialised business, targeting markets and products where we can be distinctive and competitive
- Seeking through strong discipline, that is centred on clients and delivery of structured products
  - Asset creation opportunities
  - Product structuring and distribution opportunities
  - Trading, hedging and proprietary market opportunities
  - Advisory mandates
- Creating platforms for the origination and securitisation of internal and third party originated banking assets on a sustainable basis
- Developing our market leading position, focusing on growth initiatives and growing a portfolio of quality term assets
- Continuing to concentrate on systems processes and automation, to ensure maximum competitive advantage and long-term cost savings
- Taking advantage of opportunities to use our specialist skills to launch specialist funds
- Investing in the future and targeting growth

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### Management structure

#### Global Head of Capital Markets

David van der Walt

#### UK and Europe

Regional Head	David van der Walt
Balance Sheet and Interest Rates	John Barbour
Commodities and Resource Finance	George Rogers
Corporate Forex (UK)	James Arnold
Equity Derivatives	Mark Roessgen
Fixed Income Options	David Kantor
Foreign Exchange	Phillip Wells
Principal Finance (UK and Europe)	Andy Clapham
Principal Finance (US)	Ruth Leas
	Michael Schewitz
Project Finance (UK and International)	Maurice Hochschild
Structured and Asset Finance Operations (UK and International)	Alistair Crowther
Regional Head Ireland	Kevin McKenna
Corporate Treasury Ireland	Michael Cullen
Equity Finance Ireland	Aisling Dodgson
Operations Ireland	Loman Gallagher
	Alan Byrne

#### Southern Africa

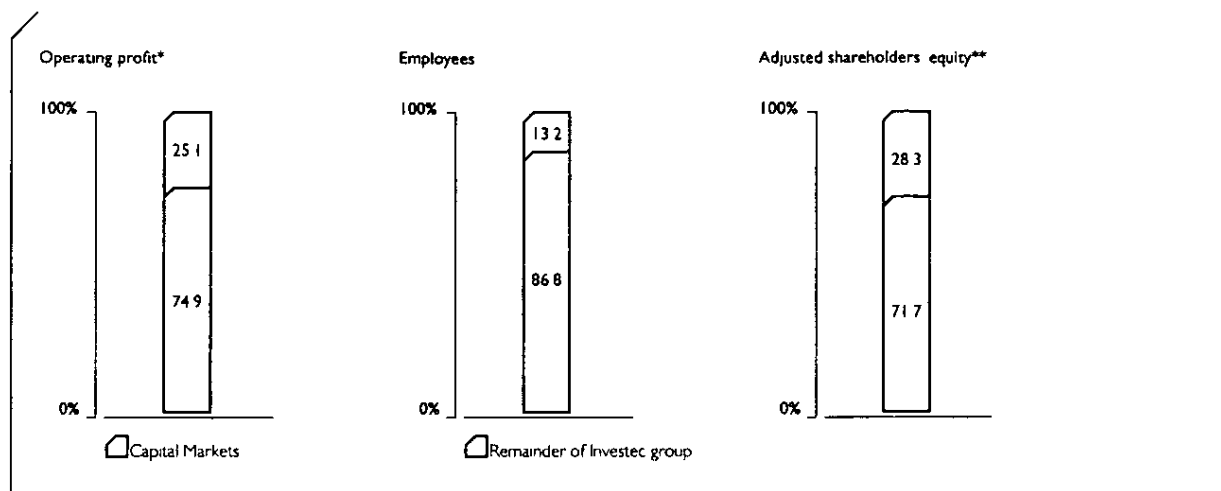
Regional Head	Richard Wainwright
Commodities and Resource Finance	Dharmesh Kaylan
Corporate Treasury	Gary Gorman
Equity Derivatives (South Africa and International)	Milton Samios
Financial Products	Mark Currie
Foreign Exchange	Grant Barrow
Interest Rates	Brett Hopkins
Project Finance	Michael Meeser
Structured and Asset Finance	David Kuming
	Anton Millar
Balance Sheet Management	Clive Sindelman
Regional Head Mauritius	Craig McKenzie
Operations	Stuart Spencer

#### Australia

Regional Head	Jose de Nobrega
Commodities and Resource Finance (Australia)	Anthony Hawke
Commodities and Resource Finance (International)	Jose de Nobrega
Principal Finance	Darren Klein
Project and Infrastructure Finance	Cosmas Kapsanis
	Mark Schneider
Structured Finance	David Phillips
Balance Sheet Management	Jeff Duncan-Nagy



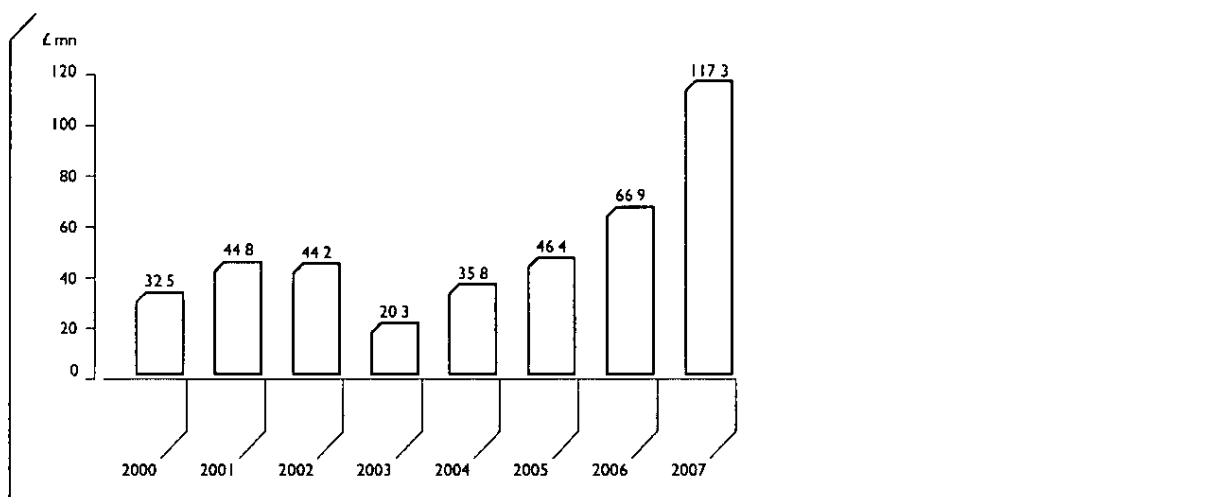
## Contribution analysis



\* Before goodwill, non-operating items and taxation and excluding Group Services and Other Activities

\*\* As calculated on page 27

## Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill, non-operating items and taxation.

# Capital Markets

Specialist structuring and advisory business

## Overview and financial analysis

- Strong growth continued as operating profit increased by 75.3% to £117.3 million, contributing 25.1% to group profit
- Growth was underpinned by contributions from all our core value drivers advising, structuring asset creation, distribution and trading
- The lending book grew by 3.2% to £3.1 billion

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	89,078	71,228	17,850	25.1%
Net fees and commissions receivable	80,190	55,878	24,312	43.5%
Principal transactions	102,700	55,098	47,602	86.4%
Other operating income and operating income from associates	(11)	(72)	61	(84.7%)
Impairment losses on loans and advances	(9,925)	(12,342)	2,417	(19.6%)
Admin expenses and depreciation	(144,741)	(102,874)	(41,867)	40.7%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>117,291</b>	<b>66,916</b>	<b>50,375</b>	<b>75.3%</b>
UK and Europe	51,409	22,507	28,902	>100.0%
Southern Africa	56,145	43,560	12,585	28.9%
Australia	9,737	849	8,888	>100.0%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>117,291</b>	<b>66,916</b>	<b>50,375</b>	<b>75.3%</b>
Adjusted shareholders' equity*	358,724	293,542	65,182	22.2%
ROE (pre-tax)*	37.7%	27.3%		
Cost to income ratio	53.2%	56.5%		
Operating profit per employee (£'000)*	188.3	137.3		37.1%

\* As calculated on pages 27 and 33

### The variance in operating profit over the year can be explained as follows

- Net interest income benefited from an increase in advances higher activity levels within a number of the businesses established over the past two years and the acquisition of NM Rothschild & Sons (Australia) Limited (effective 7 July 2006)
- The increase in net fees and commissions receivable is attributable to a solid performance from the advisory and structuring businesses in all geographies, with a number of mandates closed successfully, particularly in Project Finance, Structured Finance and Equity Finance
- Principal transactions reflect a significantly improved trading performance on the back of structured transactions and increased client business. In South Africa this was helped by increased market volatility and liquidity as well as revaluations and realisations of investments in the Structured Finance and Resource Finance businesses. In the UK and Australia we benefited from profits earned in the Principal Finance (securitisation), Commodities and Resource Finance and Structured Finance businesses. Further analysis is provided below
- Impairment losses on loans and advances in local currencies remained largely in line with the prior year
- Expenses increased largely due to an increase in average headcount (staff have been hired to progress new initiatives), greater variable remuneration in line with strong growth in profitability, and an increase in costs associated with complying with new and forthcoming regulatory requirements

## Analysis of principal transactions (£'000)

	31 March 2007	31 March 2006	Variance
<b>UK and Europe</b>			
Trading activities	3 203	1 463	1 740
Principal Finance	23 906	6 277	17 629
Commodities and Resource Finance	10 102	5 296	4 806
Structured and Asset Finance	20 602	8 111	12 491
	<b>57 813</b>	<b>21 147</b>	<b>36 666</b>
<b>Southern Africa</b>			
Trading activities	17 441	11 092	6 349
Balance sheet management	6 372	11 604	(5 232)
Financial Products	2 319	1 235	1 084
Lending areas	13 038	7 903	5 135
	<b>39 170</b>	<b>31 834</b>	<b>7 336</b>
<b>Australia</b>	<b>5 717</b>	<b>2 117</b>	<b>3 600</b>
<b>Total</b>	<b>102 700</b>	<b>55 098</b>	<b>47 602</b>

## Loans

£'million As at	UK and Europe		Southern Africa		Australia		Total		% Change
	31 March 2007	31 March 2006	31 March 2007	31 March 2006	31 March 2007	31 March 2006	31 March 2007	31 March 2006	
Loans	1 282	942	1 434	1 862	141	25	2 857	2 829	1 0%
Assets to be securitised/ warehouse assets	242	172	-	-	-	-	242	172	40 7%
<b>Total gross loans and advances</b>	<b>1 524</b>	<b>1 114</b>	<b>1 434</b>	<b>1 862</b>	<b>141</b>	<b>25</b>	<b>3 099</b>	<b>3 001</b>	<b>3 0%</b>
Specific impairments	5	5	5	8	8	1	18	14	(28 6%)
Portfolio impairments	-	-	1	2	-	-	1	2	(50 0%)
<b>Net loans and advances</b>	<b>1 519</b>	<b>1 109</b>	<b>1 428</b>	<b>1 852</b>	<b>133</b>	<b>24</b>	<b>3 080</b>	<b>2 985</b>	<b>3 2%</b>
<b>Asset quality</b>									
Gross defaults	18	5	24	25	*8	1	50	31	
Collateral value	11	-	24	22	-	-	35	22	
Specific impairments	5	5	5	8	8	1	18	14	
<b>Net defaults (limited to zero)</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	
Gross defaults as a % of gross loans and advances	1 2%	0 4%	1 7%	1 3%	6 0%	4 0%	1 6%	1 0%	

\* Acquired as part of the Rothschilds acquisition

## Net loans and advances as at

	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
	£'million			Home currency 'million		
UK and Europe	1 519	1 109	37 0%	£1 519	£1 109	37 0%
- Loans	1 277	937	36 3%	£1 277	£937	36 3%
- Assets to be securitised/warehouse assets	242	172	40 7%	£242	£172	40 7%
Southern Africa	1 428	1 852	(22 9%)	R20 275	R19 855	2 1%
Australia	133	24	>100 0%	A\$323*	A\$58	>100 0%
<b>Net loans and advances</b>	<b>3 080</b>	<b>2 985</b>	<b>3 2%</b>			

\* Includes A\$338 million acquired from Rothschilds

# Capital Markets

Specialist structuring and advisory business

## Developments

### UK and Europe

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

### South Africa

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- Deal activity in most of our lending areas was strong but we were negatively affected by unexpected repayments, resulting in a lower than anticipated closing advances book.
- We increased our market share significantly in the equity derivative listed products market through an ongoing focus on innovation and service levels.
- The central Derivative Sales and Structuring team continued to be successful, reflected by increased levels of client flows and profitability on the trading desks.
- Our focus in the debt capital markets area was rewarded with numerous successful securitisations concluded in the financial year and significant mandates received for deals yet to close. We continue to concentrate on establishing platforms to provide securitisable assets.
- The division holds numerous equity related positions which are linked to underlying advances. The results were positively affected both through realisation of certain of these positions and through the increase in valuation of positions held at year end.

### Australia

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

## Outlook

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

# Investment Banking

Integrated business focused on local client delivery with international access

## Scope of activities

We engage in a range of investment banking activities and position ourselves as an integrated business focused on local client delivery with international access. We target clients seeking a highly customised service, which we offer through a combination of domestic depth and expertise within each geography and a client-centric approach.

<b>Activities</b>	<ul style="list-style-type: none"> <li>- Corporate Finance</li> <li>- Institutional Research, Sales and Trading</li> <li>- Direct Investments</li> <li>- Private Equity</li> </ul>
<b>Target market</b>	<ul style="list-style-type: none"> <li>- Major listed and unlisted corporations</li> <li>- Fund managers</li> <li>- Government</li> <li>- Parastatals</li> </ul>

## Strategic focus

**Mission** To be a premier international investment bank distinguished by our leadership in chosen niches, our people and their approach, and our bond with our clients

Our primary objectives are to secure our current positionings and to continue building our operations with a strong focus on enhancing overall profitability.

## UK and Europe

Our strategic objectives are to

- Become a pre-eminent full service mid-market investment bank.
- Leverage our highly rated product and service offering internationally, specifically in the US and Europe
- Offer additional corporate services such as private equity and debt advisory specialisation
- Increase the use of capital to reinforce our mid-market offering
- Achieve greater sector specialisation in Corporate Finance

## South Africa

### Corporate Finance

Our strategy is to

- Take advantage of our leading position in the South African market
- Improve the size and profile of our client base with a focus on servicing existing clients and undertaking new client initiatives
- Identify appropriate investment banking transactions, mergers and acquisitions and IPO opportunities
- Continue with our strategy relating to black economic empowerment
- Improve cross-border activity

### Institutional Research, Sales and Trading

Our strategic objectives are to

- Be the top rated South African specialist broker as determined by our target client base
- Broaden our research base to ensure appropriate coverage and to reinforce our South African distinctiveness
- Further leverage our research product into the UK and US and selectively target key European clients
- Continue to grow related product offerings

# Investment Banking

Integrated business focused on local client delivery with international access

## Direct Investments and Private Equity

Our strategy is to

- Focus on quality, not quantity, of investments, in selected industries
- Identify and pursue transactions with the potential for significant value unlocking in the short to medium term
- Target platform investments that can be grown significantly through the implementation of an agreed strategy operating in industries that will benefit strongly from economic growth in South Africa
- Co-invest with experienced executives and non-executives with a proven track record strategic investors and empowerment partnerships built on trust
- Concentrate on closer co-operation with black economic empowerment platform investee companies
- Convert our current transaction pipeline

## Australia

Our objectives are to

- Build an integrated business model of advisory private equity and direct investments, to maximise market opportunities
- Continue to focus on global collaboration to enhance cross-border activity
- Maintain a disciplined approach to Private Equity and Direct Investment activities in relation to deal origination participation in competitive processes and transaction valuations

## Management structure

### Joint Global Heads of Investment Banking

Bradley Fried  
Andy Leith

### UK and Europe

Regional Head	Bradley Fried
Investment Banking	David Currie
Investec Securities Institutional	
Stockbroking	Craig Tate
Ireland	Michael Cullen
Finance	Ray Milner
IT and Operations	Trevor Gatfield

### South Africa

Regional Head	Andy Leith
Corporate Finance	Kevin Kerr Hugo Steyn
Investec Securities Institutional	
Stockbroking	Craig Tate Kevin Brady
Finance and Operations	Andrew Birrell
Direct Investments	Khumo Shueryane
Private Equity	Thomas Pnns
Finance	Caroline Thomson Robert Slater

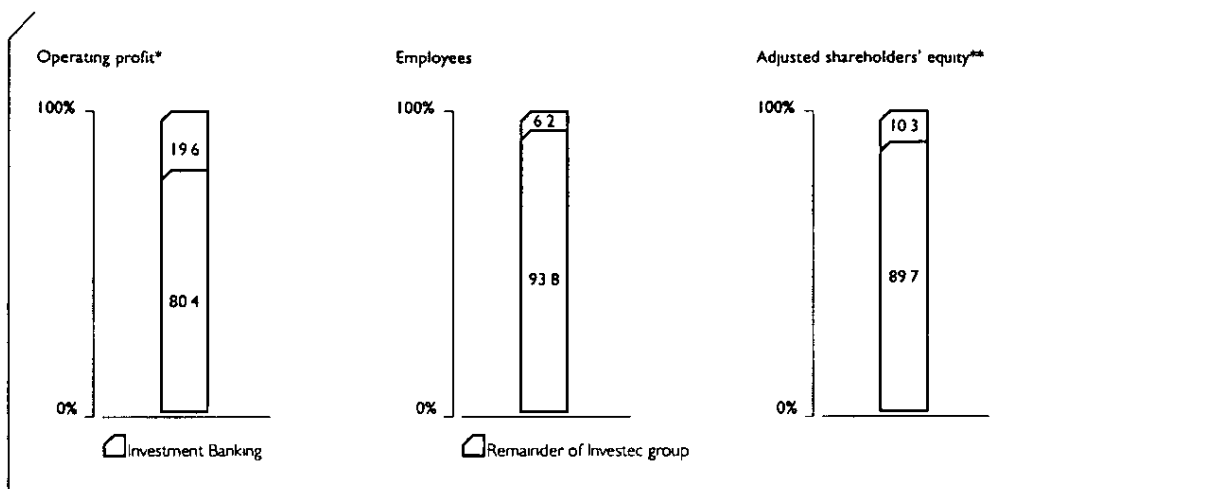
### Australia

Regional Head	Geoff Levy
Corporate Advisory	Ben Smith
Private Equity	John Murphy
Direct Investments	Geoff Levy

### Hong Kong

Regional Head	Richard Forlee
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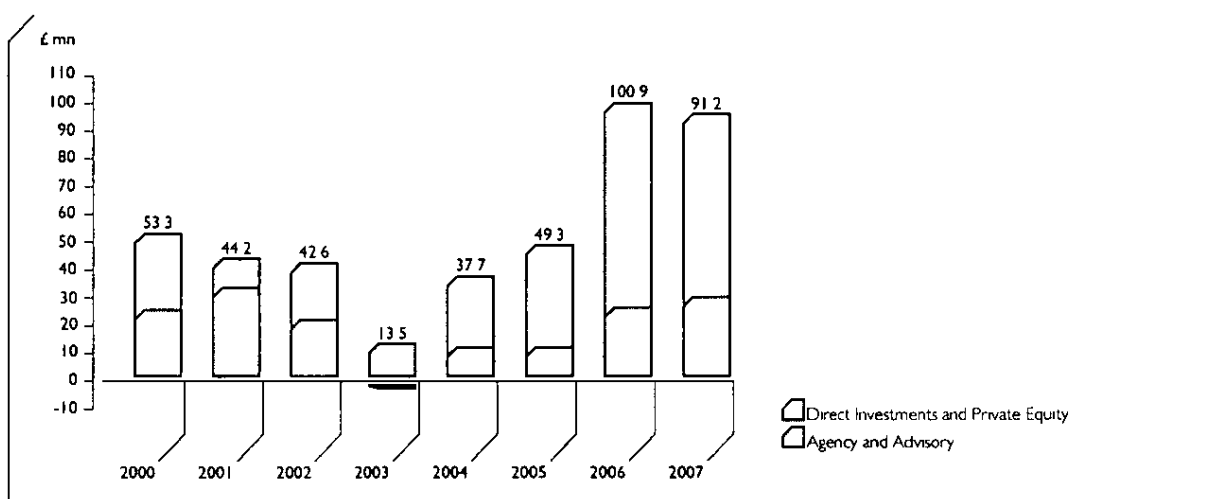
## Contribution analysis



\* Before goodwill, non-operating items and taxation and excluding Group Services and Other Activities

\*\* As calculated on page 27

## Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill, non-operating items and taxation.

# Investment Banking

Integrated business focused on local client delivery with international access

## Overview and financial analysis

- Operating profit decreased by 9.6% to £91.2 million, contributing 19.6% to group profit.

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	(2,457)	2,216	(4,673)	>100.0%
Net fees and commissions receivable	91,904	82,633	9,271	11.2%
Principal transactions	73,719	97,864	(24,145)	(24.7%)
Other operating income and operating income from associates	45,629	307	45,322	>100.0%
Impairment losses on loans and advances	(1)	722	(723)	>100.0%
Admin expenses and depreciation	(117,559)	(82,812)	(34,747)	42.0%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>91,235</b>	<b>100,930</b>	<b>(9,695)</b>	<b>(9.6%)</b>
Corporate Finance	15,890	11,608	4,282	36.9%
Institutional Research, Sales and Trading	14,394	14,982	(588)	(3.9%)
Direct Investments	18,148	34,218	(16,070)	(47.0%)
Private Equity	42,803	40,122	2,681	6.7%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>91,235</b>	<b>100,930</b>	<b>(9,695)</b>	<b>(9.6%)</b>
UK and Europe	23,294	29,631	(6,337)	(21.4%)
Southern Africa	60,632	65,887	(5,255)	(8.0%)
Australia	7,309	5,412	1,897	35.1%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>91,235</b>	<b>100,930</b>	<b>(9,695)</b>	<b>(9.6%)</b>
Adjusted shareholders' equity*	130,816	63,875	66,941	>100.0%
ROE (pre-tax)*	68.6%	171.8%		
Cost to income ratio	56.3%	45.2%		
Operating profit per employee (£'000)*	291.9	378.3		(22.8%)

\* As calculated on pages 27 and 33

## Developments

### Corporate Finance and Institutional Research, Sales and Trading

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	(1,147)	43	(1,190)	>100.0%
Net fees and commissions receivable	91,544	79,768	11,776	14.8%
Principal transactions	12,774	10,095	2,679	26.5%
Other operating income and operating income from associates	(15)	-	(15)	100.0%
Impairment losses on loans and advances	(1)	(44)	43	(97.7%)
Admin expenses and depreciation	(72,871)	(63,272)	(9,599)	15.2%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>30,284</b>	<b>26,590</b>	<b>3,694</b>	<b>13.9%</b>

The variance in operating profit over the year can be explained as follows

- The Corporate Finance operations benefited from a strong deal pipeline across all geographies, particularly in South Africa with a number of mandates closed successfully
- The Institutional Stockbroking operations in South Africa were positively affected by increased volumes over the period. In the UK, commissions were negatively affected by regulatory changes and consequent competitive pressures
- Principal transaction income reflects a solid performance by the dual-listed arbitrage and SA/UK hedge book activities in South Africa and the Equity Trading business in the UK, partially offset by a weaker performance by the UK market making activities
- The increase in expenses largely relates to a rise in headcount in certain businesses and an increase in variable remuneration



## Corporate Finance

### UK and Europe

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

### South Africa

- We maintained our strong positioning with a good level of activity.
- Our focus was on M&As, corporate restructuring activities, IPOs and black economic empowerment transactions.
- We retained all our major clients and gained several new mandates during the period, particularly for black economic empowerment transactions and IPOs.
- Corporate Finance transactions during the period increased to 140 (2006: 119), with a value of R52 billion (2006: R31.2 billion).
- Sponsor broker deals completed during the period increased to 161 (2006: 128) with the value increasing substantially to R70.1 billion (2006: R28.6 billion).
- The Corporate Finance division was ranked first in volume of M&A transactions and second in general corporate finance by volume in the Dealmakers Magazine Survey for Corporate Finance (2006 calendar year).
- The Sponsor division was ranked first in volume of M&A transactions and in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2006 calendar year).
- The Sponsor and Corporate Finance divisions were also ranked first and second respectively in volume of M&A transactions in the Ernst & Young review for M&A (2006 calendar year).

### Australia

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

## Institutional Research, Sales and Trading

### UK and Europe

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

### South Africa

- Strong agency performance was driven by active market volumes and greater international penetration.
- We broadened our stock coverage and filled key gaps in our research offering to underpin our South African distinctiveness.
- Further to our stock association initiative, leading market share positions were achieved in the key dual listed shares.
- Our Prime Broking operation performed well, exceeding expectations in the growth of funds on the system and new client mandates.
- Good progress was made across our key product offerings.

# Investment Banking

Integrated business focused on local client delivery with international access

## Direct Investments and Private Equity

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	(1 310)	2 173	(3 483)	(>1000%)
Net fees and commissions receivable	360	2 865	(2 505)	(87.4%)
Principal transactions	60 945	87 769	(26 824)	(30.6%)
Other operating income and operating income from associates	45 644	307	45 337	>1000%
Impairment losses on loans and advances	-	766	(766)	1000%
Admin expenses and depreciation	(44 688)	(19 540)	(25 148)	>1000%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>60 951</b>	<b>74 340</b>	<b>(13 389)</b>	<b>(18.0%)</b>

The variance in operating profit over the year can be explained as follows

- Principal transaction income represents the year to date cumulative increase/decrease in the value of the division's direct investments and private equity portfolios, the profit/loss on realisation of these investments, and dividends and other income received. Further analysis is provided below.
- Other operating income relates to the operating results of two investments held within the Private Equity portfolio, which have been consolidated with the respective income and expenses reflected in other operating income and administration expenses. These investments generated a net loss after tax and minority interest of £2.3 million. Any realisation of these investments in excess of their carrying values will be recognised as income from principal transactions. The two investments are Global Ethanol Holdings Limited and Idatech LLC (see page 204 for further information).
- The increase in expenses largely relates to the consolidation of the two investments mentioned above (expenses amounted to £25 million), partially offset by a decrease in variable remuneration given lower profitability in certain of the divisions.

### Value of trading investments on balance sheet at 31 March 2007

£'million	Listed	Unlisted	Advances	Total
UK Private Equity	9	6	-	15
SA Direct Investments	23	39	9	71
SA Private Equity	-	83	6	89
Australia	2	-	-	2
Hong Kong Direct Investments	2	5	-	7
	<b>36</b>	<b>133</b>	<b>15</b>	<b>184</b>

Note: excludes our two investments (mentioned above) which have been consolidated

### Value of trading investments on balance sheet at 31 March 2006

£'million	Listed	Unlisted	Advances	Total
UK Private Equity	11	7	-	18
SA Direct Investments	24	35	6	65
SA Private Equity	-	77	9	86
Australia	5	3	-	8
Hong Kong Direct Investments	10	-	-	10
	<b>50</b>	<b>122</b>	<b>15</b>	<b>187</b>

### Analysis of operating profit for the year to 31 March 2007

£'million	Realised	Un-realised	Dividends	Interest and other	Income	Funding costs	Net income	Expenses	Net profit
UK Private Equity	13	(19)	04	36.6	36.4	-	36.4	(28.5)	7.9
SA Direct Investments	03	16.9	31	12	21.5	(4.6)	16.9	(4.1)	12.8
SA Private Equity	37	28.0	7.8	0.1	39.6	(1.7)	37.9	(7.2)	30.7
Australia	-	-	-	6.5	6.5	-	6.5	(2.3)	4.2
Hong Kong Direct Investments	6.2	1.5	-	0.2	7.9	-	7.9	(2.6)	5.3
<b>Total</b>	<b>11.5</b>	<b>44.5</b>	<b>11.3</b>	<b>44.6</b>	<b>111.9</b>	<b>(6.3)</b>	<b>105.6</b>	<b>(44.7)</b>	<b>60.9</b>

## Analysis of operating profit for the year to 31 March 2006

£'million	Realised	Un-realised	Dividends	Interest and other	Income	Funding costs	Net income	Expenses	Net profit
UK Private Equity	103	-	-	06	109	-	109	(31)	78
SA Direct Investments	23	316	05	19	363	(30)	333	(70)	263
SA Private Equity	134	175	60	07	376	(13)	363	(58)	305
Australia	-	08	-	29	37	-	37	(11)	26
Hong Kong Direct Investments	-	96	-	-	96	-	96	(25)	71
<b>Total</b>	<b>260</b>	<b>595</b>	<b>65</b>	<b>61</b>	<b>981</b>	<b>(43)</b>	<b>938</b>	<b>(195)</b>	<b>743</b>

## UK, Europe and Hong Kong

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

## South Africa

- The Direct Investments portfolio increased significantly from R697 million at 31 March 2006 to R1 012 million at 31 March 2007. This was driven by a good performance from the underlying investments and further investment acquisitions. The opportunistic investment side of Direct Investments was not as active this year compared to previous years because opportunities in this part of the business tend to arise in weaker stock market conditions.
- We continued to expand the capacity of our Private Equity investments through acquisitions and capital expenditure. The Private Equity portfolio was approximately R1 266 million at 31 March 2007 (March 2006 R922 million).

## Australia

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

## Outlook

## Corporate Finance

- Black economic empowerment, IPOs and M&A transactions are expected to continue to drive activity in South Africa.
- The pipeline looks positive across all geographies and we continue to build our client base.
- An enhanced team structure together with increased brand awareness and national reach, provides a solid platform for future growth opportunities across all areas of the Australian business.

## Institutional Research, Sales and Trading

- The UK business has strengthened its positioning in the market while further growth is expected to come from hedge funds and increased distribution into the US and Europe.
- The South African business remains well positioned to capitalise on current market conditions. The focus on broadening the research product, combined with increased international leverage, the stock association programme and improved traction from new initiatives, has improved the outlook for the operation.

## Direct Investments and Private Equity

- We remain active in seeking direct investment opportunities, while continuing to unlock further value from the portfolio and building quality black economic empowerment platforms.
- The companies in our Private Equity portfolio are all trading in line with expectations and the outlook remains positive.

# Asset Management

Investment specialist focused on performance and client needs

## Scope of activities

We offer a comprehensive range of portfolio management services and products to institutional and retail clients

UK	<ul style="list-style-type: none"> <li>• Growing mutual fund (OEIC) business</li> <li>• Recognised player in institutional market</li> <li>• Leading public sector liquidity management provider</li> </ul>
Southern Africa	<ul style="list-style-type: none"> <li>• Market leader in mutual funds (unit trusts) and portfolio products</li> <li>• One of the largest third party institutional managers</li> </ul>
Cross border	<ul style="list-style-type: none"> <li>• Growing offshore mutual funds provider to Asia, Europe, UK, the Americas, Southern Africa and other offshore markets</li> <li>• Institutional services to sovereign funds and central bank clients</li> </ul>

## Strategic focus

**Mission** To exceed client expectations of investment performance and service

We intend to achieve this by

- Delivering sound investment performance across all propositions
- Providing exceptional client service
- Recognising capacity constraints (alpha and service) where relevant
- Being at the forefront of product innovation
- Driving diversity worldwide

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## Management structure

Global Head of  
Asset Management Hendrik du Toit

Chief Operating Officer Kim McFarland

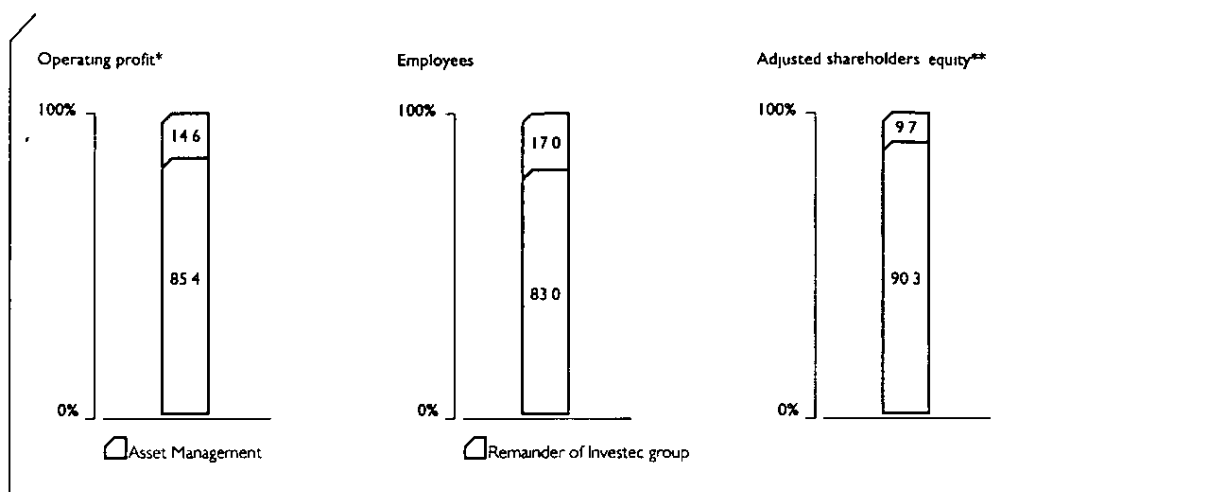
### UK and international

Investments	Domenico Ferrini
4Factor Equities	Mark Breedon
4Factor Equity Research	James Hand
Contrarian	Alastair Mundy
Multi-asset	Philip Saunders
Fixed Income	John Stopford
Mutual Funds (UK and Europe)	David Aird
Mutual Funds (Asia)	Philip Yeung
Mutual Funds (Americas)	Richard Garland
Institutional (UK)	Mark Samuelson
Institutional (US)	Steve Padden
Marketing	Sarah McLeland

### South Africa

Managing Director	John Green
Deputy Managing Director	Thabo Khojane
Managing Director (Africa, excluding SA)	Ade Animashahun
Investments	John McNab
Equities	Sam Houlie
Fixed Income	Andre Roux
Communications	Jeremy Gardiner

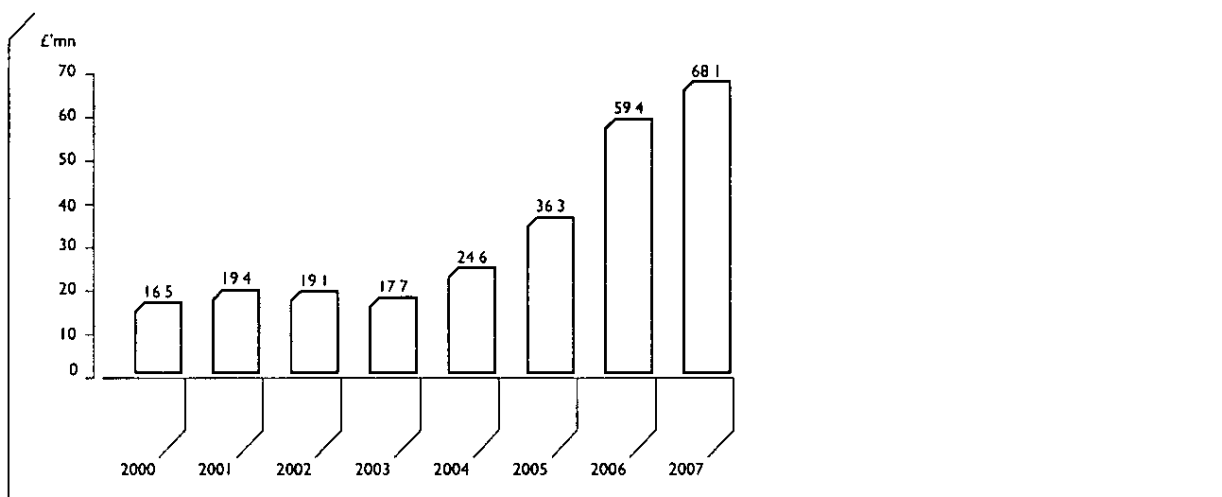
## Contribution analysis



\* Before goodwill, non-operating items and taxation and excluding Group Services and Other Activities

\*\* As calculated on page 27

## Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill, non-operating items and taxation.

# Asset Management

Investment specialist focused on performance and client needs

## Overview and financial analysis

- Operating profit increased by 14.7% to £68.1 million, contributing 14.6% to group profit
- Assets under management decreased by 5.6% to £29.9 billion

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	5,242	4,050	1,192	29.4%
Net fees and commissions receivable	180,539	165,890	14,649	8.8%
Other income	2,775	1,514	1,261	83.3%
Impairment losses on loans and advances	-	(16)	16	100.0%
Admin expenses and depreciation	(120,444)	(112,062)	(8,382)	7.5%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>68,112</b>	<b>59,376</b>	<b>8,736</b>	<b>14.7%</b>
UK and international	17,555	10,609	6,946	65.5%
Southern Africa	50,557	48,767	1,790	3.7%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>68,112</b>	<b>59,376</b>	<b>8,736</b>	<b>14.7%</b>
Adjusted shareholders' equity*	123,211	140,042	(16,831)	(12.0%)
ROE (pre-tax)*	44.9%	36.3%		
Cost to income ratio	63.9%	65.4%		
Operating profit per employee (£'000)*^	79.5	78.4		1.4%

\* As calculated on page 27 and 33

^ Includes Silica (third party administration business)

The variance in operating profit over the year can be explained as follows

### UK and international

- Operating profit grew by 65.5% to £17.6 million
- Growth was underpinned by the general momentum of the business and strong mutual fund sales
- Assets under management increased to £13.1 billion on the back of net flows in excess of £1 billion for the reporting period

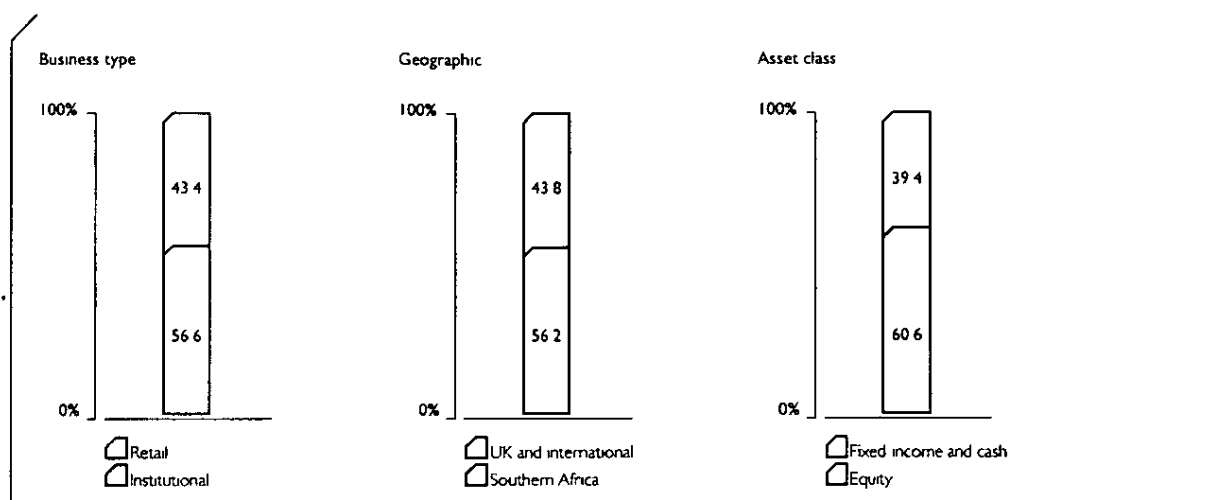
### Southern Africa

- Operating profit grew by 3.7% to £50.6 million (2007: R676.8 million, 2006: R522.2 million an increase of 22.6%)
- Investment performance generally remained good resulting in a rise in performance fee revenue from R210 million to R263 million
- Assets under management benefited from strong mutual fund sales however on the institutional side, client restructures and rebalances and structural outflows from the ex-Fedsure book resulted in net outflows for the period
- The final transfer of the ex-Fedsure book (R11.9 billion) to Liberty took place in the second half of the year

### Costs

- The increase in expenses is largely due to a rise in variable remuneration in line with the strong growth in profitability and an increase in headcount to drive future growth opportunities

## Assets under management\*



## Movement in assets under management\*

	Total £'million	UK and international £'million	Southern Africa £'million	Rands
<b>31 March 2006</b>	<b>31 653</b>	<b>11 820</b>	<b>19 833</b>	<b>212 658</b>
New clients/funds	1 539	1 071	468	6 482
Existing client/fund net flows	(1 644)	80	(1 724)	(23 360)
Net flows	(105)	1 151	(1 256)	(16 878)
Market movement	(1 655)	124	(1 779)	42 990
<b>31 March 2007</b>	<b>29 893</b>	<b>13 095</b>	<b>16 798</b>	<b>238 770</b>
Institutional		6 070	10 855	
Retail		7 025	5 943	

£'million	Total	Institutional	Retail
<b>31 March 2006</b>	<b>31 653</b>	<b>19 782</b>	<b>11 871</b>
New clients/funds	1 539	1 380	159
Existing client/fund net flows	(1 644)	(3 373)	1 729
Net flows	(105)	(1 993)	1 888
Market movement	(1 655)	(864)	(791)
<b>31 March 2007</b>	<b>29 893</b>	<b>16 925</b>	<b>12 968</b>
UK and international		6 070	7 025
South Africa		10 855	5 943

## Sales (gross inflows)

£'million	31 March 2007	31 March 2006	£'million	31 March 2007	31 March 2006
Institutional	3 789	2 540	Fixed interest and cash	4 104	3 628
Retail	6 276	6 811	Equity	5 114	4 625
	10 065	9 351	Balanced	847	1 098
				10 065	9 351

\* Managed basis

## Asset Management

Investment specialist focused on performance and client needs

### Developments

#### UK and international

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

#### Investec Asset Management (IAM) in the UK mutual fund industry

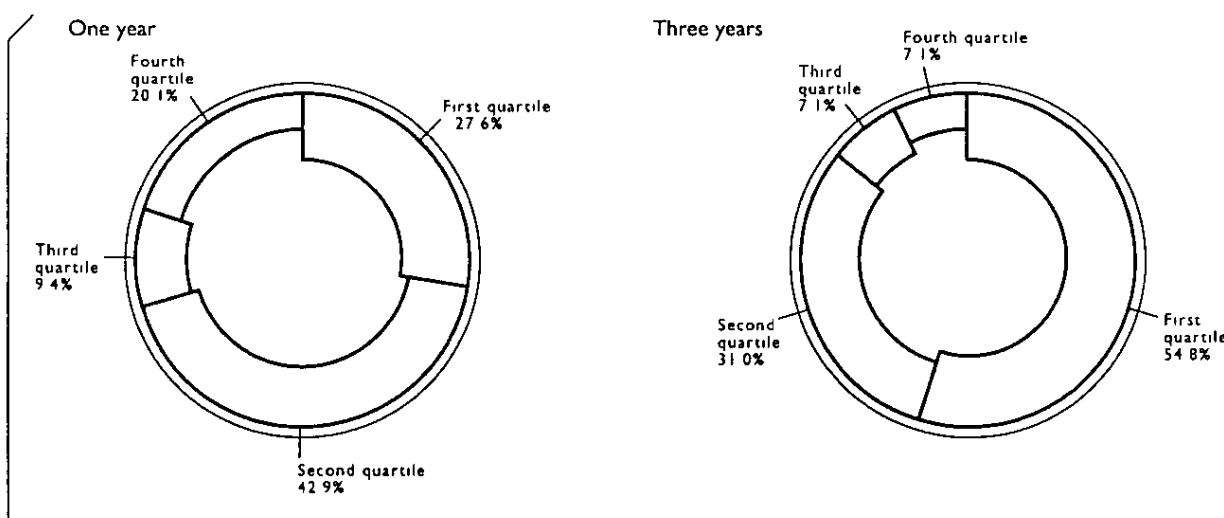
£'million	31 March 2007	31 March 2006	31 March 2005
IAM assets under management	4 230	3 231	2 020
Total industry size	447 888	382 670	282 283
Market share	0.9%	0.8%	0.7%
Size ranking in industry	33rd of 113	37th of 118	43rd of 118
Industry net retail sales	13 805	11 818	3 729
IAM % of industry net retail sales	5.1%	6.8%	7.3%
Industry gross retail sales	59 973	45 693	30 823
IAM % of industry gross retail sales	2.2%	2.9%	1.8%

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Sourced from data from the Investment Management Association  
Sales for the 12-month period

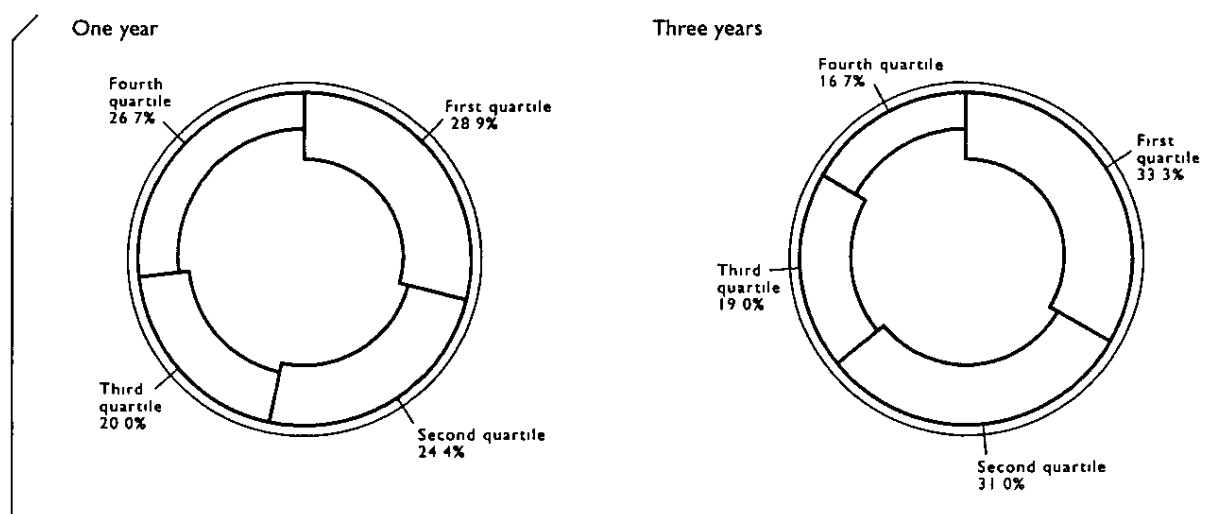
#### UK and global retail investment performance

##### By value of funds





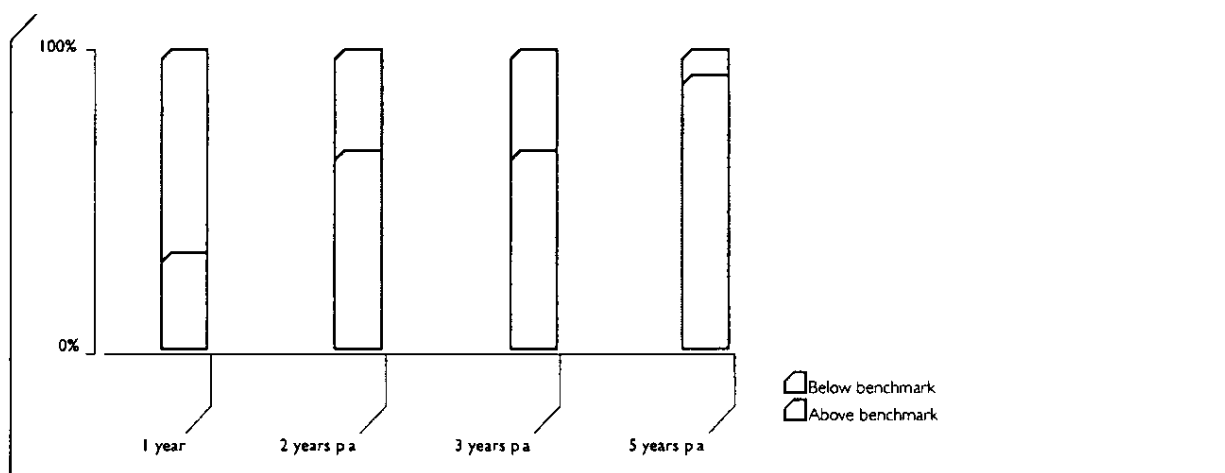
## By number of funds



Calculated from Lipper data

Excludes cash, cash plus and liquidity funds

## UK and global institutional investment performance



Calculated from Standard & Poor's Micropal, WM Spectrum, Lipper Hindsight data

## Southern Africa

- Long-term investment performance remains good
  - 69% of mutual funds by value and 53% of mutual funds by number are in the first or second quartile over three years
  - Over three years 100% and over five years 89% of institutional propositions outperformed their benchmarks
- The Africa initiative has been established as a viable investment option in the eyes of investors, resulting in good flows from several large investors
- The Liberty/Stanlib transfer of ex-Fedsure assets was completed in the second half of the year
- Key awards won over the period are
  - Best Larger Group over three and five years - Standard & Poo's fund awards
  - ACI/Personal Finance Raging Bull award for the Best Offshore Global Equity Fund and Offshore Management Company of the year
  - Second place overall - PlexCrown Offshore Survey March 2007

## Asset Management

Investment specialist focused on performance and client needs

### Investec Asset Management (IAM) in the South African unit trust industry

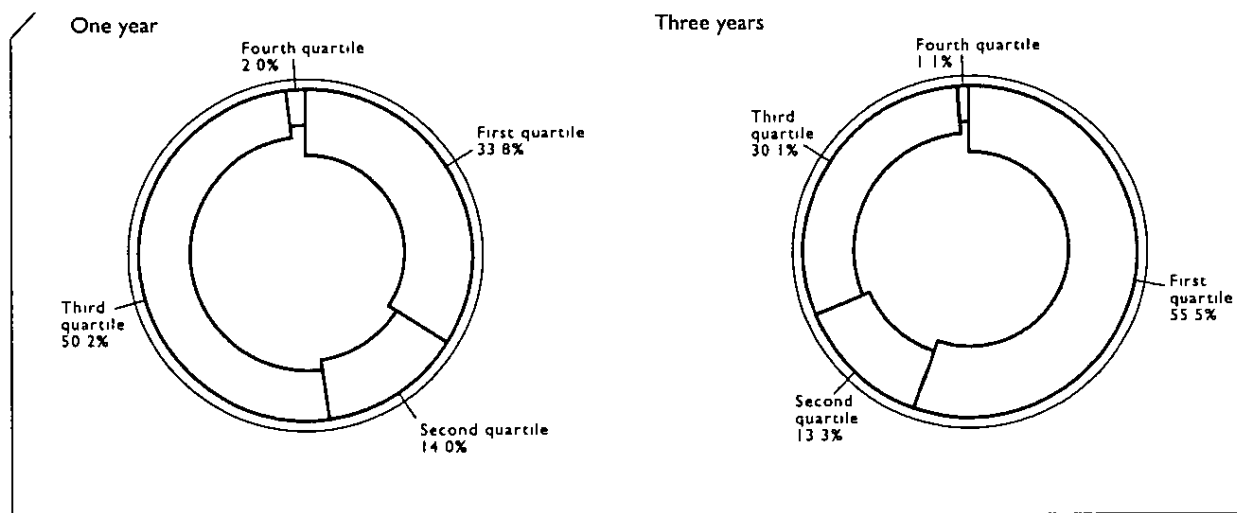
R'million	31 March 2007	31 March 2006	31 March 2005
IAM assets under management	55 910	40 867	27 166
Total industry size	596 072	485 410	339 812
Market share	9.4%	8.4%	8.0%
Size ranking in industry	4th of 34	3rd of 28	3rd of 26
Industry gross sales	480 032	393 186	295 891
IAM % of gross industry sales	8.7%	9.0%	8.7%

Sourced from data from the Association of Collective Investments

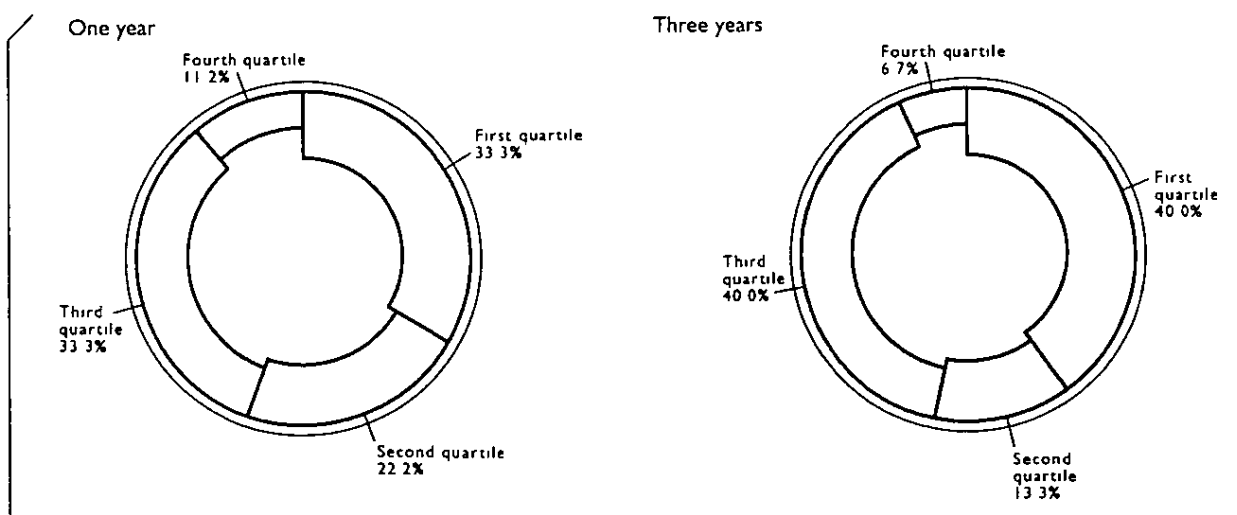
Sales for the 12-month period

### South African retail investment performance

By value of funds

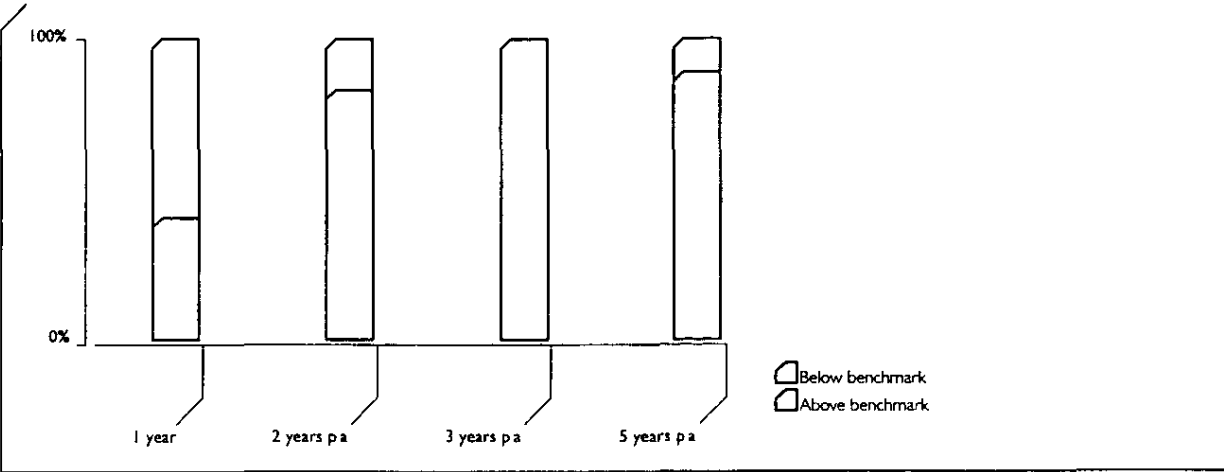


By number of funds



Calculated from Standard & Poors' Datastream data

# South African institutional investment performance



Calculated from Alexander Forbes data

## Outlook

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

## Property Activities

Leading fund management consolidator, seeking selective trading opportunities

### Scope of activities

- Property Fund Management
- Property Services
- Property Projects (development and trading)
- Listed Property Portfolio Management

### Strategic focus

#### UK and Europe

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

#### South Africa

##### Property Fund Management

Our strategy has been to

- Grow assets under management
- Pursue the strategic acquisition of individual properties and portfolios

##### Property Services

Our strategic objective is integrally linked to the growth of Property Fund Management

Subsequent to the year end we sold our property fund management and property administration businesses to Growthpoint Properties Limited

##### Property Projects

Our strategy is to

- Source development and trading opportunities to create value and trade for profit within agreed risk parameters

##### Listed Property Portfolio Management

Our strategic objectives are to

- Substantially increase our assets under management
- Attract foreign investment into South African listed property equities
- Develop global property products

### Management structure

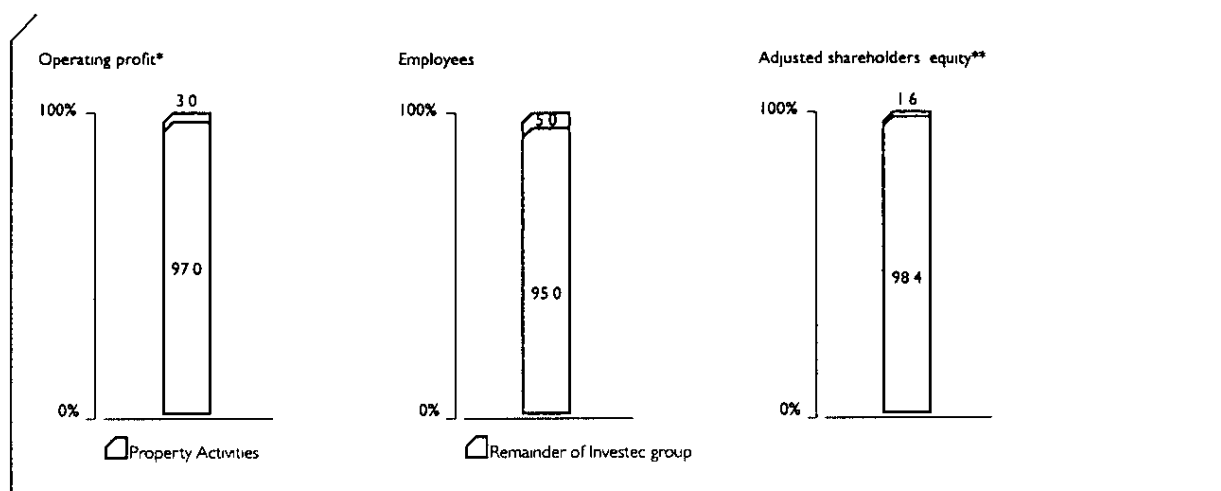
#### Global Head of Property Activities

Sam Hackner

#### South Africa

Regional Head	Sam Leon
Fund Management	Norbert Sasse
Property Services	Andrew Cox
Property Projects	Robin Magid
Listed Property Portfolio Management	Angelique de Rauville
Finance	Dave Donald

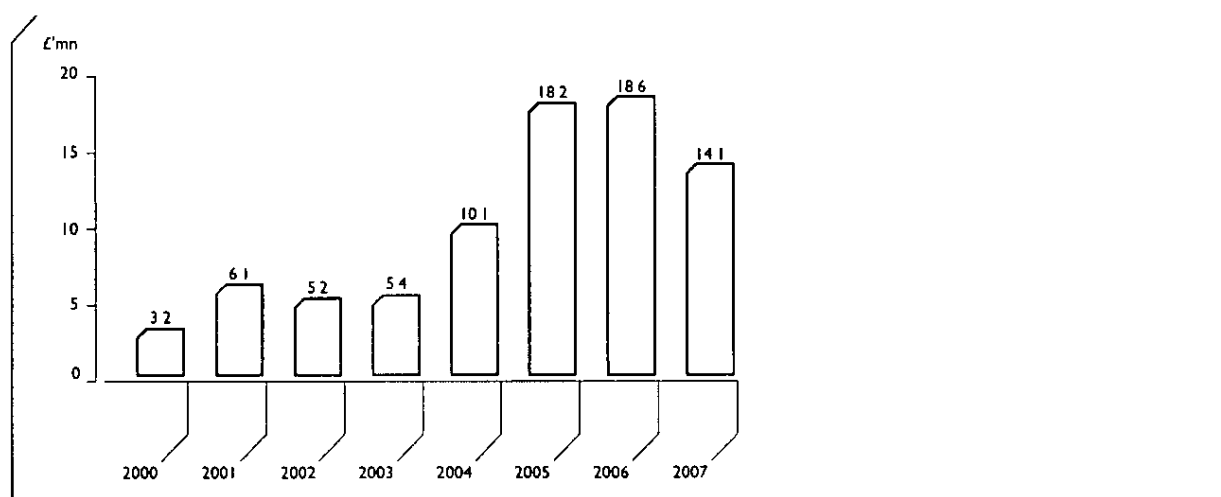
## Contribution analysis



\* Before goodwill, non-operating items and taxation and excluding Group Services and Other Activities

\*\* As calculated on page 27

## Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill, non-operating items and taxation.

## Property Activities

Leading fund management consolidator, seeking selective trading opportunities

### Overview and financial analysis

- Operating profit decrease by 23.9% to £14.1 million, contributing 3.0% to group profit.
- Funds under management increased by 31.0% to R25.9 billion (2006 R19.8 billion)

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	(5,801)	(4,002)	(1,799)	45.0%
Net fees and commissions receivable	28,354	20,586	7,768	37.7%
Other income	11,847	21,944	(10,097)	(46.0%)
Admin expenses and depreciation	(20,256)	(19,930)	(326)	1.6%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>14,144</b>	<b>18,598</b>	<b>(4,454)</b>	<b>(23.9%)</b>
UK & Europe	1,292	2,023	(731)	(36.1%)
Southern Africa	12,852	16,575	(3,723)	(22.5%)
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>14,144</b>	<b>18,598</b>	<b>(4,454)</b>	<b>(23.9%)</b>
Adjusted shareholders' equity*	19,975	17,124	2,851	16.6%
ROE (pre-tax)*	50.0%	76.8%		
Cost to income ratio	58.9%	51.7%		
Operating profit per employee (£'000)*	53.2	76.9		(30.8%)

\* As calculated on pages 27 and 33

The variance in operating profit over the year can be explained as follows

- Excluding the revaluation of investment properties, the South African division showed an improvement in operating profit largely due to
  - Strong equity and property market fundamentals
  - An increase in funds under management
  - Realised gains on the sale of properties
- Revaluation of investment properties net of funding costs amounted to £1.1 million (2006 £6.4 million). The lower contribution is due to increased funding costs.

## Outlook

### UK and Europe

- Refer to strategic focus on page 65

### South Africa

- Property fundamentals continue to be positive, with lower vacancies, increasing rentals in all sectors and reasonably stable financing costs
- Development opportunities also remain positive, however there are concerns on the availability of skills and the increased cost and shortage of building materials
- A shortage of prime zoned land has become evident, driving land prices to unprecedented levels, particularly industrial land
- Subsequent to the year end we sold our property fund management and property administration businesses to Growthpoint Properties Limited

## Group Services and Other Activities

Group Services includes the Central Services and Central Funding functions, while Other Activities predominantly includes the International Trade Finance business and Assurance Activities

### Scope of activities

<b>Central Services</b>	<ul style="list-style-type: none"> <li>- Corporate Affairs</li> <li>- Corporate Social Investment</li> <li>- Economics Research</li> <li>- Facilities</li> <li>- Finance and Operations</li> <li>- Head Office</li> <li>- Human Resources</li> <li>- Information Centre</li> <li>- Information Technology</li> </ul>	<ul style="list-style-type: none"> <li>- International Financial Institutions</li> <li>- Investor Relations</li> <li>- Legal and Tax</li> <li>- Marketing</li> <li>- Organisation Development</li> <li>- Regulatory Internal Audit and Compliance</li> <li>- Risk Management</li> <li>- Secretarial</li> <li>- Staff Shares Division</li> </ul>
<b>Other Activities</b>	International Trade Finance (ReichmansCapital) <ul style="list-style-type: none"> <li>- Trade, asset and debtor finance</li> </ul>	

### Management structure

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Banking and Institutions	David Lawrence
Chief Integrating Officer	Allen Zimble
Corporate Affairs and Sustainability	Carole Mason (SA)
Corporate Governance Internal Audit and Compliance	Bradley Tapnack
Corporate Social Investment	Setlogane Manchidi (SA)
	Richard Vardy (UK)
Facilities	Craig Gunnell
Finance and Operations	Rayanne Jacobson
Human Resources	Allen Zimble (UK)
	Tracey Rowe (SA)
Information and Business Intelligence Centres	Bruce Braude (UK)
	Amanda Ritchie (SA)
	Stacey Lee-Yates (SA)
Information Technology	Ingrid David
	Simon Shapiro
International Financial Institutions	Helmut Bahrs
Investor Relations	Ursula Nobrega
Legal	David Nurek
Marketing	Raymond van Niekerk
Organisation Development	Caryn Solomon (UK)
	Rene Dembo (SA)
Risk Management	Ciaran Whelan
Secretarial and Staff Share Schemes	Les Penfold
Tax	Pankaj Shah (UK)
	Justin Cowley (SA)
ReichmansCapital	Robin Jacobson
	Howard Tradonsky
	John Wilks

# Group Services and Other Activities

## Overview and financial analysis

£'000	31 March 2007	31 March 2006	Variance	% Change
International Trade Finance	5 462	4 505	957	21.2%
USA continuing businesses	-	(120)	120	(100.0%)
UK Traded Endowments	(109)	(47)	(62)	>100.0%
Assurance Activities	1 646	11 518	(9 872)	(85.7%)
	6 999	15 856	(8 857)	(55.9%)
Central Funding	66 981	66 777	204	0.3%
Central Services	(74 649)	(57 851)	(16 798)	29.0%
Operating (loss)/profit before goodwill, non-operating items and taxation	(669)	24 782	(25 451)	>100.0%

£'000 - 31 March 2007	UK & Europe	Southern Africa	Australia	Other	Total group
International Trade Finance	2 957	2 505	-	-	5 462
UK Traded Endowments	-	(109)	-	-	(109)
Assurance Activities	-	1 646	-	-	1 646
Central Funding	(4 516)	63 716	7 400	381	66 981
Central Services	(31 408)	(32 700)	(10 541)	-	(74 649)
Operating (loss)/profit before goodwill, non-operating items and taxation	(32 967)	35 058	(3 141)	381	(669)

£'000 - 31 March 2006	UK & Europe	Southern Africa	Australia	Other	Total group
International Trade Finance	2 192	2 313	-	-	4 505
USA continuing businesses	-	-	-	(120)	(120)
UK Traded Endowments	-	(47)	-	-	(47)
Assurance Activities	-	11 518	-	-	11 518
Central Funding	(5 616)	67 020	5 375	(2)	66 777
Central Services	(22 542)	(31 407)	(3 902)	-	(57 851)
Operating profit/(loss) before goodwill, non-operating items and taxation	(25 966)	49 397	1 473	(122)	24 782



## Developments

### International Trade Finance

- Notwithstanding higher interest rates and a volatile exchange rate, we continued to add new clients across the board

### Assurance activities

- A profit of £1.6 million (2006 £11.5 million) was generated from Assurance Activities, which represents the residual earnings from the businesses that were retained following the reinsurance of the group risk business on 31 December 2004

### Central costs

- We have a policy of allocating costs that are housed in the centre that are in effect, performing a function for the divisions of the group
- There are certain costs that are strategic in nature which have not been allocated for pure segmental disclosure, amounting to £74.6 million (2006 £57.9 million). However, a portion thereof (£61.6 million) is allocated to the operating divisions for purposes of determining return on adjusted capital per business segment. Refer to page 27 for further details
- Central costs increased from £57.9 million to £74.6 million, largely as a result of an increase in variable remuneration given increased profitability

### Central Funding

- We have a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments funding and overall management are obtained
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements the group faces at the relevant point in time
- The funds raised are applied towards making acquisitions funding central services and debt obligations, and purchasing corporate assets and investments not allocated to the five operating divisions

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income (excluding interest on sub-debt and debentures)	86 040	63 992	22 048	34.5%
Other income	40 235	59 024	(18 789)	(31.8%)
	126 275	123 016	3 259	2.6%
Interest paid on sub-debt and debentures	(54 963)	(52 911)	(2 052)	3.9%
Impairment losses on loans and advances	794	1 771	(977)	(55.2%)
Admin expenses and depreciation	(5 125)	(5 099)	(26)	0.5%
<b>Operating profit before goodwill, non-operating items and taxation</b>	<b>66 981</b>	<b>66 777</b>	<b>(204)</b>	<b>0.3%</b>

The variance in operating profit over the year can be explained as follows

- Net interest income was positively affected by increased cash holdings
- The decline in other income reflects
  - A lower level of return on certain of the assets in the South African portfolio
  - A loss of £3.4 million arising on the derivative hedging of the preferred securities issued by a subsidiary of Investec plc from Euros into Pounds Sterling. This exposure is hedged with the equal and opposite impact reflected in earnings attributable to minorities

## Philosophy and approach

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

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

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

We monitor and control risk exposure through credit, market, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. Group Risk Management has specialist divisions in the UK and South Africa and smaller risk divisions in other regions, to promote sound risk management practices.

Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives.

Group Risk Management continually seeks new ways to enhance its techniques. However, no bank can completely or accurately predict or fully assure the effectiveness of its policies and procedures for managing risk.

## Group Risk Management's objectives

Group Risk Management's objectives are to:

- Be the custodian of our risk management culture
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the boards reasonable assurance that the risks we are exposed to are identified and to the best extent possible managed and controlled
- Facilitate various risk committees, as mandated by the board

## Integrated global risk management structure

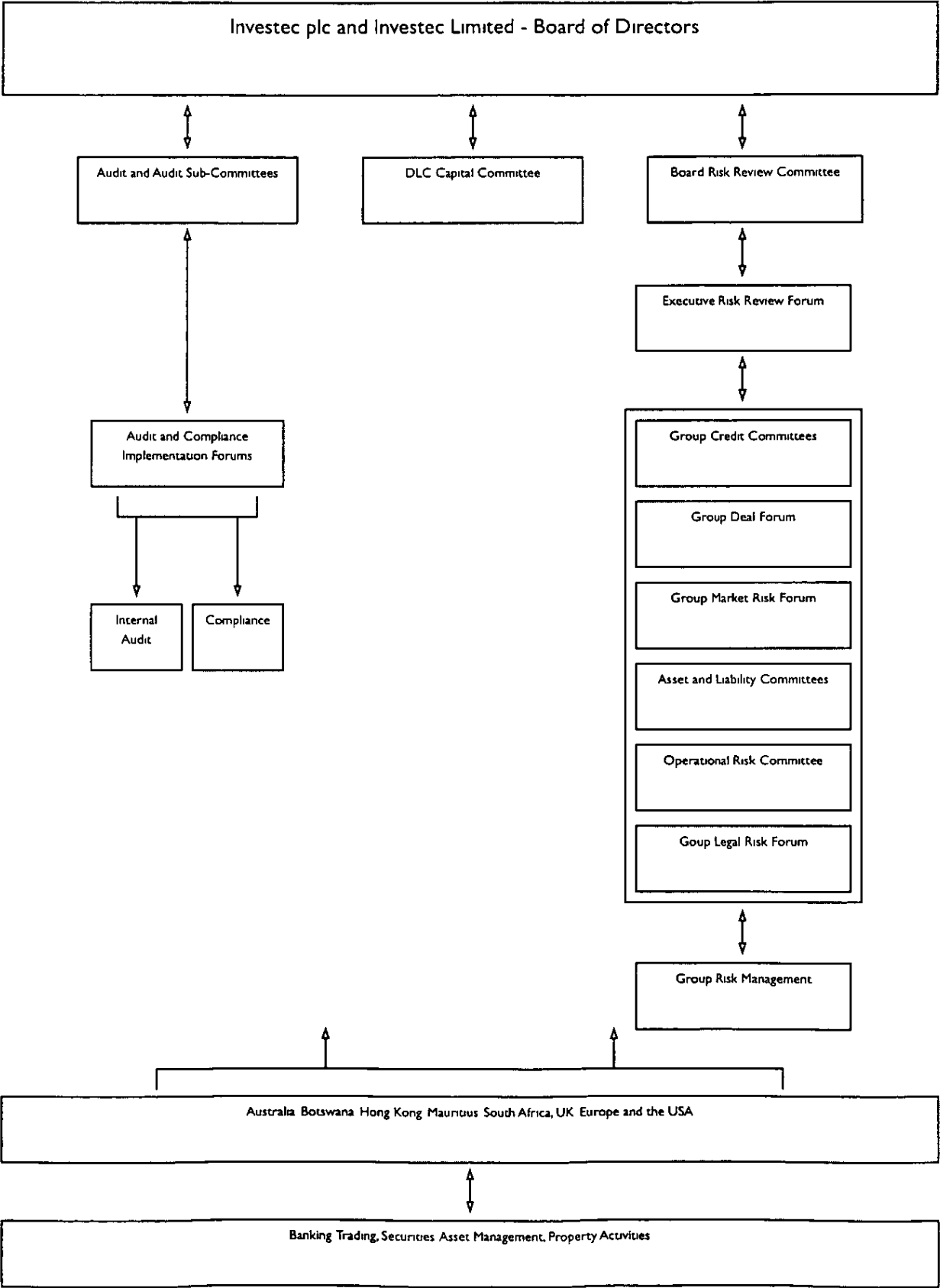
Group Risk and Finance Director - Glynn Burger

Global Head of Risk - Ciaran Whelan

Divisional and geographic roles	Global	UK and Europe	South Africa	Australia
Credit Risk	-	Ian Wohlman	Justin Cowley Gary Laughton	Mike Sargeant
Market Risk	Mark Trollip	Boaz Schechter	Mark Trollip	Adam Rapeport
Asset and Liability Management	Cyril Daleski	Wendy Robinson	Cyril Daleski	Peter Binetter
Operational Risk	Colin Fiddes	Bharat Thakker	Colin Fiddes	Gavin Brandenburger
Legal Risk	David Nurek	Lauren Ekon	David Nurek	Marie-Lyse Eliatamby
Internal Audit	Bradley Tapnack	Noel Sumner	Bngid Schnieder	Mary Tiong
Compliance	Bradley Tapnack	Richard Brearley	Geoff Cook	Belinda Dorfan

# Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level, as shown in the diagram and described more fully below. These committees and forums operate together with Group Risk Management and are mandated by the board.



## Committee

## Function

**Board Risk Review Committee**

Members executive and non-executive directors  
(senior management by invitation)  
Chairman Stephen Koseff (CEO)  
Frequency bi-monthly

- See page 115

**Executive Risk Review Forum**

Members executive directors and senior management  
Chairman Stephen Koseff (CEO)  
Frequency weekly

- See page 116

**Group Credit Committee**

Members executive and non-executive directors and senior management  
Chairman Glynn Burger (Group Risk and Finance director)  
Frequency weekly

- Considers and approves the granting of credit to counterparties in excess of the mandates granted to divisional and other credit forums on a global basis
- Sets the level of our maximum acceptable counterparty geographic, asset, concentration and industry exposures
- Reviews and approves changes to credit policy and methodologies, including
  - Large exposure policy - dealing with the control of concentration risk and exposure measurement methodology
  - Provisioning policy - dealing with the classification of past due amounts and minimum acceptable provisions
  - Excess management policy - dealing with the classification of excesses and prescribed escalation procedures
  - Long dated exposure by counterparty and instrument type
  - Property valuation policy - specifies the framework for valuation of physical security

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**Group Deal Forum**

Members executive and non-executive directors and senior management  
Chairman Glynn Burger (Group Risk and Finance director)  
Frequency weekly

- Considers, approves and mitigates the risks inherent in any acquisition disposal new product or other non-standard transactions that we are considering

**Group Market Risk Forum**

Members Global heads of risk, market risk and the trading desks, senior management, members of the market risk teams and other members of Group Risk Management  
Chairman Mark Trollip (Global Head of Market Risk)  
Frequency weekly

- Manages market risk by identifying and quantifying risks on the basis of current and future expectations and ensuring that trading occurs within defined parameters
- Reviews market risk limits
- Considers new business initiatives with a market risk element

**Asset and Liability Committee**

Members executive, senior management, economist, treasurer, business heads and Head of Asset and Liability Management  
Chairman Glynn Burger (Group Risk and Finance director)  
Frequency monthly (or ad hoc if required)

- Sets our funding and liquidity policy and non-trading interest rate risk policy, which translates into a suite of limits that define our risk appetite
- Directs the implementation of the methodology techniques, models and risk measures
- Reviews the structure of our balance sheet and business strategies, taking into account market conditions including stress tests
- Maintains liquidity contingency plans

## Committee

## Function

**Operational Risk Committee**

Members (UK) Chief Risk Officer, Head of Operational Risk and senior management  
 Chairman Bharat Thakker (UK) and Colin Fiddes (South Africa)  
 Frequency quarterly (UK) and semi-annually (South Africa)  
 In South Africa operational risk reports directly to the Board Risk Review Committee

- Promotes sound operational risk management practices
- Considers operational risk reports covering significant risk events information security outsourcing and business continuity
- Considers and recommends the upgrading of operational risk management techniques in line with sound operational risk management practices

**Group Legal Risk Forum**

Members executive directors, senior management and divisional legal managers  
 Chairman David Nurek (Global Head of Legal Risk)  
 Frequency half-yearly (or ad hoc if required)

- Considers and manages legal risks throughout the group

**DLC Capital Committee**

Members executive and non-executive directors and senior management  
 Chairman Stephen Koseff (CEO)  
 Frequency every six weeks

- See page 116

**DLC Audit Committee**

Members non-executive directors  
 Chairman Sam Abrahams (non-executive director)  
 Frequency minimum of three times a year

- See page 113
- The Internal Audit Compliance and Operational Risk Departments report to the Audit Committee

**Risk policy and procedures**

In our ordinary course of business, we are exposed to various risks, including credit market, interest rate and liquidity, operational legal and reputational risks

Below is an overview of these types of risks and related developments that occurred during the period under review

**Credit risk management****Credit risk description**

Credit risk represents the potential loss to the group as a result of

- A counterparty being unable or unwilling to meet its obligations
- A deterioration in the credit quality of third parties to whom we are exposed

Credit risk arises from two types of transactions

- Lending transactions and positions in debt instruments (the risk that a counterparty to a transaction will be unable or unwilling to repay capital and interest on loans and advances as they fall due)
- Derivative transactions giving rise to settlement and replacement risk. Settlement risk is the risk that the settlement of a transaction does not take place as expected with us effecting required settlements as they fall due but not receiving settlements to which we are entitled. Continuous linked settlement and exchange settlement reduce the level of settlement risk in the banking system. Replacement risk is the risk that a derivative instrument needs to be replaced following default by the original counterparty and that such replacement is done at a cost which equates to the mark-to-market of the trade at the date of replacement.

The nature and degree of credit risk vary depending on the type of business transactions entered

## Credit risk governance structure

To manage, measure and mitigate credit risk, we have independent credit committees in each geography where we assume credit risk. These committees operate under board approved delegated limits, policies and procedures. A centralised decision making structure with decentralised limits is the basis on which applications for credit are assessed. There is a high level of executive and non-executive involvement in credit decision making forums. Decentralised limits tend to be relatively low to ensure a high degree of centralised involvement in all areas where credit risk is incurred. All decisions to enter a transaction are based on unanimous consent.

In addition to the Group Credit Committee, the following specialist forums assist in managing, measuring and monitoring credit risk.

- Watchlist Committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate Watch Committee which oversees and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements

Country risk appetite is approved as required by the Credit Committee as part of the normal credit application process. Country risk appetite is generally limited to that required for specific transactions entered with counterparties whose credit quality and ability to service their debt are dependent on the socio-economic environment of the country of application. The creditworthiness, ability and desire to maintain capital flows, together with past management experience relating to the cross-border risk, will be considered in assessing whether deal based limits are within the appetite of the group and legal entity in question.

## Management and measurement of credit risk

We use the following fundamental principles to manage credit risk:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Appropriate credit granting criteria
- An analysis of all related risks including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Prudential limits
- Regular monitoring of existing and potential exposures once facilities have been approved
- A high level of executive involvement in and non-executive awareness of decision-making and review

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Consistent regular reporting of credit risk exposures within our operating units is made to management, the executives and the board. The board regularly reviews the appetite for credit risk, which is documented in risk appetite statements and policy documents and implemented by our Group Credit division.

## Credit risk in the UK and Europe

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

Credit risk arises mainly through our Private Banking and Capital Markets activities, which include inter-bank placements and asset finance activities. Some settlement risk is assumed in the Investment Banking division but is to approved market counterparties.

### Private Bank

The Private Bank has businesses in the UK (London and Manchester) including branches in Ireland, the Channel Islands and Switzerland. Credit risk arises from the following activities which we undertake in the division: structured property finance, private client lending, specialised lending, growth and acquisition finance, and asset based lending on receivables and stock.

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

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

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

Specialised Lending provides bespoke credit facilities and hedging options to high net worth individuals and financially sophisticated clients. This involves securities lending against holders of listed equities and transaction facilitation, where we work with clients, law firms and trust companies to facilitate financial planning and structuring for their clients. We also provide funding secured on sports and media related cash flows, including intellectual property rights and sponsorship transactions where certainty of serviceability, client quality and expertise are key considerations.

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

## Capital Markets

The bulk of Capital Markets activities are conducted from London.

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

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

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

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

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

## Investment Banking

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

## Credit risk in South Africa

Credit risk is assumed mainly through our Private Banking, Capital Markets, and Asset Finance activities (ReichmansCapital).

## Private Banking

Our lending product, offered through our structured property and growth and acquisition finance activities, supports the needs of our clients. Central to our credit philosophy is the concept of sustainability of income through the cycle. As such, the client base has been defined to include high net worth clients (who through diversification of income streams will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of stage in the economic cycle. The combination of low probability of default clients (due to our niche focus) and low and decreasing loan to value ratios results in a low level of expected loss, which has been borne out by historical experience of actual losses.

Residential mortgages and commercial property make up the bulk of our lending exposure. Exposure to commercial retail and industrial properties are generally at conservative loan to value ratios. Income producing assets are generally substantially let with good quality anchor tenants.

Exposure to the South African property market is well spread among the regions in which we mainly operate (Pretoria Johannesburg, Cape Town, Durban and Port Elizabeth). This risk is mitigated by reviewing all properties offered as security prior to advancing funds. Our internal valuers or a bank approved panel of external valuers also regularly review commercial property values. Furthermore, serviceability of a loan advanced against property is a primary consideration in the credit assessment process and not only asset value. Clients have used and are increasingly using fixed rate funding, which should mitigate potential upward shifts in interest rates and increased interest rate volatility.

## Capital Markets

Investec Corporate Treasury provides money market and foreign exchange products to corporates and investors. We are an active market maker in the spot and forward US Dollar/Rand interbank markets. Trading transactions giving rise to issuer settlement and replacement risk were among the primary areas of potential credit risk in the year under review. Scenario analyses were performed regularly for clients whose exposures showed a material level of volatility as a result of these factors.

The Specialised Finance, Project Finance and Resource Finance businesses lend money on a structured basis to corporates, government and institutions, with full recourse, to either a suitable asset or to the balance sheet of the entity to which the funds are advanced.

Typical assets that are funded include property, plant and equipment, infrastructure and movable assets. Credit limits are set for each counterparty and monitored to ensure risk is mitigated. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying security, cash flow and, in the case of trading products, the nature of the underlying security traded.

The Resource Finance business may be exposed to countries presenting complex legal and political risks. Extensive knowledge of Africa (which represents the bulk of the exposure in this business unit), good technical and financial skills and strong adherence to prudent country risk limits ensure that concentration risks are well managed. Exposures are monitored continuously and assets provided as security in support of borrowing facilities are generally easily realisable. Most of the Resource Finance business activities form part of the corporate asset class (as defined by Basel II), since recourse in the event of default will be to the total assets of the corporate and not merely the resources being financed. Transactions are structured so that scenarios resulting in increased exposure coincide with increased profitability of the entity being financed and thus a relatively stable expected loss.

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## ReichmansCapital

ReichmansCapital is an asset finance business which operates on a premium margin business model for small and medium sized corporates. The business is a relatively small component of the overall credit risk we accept.

## Credit risk in Mauritius

Investec Bank (Mauritius) Limited offers various banking services and its primary business activities are corporate lending, property finance and structured finance, servicing corporate and private clients. Prudential limits have been set and are monitored daily to ensure that should excesses occur, they are identified timeously and remedial action is taken promptly if necessary.

Investec Bank (Mauritius) Limited is an autonomous subsidiary of Investec Bank Limited. It has a decentralised credit approval and management process in compliance with our group credit philosophy, policy and procedures, as well as the Central Bank of Mauritius' regulatory framework.

## Credit risk in Australia

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

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

## Asset quality analysis - credit risk classification and provisioning policy

It is our policy that each operating division makes provision for specific impairments and calculates the appropriate level of portfolio impairments promptly when required and on a consistent basis. This is in accordance with established group guidelines and in conjunction with the Watchlist Committee. In our financial statements, credit losses and impairments are reported in accordance with IFRS.

The information provided below reflects the guidelines and definitions that we have applied for assessing the asset quality of our credit exposures (see page 78). These definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the Basel Accord (Basel II) which is to be adopted as a benchmark by banking regulators as from 1 January 2008. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of credit risky assets where a 'loss trigger event' has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.



[illegible]

## Asset quality and impairments

£'million	31 March 2007	31 March 2006
Total loans and advances to customers (gross of impairments)	10 230	9 646
Specific impairments	33	31
Portfolio impairments	7	10
<b>Total impairments</b>	<b>40</b>	<b>41</b>
Gross default loans	123	91
Sub-standard	42	21
Doubtful	41	48
Loss	40	22
Less security	94	62
<b>Net default loans (pre impairments held against these loans)</b>	<b>29</b>	<b>29</b>
<b>Adequacy of impairments</b>		
Specific impairments as a % of loans and advances to customers	0.32%	0.32%
Portfolio impairments as a % of net loans and advances to customers	0.07%	0.10%
Total impairments as a % of loans and advances to customers	0.39%	0.43%
Total impairments as a % gross default loans	32.52%	45.05%
Total impairments as a % of net default loans	137.93%	141.38%
Specific impairments as a % of gross default loans	26.83%	34.07%
Specific impairments as a % of net default loans	113.79%	106.90%
Gross default loans as a % of loans and advances to customers	1.20%	0.94%

## Asset quality by geography

£'million	Loans and advances	Portfolio impairments	Specific impairments	Total impairments	Gross default loans	Security held against default loans	Net default loans
<b>31 March 2007</b>							
UK and Europe	4 012	2	6	8	34	26	8
Southern Africa	5 545	5	17	22	71	59	12
Australia	673	-	10	10	18	9	9
<b>Total group</b>	<b>10 230</b>	<b>7</b>	<b>33</b>	<b>40</b>	<b>123</b>	<b>94</b>	<b>29</b>
<b>31 March 2006</b>							
UK and Europe	3 238	1	7	8	19	11	8
Southern Africa	6 004	9	23	32	70	51	19
Australia	404	-	1	1	2	-	2
<b>Total group</b>	<b>9 646</b>	<b>10</b>	<b>31</b>	<b>41</b>	<b>91</b>	<b>62</b>	<b>29</b>

As part of our Basel process we have revisited the definitions applied in terms of our asset quality information and refined these across divisions and geographies. There have been some minor changes as a result, and the 2006 information as depicted above has been restated accordingly. Definitions applied are explained on page 78.

# Loans and advances to customers by loan type

At 31 March  
£'000

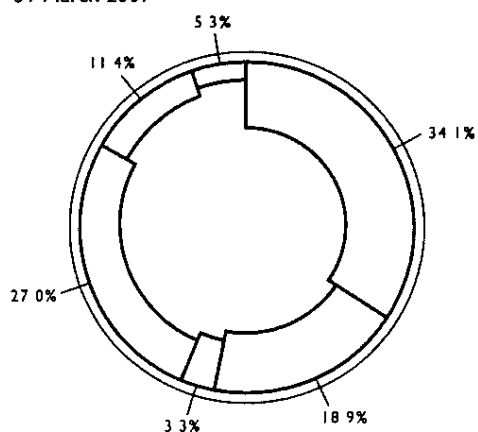
## Category analysis

Commercial property loans  
Residential mortgages  
Leases and instalment debtors  
Corporate and public sector loans and advances  
Other private bank lending  
Other loans and advances

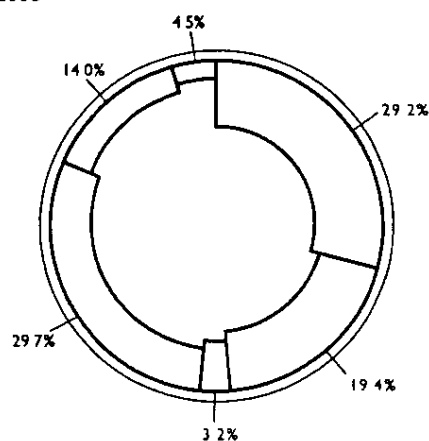
Specific impairment  
Portfolio impairment

	2007	2006
Commercial property loans	3 486 799	2 816 243
Residential mortgages	1 932 566	1 872 477
Leases and instalment debtors	340 050	306 933
Corporate and public sector loans and advances	2 764 650	2 864 206
Other private bank lending	1 161 590	1 352 121
Other loans and advances	544 586	433 735
	<b>10 230 241</b>	<b>9 645 715</b>
Specific impairment	(33 194)	(31 056)
Portfolio impairment	(6 795)	(10 070)
	<b>10 190 252</b>	<b>9 604 589</b>

Loans and advances to customer by loan type  
31 March 2007



Loans and advances to customer by loan type  
31 March 2006



■ Commercial property loans ■ Residential mortgages ■ Leases and instalment debtors  
■ Corporate and public sector loans and advances ■ Other private banking lending ■ Other loans and advances

## Securitisations

As mentioned on page 76 the UK has developed a Principal Finance business over the last two years. In South Africa our securitisation business, which forms part of our Structured Finance unit, was established approximately six years ago when the debt capital markets commenced development in South Africa. Over this time we have arranged a number of corporate bond and commercial paper programmes and third party securitisations. Furthermore we have securitised assets we have originated in our Private Banking business in South Africa.

The primary motivations for the securitisation of assets within our Private Banking division are to

- Provide an alternative source of funding
- Provide a source of revenue
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios

For accounting purposes, the full amount of the securitisation assets are reflected on the face of the balance sheet where Investec plc, Investec Limited or any of their subsidiaries retain an effective equity stake in the special purpose securitisation vehicle, whether or not the risk on the assets has been transferred to third parties. Where the majority of risks and rewards have been transferred to third parties, only the retained portion is reflected on the balance sheet.

The table below shows securitised assets which were originated on the balance sheet of an Investec group entity and subsequently transferred to a securitisation vehicle and the full amount of the securitisation is reflected on the face of the group's balance sheet. The analysis excludes investments in asset backed securities where the underlying assets were not originated by the group and for which no obligation by way of a liquidity facility exists.

As at 31 March £'million	2007	2006
First loss tranches	10	5
Second loss tranches	5	5
Investment in securitisation paper	15	9
Investment in securitisations	30	19
Liquidity facilities	53	75
Total value of securitised assets retained by Investec group entity	83	94
Total value of securitised assets held by third parties	521	330
<b>Total value of securitised assets subject to the liquidity facility*</b>	<b>604</b>	<b>424</b>

\* These assets relate to the South African private banking book.

## Credit risk mitigation

The bulk of collateral taken by the group within the Private Bank division, which makes up a substantial portion of our on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property underpinned by strong third party leases. Residential property is also generally of a high quality reflecting our clients' appetite for investments in desirable locations. In the period under review, there was ongoing strong growth in the value of commercial and residential real estate in all our key operating jurisdictions (UK, South Africa and Australia). This will result in increases in the valuation of security and consequently decreasing loan to value ratios. Other common forms of collateral in the retail asset class are motor vehicles, cash, shares and share portfolios.

The bulk of collateral received is considered to be liquid as a result of strict liquidity policies for financial collateral and the strength and relative liquidity of real estate markets, particularly in areas where client investment is concentrated.

The bulk of credit mitigation within our Treasury activities is in the form of netting (primarily International Swap Dealers Association Global Master Securities Lending Agreement and International Securities Master Agreement) and margining agreements (primarily through Credit Support Agreements). Where we have signed netting agreements for which the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement, the exposures for all product categories covered by such agreements will be stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

We are implementing a group-wide centralised security register. The current practice is to record security value and nature in source systems when received and revalue the security annually or as required by the credit committee. The credit administration system includes a functionality to prevent the release of security without approval from an authorised credit forum.

## Credit risk year in review

### Basel II

From a credit risk perspective there has been significant investment in people and technology in order to re-engineer existing credit process in such a way as to meet additional requirements of the jurisdictional regulators which are in the process of being aligned to the International Convergence of Capital Measurement and Capital Standards issued by the Bank of International Settlements. This re-engineering of credit processes is being conducted within the context of Investec's core credit philosophy.

### UK and Europe

The loan portfolio increased by 24.0% to £4.0 billion, driven largely by solid growth in our Structured Property Lending and Acquisition Finance businesses.

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

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

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

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

The quality of the overall loan portfolio in the UK and Europe remains satisfactory with gross default loans as a percentage of total loans of 0.85%.

### South Africa

The loan portfolio increased by 22.5% to R78.4 billion.

Over the past financial year, a number of financial market trends had an impact on the assessment of our credit risk. These trends include:

- Upward pressure on interest rates (the prime lending rate increased from 10.5% at 31 March 2006 to 12.5% at 31 March 2007) but a negative yield curve indicating an expectation of future interest rate cuts.
- Moderate levels of Rand volatility and a substantial depreciation in the Rand against the US Dollar.
- Highly volatile and high real prices of oil and metals (both base and precious).
- Strong equity markets and a slowdown in the real growth of residential and commercial property.
- Upward pressure on food prices as a result of the effects of the drought on the agricultural sector.

While the South African property market has been more resilient than that of the more established first world economies we are conscious of the potential effect of the combination of a slowdown of growth in the property market (both global and local) and upward pressure on interest rates. For this reason, we constantly monitor property exposures by stress testing the property portfolio. This is undertaken by assuming a sharp fall in property values and assessing the resultant loan to value ratios, changes in the ability of the borrower to service or repay from independent means and interest rate shocks resulting in rental income falling below interest expenses.

The high net worth and/or stable income streams shown by our target market clients provide a level of protection from decreases in property values, should a declining trend occur in the future. Over the past few years, as property values increased, these clients built an effective equity buffer, resulting in lower average loan to value ratios, which have reduced potential losses on depreciation of values.

As a result of the early realisation of profits in respect of precious metal hedges (mainly gold) subsequent to corporate action in the mining sector our exposure to corporate commodity producers is significantly lower than in the prior year.

As detailed above, the Rand has devalued significantly against the US Dollar over the past year and has shown higher levels of volatility compared to the prior year. An increase in client flow together with greater hedging activity (due to higher levels of volatility) has resulted in increased profitability and exposure in the Treasury Foreign Exchange business.

For both interest rate and foreign exchange products we have advanced exposure simulation methodologies, which enable us to identify more accurately the level of potential exposures to counterparties for these trading activities. These simulation methodologies recognise volume of trading, volatility of products traded, deal tenor and credit mitigants in deriving granular counterparty exposure profiles (and, in so doing, allow for roll-off risk assessments).

The quality of the overall loan portfolio in Southern Africa remains satisfactory with gross default loans as a percentage of total loans of 1.28%.

## Australia

The loan portfolio increased by 63.2% to A\$1.6 billion, driven by growth across all business streams and the acquisition of NM Rothschild & Sons (Australia) Limited.

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## Market risk management

### Market risk description

Market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting in changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel II and policies determined by the board.

Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making, arbitrage, underwriting and investments in the commodity, foreign exchange, equity capital and money markets. The focus of these businesses is on supporting client activity. Our philosophy is that trading should be conducted largely to facilitate clients in deal execution.

### Market risk governance structure

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A Global Market Risk Forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies.

Risk limits are reviewed and set at the Global Market Risk Forum and ratified at the Executive Risk Review Forum. Limits are reviewed either annually, in the event of a significant market event (e.g. 11 September 2001), or at the discretion of senior management.

### Management and measurement of market risk

Market risk management teams review the market risks on our books and ensure that we are prudently positioned, taking into account agreed policies, prevailing markets and liquidity hedging strategies and the relationship between risk and reward.

Detailed risk reports are produced daily for each trading desk. These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require an explanation from the desk, including a satisfactory explanation for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Trading is also limited to the most liquid instruments and each traded instrument undergoes various stresses and the potential loss arising is assessed. Each trading desk is monitored on an overall basis as an additional control.

Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits

The market risk teams perform a profit attribution, where our daily traded income is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business

Measurement techniques used to quantify the market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR) and Expected Tail Loss (ETL). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures

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

Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. The following scenarios are analysed: October 1987 Black Monday, 11 September 2001 and the December 2008 crisis.

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

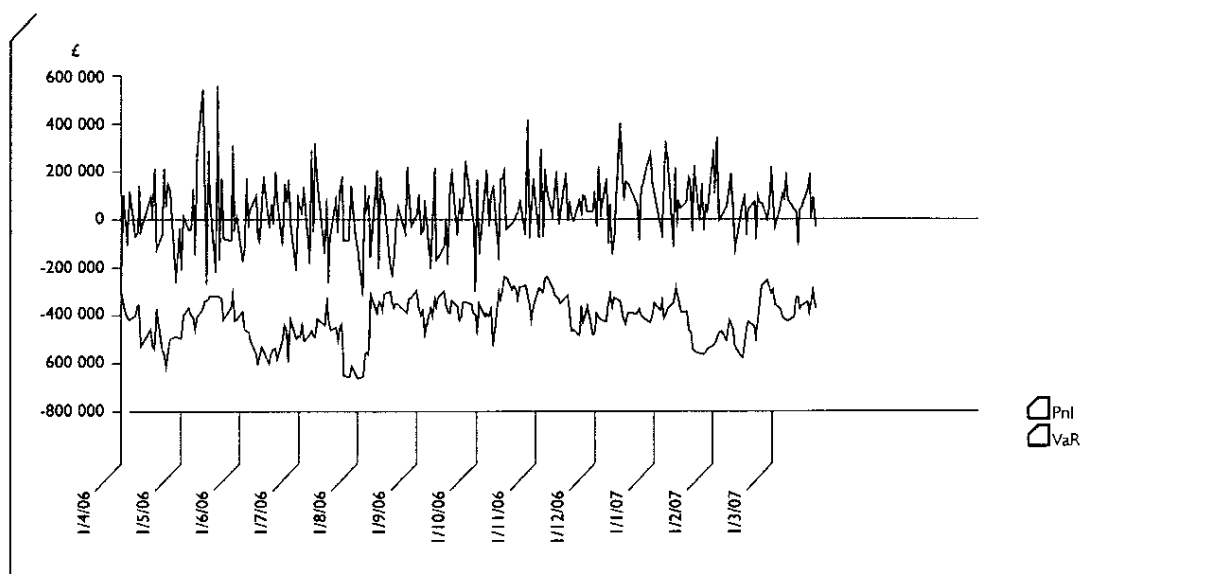
### VaR 95% (one-day)

31 March 2007 £'000	Investec plc	Investec Limited	Consoli- dated
Commodities	79	26	93
Equity derivatives	124	458	475
Foreign exchange	5	66	62
Interest rates	77	40	103
<b>Consolidated*</b>	<b>179</b>	<b>495</b>	<b>518</b>
High	539	979	1,034
Low	130	196	267
Average	238	459	586
31 March 2006 £'000	Investec plc	Investec Limited	Consoli- dated
Commodities	36	-	36
Equity derivatives	212	289	404
Foreign exchange	8	133	131
Interest rates	14	134	159
<b>Consolidated*</b>	<b>203</b>	<b>341</b>	<b>478</b>
High	820	1,013	1,330
Low	160	108	204
Average	373	514	771

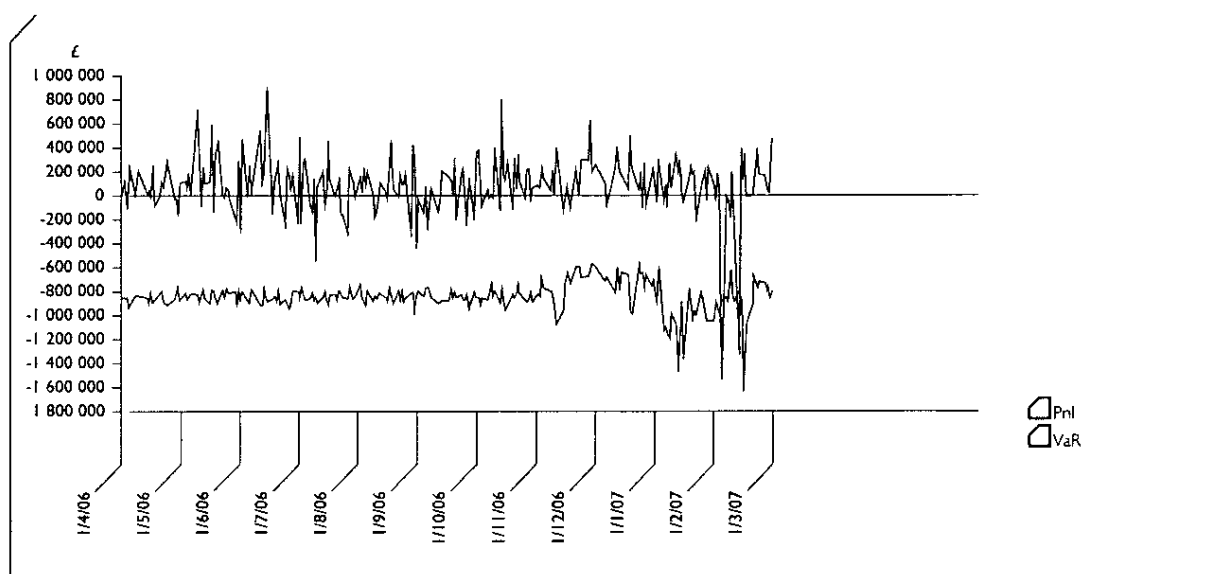
- \* The consolidated VaR for each desk and each entity is lower than the sum of the individual VaRs. This arises from the correlation offset between the various asset classes.

The graphs below show total daily VaR and profit and loss figures for the trading activities of Investec plc and Investec Limited over the reporting period. The values are for the 99% one-day VaR i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

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



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



The Investec plc graph above shows no exceptions for the past financial year. The Investec Limited VaR numbers show two exceptions for the period under review as a result of losses sustained on the Interest Rates desk due to adverse moves in South African consumer price inflation.

### ETL 95% (one-day)

31 March 2007  
£'000

	Investec plc	Investec Limited	Consolidated
Commodities	126	47	141
Equity derivatives	158	643	669
Foreign exchange	6	170	166
Interest rates	150	55	181
Consolidated*	248	692	736

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



## ETL 95% (one-day) (continued)

31 March 2006 £'000	Investec plc	Investec Limited	Consoli- dated
Commodities	46	-	46
Equity derivatives	268	392	483
Foreign exchange	10	219	212
Interest rates	23	181	161
Consolidated*	219	447	535

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

The portfolio stress tested under extreme conditions (15 standard deviations) will result in a loss of £2.2 million in Investec plc £4.6 million in Investec Limited and £6.7 million on a consolidated group basis (based on a one-day holding period)

## Stress testing

31 March 2007 £'000	Investec plc	Investec Limited	Consoli- dated
Commodities	602	197	799
Equity derivatives	946	3 508	4 454
Foreign exchange	37	509	546
Interest rates	587	347	934
Consolidated	2 172	4 561	6 733

31 March 2006 £'000	Investec plc	Investec Limited	Consoli- dated
Commodities	277	-	277
Equity derivatives	1 626	2 212	3 838
Foreign exchange	62	1 021	1 083
Interest rates	109	1 023	1 132
Consolidated	2 074	4 256	6 330

## Market risk mitigation

The Market Risk Management team is located outside the dealing room thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are compared daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in the group risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals, as well as "disaster" scenarios where the 15 standard deviation adverse market move is considered. Historical VaR is used, where every "risk factor" is exposed to daily moves over the past year. With the equity markets, for example, every share and index is considered independently as opposed to techniques where proxies are used.

Non-statistical limits include product limits, tenor, notional, liquidity buckets and option sensitivities ('greeks'). When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three-month intervals out to two years and then, on a less granular basis, out to 30 years.

## Market risk year in review

In South Africa, we obtained approval of our internal model for market risk from the South African Reserve Bank, which has put us at the level of the advanced approach for Basel II. In terms of this model, trading capital is calculated as a function of VaR at the 99% confidence level and back testing results will be submitted to the regulator monthly. In the UK, all desks are currently at Capital Adequacy (CAD) I level and will be applying for CAD II later in the year.

The past year was characterised by strong, albeit volatile, growth in the equity, commodity and bond markets. These market conditions coupled with good client flows and product sales, resulted in a strong performance from the South African Equity Derivatives desk. In the UK, the business plan for the Equity Derivatives desk was re-evaluated. As a result, the quantum of risk on the desk decreased. A new Fixed Income Market Making desk was established and trades options and futures on short Sterling and Euribor. We obtained CAD I model approval for these new options. In Australia, the acquisition of the NM Rothschild & Sons (Australia) Limited business resulted in the introduction of commodity trading and hedging transactions in that jurisdiction. The market risk limits approved are modest and use is low.

## Market risk - derivatives

We enter various derivatives contracts both as principal for trading purposes and as customer for hedging foreign exchange commodity, equity and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 195 and 196.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

## Balance sheet risk management

### Balance sheet risk description

Balance sheet risk management encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

### Balance sheet risk governance structure

Regional Asset and Liability Management Committees (ALCOs), within each geography, are mandated by their respective boards of directors and the group to manage the balance sheet risks on a consistent basis with pre-approved principles and policies, using regional expertise and local market access. Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. The size, materiality, complexity, maturity and depth of the market as well as access to stable funds determine the risk appetite for the region. Specific statutory requirements further dictate what policies are adopted in each region.

The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing independent governance and oversight of the Treasury activities (within the Capital Markets division) and the execution of the bank's policy to management, ALCO, the Executive Risk Review Forum, the Board Risk Review Committee and the board of directors.

### Balance sheet risk mitigation

The Treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics and manages liquid securities and collateral. The Treasury function is the sole interface with the wholesale market for both cash and derivative transactions and actively manages the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios. It is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

Balance Sheet Risk Management combines traditional gap analysis and quantitative models, including stress tests. This is designed to measure the range of possible future liquidity needs and potential distribution of net interest income and economic value over various scenarios covering a spectrum of situations in which we could find ourselves and prepare accordingly. The modelling process is supported by ongoing technical and economic analysis.

Our balance sheet risk position is regularly reported to management, the Executive Risk Review Forum, the Board Risk Review Committee and the board of directors.

### Non-trading interest rate risk description

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

Sources of interest rate risk include volatility and changes in interest rate levels, yield curves and spreads. These affect the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive asset and liability portfolios. We are also exposed to basis risk, which is the difference in repricing characteristics of two floating-rate indices, such as the South African prime rate and three-month Jibar.

## Management and measurement of non-trading interest rate risk

Non-trading interest rate risk is measured and managed from an earnings and economic value perspective. The aim is to protect and enhance net interest income in accordance with the board-approved risk management framework. The standard tools that are used to measure the sensitivity of earnings to changes in the level and shape of interest rates are the repricing gap, net interest income sensitivity and economic value sensitivity. This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book interest rate risk.

Operationally non-trading interest rate risk is transferred from the originating business to the Treasury function and aggregated or netted. The Treasury function implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk.

Interest rate risk arising from fixed interest loans and deposits with a term of more than one year is materially hedged through the purchase and sale of interest rate swaps on a back-to-back basis.

The Treasury function also has a mandate to take advantage of opportunities which may arise during changing interest rate cycles by tactically responding to market opportunities within predefined risk limits.

We base our interest rate risk management processes on the following steps:

- Measurement and assessment of interest rate mismatch gaps detailing the sources of interest rate exposure at a point in time. This forms the basis for translation into interest income sensitivity analysis and economic value sensitivity analysis, where appropriate, over a range of interest rate scenarios.
- Technical interest rate analysis and economic review of fundamental developments by geography and global trends.
- Implementation of appropriate balance sheet hedging strategies to achieve a cost-effective source of funding and mitigate any residual undesirable risk.
- Daily management of interest rate risk by the Treasury function, subject to independent ALCO review.

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

### UK and Europe - interest rate sensitivity gap

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

## South Africa - interest rate sensitivity gap

At 31 March 2007  
R'million

	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non- rate	Total non- trading
<b>Assets</b>							
Cash and short-term funds (banks and non-banks)	33 494	-	-	-	-	-	33 494
Negotiable securities	10 797	2 048	2 664	706	452	1 362	18 029
Loans and advances to customers	59 832	677	1 070	9 470	3 285	185	74 519
All other assets	139	138	113	329	153	13 762	14 634
<b>Total</b>	<b>104 262</b>	<b>2 863</b>	<b>3 847</b>	<b>10 505</b>	<b>3 890</b>	<b>15 309</b>	<b>140 676</b>
<b>Funding</b>							
Deposits	(70 250)	(5 930)	(4 663)	(1 296)	(756)	(146)	(83 041)
All other liabilities	(25 728)	(4 906)	(3 995)	(3 445)	(1 908)	(17 653)	(57 635)
<b>Total</b>	<b>(95 978)</b>	<b>(10 836)</b>	<b>(8 658)</b>	<b>(4 741)</b>	<b>(2 664)</b>	<b>(17 799)</b>	<b>(140 676)</b>
Economic hedges	3 471	2 775	1 110	(3 957)	(3 399)	-	-
Interest rate repricing gap	11 755	(5 198)	(3 701)	1 807	(2 173)	(2 490)	-
Cumulative repricing gap	11 755	6 557	2 856	4 663	2 490	-	-

## Australia - interest rate sensitivity gap

At 31 March 2007  
A\$million

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

## Liquidity risk description

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

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

## Management and measurement of liquidity risk

Liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. To accomplish this, management uses a variety of liquidity risk measures that consider market conditions, prevailing interest rates, liquidity needs and the desired maturity profile of liabilities.

We are an active participant in the global financial markets. We have instituted various offshore syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. These markets serve as a cost-effective source of funds and are a valuable component of our overall liquidity management. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

We place great value on the establishment of strong relationships with all our investors and we maintain an active presence in the money markets in each geography in which we operate.

We acknowledge the importance of our private clients as the principal source of stable and well diversified funding for our Private Bank risk assets. We continue to develop products to attract and service the investment needs of our Private Bank clients. Although the contractual repayments of many customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. Our Private Bank continued to successfully raise private client deposits through a period of significant asset growth.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures in connection with the sale of certain mortgages. Securitisation represents a relatively modest proportion of our current funding profile but provides additional flexibility and source of liquidity. These entities form part of the consolidated group balance sheet as reported. Our funding and liquidity capacity is not reliant on these entities to any material extent.

Our liquidity management processes are based on the following elements using principles set out by the Financial Services Authority (FSA), the South African Reserve Bank (SARB) and the Australian Prudential Regulatory Authority (APRA):

- Maintenance of a stock of readily available, high quality liquid assets and near cash in excess of the statutory requirements as well as strong balance sheet liquidity ratios
- Preparation of cash flow projections (assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch which are translated into short- and long-term funding strategies within each legal entity and globally
- Maintaining an appropriate mix of term funding
- Management of concentration risk, being undue reliance on any single counterpart or counterpart group, sector, market, product, instrument, currency and tenor
- Daily monitoring and reporting of cash flow measurement and projections, for the key periods for liquidity management, against the risk limits set.
- Performing assumptions-based scenario analysis to assess potential cash flows at risk.
- Maintenance of depositor confidence
- Maintenance of liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

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

## UK and Europe - liquidity view

At 31 March 2007  
£'000

	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
<b>Assets</b>								
Cash and balances at central banks	30 861	-	-	-	-	-	-	30 861
Loans and advances to banks	238 275	504 590	15 600	15 057	-	54 547	10 779	838 848
Cash equivalent advances to customers	55	23 155	-	-	-	-	-	23 210
Reverse repurchase agreements and cash collateral on securities borrowed	1 979 936	-	-	-	-	-	-	1 979 936
Trading securities	179 910	47 730	166 332	17 285	983	20 730	58 300	491 270
Derivative financial instruments	193 637	35 417	2 901	4 380	12 064	17 553	1 308	267 260
Investment securities	606	166 811	225 033	214 320	495 486	281 403	7 514	1 391 173
Loans and advances to customers	456 606	269 823	348 161	320 096	391 642	1 956 525	261 390	4 004 242
Other assets	543 761	266 095	70 321	31 111	2 422	12 038	6 205	931 953
Interests in associated undertakings	-	-	-	-	-	-	53 165	53 165
Deferred taxation assets	-	-	-	-	2 101	17 328	3 220	22 649
Property, plant and equipment	-	-	-	-	-	-	120 588	120 588
Goodwill	-	-	-	-	-	-	148 694	148 694
Intangible assets	-	-	-	-	-	-	17 628	17 628
<b>Total</b>	<b>3 623 648</b>	<b>1 313 620</b>	<b>828 347</b>	<b>602 249</b>	<b>904 698</b>	<b>2 360 124</b>	<b>688 792</b>	<b>10 321 477</b>
<b>Funding</b>								
Deposits by banks	57 094	358 275	7 670	57 366	99 858	775 060	160 800	1 516 123
Derivative financial instruments	67 471	4 906	-	-	1 382	72	-	73 832
Other trading liabilities	41 645	54 607	-	-	-	-	-	96 252
Repurchase agreements and cash collateral on securities lent	1 598 128	-	-	-	-	-	-	1 598 128
Customer accounts	823 759	766 717	1 680 228	143 064	96 347	257 518	26 975	3 794 609
Debt securities in issue	-	115 650	112 086	90 815	350 128	12 853	-	681 531
Other liabilities	637 967	298 725	60 618	39 586	28 985	4 439	485	1 070 805
Current taxation liabilities	992	46	-	33 046	-	4 121	-	38 205
Deferred taxation liabilities	-	-	-	109	1 033	8 249	9 391	9 391
Pension fund liabilities	-	46	139	139	278	853	11	1 467
	<b>3 227 056</b>	<b>1 598 973</b>	<b>1 860 742</b>	<b>364 016</b>	<b>577 087</b>	<b>1 055 949</b>	<b>196 520</b>	<b>8 880 343</b>
Subordinated liabilities (including convertible debt)	-	-	-	-	257 386	304 192	561 578	561 578
<b>Total</b>	<b>3 227 056</b>	<b>1 598 973</b>	<b>1 860 742</b>	<b>364 016</b>	<b>577 087</b>	<b>1 313 335</b>	<b>500 712</b>	<b>9 441 921</b>
<b>Liquidity gap</b>	<b>396 592</b>	<b>(285 353)</b>	<b>(1 032 395)</b>	<b>238 233</b>	<b>327 611</b>	<b>1 046 789</b>	<b>188 079</b>	<b>879 557</b>
<b>Cumulative liquidity gap</b>	<b>396 592</b>	<b>111 239</b>	<b>(921 155)</b>	<b>(682 922)</b>	<b>(355 311)</b>	<b>691 477</b>	<b>879 557</b>	<b>-</b>

## South Africa - liquidity view

At 31 March 2007 R'million	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
<b>Assets</b>								
Cash and balances at central banks	851	-	-	-	-	-	-	851
Loans and advances to banks	2 127	17 448	1 674	1 939	15	4	-	23 207
Cash equivalent advances to customers	7 458	1 978	-	-	-	-	-	9 436
Reverse repurchase agreements and cash collateral on securities borrowed	2 917	-	-	-	-	-	-	2 917
Trading securities	12 984	6 072	75	2 497	996	-	22 624	
Derivative financial instruments	5 310	-	-	120	-	458	14	5 902
Investment securities	27	123	264	-	-	-	-	414
Loans and advances to customers	987	1 916	2 779	4 219	6 920	31 015	30 573	78 409
Other assets *	2 085	3 661	459	39	84	599	3 106	10 033
	<b>34 746</b>	<b>31 198</b>	<b>5 251</b>	<b>8 814</b>	<b>8 015</b>	<b>32 076</b>	<b>33 693</b>	<b>153 793</b>
<b>Funding</b>								
Deposits by banks	356	4 987	704	59	595	6 113	145	12 959
Derivative financial instruments	5 342	9	-	-	2	317	-	5 670
Repurchase agreements and cash collateral on securities lent	2 378	-	-	-	-	-	-	2 378
Customer accounts	39 109	6 688	13 669	6 003	5 794	1 269	542	73 074
Debt securities in issue	-	3 804	7 180	5 631	6 702	7 464	89	30 870
Other liabilities **	3 101	5 450	916	1 290	308	2 549	920	14 534
	<b>50 286</b>	<b>20 938</b>	<b>22 469</b>	<b>12 983</b>	<b>13 401</b>	<b>17 712</b>	<b>1 696</b>	<b>139 485</b>
Subordinated liabilities (including convertible debt)	-	-	-	-	-	3 029	-	3 029
Equity	-	-	-	-	-	-	11 279	11 279
	<b>50 286</b>	<b>20 938</b>	<b>22 469</b>	<b>12 983</b>	<b>13 401</b>	<b>20 741</b>	<b>12 975</b>	<b>153 793</b>
Liquidity gap	(15 540)	10 260	(17 218)	(4 169)	(5 386)	11 335	20 718	-
Cumulative liquidity gap	(15 540)	(5 280)	(22 498)	(26 667)	(32 053)	(20 718)	-	-

\* Includes deferred taxation assets, other assets property and equipment investment properties goodwill and intangible assets

\*\* Includes other trading liabilities, current taxation liabilities deferred taxation liabilities and other liabilities

The above table excludes assets and liabilities relating to the long-term assurance business attributable to policyholders

## Australia - liquidity view

At 31 March 2007  
A\$'000

	Demand	Up to 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 5 years	>5 years	Total
<b>Assets</b>								
Cash and balances at central banks	-	29 017	-	-	-	-	-	29 017
Loans and advances to banks	-	91 510	46 301	28 862	-	12 581	-	179 254
Trading securities	6 192	-	-	23 113	82 353	52 481	-	164 140
Derivative financial instruments	-	13 446	14 385	12 869	42 131	79 210	-	162 040
Investment securities	140 436	179 490	375 504	65 193	37 470	65 445	-	863 538
Loans and advances to customers	120 006	45 884	238 491	143 598	284 003	629 742	146 454	1 608 178
Deferred taxation assets	-	-	-	-	-	-	13 286	13 286
Other assets	-	-	-	18 034	-	-	-	18 034
Interests in associated undertakings	-	-	-	-	-	-	41 586	41 586
Property and equipment	-	-	-	-	-	-	5 221	5 221
Goodwill	-	-	-	-	-	-	49 133	49 133
Intangible assets	-	-	-	-	-	-	538	538
Investment in subsidiary companies	-	-	-	-	-	-	1	1
<b>Total</b>	<b>266 634</b>	<b>359 346</b>	<b>674 681</b>	<b>291 670</b>	<b>445 957</b>	<b>839 459</b>	<b>256 218</b>	<b>3 133 965</b>
<b>Funding</b>								
Derivative financial instruments	-	7 818	8 364	7 483	24 497	46 056	-	94 218
Customer accounts	493 369	350 353	98 684	16 300	17 826	116 695	-	1 093 227
Debt securities in issue	5 235	149 164	53 827	156 338	477 478	315 673	-	1 157 715
Current taxation liabilities	-	-	-	11 552	-	-	-	11 552
Other liabilities	40	-	-	55 601	-	-	-	55 641
	498 644	507 335	160 875	247 274	519 801	478 424	-	2 412 353
Subordinated liabilities (including convertible debt)	-	-	-	-	-	-	100 512	100 512
<b>Total</b>	<b>498 644</b>	<b>507 335</b>	<b>160 875</b>	<b>247 274</b>	<b>519 801</b>	<b>478 424</b>	<b>100 512</b>	<b>2 512 865</b>
<b>Liquidity gap</b>	<b>(232 009)</b>	<b>(147 989)</b>	<b>513 806</b>	<b>44 395</b>	<b>(73 844)</b>	<b>361 035</b>	<b>155 706</b>	<b>621 100</b>
<b>Cumulative liquidity gap</b>	<b>(232 009)</b>	<b>(379 998)</b>	<b>133 808</b>	<b>178 203</b>	<b>104 359</b>	<b>465 394</b>	<b>621 100</b>	<b>-</b>



## Balance sheet risk year in review

The last financial year was characterised by a rising global interest rate environment.

- Pound Sterling interest rates - the monetary policy cycle moved back into a tightening phase, with the UK Monetary Policy Committee raising base rates in August 2006. Further moves followed in November 2006 and January 2007 to take the level of official rates up to 5.25% at year end. The yield curve is factoring in a further increase over the coming months.
- Euro interest rates - the European Central Bank continued to raise its refinancing rate over the year at intervals of between two to three months. Rates currently stand at 3.75%. There is strong consensus that policy will be tightened soon. Significant uncertainties exist around the outlook for interest rates during the second half of 2007 and beyond.
- Rand interest rates - the monetary policy cycle moved back into a tightening phase, with the SARB Monetary Policy Committee raising the repo rate four times in 2006, in 50 basis point increments. Consequently, the repo rate ended the year at 9.0% and the prime rate at 12.5%. The yield curve at the end of March 2007 was factoring in a sharp decrease in rates in the mid to longer end, and only a very modest hike in the short end.
- Australian interest rates - 2006 was a year marked by diverse state growth patterns across Australia. High commodity prices lifted profits and business investment rose to record highs. Inflation hung around at the top end of the Reserve Bank of Australia's desired range and against this background the Reserve Bank raised the cash rates three times, by a total of 0.75%, to 6.25% by November 2006. The Reserve Bank has been signalling its intentions from a "balance of risks" perspective for some time now and, as the March 2007 quarter came to a close, the market was pricing in another 0.25% rise.
- USD interest rates - the Federal Open Market Committee continued to raise the Fed funds target gradually at the beginning of the financial year, but there has not been a policy move since the June 2006 meeting which took official rates up to 5.25%. Senior Fed officials continue to express disquiet over the current level of inflation and the risk that it might not fall, but the yield curve is pricing in the next move to be a cut.

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

- Investec Bank Limited raised a \$340 million five-year syndicated loan at LIBOR plus 35 basis points in January 2007. This was done to diversify support for the Rand balance sheet across term and geography and to exploit improved investor sentiment towards emerging markets. We also set up a \$1.5 billion EMTN programme, which is listed in Luxembourg for similar reasons.
- Investec Bank (UK) Limited launched three Schuldschein transactions in November 2006 raising €370 million three-year money at a spread of 25 basis points over three-month Euribor. The 280 million transaction was a record in terms of size for the Schuldschein market. The deal attracted 16 banks, most of which had not previously participated in any of our other funding transactions. The proceeds of the issues will be used to fund longer dated assets on Investec Bank (UK) Limited's balance sheet, freeing up inter-bank capacity to fund shorter dated assets.
- Investec Bank (UK) Limited implemented a successful Upper Tier II capital raising exercise in January 2007, raising £350 million 10-year capital at swaps plus 121 basis points all-in. The order book reached £1.9 billion and we had 12 orders of £50 million or more.
- Investec Bank (UK) Limited's Central Treasury implemented tri-party repo agreements which enabled us to liquify our FRN holdings as required and thereby facilitate our ability to fund the Dublin branch up to €1.5 billion over short periods.
- Investec Bank Australia Limited acquired and integrated the banking business of NIM Rothschild & Sons (Australia) Limited (Rothschild's) in July 2006. This acquisition included gaining access to more than A\$1.6 billion of funding and over A\$1 billion of liquid and treasury trading assets. We also integrated the former Rothschild's Debt Issuance Programme infrastructure and confirmed relationships with a wide range of new funding counterparties. In addition to our Moody's rating, we undertook and gained an investment grade rating from Fitch Ratings. Going forward we expect to refresh our Debt Issuance Programme and undertake an inaugural domestic bond issue to raise medium-term funding and continue to develop Investec Bank (Australia) Limited's profile in the domestic and regional debt markets while building new and deepening existent wholesale funding relationships.
- On the Rand funding side there was rapid growth in balance sheet deposit and surplus cash sizes. The three are linked as we respond appropriately to rapid asset growth and increases in Private Bank call funding. Risks to income increased as the prime-jibar gap narrowed. This was largely due to pressures from banks competing to raise term deposits to fund high asset creation. Income pressures were exacerbated by the increasing opportunity cost of holding liquid assets as banks fought to balance rising needs with limited supply.

# Operational risk management

## Operational risk definition

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

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

## Operational risk governance structure

A common understanding of the definition of operational risk and its impact throughout the organisation is key to the successful management of operational risk.

The governance structure for Operational Risk Management is outlined below

### Board

The board reviews and monitors operational risk through the Board Risk Review Committees and Audit Committees

### Group Operational Risk Management

An independent specialist Group Operational Risk Management function promotes consistent and sound operational risk management practices and processes across the group, including enterprise risk programmes, e.g. business continuity and financial crime. In addition, subject matter experts focus on information security and change management

### Senior management

Senior management is responsible for the implementation and management of operational risk at business unit level through a network of embedded risk managers. Embedded risk managers are responsible to Group Operational Risk Management for compliance with and implementation of the operational risk management framework

### Operational risk management framework

We have implemented an operational risk management framework as well as policies, practices and a technology system to provide a comprehensive means of promoting operational risk management throughout the group. The framework sets out a structured and consistent approach to implementing a systematic, effective and efficient process across the organisation to manage operational risk and thereby improve business performance and regulatory compliance

- **Operational risk identification and risk assessments**  
The risk assessment process is central to the operational risk management framework. A qualitative risk assessment is conducted using an identified universe of operational risks contained in a risk assessment framework, as a first step to promote consistency. The assessment of risks and controls is conducted at individual business unit and review levels. Risk assessments are subject to treatment and escalation in terms of our operational risk appetite policy
- **Operational risk events**  
We respond to risk events with appropriate analysis and actions to correct and minimise losses and improve controls. Thresholds are in place for the monitoring and escalation of recorded events, which are in line with the risk appetite policy
- **Operational risk indicators**  
Indicators provide information that allows management to assess the effectiveness of the controls and to highlight potential issues

## Enterprise risk programmes

### Business continuity risk

Business continuity encompasses the planning, design, operation and management of business processes and technologies to minimise the disruption caused in the event of a disaster (or business interruption). Senior management is responsible for maintaining a crisis management as well as a business continuity capability for each of our geographical locations. A network of business continuity coordinators has responsibility for embedding our business continuity capability. This capability is subject to independent monitoring, review and assessment by both Group Operational Risk Management and Internal Audit.

### Information security risk

Our information security process is based on the international standard ISO 17799, which promotes common processes and standards across all business units and country operations. Information security risk is assessed as part of the risk assessment framework. Information security is overseen by our Group Information Security Officer.

## IT change management risk

Change management includes all systems changes to live and business continuity environments. Changes follow approval and adequate testing before implementation. A consistent process, in terms of group policy, is followed to ensure a smooth transition during implementation and to minimise business disruption resulting from the changes. The change management process is implemented and managed at business unit level in accordance with global policy.

## Financial crime

Financial crime and fraud risk are considered key operational risks. The focus is on risk identification, loss investigation, recovery and prosecution, and recommending enhanced practices to mitigate this risk.

Incidents of fraud are investigated, recovery initiated and legal action implemented. It is our policy to take conclusive action on all financial crime that is identified as being perpetrated against us. Case information is collected and compiled by the specialists in the correct manner, to facilitate the legal process and obtain the necessary convictions.

In order to assess client quality, regular reviews of the client database are conducted with comparisons to an international database of 'undesirable persons'.

Suspicious, unusual and threshold transactions are monitored, assessed, investigated and reported as required by legislation in the jurisdictions in which we operate. A number of reports were made during the year. Our Legal division reviews all proposed reports.

The Group Information Officer deals with all requests for information received from regulatory and investigatory agencies and emerging trends in financial crime are monitored.

## Insurance

We maintain adequate insurance to cover key risks operational and other. Our insurance process and requirements are the responsibility of the Group Insurance Manager.

## Operational risk year in review

Operational risk exposure within the group continued to be addressed and reported.

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

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

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

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

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

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

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

## Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Dual Listed Companies structure
- Incident or crisis management
- Ongoing quality control

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no "gaps" in the risk management process
- Establishment of minimum standards for mitigating and controlling each risk, including the nature and extent of work to be undertaken by our internal and external legal resources
- Establishment of procedures to monitor compliance taking into account the required minimum standards
- Establishment of legal risk forums, bringing together the various legal risk managers to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the Global Head of Legal Risk. The Global Head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

A Legal Risk Forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate and is chaired by the Global Head of Legal Risk or an appointed deputy. Minutes of the meetings are circulated to the Chief Executive Officer of each legal entity.

## Reputational risk management

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. Such damage may result from a breakdown of trust, confidence or business relationships. Reputational risk may also arise as a result of other risks manifesting and not being mitigated.

We have various policies and practices to mitigate reputational risk, including a strong values statement that is regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

We are acutely aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. We regularly reinforce our policies and practices through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

## Capital management

The management of the capital at our disposal is paramount to our success. Strategically, we focus on ensuring that we only enter business activities that are expected to earn appropriate returns on our capital and satisfy the demands of our shareholders. Our objective is to increase shareholder value through a group-wide discipline that links capital allocation and structuring, performance measurement, investment decisions, risk management and capital-based incentive compensation into one integrated framework.

## Philosophy and approach

The Investec group comprises Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries). In terms of our DLC structure, these two companies are treated separately from a credit perspective. This is notwithstanding the shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Invested Limited were a single unified enterprise. Furthermore, the UK Financial Services Authority regulates Investec plc and the South African Reserve Bank regulates Investec Limited.

Consequently, the management of capital is undertaken on a "silo" basis at the lowest level but considered in aggregate from a group perspective. Regardless of the statutory entity, we recognise that the key principles relating to the purpose of capital are to

- Allow each area to grow organically and achieve its business objectives as strategically determined by executive management and approved by the relevant boards of directors
- Give us the opportunity to explore acquisition opportunities that will allow us to position ourselves within our chosen markets
- Protect us against losses and risks inherent in the business, which would otherwise affect the security of funds deposited with or loaned to the various banking entities

Within our capital management environment, a key assumption is the understanding of the difference between "internal" capital and 'regulatory' capital. The former relates to the resultant capital determined when all risks are considered (including reputational and business risks) and is currently derived from the regulatory capital used by each division. The quantification of all material risks across the group is being re-assessed in accordance with the second Pillar of Basel II, but the principles are already embedded within our business.

At the heart of this distinction lie the fundamental implications flowing from the widespread practice of Economic Value Added incentive schemes, which embody, as their base, internal capital. This means that all transactions we conduct have to be considered in the context of their implications on capital. This is to ensure that the operators achieve the threshold targets in terms of return on capital to shareholders as this has a direct impact on their incentive remuneration. The benefit of such a practice is that the management of capital is conducted at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

As this has been embedded in our culture and philosophies, it is regarded as a cornerstone to the comprehensive management of capital.

## Responsibility for capital management

The Investec plc and Investec Limited boards of directors are ultimately responsible for the respective silo's capital management. At the highest level, the boards have delegated direct responsibility for capital management to the DLC Capital Committee to oversee the components contributing to effective control and use of capital. This forum was constituted in June 2002 and its roles and responsibilities are discussed on page 116.

In order to feed into this forum, Investec plc convenes a separate Capital Committee on a weekly basis so as to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted capital management committee also exists in Australia. The Southern African operations meet monthly through the DI Forum, which analyses regulatory information, including capital use in Investec Bank Limited and Investec Bank (Mauritius) Limited. This structure ensures that capital is actively managed from the lowest reporting level and cascades up to the ultimate responsible body - the DLC Capital Committee.

## Organisational structure

In terms of capital management, the components of the organisational structure are as follows:

- The business units, especially those which conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Capital Markets). The transactional consultants within the business units consider the capital implications on a deal-by-deal basis as this ultimately affects the internal capital used and hence the pricing and profitability of the transaction.
- Risk management
  - As part of credit risk management, the presentation of transactions is conducted through the governance structures within the risk management function. At the deal structuring and credit approval phases, the capital implications of transactions are considered independently from the business unit presentation to Capital Management, to ensure that each transaction is accurate and reasonable. This serves as an additional verification of the capital implication of the particular transaction.
  - As part of market risk management, the market risk management team performs the quantification of the trading capital used by the trading activities throughout the group. This is tested for reasonableness at the various capital management forums explained above.
  - As part of operational risk management, the quantification of the operational capital used is conducted and reported to the Executive Risk Review Forum on a regular basis.
  - Underpinning all risk management functions is their IT support division, which ensures that all applications we use to calculate and report risk information are functioning properly and reconcile to underlying source systems.

- Group Finance
  - The financial control functions throughout the organisation work closely with risk management to ensure that capital reporting is accurate, appropriate and timely
  - The responsibility for regulatory reporting forms part of the Finance function
  - Furthermore, Group Finance and Group Risk, as part of the annual audit process, independently determine the internal capital per business unit as it forms the basis of the operating units' incentive remuneration
  - As with Risk Management, the Group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes

## Basel II

We intend to implement the Basel II Standardised approaches for credit and operational risk across our divisions and geographies from January 2008, moving to the Advanced approaches over time. For market risk in the trading book, we currently adopt a combination of the EU CAD I model approach and internal value-at-risk models and we intend to move to the latter across all jurisdictions in the near future. The Basel II implementation is taking account of our long-term sustainability and strategic view. The evaluation extends to the entire risk and operational environment, including the infrastructure and data framework to ultimately support the advanced approach.

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

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

In terms of the current process, the following features exist:

- Board and senior management oversight in relation to the nature and level of risk taken and how this risk relates to capital adequacy. Strategic plans outline our capital needs, anticipated capital expenditure, target capital level and structure and external capital sources.
- Sound capital assessment through the establishment of capital adequacy goals supported by a process of internal controls, reviews and audits to ensure the integrity of the overall management process.
- Comprehensive assessment of risks by a number of governance committees guided by methodologies and policies, supported by sophisticated systems which ensure the adequacy and completeness of information on which decisions are based. To this end, detailed reports are prepared regularly on our risk profile and capital needs.

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

## Conclusion

We optimise the use of our capital through a rigorous risk based approach to performance and risk management. Capital is managed closely for return and risk from the inception of a transaction. This approach ensures that the linkage of risk to targeted capital levels is entrenched in our deal facilitation culture.

This results in a capital management process driven by capital adequacy goals which are closely monitored by strategic capital plans. These strategic capital plans are approved by a sub-committee of the board.

## Internal Audit

Internal Audit provides objective and independent assurance to the board that management processes are adequate for identifying the significant risks to which we are exposed and that the control environment is effective enough to manage these risks. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

An Internal Audit charter approved by the Group Audit Committees and reviewed annually, governs our internal audit activity. The charter defines the role, objectives, authority and responsibilities of the function.

As a result of the silo specific regulatory responsibilities arising from our DLC structure, there are two group Internal Audit divisions located in London and Johannesburg responsible for Investec plc and Investec Limited respectively. An Internal Audit function reporting into Investec plc also exists in Sydney. The combined functions cover all of the geographies in which we operate.

All the Internal Audit departments use similar risk based methodologies and co-operate technically and operationally. The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the Chairman of their entity's Audit Committee. They operate independently of executive management but have ready access to their local Chief Executive Officer and the Chairman of the Audit Committee. For administrative and co-ordination purposes, they also report to the Global Head of Corporate Governance and Compliance.

Annually, Internal Audit conducts a formal risk assessment of all businesses, incorporating management's assessment of risk, which is documented within the Enterprise Risk Assessor Operational Risk system. A comprehensive risk based annual audit plan is derived from this assessment, which identifies areas of focus. These are then confirmed with executive management and approved by the responsible Audit Committee. High risk businesses and processes are audited annually with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given our dependence on IT systems. In the past year, there was also a focus on reviewing and providing assurance on our readiness for Basel II and other new regulatory requirements. We also liaise with the external auditors to ensure a complementary approach and avoid duplication. The annual plan is reviewed regularly to ensure that it remains relevant and responsive given changes in our operating environment. The Audit Committee approves any changes to the plan.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment. Audit teams comprising well-qualified, experienced staff ensure that the function has the competence to match our diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The Internal Audit resources are subject to review by the respective Audit Committees at least once a year.

Significant control weaknesses are reported, in terms of an escalation protocol to the Audit and Compliance Implementation Forums where rectification procedures and progress are considered and monitored at a detailed level by management. The Audit Committee receives a report on significant issues and actions taken by management to enhance controls.

## Compliance

Compliance risk is the risk that we fail to comply with the letter and spirit of all statutes, regulations, supervisory requirements and industry codes of conduct which apply to our businesses. We seek to bring the highest standard of compliance best practice to all our jurisdictions. In keeping with our core values, we also endeavour to comply with the highest professional standards of integrity and behaviour, which builds trust.

We are subject to extensive supervisory and regulatory governance in the countries in which we operate. The South African Reserve Bank is our lead regulator. Significant business developments in any of our operations must be approved by the Reserve Bank as well as by the business's home country regulatory authority.

Under the DLC structure, both Investec plc and Investec Limited maintain separate Compliance structures. Each Compliance structure operates under terms of reference which are approved by its listed company board and Audit Committee. Each Compliance structure is headed by a Group Compliance Officer, who operates independently from operational management and is responsible for ensuring adequate management of compliance risk within their silo. Each Group Compliance Officer reports to the Chief Executive Officer of their listed company as well as to the Global Head of Compliance, who is ultimately responsible for management of the Compliance function of both listed groups. The Group Compliance Officers have unrestricted access to the Chairman of their Audit Committee.

The Compliance divisions operate under matrix management reporting structures and are decentralised throughout the businesses. Under these arrangements, Compliance Officers are appointed to all significant business units and report to the business heads, but remain under the general supervision of Group Compliance. Where appropriate, certain cross-enterprise compliance functions, such as Compliance Monitoring, are centralised and report directly to the Group Compliance Officer.

Compliance risk is managed through internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The Compliance Officers provide regular training to ensure that all employees are familiar with regulatory obligations. They also provide advice on regulatory issues. Compliance staff independently monitor the business units to ensure adherence to policies and procedures and other technical requirements.

Compliance staff work closely with business and operational units to ensure consistent management of compliance risk. The group's Compliance Officers are charged with developing and maintaining constructive working relationships with regulators and supervisors in all our geographies.

### UK and Europe - year in review

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

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

### More principles based regulation

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

### MiFID

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



## TCF

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

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

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

## South Africa - year in review

### Implementation of Financial Intelligence Centre Act and Protection of Constitutional Democracy against Terrorist and Related Activities Act

The implementation of the Financial Intelligence Centre Act and Protection of Constitutional Democracy against Terrorist and Related Activities is ongoing. As required by the legislation, new clients are required to undergo a significant process at the take-on stage to ensure that they are adequately identified and verified prior to transacting. The allocated time periods set by the South African Reserve Bank for the re-identification of existing clients expired during 2006. Accordingly and, as required by legislation, all existing Investec clients who have not been adequately identified or verified have had their accounts frozen, subject to our receipt of the outstanding information and documentation.

The focus during the year was on ongoing implementation of international best practice standards of anti-money laundering and anti-terror financing in the banking environment. These standards include:

- Risk weighting of clients according to the money laundering and/or terror financing risks they pose
- An enhancement of the Client Acceptance Policy to accommodate this risk weighting
- A comparison of client lists to databases of adverse client information (including persons named on the United Nations lists)
- The ongoing maintenance of a client's identification and verification and risk weighting

### Implementation of the National Credit Act 34 of 2005

The National Credit Act 2005 (NCA) governs the granting and management of credit and comes into operation on 1 June 2007. The NCA applies to all categories of credit agreements we enter with affected parties, at arm's length. It focuses on consumer protection, specifically the prevention of reckless credit behaviour, combating over-indebtedness and curbing discriminatory lending practices. The Act imposes strict requirements on credit providers including disclosure to consumers, advertising and marketing practices, complaints and pricing.

Affected entities within the group have successfully applied to the National Credit Regulator for registration as credit providers. A project plan has been implemented to ensure that the affected entities will be compliant with the provisions of the NCA by the effective date.

## Compliance monitoring

A project was initiated to align the existing compliance monitoring process with the operational risk processes. The project entails the adoption of the Enterprise Risk Assessor risk based methodology used by the Operational Risk division.

The first phase of the project involved a comprehensive analysis of all acts, regulations, rules, guidance notes and codes of conduct affecting each of the operating units, the performance of a risk assessment of each underlying regulatory risk, and the identification and recording of all controls the operating units use to mitigate such risks.

The second phase of the project involves a review of the compliance monitoring programmes used within the operating units and the design and migration of a fully comprehensive risk based monitoring programme onto the Enterprise Risk Assessor software.

## Mauritius - year in review

Following the significant legislative changes that were introduced in the previous year, the regulatory environment remained stable. Investec Bank (Mauritius) Limited adopted, and is an active participant in the compliance projects initiated by the South African Compliance function.

## Australia - year in review

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

### Anti-money laundering

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

### Australian Prudential Regulatory Authority (APRA)

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

### Financial services reform

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

### Licensing

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

### Group processes implemented to address conflicts of interest

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

## Credit ratings

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

### Ratings for Investec plc

#### Moody's

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

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

#### Fitch

Individual rating	B/C
Support rating	5
Foreign currency short-term rating	F2
Foreign currency long-term rating	BBB+

#### Global Credit Rating Co

Short-term rating	A2
Long-term rating	A-

#### Moody's

Financial strength rating	C
Short-term deposit rating	Prime-2
Long-term deposit rating	A3

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

#### Moody's

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

#### Fitch

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

### Ratings for Investec Limited

#### CA Ratings

Local currency short-term rating	(za) A1+
Local currency long-term rating	(za) AA-

#### Fitch

Individual rating	B/C
Support rating	5
Foreign currency short-term rating	F3 (positive outlook)
Foreign currency long-term rating	BBB (positive outlook)

## Credit ratings (continued)

## Ratings for Investec Bank Limited - a subsidiary of Investec Limited

## CA Ratings

Local currency short-term rating	(za) A1+
Local currency long-term rating	(za) AA-

## Capital Intelligence Ratings

Domestic strength rating	A-
Foreign currency short-term rating	A3
Foreign currency long-term rating	BBB-

## Fitch

Individual rating	B/C
Support rating	2
Foreign currency short-term rating	F3 (positive outlook)
Foreign currency long-term rating	BBB (positive outlook)
Local currency short-term rating	F1 (za)
Local currency long-term rating	A+ (za)

## Global Credit Rating Co

Local currency short term rating	A1+ (za)
Local currency long-term rating	AA- (za)

## Moody's

Financial strength rating	C
Global local currency deposit long-term rating	A2
Foreign currency deposit long-term rating	Baa1 (positive outlook)
Foreign currency deposit short-term rating	Prime-2
National scale long-term rating	Aa2 za
National scale short-term rating	P1 za

# Introduction

Investec is committed to promoting sustainable confidence in our conduct as a business and a corporate citizen

While the board oversees the overall process and structure of corporate governance, each business area and every employee worldwide is responsible for promoting good corporate governance practices

In formulating our governance framework, we apply leading corporate governance practices pragmatically so as to

- Exercise effective review and monitoring of our activities
- Enhance the capital market's perception of us
- Identify and mitigate significant risks, including reputational risk
- Promote informed and sound decision making
- Protect our brand
- Secure the trust and confidence of all stakeholders
- Lead to effectiveness efficiency, responsibility and accountability
- Facilitate legal and regulatory compliance
- Ensure sustainable business practices including social and environmental activities
- Disclose the necessary group information to enable all stakeholders to make a meaningful analysis of our actions

Our values and philosophies are the framework against which we measure behaviour, practices and activities, to assess the characteristics of good governance. Our values require directors and employees to behave with integrity consistently and uncompromisingly displaying moral strength and conduct which promotes trust

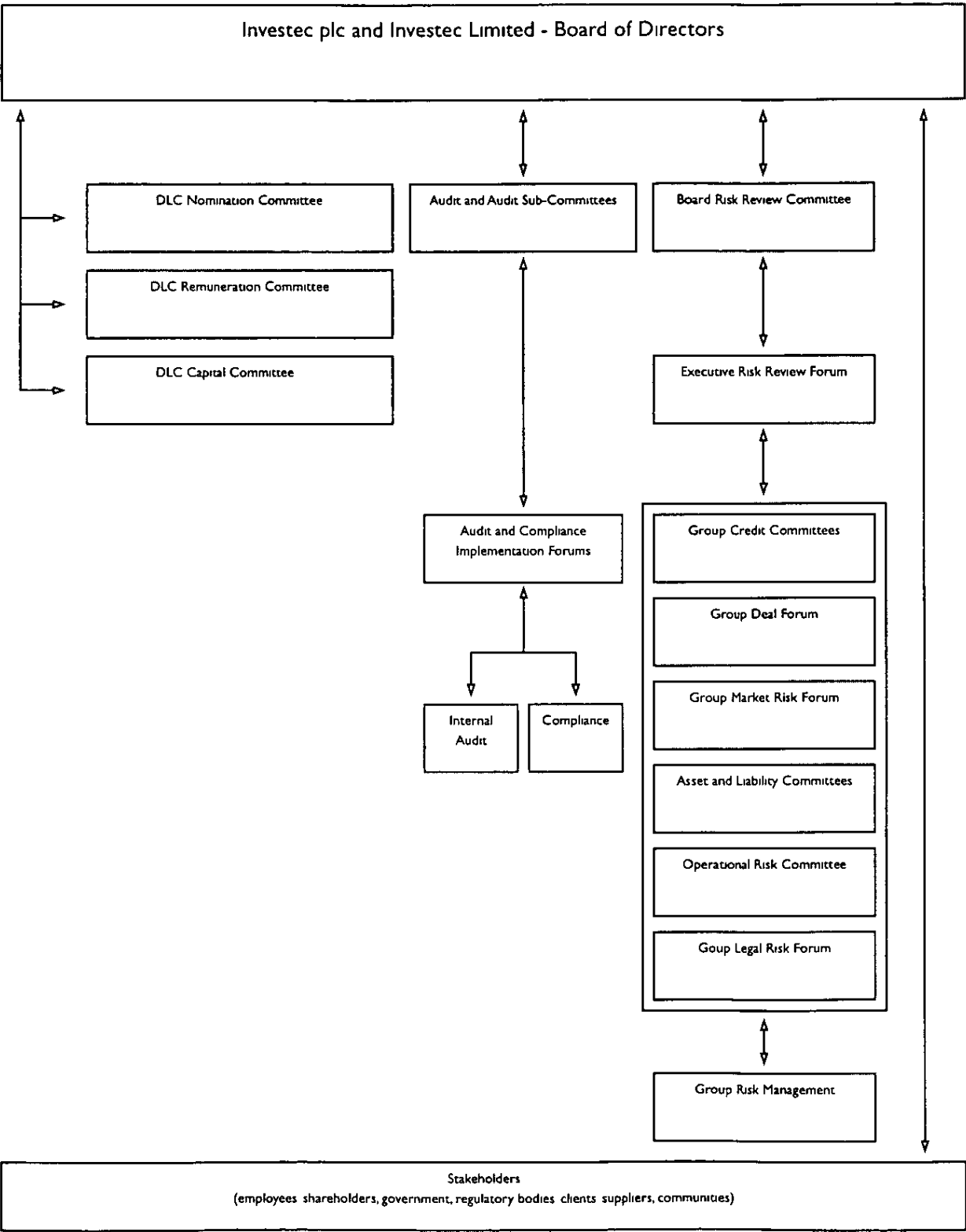
Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure and the structures designed to formalise oversight of and to ensure that the values remain embedded in all businesses and processes. We continue to refine these structures, and a written Statement of Values which serves as our Code of Ethics

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

Other international business units operate in accordance with the corporate governance recommendations of their jurisdictions, but with clear reference at all times to our group values and culture

# Governance framework

Our governance framework can be depicted as follows



## Board statement

The board management and employees of Investec are in full support of and committed to complying with the Disclosure and Transparency Rules and Listing Rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) Listings Requirements, regulatory requirements in the countries in which we operate, the London Combined Code (2006) and the King Code of Corporate Practices and Conduct (King II) in terms of which all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation and best practices

The board is of the opinion that Investec complied with the Principles of Good Governance and Code of Best Practice contained in section 1 of the London Combined Code (2006) as well as King II, during the period under review, except as outlined below

### **London Combined Code A 3.1 and King II - Independence of the Chairman**

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

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

## Financial reporting and going concern

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

In undertaking this responsibility the directors are supported by an ongoing process for identifying evaluating and managing the significant risks we face and preparing the information contained in this annual report This process was in place for the year under review and up to the date of approval of the annual report and financial statements The process is implemented by management and independently monitored for effectiveness by the Audit Risk and other sub-committees of the board, which are referred to below

Our financial statements were prepared on the going concern basis, taking into consideration

- Corporate governance practices
- Accounting policies adopted
- The nature and complexity of our business
- The risks we assume, and their management and mitigation
- Key business and control processes in operation
- The operation of board committee support structures
- Operational soundness
- Our credit rating and access to capital

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

## Board of directors

### **Role and responsibilities**

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

The board meets its objectives by reviewing and guiding corporate strategy, approving key policies and objectives, understanding the key risks we face, and determining our risk tolerance and approving and reviewing the processes in operation to mitigate them

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

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

Furthermore the board directly or through its sub-committees

- Assesses the quantitative and qualitative aspects of our performance through a comprehensive system of financial and non-financial monitoring This involves an annual budget process, detailed monthly reporting, and management strategic and operational updates
- Approves annual budgets and business plans
- Monitors our compliance with relevant laws, regulations and codes of business practice
- Monitors our communication with all stakeholders
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of our internal systems of control
- Evaluates the performance of senior management and considers succession planning

The board seeks to exercise leadership integrity and judgement in pursuit of our strategic goals and objectives, to achieve long-term sustainable growth and prosperity

## Composition, structure and process

### Membership

In terms of the DLC arrangements, the boards of Investec plc and Investec Limited are identical and manage Investec as if it were a unified economic enterprise At the end of the period under review, the board, excluding the Chairman, comprised four executive directors and twelve non-executive directors As set out below, the board concluded that the majority (i.e. eight) of the non-executive directors are independent in terms of the London Combined Code and King II Biographical details of the directors are set out on pages 145 to 148 The names of the directors, the year of their appointment, their independence status and whether they will retire and seek re-election at the 2007 Annual General Meeting, are set out in the table below

	Date of appointment		Independent	Last elected	Retiring and seeking re-election in 2007
	Investec plc	Investec Limited			
<b>Executive directors</b>					
S Koseff (Chief Executive Officer)	26 Jun 02	06 Oct 86	-	2006	No
B Kantor (Managing Director)	26 Jun 02	08 Jun 87	-	2006	No
GR Burger (Group Risk and Finance Director)	03 Jul 02	03 Jul 02	-	2004	Yes
A Tapnack	01 Jul 02	01 Jul 02	-	2004	Yes
<b>Non-executive directors</b>					
HS Herman (Chairman)	26 Jun 02	01 Jan 94	No	2006	Yes
SE Abrahams	26 Jun 02	21 Oct 96	Yes	2006	Yes
GFO Alford	26 Jun 02	26 Jun 02	Yes	2004	Yes
CA Carolus	18 Mar 05	18 Mar 05	Yes	2005	No
H Fukuda OBE	21 Jul 03	21 Jul 03	Yes	2005	No
GMT Howe	21 Jul 03	21 Jul 03	Yes	2005	No
DE Jowell	26 Jun 02	01 Jan 89	No	2006	Yes
IR Kantor	26 Jun 02	30 Jul 80	No	2006	Yes
Sir C Keswick (Senior Independent Director)	26 Jun 02	26 Jun 02	Yes	2005	No
MP Malungani	26 Jun 02	26 Jun 02	No	2005	No
Sir D Prosser	23 Mar 06	23 Mar 06	Yes	2006	No
PRS Thomas	26 Jun 02	29 Jun 81	Yes	2006	Yes
F Titu	30 Jan 04	30 Jan 04	No	2004	Yes

### Independence

In accordance with the London Combined Code in excess of half the board (excluding the Chairman) comprised non-executive directors considered by the board to be independent within the meaning of and with regard to the criteria set out in the London Combined Code and King II

A summary of the factors the board has taken into account in determining the independence of directors is detailed below



## Chairman

The Chairman, Hugh Herman is not considered to be independent. At the time of his appointment, his duties included promoting the group and introducing clients but excluded making day-to-day executive decisions. His role was full time and he sat on certain management forums. He was also included in various management incentive and share ownership schemes. For these reasons, he is not considered by the board to be independent in accordance with the London Combined Code and King II. However the Chairman has continued to enhance his status as a non-executive director through distancing himself from executive responsibilities.

## Relationships and associations

Ian Kantor is the brother of Bernard Kantor, Investec's Managing Director. Fani Titi and Peter Malungani are the Chairmen of Tiso Group Limited and Peu Group (Proprietary) Limited respectively, companies that have a material relationship with Investec Limited. This is as a result of the empowerment transaction concluded in 2003 in light of the Financial Sector Charter in South Africa. Until recently, Donn Jowell was the Chairman of Jowell Glynn Marais Inc, the South African legal advisors to Investec Limited. Donn has now joined Werksmans.

The board concluded that as a result of these relationships Ian, Fani, Peter and Donn could not be considered in terms of the London Combined Code and King II, to be independent. Although Ian, Fani, Peter and Donn are not independent, the board is of the view that their skills, knowledge, experience and attributes are nonetheless valuable to the organisation and trust that they will use their independent judgement when making decisions which could possibly impact the organisation as well as our stakeholders.

## Attendance at risk management meetings

Sam Abrahams regularly attends, by invitation, certain risk management committees of Investec Limited. The board considers his attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business. This allows him to discharge his responsibilities more effectively as a member of the board and Chairman of the Investec plc and Investec Limited Audit Committees. The board therefore concluded that Sam retains independence of character and judgement.

## Tenure

The board does not believe that any director has served on the board for a period which could materially interfere with the director's ability to act in Investec's best interests. The board concluded that Peter Thomas and Sam Abrahams, despite having been directors of Investec for more than nine years, retain both financial independence and independence of character and judgement.

The board does not believe that any director who has served for more than nine years is not independent. In the spirit of complying with the highest standards of corporate governance, each such director stands for annual re-election.

Notwithstanding the guidelines set out in the London Combined Code and King II, the board is of the view that most of the non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power; such that no one individual or group can dominate board processes or has unfettered powers of decision making. The board believes that it functions effectively and evaluates its performance annually.

## Skills, knowledge, experience and attributes of directors

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

- International and operational experience
- Understanding of the economics of the sectors in which we operate
- Knowledge of the regulatory environments in which we operate
- Financial and banking experience and knowledge

The skills and experience profile of the board is reviewed regularly by the DLC Nomination Committee to ensure an appropriate and relevant board composition from a governance and effectiveness perspective.

## Board and directors' performance evaluation

The current year's annual evaluation was based on recognised codes of corporate governance and covered areas of the board's processes and responsibilities according to leading practice.

Each director completed the evaluation, after which the Chairman conducted individual one-on-one discussions.

The results of the evaluation were collated and reviewed by the Head of Corporate Governance and Compliance and reported to the board by the Chairman. Matters identified during the evaluation, which required attention, were scheduled for appropriate action.

## Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, the expected time commitment of non-executive directors, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member. We have a policy that insures directors against certain liabilities they may incur in carrying out their duties.

## Induction and training

On appointment, directors are provided with an induction programme tailored to their needs. A programme of formal presentations to the directors on regulatory and governance matters was implemented and, as part of the directors' ongoing development, the Company Secretary liaises with the directors to source relevant seminars and conferences which directors attend, funded by Investec.

Presentations are made to the board by management of the business and support functions. During the year, directors attended seminars on matters concerning corporate governance, remuneration policy and IFRS. Directors have access to the heads of risk management, control functions and business units.

All directors have access to Linklaters' "Blue Flag Directors' Duties", an online reference and training tool for directors maintained by Investec plc's legal advisors. Linklaters Blue Flag comprehensively covers legal and regulatory aspects of directors' duties, including individual conduct, the board and relations with stakeholders.

## Independent advice

Through the senior independent director, individual directors are entitled to seek professional independent advice on matters related to the exercise of their responsibilities at the expense of Investec. No such advice was sought during the 2007 financial year.

## Remuneration

Details of the directors' remuneration and remuneration process are set out in the "Remuneration report" on pages 121 to 138.

## Chairman and Chief Executive Officer

The respective responsibilities of the Chairman and Chief Executive Officer are set out in writing, clearly defined and have board approval. The Chairman leads the board and is responsible for ensuring that the board receives accurate, timely and clear information to ensure that the directors can perform their duties effectively.

Details of the Chairman's external directorships are set out on page 146. The board does not consider that the Chairman's external commitments interfere with his performance and responsibilities to Investec. The board is satisfied that the Chairman makes sufficient time available to serve Investec effectively.

The board has not appointed a Deputy Chairman.

## Senior Independent Director

Sir Chips Keswick was appointed Senior Independent Director on 7 July 2004. He is available to address any concerns or questions from shareholders and non-executive directors.

## Company Secretaries

Benita Coetsee replaced Selwyn Noik on 1 February 2007 as Company Secretary of Investec Limited and David Miller replaced Richard Vardy on 2 May 2007 as the Company Secretary of Investec plc. They are responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the Company Secretaries, whose appointment and removal are a matter for the board. Les Penfold is the Global Head of Company Secretarial and co-ordinates and drives our secretarial functions.

## Board meetings

The combined boards of Investec plc and Investec Limited met six times during the year. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure. Furthermore, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa respectively.

The Chairman is responsible for setting the agenda for each meeting, in consultation with the Chief Executive Officer and Company Secretaries. Comprehensive information packs on matters to be considered by the board are provided to directors in advance.

The non-executive directors met during the period under review in the absence of the executive directors. Details of directors' attendance at board meetings are shown in the table on the following page.

Investec plc and Investec Limited board	Number of meetings held during the year	Number of meetings attended during the year	Independent
<b>Executive directors</b>			
S Koseff (Chief Executive Officer)	6	6	-
B Kantor (Managing Director)	6	6	-
GR Burger (Group Risk and Finance Director)	6	6	-
A Tapnack	6	6	-
<b>Non-executive directors</b>			
H Herman (Chairman)	6	6	No
SE Abrahams	6	6	Yes
GFO Alford	6	6	Yes
CA Carolus	6	6	Yes
H Fukuda OBE	6	5	Yes
GMT Howe	6	5	Yes
DE Jowell	6	4	No
IR Kantor	6	5	No
Sir C Keswick (Senior Independent Director)	6	6	Yes
MP Malungani	6	6	No
Sir D Prosser	6	6	Yes
PRS Thomas	6	6	Yes
F Titu	6	6	No

## Re-election of board members

All directors are subject to re-election at the first Annual General Meeting following their appointment. Thereafter in accordance with the Articles of Association of Investec plc and Investec Limited at least one third of the directors will retire at each Annual General Meeting. In compliance with the London Combined Code A7.2, non-executive directors who have served on the board for more than nine years from the date of their first election are re-elected annually. Retiring directors are subject to an assessment of their performance before re-appointment. Biographical details of the directors standing for re-election at the 2007 Annual General Meeting are on pages 145 to 148.

## Board committees

The board is supported by key committees, as follows:

- DLC Audit Committee
- Investec plc Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Investec Limited Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Board Risk Review Committee
  - Executive Risk Review Forum
  - Various specialist risk committees and forums as described in the risk management section on pages 71 to 105
- DLC Nomination Committee
- DLC Remuneration Committee
- DLC Capital Committee

These committees have specific terms of reference, appropriately skilled members, independent non-executive director membership, senior management participation and access to specialist advice when necessary.

## Audit Committees

In terms of our DLC structure, the board has mandated authority to the Investec plc Audit Committee and the Investec Limited Audit Committee to be the audit committees for those respective companies. A DLC Audit Committee has also been created to assist the board with matters common to Investec plc and Investec Limited.

### Role and responsibilities

The responsibilities of the Audit Committees include

- Reviewing and making recommendations for the board's approval of our combined and individual company reports and financial statements and other published financial reporting documents
- Reviewing the appropriateness of the combined group's and individual companies' accounting policies and their application
- Overseeing the external audit process in the review of reports and accounts
- Considering the external audit scope, fees and audit findings
- Reviewing Internal Audit plans, reports capacity and capability and the reliance by the external auditors on the work and findings of Internal Audit.
- Reviewing non-audit services provided by the external auditors
- Focusing on our compliance with legal requirements accounting standards and the relevant listing requirements
- Implementing measures to maintain effective systems of internal financial control and for reporting non-financial operating data

We believe that the Audit Committee has the necessary expertise to discharge its responsibilities effectively The committee's terms of reference are available on our website

### Membership and attendance

Details of membership, relevant qualifications and experience as well as attendance at Audit Committee meetings are shown below and on the opposite page

DLC Audit Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent	Qualifications and experience
SE Abrahams (Chairman)	4	4	Yes	FCA CA (SA) - Sam is a former international partner and South African Managing Partner of Arthur Andersen
GFO Alford	4	4	Yes	BSc (Econ) FCIS FIPD MSI - George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority
GMT Howe	4	2	Yes	MA (Hons) - Geoffrey is a former Managing Partner at Clifford Chance LLP and Director and Group General Counsel of Robert Fleming Holdings Ltd
DE Jowell*	4	2	No	B Com LLB - Donn was previously Chairman of and a consultant to Jowell Glyn & Marais Inc, the South African legal advisors to Investec Limited He is now a director of Werksmans Attorneys
Sir C Keswick	4	4	Yes	Sir Chips is a former Chairman of Hambros Bank Limited and Hambros PLC and former director of Anglo American plc
Sir D Prosser	4	4	Yes	BSc (Hons) FIA - Sir David was previously Chief Executive of Legal & General Group PLC and Chairman of the Financial Services Skills Council
PRS Thomas	4	4	Yes	CA (SA) - Peter was the Managing Director of The Unisec Group Limited

Investec plc Audit Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent	Qualifications and experience
SE Abrahams (Chairman)	4	4	Yes	See above
GFO Alford	4	4	Yes	See above
GMT Howe	4	4	Yes	See above
Sir C Keswick	4	2	Yes	See above
Sir D Prosser	4	4	Yes	See above
PRS Thomas	4	4	Yes	See above

\* For an overview of the factors leading the board to conclude that DE Jowell is not independent, see pages 109 and 110

Investec Limited Audit Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent	Qualifications and experience
S E Abrahams (Chairman)	4	4	Yes	See above
GFO Alford	4	4	Yes	See above
GMT Howe	4	4	Yes	See above
DE Jowell*	4	3	No	See above
Sir C Keswick	4	2	Yes	See above
Sir D Prosser	4	4	Yes	See above
PRS Thomas	4	4	Yes	See above

- \* For an overview of the factors leading the board to conclude that DE Jowell is not independent, see pages 109 and 110 DE Jowell is entitled to attend the Investec plc Audit Committee but is not a formal member of the committee

## Audit Sub-Committees

Audit Sub-Committees for Investec plc and Investec Limited have been established to allow senior managers of the business units, who do not attend the main Investec plc and Investec Limited Audit Committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of the business unit. The members of the Investec plc and Investec Limited Audit Committees are entitled to attend these meetings and, as a matter of practice at least one non-executive member generally does so.

## Audit and Compliance Implementation Forums

Audit and Compliance Implementation Forums have been established for Investec plc and Investec Limited and their principal operating subsidiaries. Each Audit and Compliance Implementation Forum is attended by key executives and heads of risk and control functions. Non-executive directors have an open invitation to attend. These forums monitor and report on the implementation of recommendations and other matters that the relevant Audit Committee considers important and facilitate the timely escalation response and understanding of risk and control matters that require a response from management. The forums are key in enhancing risk and control consciousness and the associated control environment of the group. The forums also support and provide important insight to the Audit Committees. Finally, the forums act as a filter, enabling the Audit Committees to concentrate their efforts on matters of appropriate materiality.

## DLC Remuneration Committee

### Role and responsibilities

Details of the role and responsibilities of the Remuneration Committee are set out in the 'Remuneration report' on page 122.

### Membership and attendance

Details of membership and attendance at Remuneration Committee meetings are shown below.

DLC Remuneration Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent
GFO Alford (Chairman)	6	6	Yes
GMT Howe	6	6	Yes
Sir C Keswick	6	4	Yes

Additional meetings are held throughout the year when necessary.

## DLC Nomination Committee

### Role and responsibilities

The Nomination Committee is responsible, among other things, for:

- Regularly reviewing the board structure, size and composition and making recommendations to the board on any changes that are deemed necessary.
- Identifying and nominating candidates for the approval of the board to fill board vacancies as and when they arise, as well as putting in place plans for succession, in particular, of the Chairman, Chief Executive Officer and Managing Director.
- Making recommendations to the board for the continuation (or not) in service of a director.
- Recommending directors who will be retiring by rotation to be put forward for re-election.

The committee's terms of reference are available on our website.

**Membership and attendance**

Details of attendance and membership are shown below

DLC Nomination Committee	Number of meetings held during the year	Number of meetings attended during the year	Independent
HS Herman (Chairman)	2	2	No
S E Abrahams	2	2	Yes
Sir C Keswick	2	2	Yes

**Board Risk Review Committee****Role and responsibilities**

The purpose of the committee is to ensure that

- All decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec
- The risk management structure is adequate, with sufficient resources and budget, and exceptions are reported to the board
- Exposure limits for market, counterparty and credit risk are ratified
- There is an ongoing process of risk and control identification particularly for any changes to business objectives and the bases of measuring risk

The Board Risk Review Committee defines the processes by which internal financial control risk is assumed and monitored. The Group Risk Management division provides the expertise, processes and techniques from which the processes can be built and monitored daily.

A number of committees are dedicated to aspects of risk management and report directly to the Board Risk Review Committee and the board. These include the Asset and Liability Committees, Group Credit Committees, Group Market Risk Forum, Group Deal Forum, Operational Risk Forums and Group Legal Risk Forum.

**Membership**

Chairman	S Koseff (Chief Executive Officer)
Membership	<b>Non-executive directors</b> SE Abrahams GFO Alford GMT Howe DE Jowell Sir C Keswick PRS Thomas FTitu  <b>Executive directors</b> GR Burger (Group Risk and Finance Director) B Kantor (Managing Director) A Tapnack
Meeting frequency	Bi-monthly

## Executive Risk Review Forum

### Role and responsibilities

The Executive Risk Review Forum supplements the Board Risk Review Committee and its purpose is to

- Evaluate the most significant risks we face in the ordinary course of business (credit, market, liquidity, operational legal and reputational)
- Ensure that limits are adhered to and that agreed recommendations to mitigate risk are implemented
- Act as agent of the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout the group
- Ensure the group-wide risk management structure is adequately resourced and has an appropriate budget
- Provide regular reports to the board focusing on effectiveness of the control framework
- Provide regular reports on group-wide adherence to regulatory requirements and advise on how changes to regulatory requirements will affect us
- Ensure that there is an ongoing process of risk and control identification, particularly in line with any changes to business objectives, such as the commencement of a new trading area or product stream

### Membership

Chairman	S Koseff (Chief Executive Officer)
Membership	<b>Executive directors</b> GR Burger (Group Risk and Finance Director) B Kantor (Managing Director) A Tapnack  <b>Senior management</b> B Fried C Daleski RJ Cowley PR Jacobson DM Lawrence B Tapnack M Trollip DM van der Walt RJ Wainwright JKC Whelan IR Wohlman
Meeting frequency	Every Friday except on Board Risk Review Committee dates

## DLC Capital Committee

### Role and responsibilities

Our capital management framework (see pages 97 to 99) seeks to optimise the use of our capital by determining

- The optimal amount of total capital commensurate with our overall risk profile in order to
  - Support business strategies, including any inherent growth assumptions
  - Meet targeted credit ratings and regulatory ratios
  - Protect against losses, maintain liquidity and support our capital requirements to cater for future opportunistic acquisitions
- Capital allocation to activities with the most favourable returns and highlighting those activities which are unduly capital intensive
- The most efficient composition of our capital base

Against this background, the DLC Capital Committee is responsible for

- Determining the DLC group's capital requirements and proposals for the issue/buy-back of equity and/or secondary capital raisings
- Corporate restructuring for acquisitions
- Considering, with a view to ultimately approving internal restructures proposed within the Investec plc and Investec Limited groups
- Economic capital management, which involves monitoring the capital positions of each business unit and its composition relative to the whole. In fulfilling this function, the committee reviews the following
  - The amount of capital currently used within each business unit
  - Forecasts of the needs availability and usage of capital
  - Changes if any, required in the allocation or composition of capital
  - Implications to capital arising out of corporate actions for example, acquisitions, divestments and internal restructures
- Approving trading capital limits used by the regulated entities in South Africa and the delineation between trading and investment assets acquired/held by the group

## Membership

Chairman	S Koseff (Chief Executive Officer)
Membership	<p><b>Non-executive directors</b></p> <p>SE Abrahams</p> <p>DE Jowell</p> <p><b>Executive directors of DLC and subsidiary boards</b></p> <p>GR Burger (Group Risk and Finance Director)</p> <p>B Kantor (Managing Director)</p> <p>A Tapnack</p> <p>B Tapnack</p> <p><b>Senior management</b></p> <p>S Burgess</p> <p>R Jacobson</p> <p>L Penfold</p>
Meeting frequency	Every six weeks

## Management and succession planning

Global business unit heads geographic management, and the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network, as depicted on page 35.

Each strategic business unit has an executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

## Internal control

We have adopted the Turnbull guidance ('Internal Control: Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed the principles throughout the group during the year under review. Cognisance has also been taken of the King II Code requirements in South Africa.

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board Risk Review Committee and Audit Committee assist the board in this regard. Sound risk management practices are promoted by the Group Risk Management function, which is independent of operational management.

The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

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

The process which includes risk and control identification is completed and assessed at business unit level. Each business unit is empowered with the responsibility and accountability for management of its own risk. Each business unit follows a consistent risk assessment process as contained in the risk assessment framework, which is facilitated by Group Operational Risk Management. Risks to shareholder value are identified, and controls and mitigants for each risk are identified and evaluated. The action plans and risk and control issues arising from this process are reviewed regularly at the relevant executive and management committees based at a business unit level.

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant Audit Committee. Appropriate processes including review by the Audit and Compliance Implementation Forums, ensure that timely corrective actions are taken on matters raised by Internal Audit. Significant risks are reviewed weekly by the Executive Risk Review Forum and monthly by the Board Risk Review Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk Review Committee and the Audit Committee. Reports from the Audit Committees, Board Risk Review Committee and Risk and Control functions are reviewed at each board meeting.



## Internal financial controls

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

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken.

The directors consider that our system of internal control is appropriately designed to

- Provide reasonable, although not absolute, assurance of both the integrity and reliability of financial information
- Identify and appropriately mitigate significant risks
- Safeguard, verify and maintain accountability of assets
- Mitigate risk exposure to fraud and misappropriation
- Support business objectives and sustainability under normal and adverse operating conditions
- Ensure compliance with applicable laws and regulations

## Risk management

The board is responsible for the total process of risk management and the system of internal control. A number of committees and forums assist in this regard. Senior management is responsible for identifying risks and implementing appropriate mitigation and controls within their businesses. An independent Group Risk Management division, which is accountable to the board, is responsible for designing and reviewing the process of risk management. Group Risk Management reports regularly to the Board Risk Review Committee and the Executive Risk Review Forum.

Risk management is discussed in more detail on pages 71 to 105.

## Internal Audit

Each significant jurisdiction has an Internal Audit presence that is appropriate for the size, nature and extent of business conducted. Smaller geographies are supported by the Internal Audit teams of the Investec plc and Investec Limited groups.

A risk based audit approach is followed and the Audit Committee approves annual audit plans.

Heads of Internal Audit report to the Chairmen of the relevant Audit Committees and to the Head of Corporate Governance and Compliance.

For further details on the Internal Audit function, see page 100.

## External audit

Our external auditors are Ernst & Young LLP and Ernst & Young Inc. The independence of the external auditors is recognised and reviewed with the auditors by the Audit Committee each year.

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

The external auditors attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3 as well as circular 16/2004 of the South African Banks Act, were adhered to during the period under review.

Non-audit services are dealt with in terms of an agreed policy which states that

- Our external audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the Audit Committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines.
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors.

Total audit fees paid to all auditors for the year were £5.8 million (2006: £5.5 million), of which £0.4 million (2006: £0.6 million) related to the provision of non-audit services.

## Compliance

We recognise our responsibility to conduct business in accordance with the laws and regulations in the countries and areas in which we operate. The Compliance function is supported by compliance officers in the business units. For further details on the Compliance function, see pages 101 to 103.

## Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities the main ones being the UK Financial Services Authority (FSA), the South African Reserve Bank (SARB) and the Australian Prudential Regulatory Authority (APRA). Some of our businesses are subject to supervision by the South African Financial Services Board.

In terms of the DLC structure the SARB Banking Supervision Department is the lead supervisor of the combined Investec group comprising Investec plc and Investec Limited. The SARB is the supervisor of Investec Limited while the FSA is the supervisor of Investec plc. We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report to regulators and supervisory bodies regularly. Where appropriate we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

## Communication, public disclosure obligations and stakeholder relations

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

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

Our primary stakeholders include employees, shareholders, government, regulatory bodies, clients, suppliers, rating agencies, the media, communities and industry investment analysts. The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all our stakeholders and building lasting relationships with them.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UK Listing Authority and the JSE Limited and other exchanges on which our shares are listed and with any public disclosure obligations as required by the FSA and SARB. We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations, for example Australia. The board is committed to adopting the better and/or stricter of the existing governance and regulatory standards between the UK and South Africa.

The Investor Relations division has day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretariat division, ensures that we meet our public disclosure obligations.

We have a board approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

The processes that we have adopted to ensure that we comply with all public disclosure obligations are set out below:

- Significant announcements are released directly to the market via the services offered by the London and Johannesburg stock exchanges. In terms of our DLC structure, announcements are released virtually simultaneously on all exchanges, thereby ensuring fair treatment of all stakeholders. Copies of these announcements are placed on the Investec website as soon as possible following confirmation of release on the relevant exchanges but at the very least within 24 hours.
- We maintain a comprehensive investor relations website which ensures that all stakeholders readily have access to historical and current information.
- We host at least four investor presentations a year: two before we enter a closed period and two on the day we release interim and year-end results. Investor presentations are broadcast live via video conference from our offices in the UK and South Africa. Stakeholders are notified of these events via the stock exchange news services and are welcome to attend and engage with executive and non-executive directors. Stakeholders also have the option of using a live telephone conference facility or accessing the audio webcasts of the presentation via our website. Occasionally we are invited to attend investor conferences at which we present on our financial and operational performance.
- Regular contact is maintained with major stakeholders through a comprehensive investor relations programme which includes meetings with executive management, investor road shows and presentations to the investment community, communication by email, regular telephone conferences and liaison with private shareholders in response to their enquiries. The Investor Relations division reports back regularly to the operating divisions, the group executive and the board on matters and concerns raised by stakeholders. Copies of analyst, rating agency and other relevant reports are also circulated to the board.
- Our communication policy focuses on ensuring that all employees worldwide are kept informed of business developments and activities. Our quarterly magazine, *Impact*, provides all employees worldwide with information on the latest events within Investec. Furthermore, we have comprehensive intranet sites in South Africa, the UK and Australia, which keeps employees updated on group developments and topics of interest. Urgent notices are sent to all staff through our internal email system.

- All shareholders are encouraged to attend the Annual General Meeting and to raise issues and participate in discussions on items included in the notice of the meeting. The meeting enables the board to communicate with shareholders and for shareholders to ask questions in person. The Chairmen of the Audit, Remuneration and Nomination Committees as well as the Senior Independent Director attend the meeting to respond to relevant questions. All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all shareholders. We propose a separate resolution on each substantially separate issue and do not bundle resolutions together inappropriately. All resolutions are determined on a poll. Shareholders are requested to approve our report and accounts and our remuneration report. The outcome of the voting on the items of business are released on the stock exchange news services and posted on our website after the meeting.

During the year, the Chief Executive Officer, the group Managing Director and other members of executive management continued to meet with shareholders in the UK, Europe, the USA and South Africa, to understand their issues and concerns and discuss matters relating to our activities and performance. No new material or price sensitive information is provided at such meetings. Non-executive directors will attend meetings if requested and, as mentioned above, feedback on any issues or concerns raised by investors is provided to the board.

In March 2007 the Chairman and the non-executive directors hosted a lunch with shareholder representative organisations in the UK, to help develop a balanced understanding of their issues and concerns. We will continue to engage these bodies, to remain informed of emerging governance issues.

## Dealings in securities

Dealings in securities are subject to the Personal Account Dealing Policy that has been in operation for a number of years. The policy is based on regulatory guidance and industry practice and was updated following the introduction of the Security Services Act and the inclusion of the Market Abuse Directive, effective from 1 July 2005.

The policy discourages speculative trading and highlights the conflict of interest in which an employee's personal interest may not conflict in any way with the interest of the Investec group or any of its clients, shareholders or potential shareholders.

The Market Abuse Directive requires us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their "connected persons". These include directors and senior executives of the group.

## Directors' dealings

The Remuneration report, as set out on pages 121 to 138, contains details of Investec shares held by directors. Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on regulatory requirements and governance best practice.

All directors' dealings require the prior approval of the Compliance division and the Chairman or, in the Chairman's absence, Sam Abrahams or Sir Chips Keswick. All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and the Chairman.

## Values and code of conduct

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written Statement of Values, which serves as our Code of Ethics and is continually reinforced.

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

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

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

## Sustainable business practices

We have an acute awareness of the need for longevity and durability across all our businesses, and an ingrained understanding of the practices that underpin sustainability. Our triple bottom line approach is documented on pages 139 and 140 and further detail can be found on our website at [www.investec.com/grouplinks/obr](http://www.investec.com/grouplinks/obr).

## Statement from the Chairman of the Board Remuneration Committee - an overview

The remuneration report was prepared by the Remuneration Committee and approved by the board

The board believes that a properly constituted and effective remuneration committee is key to improving the link between directors' pay and performance, with the ultimate aim of enhancing our competitiveness. The primary purpose of the committee is to determine our policy on the remuneration of executive directors and the remuneration package for each executive director. The committee is made up of non-executive directors and executive directors are not involved in determining their own remuneration packages.

This report describes our remuneration policy (which has remained unchanged) and directors' remuneration for the 2007 financial year.

**During the period, in addition to its regular business, the committee continued to focus specifically on**

- Talent management and the retention of senior management and executives
- The appropriateness of the quantum of, and balance between, fixed and variable remuneration for executive directors
- The appropriateness of the various share option and long-term incentive plans currently in place, including inter alia, grant levels, dilution limits, performance criteria and vesting schedules

**Key points to note for the period under review include**


- Our total shareholder return was 15.4% for Investec plc in Pounds Sterling and 53.3% for Investec Limited in Rands. This compares to a return of 20.5% for the FTSE 350 General Finance Index. Since listing on the London Stock Exchange in 2002, Investec plc has significantly outperformed the FTSE 350 General Finance Index (see graph on page 130).
- Investec has performed strongly in the current financial year with adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items increasing by 30.7% to £300.7 million (2006: £230.0 million). This performance has been recognised in the remuneration decisions at all levels.
- Executive directors hold 1.9% and 3.3% of the issued share capital of Investec plc and Investec Limited respectively. Non-executive directors hold 0.9% and 5.1% of the issued share capital of Investec plc and Investec Limited, respectively (see table on page 133).

The report complies with the provisions of the 2006 London Combined Code, Schedule 7A of the UK Companies Act 1985, the UK Financial Services Authority Listing Rules, the South African King II "Code of Corporate Practice and Conduct" and the JSE Limited Listing Rules. Additional information has also been included to reflect the most common enquiries received.

Furthermore, the auditors are of the opinion that the auditable part of this report on pages 131 to 138 was properly prepared, in accordance with Schedule 7A of the UK Companies Act 1985.

The committee unanimously recommends that you vote to approve this report at the 2007 Annual General Meeting.

Signed on behalf of the board

x 

George Alford  
Chairman, Remuneration Committee

15 June 2007

## Composition and role of the committee

The members of the Remuneration Committee throughout the year were George Alford (Chairman) Geoffrey Howe and Sir Chips Keswick. The members are independent non-executive directors and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The committee's principal responsibilities and objectives are to

- Determine and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals discharging managerial responsibilities who are the global heads of our core areas of activity and are members of our global operations forum)
- Ensure that qualified and experienced management and executives will be provided with appropriate incentives to encourage enhanced performance and will be, in a fair and responsible manner rewarded for their contribution to our performance
- Determine targets and objectives for any performance related pay schemes for directors and executive management
- Determine within the terms of the agreed policy, the total individual remuneration packages of executive directors and executive management including, where appropriate, bonuses incentive payments and share scheme awards
- Oversee any major changes in our employee benefit structures
- Ensure that the comments recommendations and rules within the UK and South Africa pertaining to director's remuneration are given due regard in determining the packages of executive directors. The committee is authorised by the board to seek any information it requires from any employee in order to perform its duties

The committee's terms of reference are available on our website

## Meetings

The committee met six times during the financial year with full attendance other than for two meetings which Sir Chips Keswick was unable to attend. The Company Secretary of Investec plc acts as Secretary to the committee. Executive directors do not attend these meetings although the Chairman of the board has attended on one occasion. The Chairman of the committee reports on the activities of the committee at each meeting of the full board.

## Advisers to the committee

Where appropriate the committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the committee Chairman, and Investec funds any expenses relating to the appointment of external consultants.

During the financial year, the committee continued to use the services of its advisers New Bridge Street Consultants LLP which

- Benchmarked, reviewed and provided advice on competitive levels and forms of pay (salaries and bonuses) for the executive directors
- Benchmarked reviewed and provided advice on competitive levels of pay for the non-executive directors

Furthermore we have used the services of Linklaters, which have advised on a number of issues pertaining to our incentive plans. Linklaters is one of Investec plc's legal advisers.

Certain specialist divisions within the group for example, Human Resources and the Staff Shares division provide supporting information and documentation relating to matters that are presented to the committee. This includes for example comparative data and motivations for proposed salary, bonus and share awards. The employees within these specialist divisions, which provide support to the committee are not board directors and are not appointed by the committee. While executive directors have the right to address any meeting of the committee, they play no role in the determination of their remuneration package or that of any other executive director.

## Policy on executive directors' and employees' remuneration

Our philosophy is to employ the highest calibre individuals, who are characterised by integrity intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and us.

We reward executive directors and employees for their contribution through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our values, culture and philosophies in the pursuit of excellence is considered paramount in determining overall reward levels.

Both the type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress.

The key principles of our remuneration policy for executive directors and employees which were consistently applied during the financial year are as follows:

- Reward programmes are designed and administered to align directors' and employees' interests with those of stakeholders.
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with our short and long-term success.
- Total rewards comprise a fixed and variable component.
- Total compensation (base salary, pension, benefits and incentives) is targeted to the relevant competitive market (see below) at upper quartile levels for superior performance.
- A significant proportion of rewards, including annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. We recognise the performance of the business and the individual. As indicated above, qualitative and quantitative issues form an integral part of the determination of reward levels.
- Reward levels are targeted to be commercially competitive, on the following basis:
  - The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made.
  - Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly.
    - For executive directors, the FTSE 350 General Finance firms provide the most appropriate benchmark.
    - For employees, a combination of firms from the JSE Financial 15 and the FTSE 350 General Finance sector offer the most appropriate benchmark.
  - The committee also reviews on an individual basis data on other international banks with whom we compete.
  - The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets.
  - In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.

## Policy on non-executive directors' remuneration

The board agrees and determines the fees of non-executive directors and the fees are reviewed annually. The board's policy is that fees should reflect individual responsibilities and membership of board committees. The fee structure covers the dual roles that the directors perform for the UK listed Investec plc and the South African listed Investec Limited boards. The fee structure for non-executive directors (except the Chairman) for the 2007 and 2008 financial years is shown below.

Non-executive directors' remuneration	2007 financial year	As approved by the board for the 2008 financial year
Basic fee	£45 000 per year	£50 000 per year
Chairman of the DLC Audit Committee	£35 000 per year	£40 000 per year
Chairman of the DLC Remuneration Committee	£30 000 per year	£30 000 per year
Member of the DLC Audit Committee	£12 000 per year	£12 500 per year
Member of the DLC Remuneration Committee	£12 000 per year	£12 000 per year
Member of Investec Bank (UK) Limited board	£8 000 per year	£8 500 per year
Member of the Investec Bank Limited board	R20 000 per meeting	R22 500 per meeting
Fees are also payable for any additional time committed to the group including attendance at certain other meetings		

During the 2007 financial year, the Chairman received a total fee of £340 000 for his services as a director and it is intended that he will receive £340 000 for the 2008 financial year.

Non-executive directors may not participate in our share option plans or our long-term share incentive and pension plans. Prior to the implementation of our Dual Listed Companies (DLC) structure in July 2002, certain non-executive directors did participate in Investec Group Limited's (now Investec Limited's) leveraged equity plans.

There is no requirement for non-executive directors to hold shares in the company. The company has left this choice to the discretion of the non-executive director.

## Service contracts and terms of employment

Our executive directors have indefinite contracts of employment terminable by either party giving six months' written notice to the other. Each executive director is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Remuneration Committee. Furthermore, the executive directors may elect to sacrifice a portion of their annual salary to receive company benefits such as a travel allowance and medical aid. The full costs of these benefits will be deducted from their annual salary. The contracts of employment do not contain provisions for compensation payable on early termination.

Executive directors are permitted to accept outside appointments on external boards or committees so long as these are not deemed to interfere with the business of the Company. Any fees earned by executives in this regard are not retained and are given back to the respective companies.

Non-executive directors do not have service contracts and letters of appointment confirm the terms and conditions of their service. The letters of appointment do not contain provisions for compensation payable on early termination. Unless the non-executive directors resign earlier or are removed from their positions, they will remain appointed as directors until the close of our annual general meeting in 2008 (subject to rotational re-election as directors at the 2007 meeting and in terms of the provision of the Articles of Association). All non-executive directors who have been members of the board for longer than nine years are subject to annual re-election and a resolution will be proposed at the 2007 Annual General Meeting to incorporate this commitment into our Articles of Association. Those directors seeking rotational re-election at the 2007 Annual General Meeting are shown on page 109.

## Biographical details of the directors of the board

These details can be found on pages 145 to 148.

## Dates of appointment to the board

The boards of Investec plc and Investec Limited are separate and subject to separate legal obligations for each company. In terms of the DLC arrangements, they comprise the same persons who are authorised as boards to manage Investec as if it were a unified economic enterprise. Details on the dates the directors were appointed to the board can be found on page 109.

## Policies on the components of remuneration and employment

The reward package for executive directors and employees comprises:

- Base salary and benefits
- Annual bonuses
- Long-term share incentive plans

The committee reviews the elements of the reward package relative to appropriate benchmarks and other comparable organisations, the contribution by the individual and the business as a whole, the value of individuals in perpetuating our values and culture and the possible replacement cost of such individuals.

The elements of the reward package as listed above, are discussed below and the components for each director are detailed in tables accompanying this report.

### Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by the individual.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes, life, disability and personal accident insurance, medical cover, and other benefits, as dictated by competitive local market practices. Only salaries are pensionable, the annual bonuses paid are not pensionable. Our disclosure of executive directors' salaries on page 131 has been done on a gross basis (i.e. inclusive of pension fund contributions from the company).

It is the company's policy to seek to set base salaries (including benefits) at median market levels. However, base salaries have in many instances dropped below this level as annual increases in the recent past have largely been in line with prevailing inflation rates and have not been increased to median market levels due to a desire, in current circumstances, to maintain a low level of fixed costs.

### Annual bonus

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by Economic Value Added (EVA) profit performance against pre-determined targets. These targets have been in force, and unchanged, for the past few years and are subject to periodic review, with varying levels of return required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee based businesses). Individual annual incentive levels are allocated from the EVA pool based on individual performance, as determined by the committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

In this regard, if business and individual performance goals are achieved or bettered, the variable element of the total reward package is likely to be substantially higher than the relevant target market given that base salaries are currently below median market levels. This is to ensure that overall reward levels are positioned at the upper quartile level for superior performance, in line with our overriding remuneration policy.

#### Executive remuneration structure - assessing the balance between fixed and variable remuneration

As explained in the prior year's report, the committee undertook a thorough assessment of the executive remuneration structure which resulted in the removal of the annual bonus limit. This practice was maintained during the 2007 financial year.

The following points are worth noting in this regard:

- Based on input from the committee's external advisors during the financial year, it is evident that base salaries of executive directors have remained below the median external market levels.
- The committee remains reluctant to significantly increase the fixed component of the executives' remuneration package, due to a desire to maintain a low level of fixed costs and to ensure that fixed cost increases for executives remain in line with other employees across the group.



- In conjunction with this view and based on the committee's belief of delivering a significant proportion of rewards linked to the performance of the business, the objective of upper quartile levels of total compensation for superior performance will still be achieved through higher performance linked variable pay
- The committee thus still believes that an upper limit on the bonus award is inappropriate given the remuneration practices within the group and in similar financial services businesses

The remuneration packages of the executive directors for the 2007 financial year have been determined in accordance with this philosophy. Our policy remains to target at median salaries and upper quartile for total compensation in order to limit the increase in fixed costs.

## Share option and long-term share incentive plans

We have a number of share option and long-term share incentive plans that are designed to link the interests of directors and employees with those of shareholders and long-term organisational interests, through performance and risk-based equity grants.

Prior to the implementation of our DLC structure and our listing on the London Stock Exchange in July 2002, we had a number of share option, share purchase and leveraged share schemes in place that were appropriate for a South African listed company. However, at the time of the London listing it was necessary for us to consider implementing a more internationally recognised share scheme structure and philosophy. As a result, a number of share option plans were introduced to cater for regulatory, tax and other considerations pertaining to the various jurisdictions in which we operated. At the same time, however, a decision was taken to maintain the schemes that were in place prior to the London listing until the allocations made in terms of those schemes matured. While this gives rise to what appears to be a multitude of schemes, the philosophy and practical implications are fairly simple - the appropriate level of equity allocation is determined for each employee and then awards are made out of the scheme that is considered most appropriate for that individual given his/her location, tax and regulatory environment.

The share option and long-term share incentive plans in operation and in which the directors are eligible to participate, are summarised in the table below and further details are provided on our website.

During the 2006 financial year the committee implemented the Share Matching Plan 2005 (which was approved by shareholders in November 2005). As a result, the committee does not currently intend to grant further options to executive directors under the other existing share option plans.

Executive directors collectively hold approximately 2.4% of our issued share capital.

## Leveraged equity plans

A group of senior and executive managers, including certain Investec plc/Investec Limited directors, who have or can have a significant impact on the business were granted participation (prior to the implementation of the DLC structure) in a leveraged equity plan known as Fintique II, which was established in 1996. Further details on Fintique II are provided in tables accompanying this report and on our website.

## Summary of Investec's share option and long-term share incentive plans

Plan	Eligibility	Date implemented	Options/shares	Maximum award per individual <sup>1</sup>	Performance conditions <sup>2</sup>	Vesting period	Options granted during the year <sup>3</sup>	Total issued as at 31 March 2007 <sup>4/5/6</sup>
<b>Current share plans</b>								
Investec plc Share Option Plan 2002 (approved plan)	<ul style="list-style-type: none"> <li>• New and existing UK full-time employees - grants up to the value of £30 000</li> <li>• Directors and executives</li> </ul>	28 Aug 2002	Investec plc	<ul style="list-style-type: none"> <li>• Cumulative limit of 2 500 000 across all option plans</li> <li>• In any financial year 1 x remuneration package</li> </ul>	Growth in headline EPS $\geq$ UK RPI plus 3% compounded annually over the period of the grant	Tranches of 50%, 25% and 25% at the third, fourth and fifth anniversaries respectively	Nil	Number 2 261 010  % of issued share capital of company 0.6%

# Summary of Investec's share option and long-term share incentive plans (continued)

Plan	Eligibility	Date implemented	Options/shares	Maximum award per individual <sup>1</sup>	Performance conditions <sup>2</sup>	Vesting period	Options granted during the year <sup>3</sup>	Total issued as at 31 March 2007 <sup>4/5/6</sup>
<b>Current share plans</b>								
Investec plc Share Option Plan 2002 (unapproved plan)	<ul style="list-style-type: none"> <li>New and existing full-time employees</li> <li>Excluding employees in SA, Botswana, Namibia and Mauritius</li> <li>UK employees - grants exceeding £30 000</li> <li>Directors and executives</li> </ul>	28 Aug 2002	Investec plc	<ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	Growth in headline EPS $\geq$ UK RPI plus 3% compounded annually over the period of the grant	Tranches of 25% each on the second, third, fourth and fifth anniversaries	706 518	Number 5 805 081  % of issued share capital of company 1.5%
Investec plc Share Appreciation Option Plan 2002	<ul style="list-style-type: none"> <li>New and existing full-time employees</li> <li>Excluding employees in SA, Botswana, Namibia and Mauritius</li> <li>UK employees - grants exceeding £30 000</li> <li>Directors and executives</li> </ul>	28 Aug 2002	Cash settled based on the increase in the Investec Limited share price	<ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	Growth in headline EPS $\geq$ UK RPI plus 3% compounded annually over the period of the grant	Tranches of 25% each on the second, third, fourth and fifth anniversaries	Last grant made on 17 June 2003	Number 275 590  % of issued share capital of company 0.1%
Investec Limited Security Purchase and Option Scheme Trust 2002	<ul style="list-style-type: none"> <li>New and existing full-time employees in SA, Botswana, Namibia and Mauritius</li> <li>Directors and executives</li> </ul>	20 June 2002	Investec Limited and Investec plc	<ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	Growth in headline EPS $\geq$ UK RPI plus 3% compounded annually over the period of the grant	Tranches of 25% each on the second, third, fourth and fifth anniversaries	Last grant made on 14 Dec 2005	Number 9 816 057  % of issued share capital of company 1.6%
<b>Long-term incentive plans<sup>7</sup></b>								
Investec Limited Share Incentive Plan - nil cost options	<ul style="list-style-type: none"> <li>New and existing full time employees</li> <li>Excluding employees in SA, Botswana, Namibia and Mauritius</li> <li>Excluding executive directors</li> </ul>	16 Mar 2005	Investec plc	<ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	None	75% in year 4 and 25% in year 5	6 933 730	Number 17 248 095  % of issued share capital of company 4.5%

# Summary of Investec's share option and long-term share incentive plans (continued)

Plan	Eligibility	Date implemented	Options/shares	Maximum award per individual <sup>1</sup>	Performance conditions <sup>2</sup>	Vesting period	Options granted during the year <sup>3</sup>	Total issued as at 31 March 2007 <sup>4/5/6</sup>
<b>Long-term incentive plans<sup>7</sup></b>								
Investec Limited Share Incentive Plan- nil cost options	<ul style="list-style-type: none"> <li>New and existing full time employees in SA, Botswana Namibia and Mauritius</li> <li>Excluding executive directors</li> </ul>	16 Mar 2005	Investec Limited	<ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	None	75% end of year 4 and 25% end of year 5	6 627 281	Number 17 380 111 % of issued share capital of company 7.6%
Share Matching Plan 2005	<ul style="list-style-type: none"> <li>Executive directors</li> </ul>	14 Nov 2005	Matching awards of Investec Limited and Investec plc shares in the ratio of 1:1 against shares invested in plan by the director	<ul style="list-style-type: none"> <li>A maximum of 750 000 investment shares may be invested in the plan each time the plan is operated</li> </ul>	Vesting scale over the period based on normalised EPS growth in excess of UK RPI with 0% vesting if EPS growth is less than 4% plus RPI p.a. and 100% vesting if EPS growth is in excess of RPI plus 12% p.a.	75% in June 2009 and 25% in June 2010	Nil	Number 2 300 000 % of issued share capital of company 0.6%
<b>Plan introduced in terms of our empowerment transaction</b>								
The Investec Limited Security Purchase Scheme 2003	<ul style="list-style-type: none"> <li>Employees of Investec Limited who are African, Coloured or Indian individuals</li> <li>Excluding executive directors</li> </ul>	15 May 2003	Investec Limited	<ul style="list-style-type: none"> <li>500 000 individual limit in terms of this scheme</li> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	None	Tranches over eight years	3 166 500	Number 10 118 525 % of issued share capital of company 4.5%

Plan	Eligibility	Date implemented	Options/shares	Maximum award per individual <sup>1</sup>	Performance conditions <sup>2</sup>	Vesting period	Options granted during the year <sup>3</sup>	Total issued as at 31 March 2007 <sup>4/5/6</sup>
<b>Share plans introduced prior to implementation of the DLC structure</b>								
Investec Group Limited UK Share Option Plan	<ul style="list-style-type: none"> <li>Employees - excluding SA, Botswana, Namibia and Mauritius</li> <li>Directors and executives</li> </ul>	1 Nov 1999	Investec Group Limited (prior to implementation of DLC structure) (now Investec Limited and Investec plc)	<ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	None	Tranches of 25% each on the second, third fourth and fifth anniversaries	Last grant made on 20 June 2002. No further grants will be made	Number 1 415 720 % of issued share capital of company 0.2%
Investec Limited Security Purchase and Option Scheme Trust	<ul style="list-style-type: none"> <li>Employees in SA, Botswana Namibia and Mauritius</li> <li>Directors and executives</li> </ul>	25 Nov 1988	Investec Limited and Investec plc	<ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>	None	Tranches of 25% each on the second, third, fourth and fifth anniversaries	Last grant made on 2 May 2002. No further grants will be made	Number 3 346 178 % of issued share capital of company 0.5%

#### Notes

- <sup>1</sup> The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that options should be granted in excess of that limit.
- <sup>2</sup> These conditions require growth in headline earnings per share (EPS) over the relevant option period to equal or exceed the UK Retail Price Index (RPI), plus 3% compounded annually over the same period. In choosing the performance targets for this plan, the committee considered the merits of EPS-based targets against other possibilities, such as comparative performance or comparative growth in return on average shareholders' funds (ROE) against a basket of other companies. The committee determined that EPS-based targets are most appropriate as they measure our underlying growth. The committee intends to continue to apply this during the 2008 financial year but keeps the whole matter of the suitability of target-linked share based remuneration under periodic review. This note does not apply to the Share Matching Plan 2005 which has different performance conditions as approved by shareholders (further information is available on our website).
- <sup>3</sup> This represents the number of options issued to all participants. For further details, see the Directors' Report on page 155. More details on the directors' shareholdings are also provided in tables accompanying this report.
- <sup>4</sup> **Dilution limits** Investec is committed to following the Association of British Insurers' (ABI) guidelines and accordingly, as from the date of the implementation of our DLC structure (29 July 2002) the maximum number of new shares which may be issued by the company under all of the share plans (in respect of grants made after July 2002) may not exceed 10% of the issued share capital of the company over a rolling ten year period. The committee regularly monitors the utilisation of dilution limits and available headroom to ensure that these guidelines are complied with. The issued share capital of Investec plc and Investec Limited at 31 March 2007 was 381.6 million shares and 227.7 million shares respectively. As announced on the stock exchange news services, 8.4 million Investec plc and 7.7 million Investec Limited shares were issued to the staff share schemes during the year.
- <sup>5</sup> The market price of an Investec plc share as at 31 March 2007 was £6.58 (2006 £5.88), ranging from a low of £4.95 to a high of £6.76 during the financial year.
- <sup>6</sup> The market price of an Investec Limited share as at 31 March 2007 was R93.30 (2006 R62.60), ranging from a low of R59.06 to a high of R94.60 during the financial year.
- <sup>7</sup> The rules of these long-term incentive plans do not allow Investec to issue new shares to the plan to satisfy any awards made to participants nor may awards be made to executive directors.

## Performance graph total shareholder return

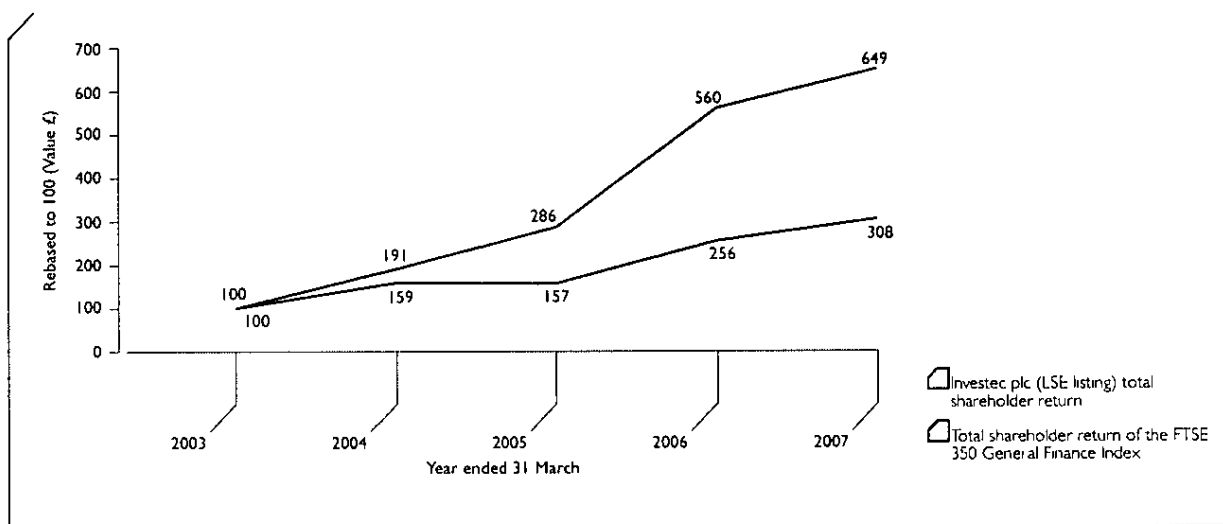
We have implemented a DLC structure, in terms of which we have primary listings in London and Johannesburg. The listing on the London Stock Exchange (LSE) took place on 29 July 2002 although we have been listed in South Africa since 1986.

Schedule 7A of the UK Companies Act 1985 requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. We found it difficult to locate an appropriate group of companies to benchmark ourselves against because of our specialist activities. A number of companies within the FTSE 350 General Finance Index conduct similar activities to us, although they do not necessarily have the same geographical profile. Nevertheless, we believe that this is the most appropriate index against which to measure our performance on the LSE.

The graph below shows the cumulative shareholder return for a holding of our shares (in blue) in Pounds Sterling on the LSE compared to the average total shareholder return of other members of the FTSE 350 General Finance Index. It shows that, at 31 March 2007, a hypothetical £100 invested in Investec plc at the time of its listing on the LSE in July 2002 would have generated a total return of £549 compared with a return of £208 if invested in the FTSE 350 General Finance Index. Investec plc has therefore outperformed the FTSE 350 General Finance Index over the period.

During the period from 1 April 2006 to 31 March 2007, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was 15.4% and 53.3%, respectively. This compares to a return of 20.5% for the FTSE 350 General Finance Index.

The market price of our shares on the LSE was £6.58 as at 31 March 2007, ranging from a low of £4.95 to a high of £6.76 during the financial year. Furthermore, the market price of our shares on the JSE Limited was R93.30 as at 31 March 2007, ranging from a low of R59.06 to a high of R94.60 during the financial year.



Source: Datastream

### Note

Schedule 7A of the UK Companies Act 1985 requires that the graph shows TSR for the five years ending with the relevant financial year. The information for Investec plc is however, only available since its listing on the LSE in July 2002.

## Audited information

## Directors' annual remuneration

The following table shows a breakdown of the annual remuneration (excluding share based payments and equity awards) of directors for the year ended 31 March 2007

Name	Salaries, directors fees and other remun- eration 2007 <sup>2</sup> £	Total other benefits 2007 <sup>3</sup> £	Gross remun- eration 2007 <sup>3</sup> £	Annual bonus 2007 <sup>4</sup> £	Total remun- eration 2007 £	Total remun- eration 2006 <sup>5</sup> £
<b>Executive directors</b>						
S Koseff (Chief Executive Officer)	315 644	69 356	385 000	3 050 000	3 435 000	2 215 000
B Kantor (Managing Director)	354 796	30 204	385 000	3 050 000	3 435 000	2 215 000
GR Burger (Group Risk and Finance Director)	212 944	48 177	261 121	2 250 000	2 511 121	1 801 223
A Tapnack	244 167	29 137	273 304	1 050 000	1 323 304	991 341
<b>Total Pounds Sterling</b>	<b>1 127 551</b>	<b>176 874</b>	<b>1 304 425</b>	<b>9 400 000</b>	<b>10 704 425</b>	<b>7 222 564</b>
<b>Non-executive directors</b>						
HS Herman (Chairman)	340 000	-	340 000	-	340 000	300 000
SE Abrahams	152 471	-	152 471	-	152 471	128 430
GFO Alford	107 000	-	107 000	-	107 000	87 000
C Carolus	45 000	-	45 000	-	45 000	40 000
H Fukuda OBE	45 000	-	45 000	-	45 000	40 000
GMT Howe	76 000	-	76 000	-	76 000	65 000
DE Jowell	185 506	-	185 506	-	185 506	193 920
IR Kantor	53 000	-	53 000	-	53 000	47 000
Sir C Keswick	77 000	-	77 000	-	77 000	67 000
MP Malungani	53 965	-	53 965	-	53 965	46 562
Sir D Prosser <sup>4</sup>	57 000	-	57 000	-	57 000	6 700
PRS Thomas	127 977	-	127 977	-	127 977	113 428
F Titi	53 966	-	53 966	-	53 966	45 249
<b>Total Pounds Sterling</b>	<b>1 373 885</b>	<b>-</b>	<b>1 373 885</b>	<b>-</b>	<b>1 373 885</b>	<b>1 180 289</b>
<b>Total Pounds Sterling</b>	<b>2 501 436</b>	<b>176 874</b>	<b>2 678 310</b>	<b>9 400 000</b>	<b>12 078 310</b>	<b>8 402 853</b>

## Notes

- <sup>1</sup> Gross remuneration comprises base salary and other benefits (see point 2 and 3 below)
- <sup>2</sup> Gross remuneration of S Koseff, B Kantor and A Tapnack has increased on average by approximately 50%. The gross remuneration of GR Burger is determined in Rands and converted into Pounds Sterling, thus the decline in his gross remuneration (as reflected in Pounds Sterling) is as a result of Rand depreciation. In Rand terms GR Burger's gross remuneration increased by 6.8% from R2 458 000 to R2 625 000. Gross remuneration increases for other employees across the group have generally been in the range of 4% to 10% and the increases awarded to executive directors are consistent with this.
- <sup>3</sup> The executive directors receive other benefits which may include pension schemes, life, disability and personal accident insurance, and medical cover, on similar terms to other senior executives.
- <sup>4</sup> Executive directors' bonuses reflect the significant improvement in adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items of 30.7% to £300.7 million, the improvement in the return to shareholders of Investec plc and Investec Limited of 15.4% (Pounds Sterling) and 53.3% (Rands) respectively, and individual contribution to the group's performance.

<sup>5</sup> A breakdown of the components of the reward packages for the executive directors in the 2006 financial year is as follows

Name	Salary £	Total other benefits £	Gross remune- ration £	Annual bonus £	Total remune- ration £
<b>Executive directors</b>					
S Koseff (Chief Executive Officer)	287 627	77 373	365 000	1 850 000	2 215 000
B Kantor (Managing Director)	333 539	31 461	365 000	1 850 000	2 215 000
GR Burger (Group Risk and Finance Director)	218 266	62 957	281 223	1 520 000	1 801 223
A Tapnack	215 000	26 341	241 341	750 000	991 341
<b>Total Pounds Sterling</b>	<b>1 054 432</b>	<b>198 132</b>	<b>1 252 564</b>	<b>5 970 000</b>	<b>7 222 564</b>

<sup>6</sup> Appointed to the board with effect from 23 March 2006

## Retirement benefits

None of the executive directors belong to a defined benefit pension scheme and all are members of one of our defined contribution schemes. The total contribution to these schemes, payable by the company, included in the total salary of the director or included in benefits paid as highlighted in the tables above, is as follows

Name	2007 £	2006 £
<b>Executive directors</b>		
S Koseff (Chief Executive Officer)	49 828	56 653
B Kantor (Managing Director)	21 021	20 549
GR Burger (Group Risk and Finance Director)	29 418	32 262
A Tapnack	24 417	21 500
<b>Total Pounds Sterling</b>	<b>124 684</b>	<b>130 964</b>

## Executive directors' total assumed cost to company

The table below provides an indication of the total cost to the company in relation to executive directors' remuneration. Total cash payments and benefits reflect the information disclosed in the tables above. The IFRS accounting charge (in terms of IFRS 2) reflects the cost that has been expensed by the company in its income statement in the relevant period in relation to share options and long-term incentive awards that have been granted to the executives. Further details on these equity awards are provided in the tables that follow.

Name	Salary, bonus and other benefits  2007 £	Accounting IFRS charge in relation to equity awards  2007 £	Total assumed remuneration expense  2007 £	Salary, bonus and other benefits  2006 £	Accounting IFRS charge in relation to equity awards  2006 £	Total remuneration expense  2006 £
<b>Executive directors</b>						
S Koseff (Chief Executive Officer)	3 435 000	662 087	4 097 087	2 215 000	275 198	2 490 198
B Kantor (Managing Director)	3 435 000	653 331	4 088 331	2 215 000	257 436	2 472 436
GR Burger (Group Risk and Finance Director)	2 511 121	552 800	3 063 921	1 801 223	271 752	2 072 975
A Tapnack	1 323 304	179 591	1 502 895	991 341	78 885	1 070 226
<b>Total Pounds Sterling</b>	<b>10 704 425</b>	<b>2 047 809</b>	<b>12 752 234</b>	<b>7 222 564</b>	<b>883 271</b>	<b>8 105 835</b>

## Directors' shareholdings, options and long-term incentive awards

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2007.

# Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2007

Name	Beneficial and non-beneficial interest Investec plc <sup>2</sup>		% of shares in issue <sup>1</sup> Investec plc	Beneficial and non-beneficial interest Investec Limited <sup>3</sup>		% of shares in issue <sup>1</sup> Investec Limited
	1 April 2006 <sup>4</sup>	31 March 2007	31 March 2007	1 April 2006 <sup>4</sup>	31 March 2007	31 March 2007
<b>Executive directors</b>						
S Koseff	5 287 865	4 845 383	1.3%	928 180	420 265	0.2%
B Kantor <sup>4</sup>	1 500	1 500	-	8 330 220	6 336 200	2.8%
GR Burger	2 753 275	2 410 095	0.6%	432 385	432 385	0.2%
A Tapnack	-	-	-	185 105	185 105	0.1%
<b>Total number</b>	<b>8 042 640</b>	<b>7 256 978</b>	<b>1.9%</b>	<b>9 875 890</b>	<b>7 373 955</b>	<b>3.3%</b>
<b>Non-executive directors</b>						
HS Herman	1 541 505	1 369 915	0.4%	44 525	44 525	-
SE Abrahams	30 000	30 000	-	-	-	-
GFO Alford	-	-	-	-	-	-
C Carolus	-	-	-	-	-	-
H Fukuda OBE	5 000	5 000	-	-	-	-
GMT Howe	-	-	-	-	-	-
DE Jowell	311 700	11 700	-	-	-	-
IR Kantor	1 583 555	1 380 066	0.4%	2 250	2 126 536	0.9%
Sir C Keswick	15 750	15 750	-	9 250	9 250	-
MP Malungani <sup>5</sup>	-	-	-	7 728 890	7 728 890	3.4%
Sir D Prosser	-	10 000	-	-	-	-
PRS Thomas	501 650	415 855	0.1%	255 955	255 955	0.1%
F Titu <sup>6</sup>	-	-	-	1 540 000	1 540 000	0.7%
<b>Total number</b>	<b>3 989 160</b>	<b>3 238 286</b>	<b>0.9%</b>	<b>9 580 870</b>	<b>11 705 156</b>	<b>5.1%</b>
<b>Total number</b>	<b>12 031 800</b>	<b>10 495 264</b>	<b>2.8%</b>	<b>19 456 760</b>	<b>19 079 111</b>	<b>8.4%</b>

## Notes

- <sup>1</sup> The total number of Investec plc and Investec Limited shares in issue as at 31 March 2007 was 381.6 million and 227.7 million respectively
- <sup>2</sup> The market price of an Investec plc share as at 31 March 2007 was £6.58 (2006 £5.88), ranging from a low of £4.95 to a high of £6.76 during the financial year
- <sup>3</sup> The market price of an Investec Limited share as at 31 March 2007 was R93.30 (2006 R62.60) ranging from a low of R59.06 to a high of R94.60 during the financial year
- <sup>4</sup> In addition to his shareholdings reflected in the table above B Kantor has an interest in options over Investec Limited shares, the details of which are as follows
  - B Kantor sold 1 250 000 call options at a strike price of R84.00 per option expiring on 21 August 2007
  - B Kantor purchased 500 000 call options at a strike price of R84.00 per option expiring on 21 August 2007
  - B Kantor sold 500 000 call options at a strike price of R94.00 per option expiring on 21 August 2007
  - B Kantor purchased 750 000 put options at a strike price of R82.00 per option expiring on 15 August 2007
  - B Kantor purchased 750 000 put options at a strike price of R66.00 per option expiring on 21 August 2007
  - B Kantor sold 750 000 put options at a strike price of R66.00 per option expiring on 15 August 2007
- <sup>5</sup> In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso) Peu Group (Proprietary) Limited (Peu), a broad-based Entrepreneurship Development Trust and an Employee Share Trust in terms of which they acquired a 25.1% stake in the issued share capital of Investec Limited. MP Malungani is the Chairman of Peu and F Titu is the Chief Executive Officer of Tiso
- <sup>6</sup> On 4 September 2006 the group implemented a 5:1 share split of Investec plc and Investec Limited shares. The information as at 1 April 2006 has been restated accordingly



## Directors' interest in preference shares as at 31 March 2007

Name	Investec Bank Limited		Investec plc	
	1 April 2006	31 March 2007	1 April 2006	31 March 2007
<b>Executive directors</b>				
S Koseff <sup>1</sup>	3 000	3 000	-	21 379
<b>Non-executive directors</b>				
HS Herman <sup>2</sup>	1 135	1 135	-	-

### Notes

- The market price of an Investec Bank Limited preference share as at 31 March 2007 was R103 10 (2006 R123 01)
- The market price of an Investec plc preference share as at 31 March 2007 was R124 99 (2006 n/a, only issued in August 2006)
- <sup>1</sup> S Koseff acquired an interest in the preference shares of Investec Bank Limited on 13 August 2003 at a price of R100 00
- S Koseff acquired an interest in the preference shares of Investec plc on 3 August 2006 at a price of R110 38
- <sup>2</sup> HS Herman acquired an interest in the preference shares of Investec Bank Limited on 13 August 2003 at a price of R100 00

## Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2007

Name	Entitlement to Investec plc shares		Entitlement to Investec Limited shares		Settlement period	Total entitlement (i.e. Investec plc and Investec Limited shares) - % interest in scheme 31 March 2007
	1 April 2006 <sup>2</sup>	31 March 2007	1 April 2006 <sup>2</sup>	31 March 2007		
<b>Executive directors</b>						
S Koseff	918 420	918 420	539 395	539 395	1 April 2007 to 31 July 2008	8 2%
B Kantor	-	-	221 500	221 500	1 April 2007 to 31 July 2008	1 2%
GR Burger	629 520	629 515	369 715	369 715	1 April 2007 to 31 July 2008	5 6%
A Tapnack	-	-	168 340	168 340	1 April 2007 to 31 July 2008	0 9%
<b>Non-executive directors</b>						
HS Herman	451 045	451 045	264 900	264 900	1 April 2007 to 31 July 2008	4 0%
IR Kantor <sup>1</sup>	251 180	-	147 520	-	1 April 2007 to 31 July 2008	-
<b>Total number</b>	<b>2 250 165</b>	<b>1 998 980</b>	<b>1 711 370</b>	<b>1 563 850</b>		<b>19 9%</b>

## Notes

- Fintique II was constituted on 31 July 1996 via a special purpose vehicle (SPV), initially available to 235 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments are compulsory convertible debentures which convert into 4 430 Investec shares for every 1 000 units in Fintique II. The scheme was funded through cash contributions from participants and the upfront sale of the income stream on the debentures and the right to the redemption proceeds. A total of 40 million units were issued in terms of the scheme converting into approximately 178 million shares.
- All the shares to which the directors are entitled in terms of the Fintique II scheme are fully tradeable and so 'fully vested' as the term is understood in the UK, and can be taken up at a price of R8.33 per share, based on the valuation of the scheme as at 31 March 2007. The market price of an Investec plc share and an Investec Limited share as at 31 March 2007 was £6.58 and R93.30 respectively. While the combined Investec plc and Investec Limited share entitlement will remain unchanged, the mix of Investec plc and Investec Limited shares may vary from time to time. The directors are at risk for any shortfall on maturity of the scheme.
- <sup>1</sup> In terms of the scheme, Kantor disposed of his entitlements in respect of 25 684 Investec plc shares at a market price of R87.30 and 15 085 Investec Limited shares at market price of R86.01 on 15 March 2007. The remaining entitlements in respect of 225 496 Investec plc shares and 132 435 Investec Limited shares are now disclosed as part of his shareholdings as reflected on page 133.
- <sup>2</sup> On 4 September 2006 the group implemented a 5:1 share split of Investec plc and Investec Limited shares. The information as at 1 April 2006 has been restated accordingly.

## Directors' interest in options as at 31 March 2007

## Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2006 <sup>2</sup>	Exercised during the year <sup>1</sup>	Options granted/lapsed during the year	Balance at 31 March 2007	Market price at date of exercise <sup>1</sup>	Gross gains made on date of exercise <sup>1</sup>	Period exercisable
Executive directors									
S Koseff	20 Dec 2002	R22.39	82 500	41 250	-	41 250	R89.80	R2 780 663	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2008.
B Kantor	20 Dec 2002	£1.59	130 675	57 770	-	72 905	£6.24	£268 631	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012.
GR Burger	20 June 2002	R32.90	157 500	78 750	-	78 750	R70.32	R2 946 825	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2008.
	20 Dec 2002	R22.39	82 500	41 250	-	41 250	R92.31	R2 884 200	
A Tapnack	28 June 2002	£2.10	118 130	59 060	-	59 070	£5.03	£173 046	Vesting scale in terms of the scheme rules. Vesting ends 20 Mar 2012.
	20 Dec 2002	£1.59	130 675	57 770	-	72 905	£6.68	£294 049	

## Directors' interest in options as at 31 March 2007 (continued)

## Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2006 <sup>2</sup>	Exercised during the year <sup>1</sup>	Options granted/lapsed during the year	Balance at 31 March 2007	Market price at date of exercise <sup>1</sup>	Gross gains made on date of exercise <sup>1</sup>	Period exercisable
Executive directors									
S Koseff	20 Dec 2002	R22 26	42 500	21 250	-	21 250	R87 75	R1 391 663	Vesting scale in terms of the scheme rules Vesting ends 20 Mar 2008
GR Burger	20 June 2002	R32 90	92 500	46 250	-	46 250	R66 21	R1 540 588	Vesting scale in terms of the scheme rules Vesting ends 20 Mar 2008
	20 Dec 2002	R22 26	42 500	21 250	-	21 250	R88 91	R1 416 313	
A Tapnack	20 June 2002	R32 90	69 370	34 690	-	34 680	R66 00	R1 148 239	Vesting scale in terms of the scheme rules Vesting ends 20 Sept 2007

## Notes

No new grants were made to executive directors during the financial year. The market price of an Investec plc share as at 31 March 2007 was £6 58 (2006 £5 88), ranging from a low of £4 95 to a high of £6 76 during the financial year. A total of 381 6 million Investec plc shares were in issue as at 31 March 2007. The market price of an Investec Limited share as at 31 March 2007 was R93 30 (2006 R62 60), ranging from a low of R59 06 to a high of R94 60 during the financial year. A total of 227 7 million Investec Limited shares were in issue as at 31 March 2007.

<sup>1</sup> Details with respect to options exercised

- S Koseff exercised his options and sold 41 250 Investec plc shares and 21 250 Investec Limited shares on 27 December 2006, when the share price was R89 80 and R87 75 per Investec plc and Investec Limited share respectively. The performance conditions with respect to these options were met.
- B Kantor exercised his options and sold 57 770 Investec plc shares on 20 December 2006 when the share price was £6 24 per Investec plc share. The performance conditions with respect to these options were met.
- GR Burger exercised his options and sold 78 750 Investec plc shares and 46 250 Investec Limited shares on 14 September 2006, when the share price was R70 32 and R66 21 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met. Furthermore, GR Burger exercised his options and sold 41 250 Investec plc shares and 21 250 Investec Limited shares on 15 January 2007, when the share price was R92 31 and R88 91 per Investec plc and Investec Limited share respectively. The performance conditions with respect to these options were met.
- A Tapnack exercised his options and sold 34 690 Investec Limited shares on 14 September 2006, when the share price was R66 00 per Investec Limited share. The performance conditions with respect to these options were met. On 18 September 2006 A Tapnack exercised his options and sold 59 060 Investec plc shares when the share price was £5 03 per Investec plc share. The performance conditions with respect to these options were met. Furthermore, A Tapnack exercised his options and sold 57 770 Investec plc shares on 3 January 2007, when the share price was £6 68 per Investec plc share. The performance conditions with respect to these options were met.

- <sup>2</sup> On 4 September 2006 the group implemented a 5:1 share split of Investec plc and Investec Limited shares. The information as at 1 April 2006 has been restated accordingly.

## General comments

- S Koseff's and GR Burger's options were granted in terms of the Investec Limited Share Option and Purchase Scheme Trust 2002.
- B Kantor's and A Tapnack's options were granted in terms of the Investec plc Share Option Plan 2002.
- The options granted on 20 June 2002 and 20 December 2002 were made for no consideration.
- The options granted on 20 December 2002 have certain performance conditions attached which require growth in headline earnings per share over the relevant option period to equal or exceed the UK RPI plus 3% (compounded annually over the same period). There were no performance conditions attached to the options granted on 20 June 2002.

## Directors' interest in the Share Matching Plan 2005 as at 31 March 2007

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2006 <sup>1</sup>	Balance at 31 March 2007	Period exercisable
<b>Executive directors</b>					
S Koseff	21 Nov 05	£0.00	750 000	750 000	75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010
B Kantor	21 Nov 05	£0.00	750 000	750 000	75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010
GR Burger	21 Nov 05	£0.00	600 000	600 000	75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010
A Tapnack	21 Nov 05	£0.00	200 000	200 000	75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010

### Notes

This plan was approved by shareholders at an extraordinary general meeting held on 14 November 2005. The plan is considered essential in improving our long-term prospects for recruitment and retention of key individuals. The plan also provides further alignment of the interests of shareholders and management as the committee believes that a significant element of remuneration should be linked to our ability to deliver sustainable results to shareholders and at the same time enable management to share in these results. Further details on the plan are available on our website.

<sup>1</sup> On 4 September 2006 the group implemented a 5:1 share split of Investec plc and Investec Limited shares. The information as at 1 April 2006 has been restated accordingly.

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## Summary: total interest in Investec plc and Investec Limited ordinary shares, options and long-term incentive awards as at 31 March 2007

### Investec plc

Name	Beneficially and non-beneficially held	Finique II	Options	Share Matching Plan	Balance at 31 March 2007	Balance at 1 April 2006
<b>Executive directors</b>						
S Koseff	4 845 383	918 420	41 250	750 000	6 555 053	7 038 785
B Kantor	1 500	-	72 905	750 000	824 405	882 175
GR Burger	2 410 095	629 515	120 000	600 000	3 759 610	4 222 795
A Tapnack	-	-	131 975	200 000	331 975	448 805
<b>Total number</b>	<b>7 256 978</b>	<b>1 547 935</b>	<b>366 130</b>	<b>2 300 000</b>	<b>11 471 043</b>	<b>12 592 560</b>

Summary: total interest in Investec plc and Investec Limited ordinary shares, options and long-term incentive awards as at 31 March 2007 (continued)

### Investec Limited

Name	Beneficially and non-beneficially held	Future II	Options	Share Matching Plan	Balance at 31 March 2007	Balance at 1 April 2006
<b>Executive directors</b>						
S Koseff	420 265	539 395	21 250	-	980 910	1 510 075
B Kantor	6 336 200	221 500	-	-	6 557 700	8 551 720
GR Burger	432 385	369 715	67 500	-	869 600	937 100
A Tapnack	185 105	168 340	34 680	-	388 125	422 815
<b>Total number</b>	<b>7 373 955</b>	<b>1 298 950</b>	<b>123 430</b>	<b>-</b>	<b>8 796 335</b>	<b>11 421 710</b>

#### Notes

The total number of Investec plc and Investec Limited shares in issue as at 31 March 2007 was 381.6 million and 227.7 million, respectively. The market price of an Investec plc share as at 31 March 2007 was £6.58 (2006: £5.88), ranging from a low of £4.95 to a high of £6.76 during the financial year. The market price of an Investec Limited share as at 31 March 2007 was R93.30 (2006: R62.60), ranging from a low of R59.06 to a high of R94.60 during the financial year.

### Conclusion

The Remuneration Committee will continue to ensure that reward packages remain competitive, provide appropriate incentive for performance and take due regard of our culture, values and philosophies. The committee will keep the existing remuneration arrangements, as discussed in this report, under review during the 2008 financial year.

# Introducing Our Business Responsibility

## Taking stock

During the reporting period, we thought afresh about sustainability and our obligations in this regard

We had spent the past several months observing international developments, where momentum relating to climate change, especially, had grown, and where businesses, selectively, had begun to vocalise a response

We had also noted the changing economic dynamics relating to sustainability matters. The emergence of ethical consumerism for instance, coincided with a greater effort by business to embrace the opportunities, and risks associated with first-mover advantage in the largely unexplored commercial territory represented by the environment

We recognised that the time for prevaricating on the issue of environmental sustainability was fast coming to an end. Since we had previously regarded sustainability in the non-financial sense as being almost exclusively synonymous with corporate social investment, we knew that in tackling sustainability afresh, we had to return to first principles

Consequently, we revisited who we are and what our core purpose is. Greater clarity on this would foster the subsequent evolution of a more considered, concerted approach on how to take sustainability forward within Investec

## Our historic approach

Sustainability has, however, always been a focus for us. Our grasp of how to manage our operating environment and ensure sustained financial success is indicated by our substantial efforts in recent years towards

- Creating a balanced portfolio of businesses
- Attaining our financial objectives
- Maintaining strongly entrenched internal practices of corporate governance, risk management and people development.

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We have also understood equally well the importance of giving back to the communities in which we operate. Our traditional focus on non-financial issues has tended to be driven out of our home base in South Africa and concentrated on the backlog of socio-economic needs in the country

Our social investment activities take into account the desire to do the right thing and adopt an entrepreneurial approach, and include groundbreaking work on CIDA City Campus and The Business Place, which has won us many accolades, and Black Economic Empowerment (BEE) in South Africa. We were the first bank in South Africa to effect change at an ownership level, before the Financial Sector Charter came into being. We have also become a recognised leader in the identification, financing, creation and replication of BEE platforms

For our non-South African businesses, sustainability has tended to concentrate on the need to grow, build critical mass and ensure the successful integration of businesses acquired. A sustainability mindset beyond the financial has not really had the chance to be developed. This makes it all the more gratifying that our UK business last year, despite the absence of a formalised group approach, won the prestigious City of London prize for best of breed practices in the field of waste management

## Moving forward

In considering what sustainability means for Investec, we recognise that we have already accomplished a lot. The missing element, however, is the environment, which we have only flirted with in the past

The time for a greater focus seemed appropriate. Our international businesses had grown sufficiently to be able to think more broadly about sustainability. These businesses were also urging the importance of environmental considerations as, outside South Africa, environmental sustainability has become the prevailing political mantra

When considering our core purpose, we factored in the potential for banks to unlock finance to assist in providing answers to the world's pressing problems, as well as our own ability to be entrepreneurial, add value and unlock potential. We factored in our own track record of going for the gap, and sought to identify whether a more integrated sustainability approach might allow us to do so again

Finally, however, we agreed that our mandate is best represented by our desire to create sustained wealth for shareholders and stakeholders, and to use our entrepreneurial skills base to foster, finance and reproduce these skills in others. We identified that

- We are not in the market for virtue, for virtue's sake
- There are abundant different facets to sustainability, all diverse and manifold, which we probably cannot tackle equally, or all at once
- We would rather leverage our existing skills base to be a force for good, since this had already underpinned our financial sustainability for so long

We then identified the key national priorities for each of our principal geographies. As clear areas of commonality existed across our international businesses, we were able to devise an overall sustainability philosophy for the group

How far did we agree we were prepared to go in our sustainability approach? In determining the scope of our endeavours, should we just do the basics (meet legal and compliance requirements), go the extra mile (more than merely ticking the box) or seek to exert leadership (influence prevailing thinking)?

We concluded that none of these needed to be mutually exclusive and that it might be appropriate for us to take a leadership position in some areas while doing the basics in others. For instance, as the first South African bank to effect BEE change at ownership level, this represents a clear instance of our being willing to take a leadership position. Similarly, our willingness to assume a leadership role is also shown by our founding partner involvement with CIDA City Campus and our development of The Business Place hubs for entrepreneurs.

We also concluded that, in driving forward sustainability within Investec, we needed to allow the different geographies and business units to determine their own areas of emphasis. Rather than on a top-down basis, sustainability must be allowed to evolve in line with differing business unit requirements. Our UK and Australian businesses may therefore put climate change high on the agenda, while South Africa may concentrate on socio-economic issues such as alleviating poverty, tackling unemployment and providing educational initiatives to equip the youth to meet the demands of the marketplace.

Finally, we also changed the type of language we use on sustainability, with a view to making it more user-friendly and relevant to our business. From now on sustainability for Investec is Our Business Responsibility. This will extend to a range of financial and non-financial considerations, including, for the first time, our physical and natural environment.

## Getting to grips with the environment

We are still familiarising ourselves with what the environment should mean to a specialist investment banking group and have not adopted any inviolable commitments on this front. We will allow our environmental conscience to evolve and have not yet determined whether our obligations should extend to more than doing the basics, i.e. seeking to reduce our own consumption of scarce natural resources.

Our initial approach has been to create internal awareness on our environmental impact, to foster dialogue and to identify some quick wins in reducing our overall footprint. In South Africa, we launched a "Think 15% More" campaign at the end of the reporting period. Designed to sensitise our employees to environmental sustainability and to introduce the need for behavioural change, we identified reduced paper consumption as the first internal objective. The reduction of our environmental footprint will mean much more over time, and we have begun exploring what else we can do.

In determining our environmental emphasis, we allow for the possibility that, as our businesses move beyond an initial awareness of environmental sustainability, there may be scope for leadership opportunities to emerge, whether in the design of new products or the exploitation of emerging commercial opportunity. For example, although not driven by sustainability, our adoption of a strategic position in the alternative energy sector was motivated by an appreciation of potential commercial opportunity.

In the past 18 months, international momentum around environmental sustainability has grown significantly. Our own efforts have not been unduly influenced by this trend. Rather, we have chosen to move gradually, in a way that makes sense to us and in the spirit of our new Our Business Responsibility philosophy.

The year ahead will see much more internal dialogue around this philosophy. Introduced only at the end of the reporting period, much still needs to be done on processing this internally. However, in seeking to take Our Business Responsibility forward, we are driven by a much more obvious common sense of purpose than before. In the past, our sustainability endeavours have been largely opportunistic rather than the result of a formalised grand design. This may well continue to be the case but the decision to devise a formal philosophy and generate a framework for engagement around Our Business Responsibility was motivated by stakeholder input, as well as our own desire to be able to contextualise our efforts.

## Looking forward

The evolution of Our Business Responsibility journey will be driven largely by the different business units and geographies, although there will be an attempt to oversee, direct, coordinate, unify and integrate our overall approach from the centre. Sustainability has been a permanent agenda item for the main board for sometime, has since extended through to all boards and will remain an important area of focus.

In this year's report (renamed Our Business Responsibility Report), we adopt a slightly new reporting format to give a sense of what our business pillars and key central support areas believe their responsibilities to be. This, we hope, will be built on and informed by more active input from our external stakeholders.

In seeking to enunciate a philosophy on Our Business Responsibility, we are looking to re-energise our previous sustainability efforts. Our newly adopted philosophy is as follows:

In pursuit of sustainable profits, we seek to be a positive influence in all our business activities in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, recognising the true value of diversity and addressing the challenges posed by climate change and the use of natural resources.

This will enable us to offer stakeholders a more easily understood and more fully integrated sense of our triple bottom line approach. In this vein, we expect the year ahead to generate a growing sense that Our Business Responsibility is an important driver of who we are, how we do things, and the results we hope to achieve. Our new-found focus on the environment, however, will not occur at the expense of the other aspects of sustainability from an Investec perspective, where intensive focus will continue to be the order of the day.

The 2007 Our Business Responsibility report can be accessed on our website at [www.investec.com/group/links/obr](http://www.investec.com/group/links/obr).

## Shareholder analysis

The group has implemented a Dual Listed Companies (DLC) structure in terms of which it has primary listings both in Johannesburg and London Investec plc which houses the majority of the group's non-Southern African businesses was listed on the London Stock Exchange on 29 July 2002 Investec plc also has a secondary listing on the JSE Limited (JSE) Investec Limited, which houses the group's Southern African and Mauritius operations, has been listed in South Africa since 1986 and is also listed on the Botswana and Namibian Stock Exchanges

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

As at 31 March 2007 Investec plc and Investec Limited had 381.6 million and 227.7 million ordinary shares in issue, respectively

### Spread of ordinary shareholders as at 31 March 2007

#### Investec plc ordinary shares in issue

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

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#### Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
2 309	1 to 500	35.9	588 019	0.3
1 283	501 - 1 000	20.0	989 403	0.4
1 717	1 001 - 5 000	26.7	4 021 883	1.8
317	5 001 - 10 000	4.9	2 321 152	1.0
461	10 001 - 50 000	7.2	10 748 433	4.7
127	50 001 - 100 000	2.0	9 376 179	4.1
216	100 001 and over	3.3	199 626 351	87.7
6 430		100.0	227 671 420	100.0

### Shareholder classification as at 31 March 2007

	Investec plc number of shares	% holding	Investec Limited number of shares	% holding
Public*	367 516 337	96.4	171 415 965	75.3
Non-public	14 096 870	3.6	56 255 455	24.7
Non-executive directors of Investec plc/Investec Limited**	3 238 286	0.8	2 436 266	1.1
Executive directors of Investec plc/Investec Limited	7 270 473	1.9	7 381 870	3.3
Investec staff share schemes	3 588 111	0.9	19 381 764	8.5
Tiso Group Limited**	-	-	14 000 000	6.1
Peu Group (Proprietary) Limited**	-	-	13 055 555	5.7
Total	381 613 207	100.0	227 671 420	100.0

\* As per the JSE listing requirements

\*\* In November 2003 Investec Limited implemented an empowerment transaction. The shareholdings held by F Titu and MP Malungani (non-executive directors of Investec) are shown under the holdings of Tiso Group Limited and Peu Group (Proprietary) Limited, respectively.



## Largest shareholders as at 31 March 2007

In accordance with the terms provided for in Section 212 of the UK Companies Act 1985 and Section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below

### Investec plc

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

The top 10 shareholders account for 41.5% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this which may cause the above figures to be marginally understated.

### Investec Limited

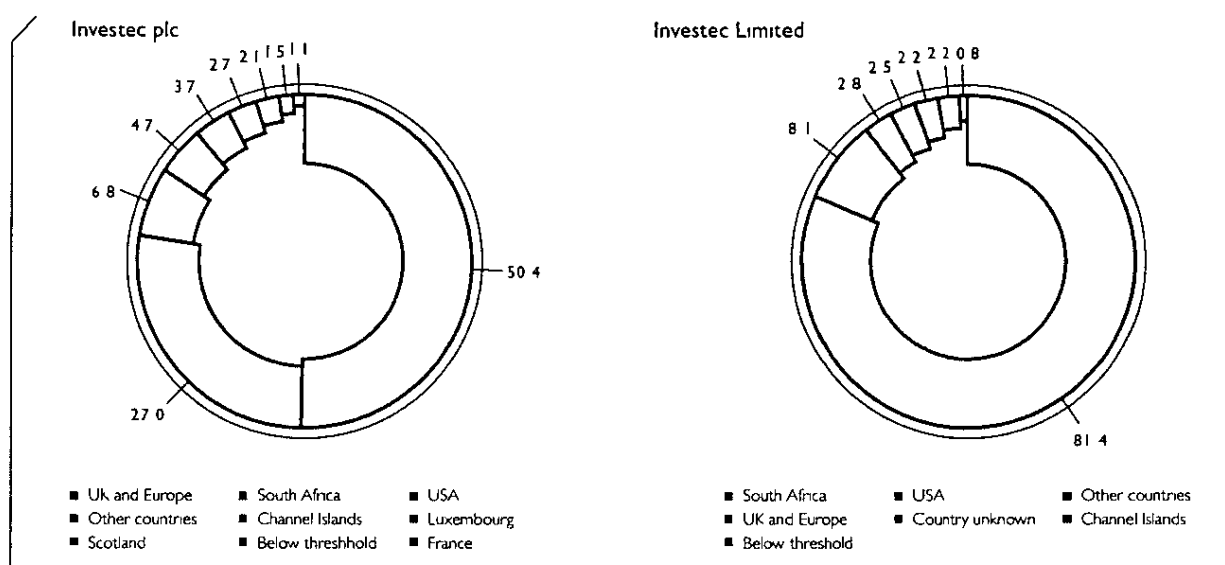
Shareholder analysis by manager group	Number of shares	% holding
1 Public Investment Commissioner (ZA)	24 569 804	10.8
2 Investec Staff Share Schemes (ZA)	19 381 764	8.5
3 Old Mutual Asset Managers (ZA)	16 384 922	7.2
4 Investec Asset Management (ZA)	14 037 074	6.2
5 Tiso INL Investments (Pty) Ltd (ZA)*	14 000 000	6.1
6 Entrepreneurial Development Trust (ZA)*	14 000 000	6.1
7 Peu INL Investments I (Pty) Ltd (ZA)*	13 055 555	5.7
8 Polans Capital (Pty) Limited (ZA)	9 958 172	4.4
9 RMB Asset Management (ZA)	7 470 551	3.3
10 Investec Securities Limited (ZA)**	6 911 846	3.0
<b>Cumulative total</b>	<b>139 769 688</b>	<b>61.3</b>

The top 10 shareholders account for 61.3% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

\* In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited.

\*\* Managed on behalf of clients

## Geographic holding by beneficial owner as at 31 March 2007



## Share statistics

### Investec plc ordinary shares in issue

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

### Investec Limited ordinary shares in issue

For the year ended 31 March	2007	2006	2005	2004	2003	2002	2001
Closing market price per share (cents) <sup>2</sup>							
- year end	9 330	6 260	3 560	2 506	1 530	2 600	3 940
- highest	9 460	6 650	3 800	3 020	3 488	4 916	5 560
- lowest	5 906	3 410	2 156	1 550	1 530	2 600	3 840
Number of ordinary shares in issue (million) <sup>2</sup>	227.7	220.0	220.0	220.0	192.0	481.0	405.0
Market capitalisation (R'million) <sup>5</sup>	56 848	37 121	21 111	14 860	8 645	14 196	19 286
Market capitalisation (£'million)	4 009	3 488	1 844	1 292	695	742	1 400
Daily average volume of shares traded ('000) <sup>2,6</sup>	619.7	478.0	510.5	495.0	527.0	-	-

#### Notes

<sup>1</sup> Investec plc has been listed on the LSE since 29 July 2002

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

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

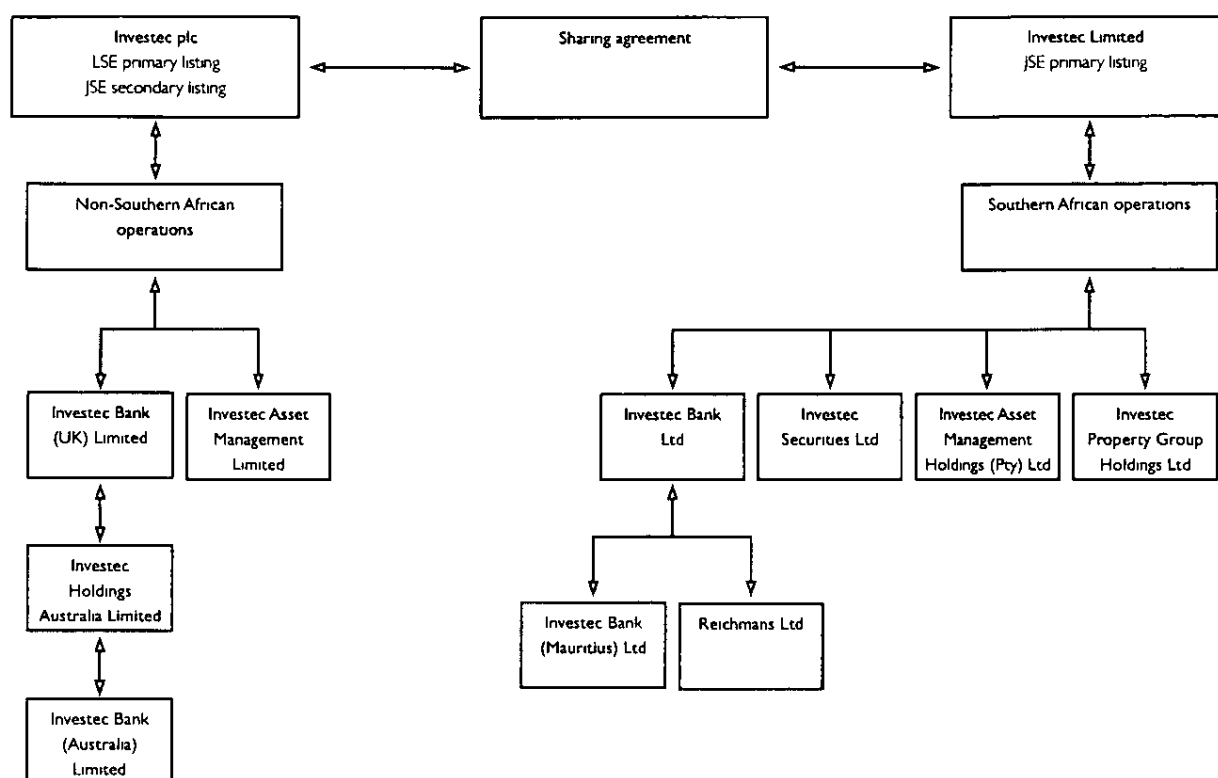
<sup>4</sup> Calculations are based on the group's consolidated earnings per share before goodwill and non-operating items and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.

<sup>5</sup> The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 609.3 million shares in issue.

<sup>6</sup> Information prior to the implementation of the DLC structure in 2002 is not comparable.

## Organisational structure

The diagram below depicts our DLC structure and our main operating subsidiaries



### Note

All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated

The directorate of the main operating entities and subsidiaries are indicated on the pages that follow

# Directorate Investec plc and Investec Limited

## Executive directors

Name	Age at 31 March 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
<b>Chief Executive Officer</b>						
Stephen Koseff	55	BCom CA (SA) H Dip BDP MBA	The Bidvest Group Limited, JSE Limited Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer and General Manager of Banking, Treasury and Merchant Banking	Finance
<b>Managing director</b>						
Bernard Kantor	57	-	Phumelela Gaming and Leisure Limited Rensburg Sheppards plc and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Bernard joined Investec in 1980. He has had varied experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer	Finance
<b>Group Risk and Finance director</b>						
Glynn R Burger	50	BAcc CA(SA) H Dip BDP MBL	Investec Bank Limited and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Glynn joined Investec in 1980. His positions within Investec have included Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa	Finance
Alan Tapnack	60	BCom CA (SA)	Investec Bank (UK) Limited and a number of Investec subsidiaries	Board Risk Review Committee and DLC Capital Committee	Alan is a former partner of Pricewaterhouse and former Managing Director of Grey Phillips Buntun Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and has held the positions of Chief Finance Officer and Chief Executive Officer of Investec Bank (UK) Limited and Chief Executive Officer of Investec's UK operations	Finance

## Non-executive directors

Name	Age at 31 March 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
<b>Non-executive Chairman</b>						
Hugh S Herman	66	BA LLB LLD (hc)	Growthpoint Properties Limited, Pick 'n Pay Holdings Limited, Pick 'n Pay Stores Limited and a number of Investec subsidiaries	Nomination Committee	Hugh practised as an attorney before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director	Law
Sam E Abrahams	68	FCA CA (SA)	Investec Bank Limited Foschini Limited, Super Group Limited and Phumelela Gaming and Leisure Limited	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Nomination Committee, Board Risk Review Committee and DLC Capital Committee	Sam is a former international partner and South African Managing Partner of Arthur Andersen	Finance Auditing
George FO Alford	58	BSc (Econ) FCIS FIPD MSI	Investec Bank (UK) Limited	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee Remuneration Committee and Board Risk Review Committee	George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority	Banking Regulations Finance
Cheryl A Carolus	48	BA (Law) B Ed	De Beers Consolidated Mines Limited, IQ Business Group (Pty) Limited Fenner Conveyor Belting South Africa (Pty) Limited, Ponhalo Holdings (Pty) Limited, Investec Asset Management Holdings (Pty) Ltd and Executive Chairperson of Peotona Group Holdings (Pty) Limited	-	Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was Chief Executive Officer of South African Tourism. She is Chairperson of South African National Parks	Sustainable development Education

Name	Age at 31 March 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
Huruko Fukuda OBE	60	MA (Cantab) DSc	Chairman Caliber Global Investments Ltd, Aberdeen Asian Smaller Companies Investment Trust PLC She is an adviser to Metro AG, Centaurus Capital Ltd and Aspis Bank SA.	-	Huruko was previously Chief Executive Officer of the World Gold Council, and senior advisor at Lazard She is former vice Chairman of Nikko Europe plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc	Finance Asset Management
Geoffrey MT Howe	57	MA (Hons)	Jardine Lloyd Thompson Group plc (Chairman) The JP Morgan Overseas Investment Trust plc and Nationwide Building Society	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee and Board Risk Review Committee	Geoffrey is a former Managing Partner of Clifford Chance LLP and was Director and Group General Counsel of Robert Fleming Holdings Ltd He is also a former Chairman of Railtrack Group plc	Law
Donn E Jowell	65	BCom LLB	Investec Bank Limited, Wits Donald Gordon Medical Centre, JCI Limited and Werksmans Inc	DLC Audit Committee, Investec Limited Audit Committee, Board Risk Review Committee, DLC Capital Committee	Donn is a director of Werksmans Inc, and former Chairman and founder of Jowell, Glynn and Marais, Investec's South African legal advisors	Law
Ian R Kantor	60	BSc (Eng) MBA	Insinger de Beaufort Holdings SA (in which Investec holds an 8.6% interest), Bank Insinger de Beaufort NV where he is Chairman of the management board	-	Former Chief Executive of Investec Limited	Finance
Senior independent director Sir Chips Keswick	67	-	Investec Bank Limited, De Beers SA Arsenal Holdings Plc and Arsenal Football Club Plc	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee, Remuneration Committee, Nomination Committee and Board Risk Review Committee	Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American plc He was on the Court of the Bank of England	Finance

## Non-executive directors (continued)

Name	Age at 31 March 2007	Qualifications	Current directorships	Investec committee membership	Brief biography	Area of expertise
M Peter Malungani	49	BCom MAP LDP	Super Group Limited (Chairman), Phumelela Gaming and Leisure Limited (Chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Limited and a number of Peu subsidiaries	-	Peter is Chairman and founder of Peu Group (Proprietary) Limited	Finance
Sir David Prosser	63	BSc (Hons) FIA	Pippbrook Limited, Epsom Downs Racecourse Limited, The Royal Automobile Club Limited and Intercontinental Hotels Group PLC	DLC Audit Committee, Investec plc Audit Committee and Investec Limited Audit Committee	Sir David was previously Chief Executive of Legal & General Group PLC joining Legal & General in 1998 as Group Director (Investments) becoming Deputy Chief Executive in January 1991 and Group Chief Executive in September 1991. Sir David was previously Chairman of the Financial Services Skills Council	Finance
Peter RS Thomas	62	CA (SA)	Investec Bank Limited, various Investec companies and JCI Limited	DLC Audit Committee, Investec plc Audit Committee, Investec Limited Audit Committee and Board Risk Review Committee	Peter was the former Managing Director of The Unisec Group Limited	Finance
Fani Titu	44	BSc (Hons) MA MBA	Investec Bank Limited (Chairman), AECL Limited and Investec Asset Management Holdings (Pty) Ltd	Board Risk Review Committee	Fani is Chief Executive Officer of Tiso Group Limited	Finance

## Notes

- The dates on which the directors were appointed to the boards of Investec plc and Investec Limited can be found on page 109
- Details of the Investec committees can be found on pages 112 to 117

## Directorate

### Investec Bank Ltd

#### A subsidiary of Investec Limited

**Hugh S Herman (66)\***  
BA LLB LLD (hc)  
Non-Executive Chairman

**David M Lawrence (56)**  
BA(Econ) (Hons) MCom  
Deputy Chairman

**Sam E Abrahams (68)**  
FCA CA(SA)

**Glynn R Burger (50)**  
BAcc CA(SA) H Dip BDP MBL

**Donn E Jowell (65)**  
BCom LLB

**Bernard Kantor (57)**  
CTA

**Stephen Koseff (55)**  
BCom CA(SA) H Dip BDP MBA

**M Peter Malungani (49)**  
BCom MAP LDP

**Karl-Bart XT Socikwa (38)**  
BCom LLB MAP IPBM

**Bradley Tapnack (60)**  
BCom CA(SA)

**Peter R S Thomas (62)**  
CA(SA)

**Fani Titu (44)\*\***  
BSc (Hons) MA MBA

**Christina B Tshili (43)**  
CA (SA)

\* Resigned 1 June 2007

\*\* Appointed as non-executive Chairman 1 June 2007

### Investec Asset Management Holdings (Pty) Ltd

#### A subsidiary of Investec Limited

**Hugh S Herman (66)**  
BA LLB LLD (hc)  
Non-Executive Chairman

**Hendrik J du Toit (45)**  
BCom (Law) BCom Hons (cum laude) MCom (cum laude)  
MPhil (Cambridge)  
Chief Executive Officer

**Cheryl A Carolus (48)**  
BA (Law) B Ed

**Gail Daniel (39)**  
BA (Hons) MBA

**Domenico Ferrini (38)**  
BCom

**Noluthando Gosa (44)**  
BA (Hons) MBA

**John Green (41)**  
BCom LLB

**Bernard Kantor (57)**  
CTA

**Thabo Khojane (34)**  
BA (Econ) (Hons) BSc (Eng)

**Stephen Koseff (55)**  
BCom CA(SA) H Dip BDP MBA

**M Peter Malungani (49)**  
BCom MAP LDP

**Kim M McFarland (42)^**  
BAcc BCom CA(SA) MBA

**John McNab (40)**  
BEng MEng CFA

**Bradley Tapnack (60)**  
BCom CA (SA)

**Fani Titu (44)**  
BSc (Hons) MA MBA

^ British



## Investec Securities Ltd

## A subsidiary of Investec Limited

**Hugh S Herman (66)\***  
BA LLB LLD (hc)  
Non-Executive Chairman

**Sam E Abrahams (68)**  
FCA CA(SA)

**Reg S Berkowitz (70)**  
Natal Law Certificate

**Andrew S Birrell (37)**  
BBusSc FFA FASSA ASA

**Henry E Blumenthal (48)**  
BCom BAcc CA(SA)

**Kevin Brady (40)**  
BA (Hons)

**Stephen Koseff (55)**  
BCom CA(SA) H Dip BDP MBA

**Andy W J Leith (47)\*\***  
BCom CA(SA)

**Kevin P McKenna (40)**  
CA(SA)

\* Resigned 1 April 2007

\*\* Appointed as non-executive Chairman 1 April 2007

## Investec Property Group Ltd

## A subsidiary of Investec Limited

**David Kuper (72)**  
Non-Executive Chairman

**Glynn R Burger (50)**  
BAcc CA(SA) H Dip BDP MBL

**Richard W Cunniffe (46)^**

**Dave A J Donald (56)**  
BCom CA H Dip Tax Law

**Sam Hackner (51)**  
BCom CA(SA)

**Hugh S Herman (66)^**  
BA LLB LLD (hc)

**Stephen Koseff (55)**  
BCom CA(SA) H Dip BDP MBA

**Sam R Leon (57)**  
BA LLB (London)

**David M Nurek (57)**  
Dip Law Dip Advanced Company Law

**Norbet L Sasse (42)**  
BCom (Hons) CA(SA)

**Ronnie Sevit (63)**

^ Resigned 1 April 2007

^^ Resigned 18 January 2007

## Investec Bank (Mauritius) Ltd

## A subsidiary of Investec Bank Ltd

Hugh S Herman (66)  
BA LLB LLD (hc)  
Non-Executive Chairman

Pierre de Chasteigner du Mee (54)  
ACEA FBIM FMAAT

Angelique A Desvaux de Marigny (31)  
LLB Barrister-at-Law  
Maîtrise en Droit (Université de Paris I-Panthéon - Sorbonne)

David M Lawrence (56)  
BA(Econ) (Hons) MCom

Craig C McKenzie (46)  
BSc MSc CFA

Peter RS Thomas (62)  
CA (SA)

David M van der Walt (42)  
BCom (Hons) CA (SA)

## Investec Bank (UK) Limited

## A subsidiary of Investec plc

Hugh S Herman (66)  
BA LLB LLD (hc)  
Non-Executive Chairman

Bradley Fried (41)  
BCom CA(SA) MBA  
Chief Executive Officer

George F O Alford (58)  
BSc (Econ) FCIS FIPD MSI

Bernard Kantor (57)  
CTA

Ian R Kantor (60)  
BSc(Eng) MBA

Sir Chips Keswick (67)

Stephen Koseff (55)  
BCom CA(SA) H Dip BDP MBA

Alan Tapnack (60)  
BCom CA(SA)

David M van der Walt (42)  
BCom (Hons) CA (SA)

Ian R Wohlman (52)  
ACIB

## Investec Asset Management Limited

### A subsidiary of Investec plc

**Hugh S Herman (66)**  
BA LLB LLD (hc)  
Non-Executive Chairman

**Hendrik J du Toit (45)**  
BCom (Hons, cum laude) MCom (cum laude) MPhil  
(Cambridge)  
Chief Executive Officer

**David Aird (39)**

**Domenico Ferrini (38)**  
BCom

**Howard Flight (58)**  
MA MBA

**Bernard Kantor (57)**

**Stephen Koseff (55)**  
BCom CA(SA) H Dip BDP MBA

**Kim M McFarland (42)**  
BAcc CA(SA) MBA

**Mark I Samuelson (42)**  
BCom CFA

**Philip Saunders (49)**  
MA (Hons)

**Bradley Tapnack (60)**  
BCom CA (SA)

## Investec Bank (Australia) Limited

### A subsidiary of Investec Bank (UK) Limited

**David M Gonski (53)**  
BCom LLB  
Non-Executive Chairman

**Geoffrey Levy (48)**  
BCom LLB FFIN  
Chairman

**Brian M Schwartz (54)**  
FCA  
Chief Executive Officer

**Alan H Chonowitz (52)**  
BAcc MCom CA(SA)

**Stephen Koseff (55)**  
BCom CA(SA) H Dip BDP MBA

**Richard A Longes (61)**  
BA LLB MBA

**Robert C Mansfield (55)**  
BCom FCPA

**John W Murphy (54)**  
BCom MCom ACA FASA

**Kathryn Spargo (55)**  
BA LLB (Hons)

**Bradley Tapnack (60)**  
BCom CA(SA)

**Peter RS Thomas (62)**  
CA(SA)

# Directors' report

## Business review

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

The operating financial review on pages 6 to 8 provides an overview of the group's strategic position, performance during the financial year and outlook for the business. It should be read in conjunction with the sections on pages 9 to 152 which elaborate on the aspects highlighted in this review.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

## Authorised and issued share capital

### Investec plc and Investec Limited

Details of the share capital are set out in note 31 to the financial statements.

#### Investec plc

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

During the year the following shares were issued:

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

#### Investec Limited

The ordinary shares, class 'A' variable rate compulsory convertible preference shares and the special convertible preference shares were subdivided on a 5 for 1 basis on 4 September 2006.

During the year the following shares were issued:

- 1 100 000 ordinary shares on 4 July 2006 at R164.50 per share (this occurred prior to the 5 for 1 share split)
- 2 173 785 ordinary shares on 20 November 2006 at R31.94 per share (this occurred after the 5 for 1 share split)
- 800 000 special convertible redeemable preference shares on 4 July 2006 at R0.001 per share (this occurred prior to the 5 for 1 share split)
- 1 830 642 special convertible redeemable preference shares on 20 November 2006 at R0.0002 per share (this occurred after the 5 for 1 share split)
- 2 613 835 special convertible redeemable preference shares on 19 February 2007 at R0.0002 per share (this occurred after the 5 for 1 share split)

## Financial results

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

### Ordinary dividends

#### Investec plc

An interim dividend was declared to shareholders as follows:

- 10 pence per ordinary share to non-South African resident shareholders (2006: 7.6 pence) registered on 15 December 2006

- to South African resident shareholders registered on 15 December 2006, a dividend paid by Investec Limited on the SA DAS share, equivalent to 5 pence per ordinary share and 5 pence per ordinary share paid by Investec plc

The dividends were paid on 22 December 2006

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

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

## Investec Limited

An interim dividend of 138 cents per ordinary share (2005 89.2 cents) was declared to shareholders registered on 15 December 2006 and was paid on 22 December 2006

The directors have proposed a final dividend of 180 cents per ordinary share (2006 125.4 cents) to shareholders registered on 27 July 2007 to be paid on 13 August 2007. The final dividend is subject to the approval of members of Investec Limited at the Annual General Meeting scheduled for 8 August 2007

The holders of 3 700 000 Investec Limited shares have agreed to waive their rights to the proposed final dividend

## Preference dividends

### Investec plc

#### Non-redeemable non-cumulative non-participating preference shares

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

Preference dividend number 2 was declared amounting to

- 30.2 pence per share for the period 1 October 2006 to 31 March 2007 in respect of the preference shares trading on the JSE Limited ('JSE') (ISIN GB00B19RX541)
- 65.1 pence per share in respect of the further tranche of preference shares issued on 22 February 2007 in respect of the period 22 February 2007 to 31 March 2007 (ISIN GB00B1N73946) and trading on the Channel Islands Stock Exchange ('CISX')

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

#### Preferred securities

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

### Investec Limited

#### Non-redeemable non-cumulative non-participating preference shares

Preference dividend number 4 for the period 1 April 2006 to 30 September 2006 amounting to 385 cents per share was declared to members holding preference shares registered on 8 December 2006 and was paid on 11 December 2006

Preference dividend number 5 for the period 1 October 2006 to 31 March 2007 amounting to 428.44 cents per share was declared to members holding preference shares registered on 29 June 2006 and will be paid on 4 July 2006

#### Redeemable cumulative preference shares

Dividends amounting to R32 452 219.18 were paid on the redeemable cumulative preference shares

## Directors and secretaries

Details of directors and secretaries of Investec plc and Investec Limited are reflected on pages 145 to 148 and at the beginning of the Annual Report.

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

## Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 132 to 138

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

## Share incentive trusts

Details regarding options granted during the year are set out on pages 184 and 185

## Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the group's Finance division to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems. Further details on the role and responsibility of the Audit Committee are set out on page 113

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## Auditors

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

## Contracts

Refer to page 124 for details of contracts with directors

## Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 228 and 229

## Major shareholders

The largest beneficial shareholders of Investec plc and Investec Limited are reflected on page 142

## Special resolutions

### Investec plc

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

- a renewable authority was granted to Investec plc to acquire its own shares in terms of Section 166 of the Companies Act 1985
- a renewable authority was granted to Investec plc to allot equity securities of the Company for cash without application of the pre-emption rights provided by section 89 of the UK Companies Act, 1985
- An authority was granted to Investec plc that each ordinary share and special converting share be subdivided into 5 ordinary shares and 5 special converting shares, respectively
- various amendments were made to the Articles of Association to reflect the changes to the share capital of Investec plc following the subdivision of the Investec plc ordinary shares and the special converting shares

## Investec Limited

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

- a renewable authority was granted to Investec Limited and its subsidiaries to acquire its own shares in terms of Section 85 and 89 of the South African Companies Act No 61 of 1973
- authority was granted to Investec Limited that each ordinary share each class A variable rate compulsory convertible non-cumulative preference share and each special convertible redeemable preference share be subdivided on a 5 for 1 basis
- Amendments were made to the Memorandum of Association to reflect the subdivision of the above mentioned shares in the authorised share capital of the company

## Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and South African law and International Financial Reporting Standards These policies are set out on pages 165 to 173

## Creditor payment policy

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

## Employees

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

## Donations

During the year Investec plc made donations for charitable purposes totalling £893 067 and Investec Limited made donations for charitable purposes totalling £1 781 971 During the year the group made donations of £4 048 to political parties outside the European Union

## Environment

The group is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates Further information on the group's sustainability practices can be found on pages 139 and 140 and on our website

## Subsequent events

Refer to page 223



David Miller  
Company Secretary  
Investec plc



Benita Coetsee  
Company Secretary  
Investec Limited

15 June 2007

## Directors' responsibility statement

The following statement which should be read in conjunction with the auditors' report set out on page 158 to 160, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the combined consolidated financial statements

The directors are responsible for the preparation, integrity and objectivity of the combined consolidated financial statements that fairly present the state of affairs of the company and the group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report

To enable the directors to meet these responsibilities

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud error or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties,
- The group's internal audit function which operates unimpeded and independently from operational management and has unrestricted access to the group Audit Committee appraises and when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business, and
- The group Audit Committee together with the internal audit department plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure

To the best of our knowledge and belief based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions other events and conditions on the group's financial position and financial performance

The financial statements of the company and the group have been prepared in accordance with the respective Companies Acts of the United Kingdom and South Africa comply with International Financial Reporting Standards (IFRS) and Article 4 of the IAS regulation

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

It is the responsibility of the independent auditors to report on the combined consolidated financial statements. Their report to the members of the company and group is set out on page 158 of this report

## Approval of financial statements

The director's report and the financial statements of the company and the group which appears on pages 153 to 157 and pages 161 to 235 were approved by the board of directors on 15 June 2007

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

Signed on behalf of the board

  
Stephen Koseff  
Chief Executive Officer

  
Bernard Kantor  
Managing Director

15 June 2007



# Independent auditors' report to the members of Investec plc

We have audited the group financial statements (the "financial statements") of Investec plc for the year ended 31 March 2007 which comprise the combined consolidated income statement, combined consolidated and parent company balance sheets, combined consolidated cash flow statement, the combined consolidated statement of total recognised income and expense and the related notes 1 to 44. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, in addition, the financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Director's Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

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

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

## Opinion

### In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended,
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- the parent company financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the parent company's affairs as at 31 March 2007
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements

### Separate opinion in relation to IFRSs

As explained in the accounting policies of the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board

In our opinion the group financial statements give a true and fair view in accordance with IFRSs, of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended

*Ernst & Young LLP*

Ernst & Young LLP  
Registered auditor  
London

15 June 2007

### Notes

- 1 The maintenance and integrity of the Investec plc web site is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# Independent auditors' report to the members of Investec Limited

We have audited the group annual financial statements of Investec Limited which comprise the directors' report, the consolidated balance sheet as at 31 March 2007, the consolidated income statement, the consolidated statement of total recognised income and expenses and consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 153 to 229 and the parent company annual financial statements of Investec Limited, which comprise the balance sheet as at 31 March 2007, the income statement and the statement of changes in equity for the year then ended a summary of significant accounting policies, and other explanatory notes, as set out on pages 232 to 235

## Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the South African Companies Act of 1973. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

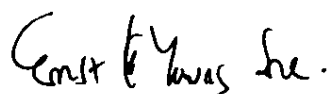
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the group and the company as of 31 March 2007 and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the South African Companies Act of 1973.



Ernst & Young Inc  
Registered Auditors  
Johannesburg  
15 June 2007

# Combined consolidated income statement

For the year to 31 March  
£'000

	Notes	2007	2006
Interest receivable		1 233 226	934 389
Interest payable		(889 311)	(675 237)
<b>Net interest income</b>		<b>343 915</b>	<b>259 152</b>
Fees and commissions receivable		577 773	478 465
Fees and commissions payable		(56 275)	(41 591)
Principal transactions	3	245 463	246 059
Operating income from associates	17	10 685	6 694
Investment income on assurance activities	25	36 821	141 559
Premiums and reinsurance recoveries on insurance contracts	25	80 542	164 631
Other operating income	4	49 685	2 721
<b>Other income</b>		<b>944 694</b>	<b>998 538</b>
Claims and reinsurance premiums on insurance business	25	(111 492)	(293 135)
<b>Total operating income net of insurance claims</b>		<b>1 177 117</b>	<b>964 555</b>
Impairment losses on loans and advances	16	(16 530)	(9 160)
<b>Operating income</b>		<b>1 160 587</b>	<b>955 395</b>
Administrative expenses	5	(680 687)	(558 887)
Depreciation amortisation and impairment of property, equipment and intangibles	20/23	(13 315)	(7 741)
<b>Operating profit before goodwill</b>		<b>466 585</b>	<b>388 767</b>
Goodwill	22	2 569	(21 356)
<b>Operating profit</b>		<b>469 154</b>	<b>367 411</b>
Profit on disposal of group operations	24	-	73 573
<b>Profit before taxation</b>		<b>469 154</b>	<b>440 984</b>
Taxation	7	(119 781)	(111 616)
<b>Profit after taxation</b>		<b>349 373</b>	<b>329 368</b>
Earnings attributable to minority shareholders		9 054	14 267
Earnings attributable to shareholders		340 319	315 101
		<b>349 373</b>	<b>329 368</b>
<b>Earnings per share (pence)</b>			
- Basic	8	547	538
- Diluted	8	504	500
<b>Dividends per share (pence)</b>			
- Interim	9	100	76
- Final	9	130	106

## Combined consolidated statement of total recognised income and expenses

For the year to 31 March  
£'000

	Notes	2007	2006
Profit after taxation		349 373	329 368
Total gains and losses recognised directly in equity		(175 030)	63 079
Fair value movements on available for sale assets		12 287	8 480
Foreign currency movements		(184 847)	52 564
Pension fund actuarial (losses)/gains	29	(2 470)	2 035
<b>Total recognised income and expenses</b>		<b>174 343</b>	<b>392 447</b>
Total recognised income and expenses attributable to minority shareholders		(29 931)	23 861
Total recognised income and expenses attributable to ordinary shareholders		256 964	350 023
Total recognised income and expenses attributable to perpetual preferred securities		(52 690)	18 563
		<b>174 343</b>	<b>392 447</b>

# Combined consolidated balance sheet

At 31 March £'000	Notes	2007	2006
<b>Assets</b>			
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	13	2 151 036	1 640 088
Derivative financial instruments	14	724 492	1 081 287
Investment securities	15	1 776 601	1 266 673
Loans and advances to customers	16	10 190 252	9 604 589
Interests in associated undertakings	17	70 332	63 099
Deferred taxation assets	18	59 394	60 035
Other assets	19	1 408 159	1 272 787
Property and equipment	20	131 505	26 916
Investment properties	21	85 424	163 049
Goodwill	22	195 883	183 560
Intangible assets	23	35 829	10 094
		<b>22 281 867</b>	<b>18 840 499</b>
Financial instruments at fair value through income in respect of			
- liabilities to customers	25	3 024 997	3 628 574
- assets related to reinsurance contracts	25	992 824	1 431 876
		<b>26 299 688</b>	<b>23 900 949</b>
<b>Liabilities</b>			
Deposits by banks		2 347 095	1 879 483
Derivative financial instruments	14	509 919	705 764
Other trading liabilities	26	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	27	3 333 716	2 950 103
Current taxation liabilities		113 967	137 426
Deferred taxation liabilities	18	48 048	26 210
Other liabilities	28	1 790 405	1 582 856
Pension fund liabilities	29	1 467	2 013
		<b>19 616 999</b>	<b>16 798 552</b>
Liabilities to customers under investment contracts	25	3 004 254	3 488 756
Insurance liabilities including unit-linked liabilities	25	20 743	139 818
Reinsured liabilities	25	992 824	1 431 876
		<b>23 634 820</b>	<b>21 859 002</b>
Subordinated liabilities (including convertible debt)	30	830 705	529 854
		<b>24 465 525</b>	<b>22 388 856</b>
<b>Equity</b>			
Called up share capital	1/31	169	165
Share premium	1	1 129 859	1 028 737
Treasury shares	1/32	(109 279)	(96 300)
Equity portion of convertible debentures	1	2 191	2 191
Perpetual preference shares	1/33	292 173	215 305
Other reserves	1	134 606	156 103
Profit and loss account	1	92 766	(79 709)
Shareholders' equity excluding minority interests		<b>1 542 485</b>	<b>1 226 492</b>
Minority interests	1/34	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		<b>1 834 163</b>	<b>1 512 093</b>
Total liabilities and shareholders' equity		<b>26 299 688</b>	<b>23 900 949</b>

The directors' approved the accounts on 15 June 2007

B Kantor  
Managing Director

# Combined consolidated cash flow statement

For the year to 31 March £'000	Notes	2007	2006
Operating profit adjusted for non cash items	36	524 434	419 650
Taxation paid		(122 881)	(50 104)
Increase in operating assets		(6 125 514)	(2 950 085)
Increase in operating liabilities		5 858 320	2 749 528
<b>Net cash inflow from operating activities</b>		<b>134 359</b>	<b>168 989</b>
Cash flow on acquisition of subsidiaries	24	(151 402)	(102 600)
Cash flow on disposal of subsidiaries	24	-	(364 970)
Cash flow on acquisition and disposal of property equipment and intangibles		(27 583)	(5 589)
<b>Net cash outflow from investing activities</b>		<b>(178 985)</b>	<b>(473 159)</b>
Dividends paid to ordinary shareholders		(112 592)	(84 435)
Dividends paid to other equity holders		(38 649)	(19 940)
Proceeds on issue of shares net of issue costs		90 980	12 557
Proceeds on issue of other equity instruments*		151 903	132 520
Net inflow/(outflow) on subordinated debt raised/(repaid)		338 829	(2 626)
<b>Net cash inflow from financing activities</b>		<b>430 471</b>	<b>38 076</b>
Effects of exchange rates on cash and cash equivalents		(301 588)	73 721
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>84 257</b>	<b>(192 373)</b>
Cash and cash equivalents at the beginning of the year		1 190 183	1 382 556
<b>Cash and cash equivalents at the end of the year</b>		<b>1 274 440</b>	<b>1 190 183</b>
Cash and cash equivalents is defined as including			
Cash and balances at central banks		102 751	190 838
On demand loans and advances to banks		483 771	309 109
Cash equivalent advances to customers		687 918	690 236
<b>Cash and cash equivalents at the end of the year</b>		<b>1 274 440</b>	<b>1 190 183</b>

\* includes equity instruments issued by subsidiaries

## Note

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

## Accounting policies

### Basis of presentation

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

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

### 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 plc 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.

### Segmental reporting

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

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

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

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

### Goodwill

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



## Accounting policies (continued)

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.

## 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 at each balance sheet date based on an estimate of the number of instruments that will eventually vest. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the profit and loss account until such time as the liability is settled.

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

## Foreign currency transactions and foreign operations

The presentation currency of the group is sterling being the functional currency of Investec plc. 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
- 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
- non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction

## Revenue recognition

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

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

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

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

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

## Financial instruments

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

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

### Financial assets and liabilities held at fair value through profit and loss

Financial instruments held at fair value through profit and loss include all instruments classified as held as trading and those instruments designated as held at fair value through profit and loss.

Financial instruments classified as held for trading or designated as held at fair value through profit and loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with the 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.

### 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.

## Accounting policies (continued)

### Loans and receivables

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

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

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

### Available for sale assets

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

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

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

### Financial liabilities

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

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

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

### Valuation of financial instruments

The following financial instruments are held at fair value:

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

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

## Impairments of financial assets held at amortised cost

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

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

## Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the group's rights to cash flows have 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.

## 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).

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## 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 instrument ceases to be highly effective as a hedge, the hedging instrument expires, or is sold, terminated or exercised when the hedged 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.

## Accounting policies (continued)

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.

## Offsetting of financial assets and liabilities

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

## Issued debt and equity financial instruments

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

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

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

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

Dividends on ordinary shares 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.

## 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.

## Financial guarantees

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

## Instalment credit, leases and rental agreements

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

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

## Property and equipment

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

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

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

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

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

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

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

## Investment property

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

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

## Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of 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.

## Accounting policies (continued)

### Trust and fiduciary activities

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

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

### Taxation and deferred taxation

Current tax payable is provided on taxable profits at rates that are enacted 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
- in respect of taxable temporary differences associated with the 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 foreseeable future

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

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

### Insurance contracts

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

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

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

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

### Employee benefits

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

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

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

The group has no liabilities for other post retirement benefits

## Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments

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

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

## Borrowing costs

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

## Provisions, contingent liabilities and contingent assets

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

## Standards and interpretations not yet effective

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

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

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

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

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

## Key management assumptions

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

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



# Notes to the financial statements

£'000

	Share capital Investec Limited	Share premium account Investec Limited	Treasury shares	Share capital Investec plc	Share premium account Investec plc	Equity portion of convertible debentures
<b>I Reconciliation of equity</b>						
<b>At 1 April 2005</b>	<b>46</b>	<b>635 418</b>	<b>(109 362)</b>	<b>119</b>	<b>393 824</b>	<b>2 191</b>
<b>Movement in reserves 1 April 2005 - 31 March 2006</b>						
Foreign currency adjustments	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-	-	-
Pension fund actuarial gains	-	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	-	-
Share based payments adjustments	-	-	-	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-	-
Issue of equity by subsidiaries	-	-	-	-	-	-
Share issue expenses	-	-	-	-	(556)	-
Net movement in treasury shares	-	-	13 062	-	51	-
Movement on minorities on disposal and acquisitions	-	-	-	-	-	-
Transfer from equity accounted reserve	-	-	-	-	-	-
Transfer to capital reserves	-	-	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-	-	-
<b>At 31 March 2006</b>	<b>46</b>	<b>635 418</b>	<b>(96 300)</b>	<b>119</b>	<b>393 319</b>	<b>2 191</b>
<b>Movement in reserves 1 April 2006 - 31 March 2007</b>						
Foreign currency adjustments	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-
Fair value movements on available for sale assets	-	-	-	-	-	-
Pension fund actuarial losses	-	-	-	-	-	-
Total recognised gains and losses for the year	-	-	-	-	-	-
Share based payments adjustments	-	-	1 112	-	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-	-
Dividends paid to perpetual preference shareholders	-	-	-	-	-	-
Issue of ordinary shares	-	18 873	-	4	28 984	-
Issue of perpetual preference shares by the holding company	-	-	-	-	-	-
Issue of equity by subsidiaries	-	-	-	-	-	-
Minorities arising on acquisition of subsidiaries	-	-	-	-	-	-
Share issue expenses	-	(36)	-	-	(23)	-
Net movement of treasury shares	-	20 660	(8 513)	-	32 664	-
Transfer from capital reserves	-	-	-	-	-	-
Transfer to regulatory general risk reserve	-	-	-	-	-	-
Transfer between reserves	-	-	(5 578)	-	-	-
Dividends paid to minorities	-	-	-	-	-	-
Capital reduction paid to minority	-	-	-	-	-	-
<b>At 31 March 2007</b>	<b>46</b>	<b>674 915</b>	<b>(109 279)</b>	<b>123</b>	<b>454 944</b>	<b>2 191</b>

Perpetual prefer- ence shares	Capital reserve account	Available for sale reserve	Other Reserves Regula- tory general risk	Equity account- ed reserve	Foreign currency reserves	Share based payment reserve	Profit and loss account	Share- holder's equity excluding minority interests	Minority interests	Total equity
196 742	7 668	9 875	28 315	470	(5 814)	37 540	(266 529)	930 503	145 108	1 075 611
18 563	-	-	-	-	24 407	-	-	42 970	9 594	52 564
-	-	-	-	-	-	-	315 101	315 101	14 267	329 368
-	-	8 480	-	-	-	-	-	8 480	-	8 480
-	-	-	-	-	-	-	2 035	2 035	-	2 035
18 563	-	8 480	-	-	24 407	-	317 136	368 586	23 861	392 447
-	-	-	-	-	-	18 065	1 156	19 221	-	19 221
-	-	-	-	-	-	-	(84 435)	(84 435)	-	(84 435)
-	-	-	-	-	-	-	(19 940)	(19 940)	-	(19 940)
-	-	-	-	-	-	-	-	-	132 520	132 520
-	-	-	-	-	-	-	-	(556)	-	(556)
-	-	-	-	-	-	-	-	13 113	-	13 113
-	-	-	-	-	-	-	-	-	(15 888)	(15 888)
-	-	-	-	(470)	-	-	470	-	-	-
-	5 575	-	-	-	-	-	(5 575)	-	-	-
-	-	-	21 992	-	-	-	(21 992)	-	-	-
215 305	13 243	18 355	50 307	-	18 593	55 605	(79 709)	1 226 492	285 601	1 512 093
(52 690)	-	-	-	-	(93 172)	-	-	(145 862)	(38 985)	(184 847)
-	-	-	-	-	-	-	340 319	340 319	9 054	349 373
-	-	12 287	-	-	-	-	-	12 287	-	12 287
-	-	-	-	-	-	-	(2 470)	(2 470)	-	(2 470)
(52 690)	-	12 287	-	-	(93 172)	-	337 849	204 274	(29 931)	174 343
-	-	-	-	-	-	32 878	-	33 990	-	33 990
-	-	-	-	-	-	-	(112 592)	(112 592)	-	(112 592)
-	-	-	-	-	-	-	(31 850)	(31 850)	-	(31 850)
-	-	-	-	-	-	-	-	47 861	-	47 861
131 187	-	-	-	-	-	-	-	131 187	-	131 187
-	-	-	-	-	-	-	-	-	20 949	20 949
-	-	-	-	-	-	-	-	-	21 858	21 858
(1 629)	-	-	-	-	-	-	-	(1 688)	-	(1 688)
-	-	-	-	-	-	-	-	44 811	-	44 811
-	(701)	-	-	-	-	-	701	-	-	-
-	-	-	21 633	-	-	-	(21 633)	-	-	-
-	-	-	-	-	-	5 578	-	-	-	-
-	-	-	-	-	-	-	-	-	(528)	(528)
-	-	-	-	-	-	-	-	-	(6 271)	(6 271)
292 173	12 542	30 642	71 940	-	(74 579)	94 061	92 766	1 542 485	291 678	1 834 163

## Notes to the financial statements (continued)

For the year to 31 March  
£'000

	Private Client Activities	Capital Markets	Investment Banking	Asset Manage- ment	Property Activities	Group Services & Other Activities	Total group
<b>2 Combined consolidated segmental analysis</b>							
<b>Business analysis 2007</b>							
<b>Net interest income</b>	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
<b>Other income</b>	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)
<b>Total operating income net of insurance claims</b>	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)
<b>Operating income</b>	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)
<b>Operating profit before goodwill</b>	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
<b>Operating profit</b>	180 032	120 851	91 235	62 021	12 124	2 891	469 154
Profit on disposal of group operations	-	-	-	-	-	-	-
<b>Profit before taxation</b>	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

\* Refer to calculation on page 27

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in or allocated to, these businesses, but is held centrally

For the year to 31 March £'000	Private Client Activities	Capital Markets	Investment Banking	Asset Manage- ment	Property Activities	Group Services & Other Activities	Total group
<b>2 Combined consolidated segmental analysis (continued)</b>							
<b>Business analysis 2006</b>							
<b>Net interest income</b>	<b>165 788</b>	<b>71 228</b>	<b>2 216</b>	<b>4 050</b>	<b>(4 002)</b>	<b>19 872</b>	<b>259 152</b>
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
<b>Other income</b>	<b>119 484</b>	<b>110 904</b>	<b>180 804</b>	<b>167 404</b>	<b>42 530</b>	<b>377 412</b>	<b>998 538</b>
Claims and reinsurance premiums on insurance business	-	-	-	-	-	(293 135)	(293 135)
<b>Total operating income net of insurance claims</b>	<b>285 272</b>	<b>182 132</b>	<b>183 020</b>	<b>171 454</b>	<b>38 528</b>	<b>104 149</b>	<b>964 555</b>
Impairment losses on loans and advances	1 745	(12 342)	722	(16)	-	731	(9 160)
<b>Operating income</b>	<b>287 017</b>	<b>169 790</b>	<b>183 742</b>	<b>171 438</b>	<b>38 528</b>	<b>104 880</b>	<b>955 395</b>
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)
<b>Operating profit before goodwill</b>	<b>118 165</b>	<b>66 916</b>	<b>100 930</b>	<b>59 376</b>	<b>18 598</b>	<b>24 782</b>	<b>388 767</b>
Goodwill	-	-	-	(14 157)	(7 199)	-	(21 356)
<b>Operating profit</b>	<b>118 165</b>	<b>66 916</b>	<b>100 930</b>	<b>45 219</b>	<b>11 399</b>	<b>24 782</b>	<b>367 411</b>
Profit on disposal of group operations	-	-	(1 071)	-	-	74 644	73 573
<b>Profit before taxation</b>	<b>118 165</b>	<b>66 916</b>	<b>99 859</b>	<b>45 219</b>	<b>11 399</b>	<b>99 426</b>	<b>440 984</b>
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

\* Refer to calculation on page 27

## Notes to the financial statements (continued)

For the year to 31 March £'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
<b>2 Combined consolidated segmental analysis (continued)</b>					
<b>Geographical analysis 2007</b>					
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
<b>Other income</b>	<b>387 923</b>	<b>521 112</b>	<b>34 974</b>	<b>685</b>	<b>944 694</b>
Claims and reinsurance premiums on insurance business	-	(111 492)	-	-	(111 492)
<b>Total operating income net of insurance claims</b>	<b>520 979</b>	<b>581 441</b>	<b>73 998</b>	<b>699</b>	<b>1 177 117</b>
Impairment losses on loans and advances	(6 312)	(9 040)	(1 178)	-	(16 530)
<b>Net operating income</b>	<b>514 667</b>	<b>572 401</b>	<b>72 820</b>	<b>699</b>	<b>1 160 587</b>
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)
<b>Operating profit before goodwill</b>	<b>167 382</b>	<b>268 673</b>	<b>30 149</b>	<b>381</b>	<b>466 585</b>
Goodwill	-	(8 111)	10 680	-	2 569
<b>Profit before taxation</b>	<b>167 382</b>	<b>260 562</b>	<b>40 829</b>	<b>381</b>	<b>469 154</b>
Taxation	(37 370)	(72 938)	(9 473)	-	(119 781)
<b>Profit after taxation</b>	<b>130 012</b>	<b>187 624</b>	<b>31 356</b>	<b>381</b>	<b>349 373</b>
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
	<b>130 012</b>	<b>187 624</b>	<b>31 356</b>	<b>381</b>	<b>349 373</b>
Net intersegment revenue	(1 986)	2 513	(527)	-	-
ROE (post-tax)*	19.6%	37.1%	15.0%	(63500%)	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

\* Refer to calculation on page 26

At 31 March £'million	UK & Europe	Southern Africa	Australia	Other geographies	Total group
<b>2 Combined consolidated segmental analysis (continued)</b>					
<b>Geographical analysis 2007</b>					
<b>Assets</b>					
Cash and balances at central banks	31	60	12	-	103
Loans and advances to banks	766	1 635	75	1	2 477
Cash equivalent advances to customers	23	665	-	-	688
Reverse repurchase agreements and cash collateral on securities borrowed	1 980	205	-	-	2 185
Trading securities	491	1 592	68	-	2 151
Derivative financial instruments	255	403	67	-	725
Investment securities	1 392	29	356	-	1 777
Loans and advances to customers	4 004	5 523	663	-	10 190
Interests in associated undertakings	53	-	17	-	70
Deferred taxation assets	23	31	5	-	59
Other assets	932	469	7	-	1 408
Property and equipment	121	9	2	-	132
Investment properties	-	85	-	-	85
Goodwill	153	27	16	-	196
Intangible assets	18	18	-	-	36
	10 242	10 751	1 288	1	22 282
Other financial instruments at fair value through income in respect of					
- liabilities to customers	-	3 025	-	-	3 025
- assets related to reinsurance contracts	-	993	-	-	993
	10 242	14 769	1 288	1	26 300
<b>Liabilities</b>					
Deposits by banks	1 434	913	-	-	2 347
Derivative financial instruments	72	399	39	-	510
Other trading liabilities	96	226	-	-	322
Repurchase agreements and cash collateral on securities lent	1 598	168	-	-	1 766
Customer accounts	3 786	5 148	451	-	9 385
Debt securities in issue	681	2 175	478	-	3 334
Current taxation liabilities	38	71	5	-	114
Deferred taxation liabilities	9	39	-	-	48
Other liabilities	1 070	697	23	-	1 790
Pension fund liabilities	1	-	-	-	1
	8 785	9 836	996	-	19 617
Liabilities to customers under investment contracts	-	3 004	-	-	3 004
Insurance liabilities, including unit-linked liabilities	-	21	-	-	21
Reinsured liabilities	-	993	-	-	993
	8 785	13 854	996	-	23 635
Subordinated liabilities (including convertible debt)	562	228	41	-	831
	9 347	14 082	1 037	-	24 466

## Notes to the financial statements (continued)

For the year to 31 March £'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
<b>2 Combined consolidated segmental analysis (continued)</b>					
<b>Geographical analysis 2006</b>					
<b>Net interest income</b>	<b>101 086</b>	<b>133 965</b>	<b>23 544</b>	<b>557</b>	<b>259 152</b>
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
<b>Other income</b>	<b>263 601</b>	<b>708 433</b>	<b>19 099</b>	<b>7 405</b>	<b>998 538</b>
Claims and reinsurance premiums on insurance business	-	(293 135)	-	-	(293 135)
<b>Total operating income net of insurance claims</b>	<b>364 687</b>	<b>549 263</b>	<b>42 643</b>	<b>7 962</b>	<b>964 555</b>
Impairment losses on loans and advances	(6 291)	(1 919)	(950)	-	(9 160)
<b>Operating income</b>	<b>358 396</b>	<b>547 344</b>	<b>41 693</b>	<b>7 962</b>	<b>955 395</b>
Administrative expenses	(248 053)	(277 482)	(25 376)	(7 976)	(558 887)
Depreciation and impairment of property equipment and intangibles	(2 607)	(4 452)	(574)	(108)	(7 741)
<b>Operating profit before goodwill</b>	<b>107 736</b>	<b>265 410</b>	<b>15 743</b>	<b>(122)</b>	<b>388 767</b>
Goodwill	-	(21 356)	-	-	(21 356)
<b>Operating profit</b>	<b>107 736</b>	<b>244 054</b>	<b>15 743</b>	<b>(122)</b>	<b>367 411</b>
Profit on disposal of group operations	73 700	-	-	(127)	73 573
<b>Profit before taxation</b>	<b>181 436</b>	<b>244 054</b>	<b>15 743</b>	<b>(249)</b>	<b>440 984</b>
Taxation	(28 387)	(78 378)	(4 851)	-	(111 616)
<b>Profit after taxation</b>	<b>153 049</b>	<b>165 676</b>	<b>10 892</b>	<b>(249)</b>	<b>329 368</b>
Earnings attributable to minority shareholders	6 893	7 374	-	-	14 267
Earnings attributable to shareholders	146 156	158 302	10 892	(249)	315 101
	<b>153 049</b>	<b>165 676</b>	<b>10 892</b>	<b>(249)</b>	<b>329 368</b>
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

\* Refer to calculation on page 26

At 31 March £'million	UK & Europe	Southern Africa	Australia	Total group
<b>2 Combined consolidated segmental analysis (continued)</b>				
<b>Geographical analysis 2006</b>				
<b>Assets</b>				
Cash and balances at central banks	9	180	2	191
Loans and advances to banks	518	1 232	81	1 831
Cash equivalent advances to customers	-	690	-	690
Reverse repurchase agreements and cash collateral on securities borrowed	642	114	-	756
Trading securities	159	1 479	1	1 639
Derivative financial instruments	237	842	2	1 081
Investment securities	1 104	26	136	1 266
Loans and advances to customers	3 230	5 972	403	9 605
Interests in associated undertakings	62	-	1	63
Deferred taxation assets	25	33	3	61
Other assets	955	315	3	1 273
Property and equipment	15	10	2	27
Investment properties	-	163	-	163
Goodwill	125	47	12	184
Intangible assets	1	9	-	10
	7 082	11 112	646	18 840
Other financial instruments at fair value through income in respect of				
- liabilities to customers	-	3 629	-	3 629
- assets related to reinsurance contracts	-	1 432	-	1 432
	7 082	16 173	646	23 901
<b>Liabilities</b>				
Deposits by banks	1 154	725	-	1 879
Derivative financial instruments	46	659	1	706
Other trading liabilities	124	333	-	457
Repurchase agreements and cash collateral on securities lent	273	86	-	359
Customer accounts	3 207	5 239	253	8 699
Debt securities in issue	511	2 192	247	2 950
Current taxation liabilities	37	99	1	137
Deferred taxation liabilities	-	25	1	26
Other liabilities	841	731	11	1 583
Pension fund liabilities	2	-	-	2
	6 195	10 089	514	16 798
Liabilities to customers under investment contracts	-	3 489	-	3 489
Insurance liabilities, including unit-linked liabilities	-	140	-	140
Reinsured liabilities	-	1 432	-	1 432
	6 195	15 150	514	21 859
Subordinated liabilities (including convertible debt)	226	304	-	530
	6 421	15 454	514	22 389



# Notes to the financial statements (continued)

## 2 Combined consolidated segmental analysis (continued)

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

For the year to 31 March £'000	UK & Europe	Southern Africa	Australia	Other geographies	Total group
<b>2007</b>					
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)
<b>Total group</b>	<b>167 382</b>	<b>268 673</b>	<b>30 149</b>	<b>381</b>	<b>466 585</b>
<b>2006</b>					
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
<b>Total group</b>	<b>107 736</b>	<b>265 410</b>	<b>15 743</b>	<b>(122)</b>	<b>388 767</b>

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

For the year to 31 March £'000	2007	2006
<b>Private Client Activities</b>		
Private Banking	154 391	101 523
Private Client Portfolio Management and Stockbroking	22 081	16 642
	<b>176 472</b>	<b>118 165</b>
<b>Capital Markets</b>	<b>117 291</b>	<b>66 916</b>
<b>Investment Banking</b>		
Corporate Finance	15 890	11 608
Institutional Research and Sales and Trading	14 394	14 982
Direct Investments	18 148	34 218
Private Equity	42 803	40 122
	<b>91 235</b>	<b>100 930</b>
<b>Asset Management</b>	<b>68 112</b>	<b>59 376</b>
<b>Property Activities</b>	<b>14 144</b>	<b>18 598</b>
<b>Group Services and Other Activities</b>		
International Trade Finance	5 462	4 505
US continuing operations	-	(120)
UK Traded Endowments	(109)	(47)
Assurance Activities	1 646	11 518
	<b>6 999</b>	<b>15 856</b>
Central Funding	66 981	66 777
Central Costs	(74 649)	(57 851)
	<b>(669)</b>	<b>24 782</b>
<b>Total group</b>	<b>466 585</b>	<b>388 767</b>

For the year to 31 March £'000	2007	2006
<b>3 Principal transactions</b>		
Principal transaction income includes		
Gross trading income	103 469	126 203
Funding cost against trading income	(33 665)	(16 832)
Net trading income	69 804	109 371
Fair value movement from financial instruments designated as held at fair value	142 769	99 825
Gains/(losses) on available for sale instruments	4 626	(803)
Impairments on available for sale instruments	(1 529)	-
Fair value income on investment properties	17 339	28 301
Dividend income	10 360	9 340
Other income	2 093	25
	<b>245 463</b>	<b>246 059</b>
Fair value movement from financial instruments designated as held at fair value includes		
Fair value movement of designated equity positions	103 351	79 669
Fair value movement of designated loans and receivables net of associated derivative instruments	15 686	187
Fair value movement of designated securities	14 464	15 245
Fair value movement of designated liabilities	9 268	4 724
	<b>142 769</b>	<b>99 825</b>
<b>4 Other operating income</b>		
Rental income from properties	1 558	1 950
Gains on realisation of properties	42	771
Operating income of non-core businesses*	48 085	-
	<b>49 685</b>	<b>2 721</b>
* Includes income of certain private equity investments that have been consolidated with their respective operating costs included in administrative costs		
<b>5 Administrative expenses</b>		
Staff costs	482 050	372 643
Salaries and wages (including directors' remuneration)	443 573	341 839
Social security costs	23 092	17 474
Pensions and provident fund contributions	15 385	13 330
Premises (excluding depreciation)	35 610	39 607
Equipment (excluding depreciation)	29 684	19 837
Business expenses**	105 911	104 258
Marketing expenses	27 432	22 542
	<b>680 687</b>	<b>558 887</b>
The following amounts were paid to the auditors		
Audit fees	5 096	4 654
Audit related fees	276	211
Other services	443	635
	<b>5 815</b>	<b>5 500</b>
Audit fees by audit firm		
Ernst & Young	4 096	3 750
KPMG Inc	1 635	1 620
Other	84	130
	<b>5 815</b>	<b>5 500</b>

Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration report on pages 121 to 138

\*\* Business expenses significantly comprise insurance costs consulting and professional fees, travel expenses and subscriptions

## Notes to the financial statements (continued)

For the year to 31 March £'000	2007	2006
<b>6 Share based payments</b>		
The group operates share option and share purchase schemes for employees, the majority of which are on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided on pages 132 to 138 of the remuneration report.		
Expense charged to profit and loss (included in administrative expenses)		
Equity settled	27 568	18 065
Cash settled	408	575
<b>Total profit and loss charge</b>	<b>27 976</b>	<b>18 640</b>
Liabilities on cash settled options		
Total liability included in other liabilities	121	495
Total intrinsic value for vested appreciation rights	390	2 064
Weighted average fair value of options granted in the year		
UK Schemes	43 616	12 500
SA Schemes	34 618	15 678

At 31 March	UK Schemes				South African Schemes			
	2007	2006	2007	2006	2007	2006	2007	2006
	Number of share options	Weighted average exercise price £	Number of share options^	Weighted average exercise price^ £	Number of share options	Weighted average exercise price ZAR	Number of share options^	Weighted average exercise price^ ZAR
Details of options outstanding during the year								
Outstanding at the beginning of the year	27 875 005	1.27	31 307 820	1.62	34 131 575	20.95	40 515 080	24.03
Granted during the year	7 640 248	0.54	5 170 135	0.83	6 627 281	0.00	3 585 175	15.11
Exercised during the year*	(5 198 882)	2.13	(6 581 710)	2.40	(8 457 472)	30.20	(8 510 895)	30.33
Expired during the year	(1 286 465)	3.24	(2 021 240)	2.32	(1 759 038)	18.50	(1 457 785)	32.62
<b>Outstanding at the end of the year</b>	<b>29 029 906</b>	<b>0.84</b>	<b>27 875 005</b>	<b>1.27</b>	<b>30 542 346</b>	<b>14.02</b>	<b>34 131 575</b>	<b>20.95</b>
<b>Exercisable at the end of the year</b>	<b>1 059 148</b>	<b>3.11</b>	<b>1 361 805</b>	<b>3.67</b>	<b>3 355 132</b>	<b>39.73</b>	<b>3 957 805</b>	<b>40.71</b>

\* Weighted average share price during the year was £5.81

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

## 6 Share based payments (continued)

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

For the year to 31 March	UK Schemes		South African Schemes	
	2007	2006 <sup>^</sup>	2007	2006 <sup>^</sup>
Exercise price range	£0 - £3.47	£1.55-£4.99	R0-R57.60	R25.00-R54.41
Weighted average remaining contractual life	3.13 years	7.4 years	3.13 years	5.9 years
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year the inputs into the model were as follows:				
- Share price at date of grant	£4.98-£6.11	£3.41-£4.99	R64-R81	R33.46-R25.04
- Exercise price	£0, £4.98-£6.11	£1.55-£4.30	R nil	R33.4-R54.41
- Expected volatility	39%	28% -30%	35%-39%	28% -30%
- Option life	5-5.25 Years	5 years	5 Years	5-5.75 years
- Expected dividend yields	3.52%-4.03%	3.15%-4.27%	3.94%-4%	3.36%-4.67%
- Risk-free rate	3.98%-5.10%	4.23%-4.69%	8.82%-8.94%	6.74%-7.78%

Expected volatility was determined based on historical volatility of the respective share price over 6 months. The expected attrition rates used were determined based on historical group data, with an adjustment to actual attrition on final vesting.

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

## 7 Taxation

For the year to 31 March £'000	2007	2006
<b>Current tax</b>		
UK		
- current tax on income for the year	20,983	20,124
- adjustments in respect of prior years	(3,161)	6,286
- corporation tax before double tax relief	17,822	26,410
- double tax relief	(1,397)	(3,710)
	16,425	22,700
Southern Africa	65,303	80,144
Europe	7,658	4,096
Australia	9,328	5,804
Other	5,716	1,427
	88,005	91,471
Secondary taxation on companies*	7,318	689
<b>Total current tax</b>	<b>111,748</b>	<b>114,860</b>
<b>Deferred tax</b>		
UK	7,679	(123)
Southern Africa	318	(2,455)
Europe	(109)	287
Australia	145	(953)
<b>Total deferred tax</b>	<b>8,033</b>	<b>(3,244)</b>
<b>Total tax charge for the year</b>	<b>119,781</b>	<b>111,616</b>
Deferred tax comprises		
Origination and reversal of temporary differences	8,475	(3,025)
Adjustment in respect of prior years	(442)	(219)
	<b>8,033</b>	<b>(3,244)</b>

\* Secondary taxation on companies is an additional corporate tax on South African entities on declaration of dividends

## Notes to the financial statements (continued)

For the year to 31 March  
£'000

	2007	2006
<b>7 Taxation (continued)</b>		
Items which affect the tax rate going forward are		
Estimated tax losses arising from trading activities, available for relief against future taxable income		
UK	Nil	Nil
South Africa	Nil	Nil
Europe	Nil	Nil
The rates of corporation tax for the relevant years are	%	%
UK	30	30
South Africa	29	29
Europe (average)	20	20
Australia	30	30
USA	35	35
Profit on ordinary activities before taxation	469 154	440 984
Tax on profit on ordinary activities	119 781	111 616
Effective tax rate	26%	25%
The tax charge on activities for the year is different to the standard rate as detailed below		
Tax on profit on ordinary activities before taxation at UK rate of 30%	140 746	132 295
Tax calculated at a rate of 30%		
Non taxable gain on sale of subsidiaries	-	(23 551)
Tax adjustments relating to foreign earnings	(7 196)	2 513
Taxation relating to prior years	(3 605)	6 067
Goodwill and non operating items	(3 204)	321
Share options accounting expense	2 555	2 240
Share options exercised during the year	(3 824)	(1 950)
Unexpired share options future tax deduction	(1 489)	(4 918)
Income from associate	(2 858)	(1 725)
Net other permanent differences	3 135	3 659
Utilisation of brought forward capital losses	(4 479)	(3 335)
<b>Total tax charge</b>	<b>119 781</b>	<b>111 616</b>

For the year to 31 March	2007	2006
<b>8 Earnings per share</b>		
<b>Earnings per share - pence</b>	547	<sup>^</sup> 538
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		
	£'000	£'000
Earnings attributable to the shareholders per income statement	340 319	315 101
Preference dividends paid	(31 850)	(19 940)
Earnings attributable to ordinary shareholders	308 469	295 161
Earnings from future dilutive convertible instruments	974	2 675
Diluted earnings attributable to ordinary shareholders	309 443	297 836
<b>Diluted earnings per share - pence</b>	504	<sup>^</sup> 500
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year		
Weighted average total number of shares in issue during the year	602 052 096	<sup>^</sup> 593 166 365
Weighted average number of treasury shares	(38 269 412)	<sup>^</sup> (44 327 451)
Weighted average number of ordinary shares in issue during the year	563 782 684	<sup>^</sup> 548 838 914
Weighted average number of shares resulting from future dilutive potential shares	41 146 215	<sup>^</sup> 29 424 371
Weighted average number of shares resulting from future dilutive convertible instruments	8 787 292	<sup>^</sup> 17 869 970
Adjusted weighted number of ordinary shares potentially in issue	613 716 191	<sup>^</sup> 596 133 255
<b>Adjusted earnings per share-pence</b>	533	<sup>^</sup> 419
Adjusted earnings per share (pence) is calculated by dividing the earnings before deducting goodwill and non-operating items attributable to the ordinary shareholders after taking into account earnings attributable to perpetual preference shareholders by the weighted average number of ordinary shares in issue during the year		
	£'000	£'000
Earnings attributable to shareholders per income statement	340 319	315 101
Goodwill	(2 569)	21 356
Profit on disposal of group operations	-	(73 573)
Preference dividends paid	(31 850)	(19 940)
Additional earnings attributable to other equity holders*	(5 196)	(12 927)
Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items	300 704	230 017
Earnings from future dilutive convertible instruments	974	2 675
Diluted adjusted earnings attributable to ordinary shareholders	301 678	232 692
<b>Diluted adjusted earnings per share - pence</b>	492	<sup>^</sup> 390
<b>Headline earnings per share - pence</b>		
Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings" and in terms of circular 7/2002 issued by the South African Institute of Chartered Accountants, and is disclosed in accordance with the JSE listing requirements		
	523	<sup>^</sup> 406

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

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

## Notes to the financial statements (continued)

For the year to 31 March	2007	2006
<b>8 Earnings per share (continued)</b>		
	<b>£'000</b>	<b>£'000</b>
Earnings attributable to shareholders per income statement	340 319	315 101
Goodwill	(2 569)	21 356
Profit on disposal of group operations	-	(73 573)
Preference dividends paid	(31 850)	(19 940)
Gains and losses recognised on investment properties (after tax and minority interests)	(8 820)	(20 724)
Other headline adjustments**	(2 199)	585
<b>Headline earnings attributable to ordinary shareholders</b>	<b>294 881</b>	<b>222 805</b>
Earnings from future dilutive convertible instruments	974	2 675
<b>Diluted headline earnings attributable to ordinary shareholders</b>	<b>295 855</b>	<b>225 480</b>
<b>Diluted headline earnings per share - pence</b>	<b>48.2</b>	<b>^37.8</b>
** Other headline adjustments includes, fair value of investment properties and realisation gains/losses on available for sale instruments		
^ Restated for the share subdivision of 5 shares for 1 that took place on 4 September 2006		
<b>Earnings per share - pence</b>		
As previously reported		
Basic		268.9
Diluted		249.8
<b>Adjusted earnings per share - pence</b>		
As previously reported		
Basic		209.5
Diluted		195.2
<b>Headline earnings per share - pence</b>		
As previously reported		
Basic		203.0
Diluted		189.1

For the year to 31 March	2007		2006	
	Pence per share	Total £'000	Pence per share <sup>^</sup>	Total £'000
<b>9 Dividends</b>				
<b>Ordinary dividend</b>				
Final dividend for prior year	10 60	55 415	7 40	41 681
Interim dividend for current year	10 00	57 177	7 60	42 754
Total dividend attributable to ordinary shareholder recognised in current financial year	20 60	112 592	15 00	84 435

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.

Ordinary dividends per share as previously reported (pence per share)

Final dividend for 2005

37

Interim dividend for 2006

38

75

Perpetual preference dividend	2007			2006	
	Pence per share <sup>#</sup>	Cents per share <sup>*</sup>	Total (£'million)	Cents per share	Total (£'million)
Final dividend for prior year	-	759 16	20 411	504 19	6 917
Interim dividend for current year	9 30	797 50	11 439	767 13	13 023
Total dividend attributable to perpetual preference shareholder recognised in current financial year	9 30	1 556 66	31 850	1 271 32	19 940

The directors have declared a final dividend in respect of the financial year ended 31 March 2007 of 30.2 pence (Investec plc shares traded on the JSE Limited) and 6.51 pence (Investec plc 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.

# Perpetual preference share dividends from Investec plc

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

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

#### 10 Miscellaneous income statement items

For the year to 31 March £'000	2007	2006
Total foreign currency losses recognised in income except financial instruments measured at fair value through income	1 139	1 222
Operating lease expenses recognised in administrative expenses split as follows		
Minimum lease payments	32 481	33 496
Contingent rents	5	9
Sublease payments	11	-
	32 497	33 505
Operating lease income recognised in income split as follows		
Minimum lease payments	2 032	1 170
Sublease payments	4 622	4 639
	6 654	5 809



# Notes to the financial statements (continued)

At 31 March 2007  
£'000

At 31 March 2007 £'000	At fair value through profit and loss		Held-to-maturity
	Trading	Designated at inception	
11 Analysis of assets and liabilities by financial instrument classification			
Assets			
Cash and balances at central banks	-	-	-
Loans and advances to banks	7 296	-	-
Cash equivalent advances to customers	48 304	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	2 185 322	-	-
Trading securities	1 131 857	1 019 179	-
Derivative financial instruments	724 492	-	-
Investment securities	-	1 928	144 202
Loans and advances to customers	-	1 173 702	-
Interests in associated undertakings	-	-	-
Deferred taxation assets	-	-	-
Other assets	561 696	7 608	-
Property and equipment	-	-	-
Investment properties	-	-	-
Goodwill	-	-	-
Intangible assets	-	-	-
	4 658 967	2 202 417	144 202
Financial instruments at fair value through income in respect of			
- liabilities to customers	-	-	-
- assets related to reinsurance contracts	-	-	-
	4 658 967	2 202 417	144 202
Liabilities			
Deposits by banks	3 517	-	-
Derivative financial instruments	509 919	-	-
Other trading liabilities	321 863	-	-
Repurchase agreements and cash collateral on securities lent	1 765 671	-	-
Customer accounts	84 853	598 979	-
Debt securities in issue	324 779	316 993	-
Current taxation liabilities	-	-	-
Deferred taxation liabilities	-	-	-
Other liabilities	750 425	8 299	-
Pension fund liabilities	-	-	-
	3 761 027	924 271	-
Liabilities to customers under investment contracts	-	-	-
Insurance liabilities, including unit-linked liabilities	-	-	-
Reinsured liabilities	-	-	-
	3 761 027	924 271	-
Subordinated liabilities (including convertible debt)	-	-	-
	3 761 027	924 271	-

Loans and receivables	Available for sale	Financial liabilities at amortised cost	Insurance related	Non financial instruments	Total
102 751	-	-	-	-	102 751
2 469 673	-	-	-	-	2 476 969
639 614	-	-	-	-	687 918
-	-	-	-	-	2 185 322
-	-	-	-	-	2 151 036
-	-	-	-	-	724 492
-	1 630 471	-	-	-	1 776 601
8 519 946	496 604	-	-	-	10 190 252
-	-	-	-	70 332	70 332
-	-	-	-	59 394	59 394
793 670	-	-	-	45 185	1 408 159
-	-	-	-	131 505	131 505
-	-	-	-	85 424	85 424
-	-	-	-	195 883	195 883
-	-	-	-	35 829	35 829
12 525 654	2 127 075	-	-	623 552	22 281 867
-	-	-	3 024 997	-	3 024 997
-	-	-	992 824	-	992 824
12 525 654	2 127 075	-	4 017 821	623 552	26 299 688
-	-	2 343 578	-	-	2 347 095
-	-	-	-	-	509 919
-	-	-	-	-	321 863
-	-	-	-	-	1 765 671
-	-	8 701 016	-	-	9 384 848
-	-	2 691 944	-	-	3 333 716
-	-	113 967	-	-	113 967
-	-	-	-	48 048	48 048
-	-	868 997	-	162 684	1 790 405
-	-	-	-	1 467	1 467
-	-	14 719 502	-	212 199	19 616 999
-	-	-	3 004 254	-	3 004 254
-	-	-	20 743	-	20 743
-	-	-	992 824	-	992 824
-	-	14 719 502	4 017 821	212 199	23 634 820
-	-	830 705	-	-	830 705
-	-	15 550 207	4 017 821	212 199	24 465 525

## Notes to the financial statements (continued)

At 31 March 2006  
£'000

At 31 March 2006 £'000	At fair value through profit and loss		Held-to-maturity
	Trading	Designated at inception	
II Analysis of assets and liabilities by financial instrument classification (continued)			
<b>Assets</b>			
Cash and balances at central banks	-	-	-
Loans and advances to banks	8 371	-	-
Cash equivalent advances to customers	211 662	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	756 645	-	-
Trading securities	1 281 994	358 094	-
Derivative financial instruments	1 081 287	-	-
Investment securities	-	9 663	123 615
Loans and advances to customers	-	1 397 198	-
Interests in associated undertakings	-	-	-
Deferred taxation assets	-	-	-
Other assets	572 353	17 394	-
Property and equipment	-	-	-
Investment properties	-	-	-
Goodwill	-	-	-
Intangible assets	-	-	-
	3 912 312	1 782 349	123 615
Financial instruments at fair value through income in respect of			
- liabilities to customers	-	-	-
- assets related to reinsurance contracts	-	-	-
	3 912 312	1 782 349	123 615
<b>Liabilities</b>			
Deposits by banks	-	-	-
Derivative financial instruments	705 764	-	-
Other trading liabilities	457 254	-	-
Repurchase agreements and cash collateral on securities lent	358 278	-	-
Customer accounts	90 261	370 296	-
Debt securities in issue	429 203	625 086	-
Current taxation liabilities	-	-	-
Deferred taxation liabilities	-	-	-
Other liabilities	644 313	2 358	-
Pension fund liabilities	-	-	-
	2 685 073	997 740	-
Liabilities to customers under investment contracts	-	-	-
Insurance liabilities, including unit-linked liabilities	-	-	-
Reinsured liabilities	-	-	-
	2 685 073	997 740	-
Subordinated liabilities (including convertible debt)	-	-	-
	2 685 073	997 740	-

Loans and receivables	Available for sale	Financial liabilities at amortised cost	Insurance related	Non financial instruments	Total
190 838	-	-	-	-	190 838
1 740 970	81 262	-	-	-	1 830 603
478 574	-	-	-	-	690 236
-	-	-	-	-	756 645
-	-	-	-	-	1 640 088
-	-	-	-	-	1 081 287
75	1 133 320	-	-	-	1 266 673
7 775 895	431 496	-	-	-	9 604 589
-	-	-	-	63 099	63 099
-	-	-	-	60 035	60 035
643 380	-	-	-	39 660	1 272 787
-	-	-	-	26 916	26 916
-	-	-	-	163 049	163 049
-	-	-	-	183 560	183 560
-	-	-	-	10 094	10 094
10 829 732	1 646 078	-	-	546 413	18 840 499
-	-	-	3 628 574	-	3 628 574
-	-	-	1 431 876	-	1 431 876
10 829 732	1 646 078	-	5 060 450	546 413	23 900 949
-	-	1 879 483	-	-	1 879 483
-	-	-	-	-	705 764
-	-	-	-	-	457 254
-	-	-	-	-	358 278
-	-	8 238 608	-	-	8 699 165
-	-	1 895 814	-	-	2 950 103
-	-	137 426	-	-	137 426
-	-	-	-	26 210	26 210
-	-	877 450	-	58 735	1 582 856
-	-	-	-	2 013	2 013
-	-	13 028 781	-	86 958	16 798 552
-	-	-	3 488 756	-	3 488 756
-	-	-	139 818	-	139 818
-	-	-	1 431 876	-	1 431 876
-	-	13 028 781	5 060 450	86 958	21 859 002
-	-	529 854	-	-	529 854
-	-	13 558 635	5 060 450	86 958	22 388 856

## Notes to the financial statements (continued)

At 31 March £'000	Carrying value	Fair value gain/(loss) Life to date	Year to date
12 Financial assets and liabilities designated at fair value through profit and loss			
2007			
Investment securities	1 928	134	132
Loans and advances	1 173 702	(993)	(27 383)
Trading securities	1 019 179	171 599	91 794
Other assets	7 608	547	(1 088)
	2 202 417	171 287	63 455
Customer accounts	598 979	10 264	(9 847)
Debt securities in issue	316 993	(441)	(389)
Other liabilities	8 299	8 299	7 867
	924 271	18 122	(2 369)
2006			
Investment securities	9 663	1 854	1 822
Loans and advances	1 397 198	84 341	1 674
Trading securities	358 094	41 591	47 769
Other assets	17 394	(14 000)	-
	1 782 349	113 786	51 265
Customer accounts	370 296	26 669	5 012
Debt securities in issue	625 086	(69)	(36)
Other liabilities	2 358	-	-
	997 740	26 600	4 976

	2007		2006	
	Carrying value	Cumulative unrealised gains/(losses)	Carrying value	Cumulative unrealised gains/(losses)
<b>13 Trading securities</b>				
Listed equities	641 536	(24 929)	290 238	(16 199)
Unlisted equities	193 121	91 472	263 610	54 323
Promissory notes	40 114	1 325	74 542	19 848
Liquid asset bills	270 803	2 778	352 440	2 809
Debentures	349 623	4 243	352 363	5 460
Bonds	655 839	4 966	306 895	23 282
	<b>2 151 036</b>	<b>79 855</b>	<b>1 640 088</b>	<b>89 523</b>

# 14 Derivative financial instruments

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

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

At 31 March £'000	2007			2006		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
<b>Foreign exchange derivatives</b>						
Forward foreign exchange	7 771 869	72 518	84 429	6 329 855	147 723	1 520
Currency swaps	2 443 222	16 117	8 943	1 975 392	66 507	17 983
OTC options bought and sold	278 664	1 202	1 514	452 627	8 458	8 937
Other foreign exchange contracts	766	-	-	550 037	425	388
OTC derivatives	10 494 521	89 837	94 886	9 307 911	223 113	28 828
Exchange traded futures	-	-	-	142 200	2	-
	<b>10 494 521</b>	<b>89 837</b>	<b>94 886</b>	<b>9 450 111</b>	<b>223 115</b>	<b>28 828</b>
<b>Interest rate derivatives</b>						
Caps and floors	1 245 817	1 492	1 539	1 420 738	2 077	10 549
Swaps	18 905 362	159 960	168 501	32 562 527	416 142	456 948
Forward rate agreements	38 648 708	20 311	26 059	56 542 387	22 062	23 255
OTC options bought and sold	1 869 740	915	368	1 822 387	941	851
Other interest rate contracts	3 445	13	13	1 230 477	-	5 347
OTC derivatives	60 673 072	182 691	196 480	93 578 516	441 222	496 950
Exchange traded futures	8 004 427	116	280	1 537 782	468	537
Exchange traded options	118 533 158	-	156	-	-	-
	<b>187 210 657</b>	<b>182 807</b>	<b>196 916</b>	<b>95 116 298</b>	<b>441 690</b>	<b>497 487</b>
<b>Equity and stock index derivatives</b>						
OTC options bought and sold	496 404	56 022	36 754	40 194	131 251	94 024
Equity swaps and forwards	464 643	8 456	9 215	4 053	183	2 538
OTC derivatives	961 047	64 478	45 969	44 247	131 434	96 562
Exchange traded futures	960 935	2 011	96	18 585	-	1 054
Exchange traded options	55 630	1 276	1 022	50 790	941	331
Warrants	303 815	29 110	15 669	45 987	32 946	-
	<b>2 281 427</b>	<b>96 875</b>	<b>62 756</b>	<b>159 609</b>	<b>165 321</b>	<b>97 947</b>
<b>Commodity derivatives</b>						
OTC options bought and sold	789 618	136 656	110 924	639 278	164 403	103 883
Commodity swaps and forwards	1 628 409	189 826	82 333	751 982	119 737	49 052
OTC derivatives	2 418 027	326 482	193 257	1 391 260	284 140	152 935
Exchange traded futures	565 752	185 801	143 278	695 327	169 734	167 946
Exchange traded options	467 990	57 281	78 059	1 321 183	41 095	39 260
	<b>3 451 769</b>	<b>569 564</b>	<b>414 594</b>	<b>3 407 770</b>	<b>494 969</b>	<b>360 141</b>

## Notes to the financial statements (continued)

At 31 March £'000	2007			2006		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
<b>14 Derivative financial instruments (continued)</b>						
<b>Credit derivatives</b>						
Credit linked notes bought and sold	-	-	-	6 043	-	121
Credit swaps bought and sold	43 703	494	845	9 486	12	3
	<b>43 703</b>	<b>494</b>	<b>845</b>	<b>15 529</b>	<b>12</b>	<b>124</b>
<b>Embedded derivatives</b>	<b>443 888</b>	<b>44 993</b>	-	<b>128 832</b>	<b>34 943</b>	-
Gross fair values		<b>984 570</b>	<b>769 997</b>		<b>1 360 050</b>	<b>984 527</b>
Effect of on balance sheet netting		(260 078)	(260 078)		(278 763)	(278 763)
Trading derivatives per balance sheet		<b>724 492</b>	<b>509 919</b>		<b>1 081 287</b>	<b>705 764</b>
Effect of master netting agreements		(277 299)	(277 299)		(419 195)	(419 195)
Net balances after master netting		<b>447 193</b>	<b>232 620</b>		<b>662 092</b>	<b>286 569</b>

At 31 March £'000	Group	
	2007	2006
<b>15 Investment securities</b>		
Listed equities	33 854	32 362
Unlisted equities	30 967	23 497
Commercial paper	1 277 443	906 188
Bonds	391 546	166 599
Floating rate notes	42 585	32 385
Other investments	206	105 642
	<b>1 776 601</b>	<b>1 266 673</b>

At 31 March £'000	2007	2006
<b>16 Loans and advances to customers</b>		
<b>Category analysis</b>		
Commercial property loans	3 486 799	2 816 243
Residential mortgages	1 932 566	1 872 477
Leases and instalment debtors	340 050	306 933
Corporate and public sector loans and advances	2 764 650	2 864 206
Other private bank lending	1 161 590	1 352 121
Other loans and advances	544 586	433 735
	<b>10 230 241</b>	<b>9 645 715</b>
Specific impairment	(33 194)	(31 056)
Portfolio impairment	(6 795)	(10 070)
	<b>10 190 252</b>	<b>9 604 589</b>
<b>Specific and portfolio impairments</b>		
Reconciliation of movements in group specific and portfolio impairments		
<b>Specific impairment</b>		
Balance at beginning of year	31 056	27 703
Charge to the income statement	17 379	8 718
Acquired	7 740	-
Utilised	(17 822)	(7 340)
Exchange adjustment	(5 159)	1 975
Balance at end of year	<b>33 194</b>	<b>31 056</b>
<b>Portfolio impairment</b>		
Balance at beginning of year	10 070	8 865
Charge to the income statement	(849)	442
Utilised	(441)	-
Exchange adjustment	(1 985)	763
Balance at end of year	<b>6 795</b>	<b>10 070</b>

**Securitisations**

Investec plc and Investec Limited enter into transactions in the normal course of business by which they transfer financial assets directly to third parties or to special purpose entities. These transfers may give rise to the full or partial derecognition of the financial assets concerned. The table below reflects securitised assets and related liabilities that continue to be recognised in the consolidated accounts.

£'000	Carrying amount of transferred asset	Carrying amount of associated liabilities
<b>2007</b>		
<b>Nature of transactions</b>		
Residential mortgages	449 242	449 242
Auto loans	69 858	69 858
Commercial mortgages	85 116	85 116
	<b>604 216</b>	<b>604 216</b>
<b>2006</b>		
<b>Nature of transactions</b>		
Residential mortgages	423 243	438 343



## Notes to the financial statements (continued)

At 31 March £'000	2007	2006
<b>17 Interests in associated undertakings</b>		
Interests in associated undertakings consist of		
Net asset value	6 128	(1 820)
Goodwill	64 204	64 919
Investment in associated undertaking	70 332	63 099
<b>Analysis of the movement in our share of net assets</b>		
At beginning of year	(1 820)	4 993
Exchange adjustments	(122)	107
Acquisitions	677	(11 653)
Disposal of shareholding in associate company	(306)	-
Adjustment in shareholding*	762	-
Operating income from associates	10 685	6 694
Dividends received	(4 699)	(1 455)
Non-operating items	-	(3 268)
Gains recognised in equity	1 351	2 762
At end of year	6 128	(1 820)
<b>Analysis of the movement in goodwill</b>		
At beginning of year	64 919	8 226
Exchange adjustments	47	25
Acquisitions	-	57 739
Adjustment in shareholding*	(762)	-
Goodwill impairment	-	(1 071)
At end of year	64 204	64 919
<b>Associated undertakings</b>		
Listed	55 657	49 045
Unlisted	14 675	14 054
	70 332	63 099
<b>Market value of listed investments</b>	180 026	166 289
The most significant investment held in associates in the year was Rensburg Sheppards plc ("RS") RS is a listed company on the London Stock Exchange and conducts the business of private client stockbroking		
At 31 March 2007 RS had the following shares of 10 90/91p	43 881 332	43 314 068
Less Shares held in RS Employee Share Ownership Trust	(233 600)	(76 660)
	43 647 782	43 237 408
Holding in RS ordinary shares (%)	47.33%	47.78%

\* During the year RS issued additional shares reducing Investec's share of net assets and goodwill

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

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

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

17 Interests in associated undertakings (continued)

£'000	Assets	Liabilities	Revenues	Adjusted Profit before tax*
Rensburg Sheppards plc				
Year ended 31 March 2007	377 092	207 400	122 297	35 923
16 months ended 31 March 2006	420 773	262 989	117 389	29 077

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

At 31 March £'000	2007	2006
<b>18 Deferred taxation</b>		
<b>Deferred taxation assets</b>		
Deferred capital allowances	6 438	13 251
Income and expenditure accruals	37 660	23 689
Arising from credits on secondary tax on companies (STC) in South Africa	-	8 953
Asset in respect of unexpired share options	13 194	8 172
Asset in respect of pensions liability	-	2 420
Other temporary differences	2 102	3 550
	<b>59 394</b>	<b>60 035</b>
<b>Deferred taxation liabilities</b>		
Unrealised fair value adjustments on financial instruments	35 669	22 943
Arising on anticipated foreign dividends	3 433	-
Liability in respect of pension surplus	816	-
Other temporary differences	8 130	3 267
	<b>48 048</b>	<b>26 210</b>
Net deferred taxation asset	<b>11 346</b>	<b>33 825</b>
<b>Reconciliation of net deferred taxation asset</b>		
At beginning of year	33 825	31 902
Charge to profit and loss	(8 033)	3 244
(Charge)/credit directly in equity	(893)	316
Deferred tax arising on pension fund deficit movement in equity	1 058	(874)
Arising on acquisitions	(395)	-
STC credits utilised	(7 208)	-
Transfer to corporation tax in respect of pensions contributions	(6 541)	-
Arising on disposals	-	(2 281)
Exchange adjustments	(467)	1 518
<b>At year end</b>	<b>11 346</b>	<b>33 825</b>
Deferred tax on available for sale instruments recognised directly in equity	(4 643)	(1 265)
Deferred tax on unexpired share options recognised directly in equity	5 109	1 576
<b>19 Other assets</b>		
Settlement debtors	1 055 410	980 166
Operating leased assets in stock	53 237	37 793
Dealing properties	26 634	29 748
Accruals and prepayments	60 637	82 937
Pension assets	4 178	3 248
Other debtors	208 063	138 895
	<b>1 408 159</b>	<b>1 272 787</b>

## Notes to the financial statements (continued)

At 31 March £'000	Freehold properties	Leasehold improve- ments	Furniture & vehicles	Equipment	Total
<b>20 Property and equipment</b>					
<b>2007</b>					
<b>Cost</b>					
At beginning of year	1 136	23 065	19 106	34 895	78 202
Exchange adjustments	(288)	(445)	(2 968)	(8 683)	(12 384)
Acquisition of subsidiary undertakings	3 893	196	29	89 310	93 428
Reclassifications	(53)	121	(121)	-	(53)
Additions	1 270	1 843	2 079	23 292	28 484
Disposals	-	(253)	(2 856)	(1 775)	(4 884)
At end of year	<b>5 958</b>	<b>24 527</b>	<b>15 269</b>	<b>137 039</b>	<b>182 793</b>
<b>Accumulated depreciation</b>					
At beginning of year	(53)	(8 870)	(14 486)	(27 877)	(51 286)
Exchange adjustments	-	296	2 020	3 855	6 171
Disposal of subsidiary undertakings	-	-	-	-	-
Reclassifications	53	(28)	28	-	53
Disposals	-	200	2 119	1 332	3 651
Depreciation	(13)	(1 522)	(1 221)	(6 798)	(9 554)
Impairment losses	-	(204)	(119)	-	(323)
At end of year	<b>(13)</b>	<b>(10 128)</b>	<b>(11 659)</b>	<b>(29 488)</b>	<b>(51 288)</b>
<b>Net book value</b>	<b>5 945</b>	<b>14 399</b>	<b>3 610</b>	<b>107 551</b>	<b>131 505</b>
<b>2006</b>					
<b>Cost</b>					
At beginning of year	1 107	24 764	17 851	35 981	79 703
Exchange adjustments	29	402	1 143	1 795	3 369
Disposal of subsidiary undertakings	-	(2 497)	(559)	(2 070)	(5 126)
Additions	-	403	1 122	2 542	4 067
Disposals	-	(7)	(451)	(3 353)	(3 811)
At end of year	<b>1 136</b>	<b>23 065</b>	<b>19 106</b>	<b>34 895</b>	<b>78 202</b>
<b>Accumulated depreciation</b>					
At beginning of year	(45)	(9 436)	(13 198)	(28 295)	(50 974)
Exchange adjustments	-	(472)	(1 156)	(1 567)	(3 195)
Disposal of subsidiary undertakings	-	2 188	529	1 887	4 604
Disposals	-	-	131	3 720	3 851
Depreciation	(8)	(1 150)	(792)	(3 622)	(5 572)
At end of year	<b>(53)</b>	<b>(8 870)</b>	<b>(14 486)</b>	<b>(27 877)</b>	<b>(51 286)</b>
<b>Net book value</b>	<b>1 083</b>	<b>14 195</b>	<b>4 620</b>	<b>7 018</b>	<b>26 916</b>

At 31 March £'000	2007	2006
<b>21 Investment properties</b>		
At beginning of year	163 049	202 352
Additions	680	12 847
Disposals	(57 992)	(94 524)
Revaluation	17 339	28 301
Exchange adjustment	(37 652)	14 073
At end of year	85 424	163 049
The group values its investment properties twice annually. The properties were valued by directors who are qualified valuers. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time. Investment properties are carried at fair value.		
<b>22 Goodwill</b>		
<b>Cost</b>		
At beginning of year	250 410	249 358
Acquisition of subsidiaries	22 675	9 487
Disposal of subsidiaries	-	(9 115)
Exchange adjustments	(30 558)	680
At end of year	242 527	250 410
<b>Accumulated impairments</b>		
At beginning of year	(66 850)	(50 045)
Income statement amount	2 569	(21 356)
Exchange adjustments	17 637	4 551
At end of year	(46 644)	(66 850)
<b>Net book value</b>	<b>195 883</b>	<b>183 560</b>
<b>Analysis of goodwill by line of business and geography</b>		
<b>UK and Europe</b>		
Private Banking	17 434	17 536
Capital Markets	13 720	13 787
Investment Banking	33 498	6 112
Asset Management	88 045	88 045
	<b>152 697</b>	<b>125 480</b>
<b>South Africa</b>		
Private Client Portfolio Management and Stockbroking	2 550	3 371
Asset Management	24 067	40 115
Property Activities	310	3 001
	<b>26 927</b>	<b>46 487</b>
<b>Australia</b>		
Investment Banking	16 259	11 593
	<b>16 259</b>	<b>11 593</b>
<b>Total group</b>	<b>195 883</b>	<b>183 560</b>

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired.

The recoverable amount of goodwill is determined based on expected cashflows within the cash generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure.

## Notes to the financial statements (continued)

### 22 Goodwill (continued)

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

Goodwill arising on acquisition of £33.3 million related to the acquisition of Midwest Grain Processors LLC by Global Ethanol Holdings and the acquisition of Idatech LLC. See Note 24.

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

### 2007

The income statement amount comprises

- £8.1 million in respect of the portfolio of businesses acquired from the Fedsure Group. The impairment calculation was based on a discounted cashflow valuation, utilising a discount rate of 10%. £6.1 million of the impairment was in the Asset Management segment and £2 million was in the Property segment.
- NM Rothschild and Sons (Australia) Limited was acquired in the current year at a discount to net asset value resulting in negative goodwill of £10.7 million which has been released to the income statement.

### 2006

Impairment losses comprises

- £21.4 million in respect of the portfolio of businesses acquired from Fedsure Group. The impairment calculation was based on a discounted cashflow valuation, utilising a discount rate of 12.3%.

At 31 March £'000	Acquired contracts	Acquired software	Internally generated software	Core technology	Intellectual property	Total
<b>23 Intangible assets</b>						
<b>2007</b>						
<b>Cost</b>						
At beginning of year	7 071	17 216	1 257	-	-	25 544
Exchange adjustments	(3 343)	(2 317)	(367)	(245)	(266)	(6 538)
Acquisition of subsidiary	-	4	-	5 354	5 743	11 101
Additions	11 635	9 982	1 519	-	208	23 344
Disposals	-	(242)	-	-	-	(242)
At end of year	15 363	24 643	2 409	5 109	5 685	53 209
<b>Accumulated amortisation and impairments</b>						
At beginning of year	(930)	(13 949)	(571)	-	-	(15 450)
Exchange adjustments	713	1 799	423	-	-	2 935
Disposals	-	84	-	-	-	84
Amortisation	(1 511)	(2 212)	(766)	(222)	(238)	(4 949)
At end of year	(1 728)	(14 278)	(914)	(222)	(238)	(17 380)
<b>Net book value</b>	<b>13 635</b>	<b>10 365</b>	<b>1 495</b>	<b>4 887</b>	<b>5 447</b>	<b>35 829</b>
<b>2006</b>						
<b>Cost</b>						
At beginning of year	5 066	14 624	579	-	-	20 269
Exchange adjustments	249	654	86	-	-	989
Disposal of a subsidiary undertaking	-	(976)	-	-	-	(976)
Additions	2 863	3 097	592	-	-	6 552
Disposals	(1 107)	(183)	-	-	-	(1 290)
At end of year	7 071	17 216	1 257	-	-	25 544
<b>Accumulated amortisation and impairments</b>						
At beginning of year	-	(12 722)	(174)	-	-	(12 896)
Exchange adjustments	-	(572)	(40)	-	-	(612)
Disposal of a subsidiary undertaking	-	976	-	-	-	976
Disposals	-	140	41	-	-	181
Impairment	(116)	-	-	-	-	(116)
Amortisation	(814)	(1 771)	(398)	-	-	(2 983)
At end of year	(930)	(13 949)	(571)	-	-	(15 450)
<b>Net book value</b>	<b>6 141</b>	<b>3 267</b>	<b>686</b>	<b>-</b>	<b>-</b>	<b>10 094</b>

Charge to the profit and loss account in 2007 of £4 949 000 comprises the following

- Amortisation of acquired contracts core technology, intellectual property and computer software of £4 949 000
- The amortisation of acquired contracts is included in business expenses

Charge to the profit and loss account in 2006 of £3 099 000 comprises the following

- Amortisation of acquired contracts and computer software of £2 983 000
- Acquired contracts impairment of £116 000 in respect of a property management company. The impairment calculation was based on discounted cash flow
- The amortisation and impairment of acquired contracts is included in business expenses

# Notes to the financial statements (continued)

## 24 Acquisitions and disposals

### 2007

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

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

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

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

- ii In May 2006, Global Ethanol Holdings Limited ("GEHL"), acquired a 60% holding in Midwest Grain Processors LLC, a company engaged in the production and marketing of ethanol in the USA. The acquisition was financed by the issue of equity and shareholder loans which resulted in the Investec group having a 71.4% holding in GEHL. During the year GEHL has also completed a small number of acquisitions. For the period since Acquisition GEHL contributed £1 646 000 to the group's profit before tax.
- iii On 19 July 2006, IBUK acquired a 99.73% holding in IdaTech LLC, a company engaged in the development of fuel processors and fuel cell systems in the USA. The acquisition was satisfied by the payment of cash. For the period since Acquisition the loss before tax included in the group's results was £2 329 000.
- iv On 17 October 2006 Investec Property Group Limited (a subsidiary of Investec Limited) acquired a 100% holding in Spire Property Services (Pty) Ltd, a company engaged in the management of properties. The acquisition was satisfied by the payment of cash.

## 24 Acquisitions and disposals (continued)

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

Other acquisitions £'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	2 862	-	2 862
Other assets	14 778	-	14 778
Property and equipment	83 002	10 011	93 013
Intangible assets	1 464	20 084	21 548
<b>Total assets</b>	<b>102 106</b>	<b>30 095</b>	<b>132 201</b>
Deposits by banks	38 432	-	38 432
Other liabilities	10 522	6 469	16 991
Deferred tax liabilities	-	3 307	3 307
Minority interests	22 091	-	22 091
<b>Total liabilities and minorities</b>	<b>71 045</b>	<b>9 776</b>	<b>80 821</b>
<b>Fair value of net assets</b>	<b>31 061</b>	<b>20 319</b>	<b>51 380</b>
Goodwill			33 355
<b>Fair value of consideration</b>			<b>84 735</b>
In summary total fair value of consideration less cash arising on acquisitions			151 402

2006

## Acquisitions

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

- i In June 2005 £2.4 million of goodwill arose on the acquisition of a leasing book.
- ii In October 2005 the group acquired 100% of Jersey based trust group, Quorum Holdings Limited, resulting in £2.9 million of goodwill
- iii In January 2006 Investec Portfolio Management was acquired resulting in £4.2 million of goodwill

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

£'000	Book value at date of acquisition	Fair value adjustment	Fair values at date of acquisition
Loans and advances to banks	280	-	280
Loans and advances to customer	89 254	-	89 254
Intangible assets	3 117	-	3 117
Other assets	1 030	93	1 123
<b>Total assets</b>	<b>93 681</b>	<b>93</b>	<b>93 774</b>
Other liabilities	(661)	-	(661)
<b>Net assets / fair value of net assets</b>	<b>93 020</b>	<b>93</b>	<b>93 113</b>
Goodwill arising on acquisition			9 487
<b>Fair value of consideration</b>			<b>102 600</b>



# Notes to the financial statements (continued)

## 24 Acquisitions and disposals (continued)

2006

### Disposals

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

	£000	£000
22.7 million Rensburg shares issued at £4.99	113,273	
Subordinated loan	60,000	
Total consideration for sale of CSC	173,273	
Apportionment - gain equals 52.3% of total (as Investec retains 47.7% of Rensburg plc)		90,622
Less 52.3% of CSC's net assets		(11,092)
Net assets	12,128	
Goodwill	9,080	
	21,208	
Net gain on disposal of CSC	-	79,530
Net loss on disposal of other group undertakings		(1,027)
Gain on disposal of group undertakings		78,503
ii The group completed the disposal of its broker dealer in the United States, Investec (US) Inc, on 17 March 2006 There was no impact on goodwill		
iii Total cashflow on disposal is as detailed in the table below		
Goodwill		9,115
Total other assets		71,059
Total liabilities		(502,829)
		(422,655)
Minorities		(15,888)
Profit on disposal of subsidiaries		73,573
		(364,970)

- iv Other minor disposals results in net adjustments of £35,000 to goodwill

At 31 March £'000	2007	2006
<b>25 Long-term assurance business attributable to policyholders</b>		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	516 257	934 034
Investec Assurance Limited	2 487 997	2 554 722
Insurance liabilities including unit -linked liabilities - IEB	20 743	139 818
Reinsurance liabilities - IEB	992 824	1 431 876
<b>Total policyholder liabilities</b>	<b>4 017 821</b>	<b>5 060 450</b>
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below		
Investments	529 515	1 039 611
Reinsurance assets	992 824	1 431 876
Other assets	7 486	34 243
	<b>1 529 825</b>	<b>2 505 730</b>
Investments above comprise		
Interest bearing securities	79 248	142 490
Stocks shares and unit trusts	344 043	577 511
Deposits	106 228	319 610
	<b>529 519</b>	<b>1 039 611</b>
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below		
Investments	2 389 177	2 502 473
Debtors and prepayments	67 352	7 618
Other assets	31 468	44 631
	<b>2 487 997</b>	<b>2 554 722</b>
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise		
Interest bearing securities	159 395	329 137
Stocks shares and unit trusts	1 448 799	1 439 185
Deposits	780 983	734 151
	<b>2 389 177</b>	<b>2 502 473</b>
The business of Investec Assurance Limited is that of linked business with retirement funds		
The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.		
<b>Long-term assurance activities linked to policyholders</b>		
Income statement items related to assurance activities		
Investment income on assurance activities	36 821	141 559
Premiums and reinsurance recoveries in insurance contracts	80 542	164 631
Claims and reinsurance premiums on insurance business	(111 492)	(293 135)
Operating expenses	(4 225)	(1 534)
<b>Net income before taxation</b>	<b>1 646</b>	<b>11 521</b>
Taxation	(477)	(10 478)
<b>Net income after taxation</b>	<b>1 169</b>	<b>1 043</b>
<b>26 Other trading liabilities</b>		
Short positions		
equities	245 658	378 386
gilts	76 205	78 868
	<b>321 863</b>	<b>457 254</b>

## Notes to the financial statements (continued)

At 31 March £'000	2007	2006
<b>27 Debt securities in issue</b>		
Bonds and medium term notes repayable		
Up to one year	614 506	598 618
Greater than one year but less than five years	502 937	335 939
Greater than five years	6 269	-
	<b>1 123 712</b>	<b>934 557</b>
Other unlisted debt securities in issue repayable		
Not more than three months	782 992	961 748
Over three months but not more than one year	1 261 081	1 021 349
Over one year but not more than five years	165 931	32 449
	<b>2 210 004</b>	<b>2 015 546</b>
	<b>3 333 716</b>	<b>2 950 103</b>
Bonds that are listed on the Bond Exchange of South Africa have maturity dates as noted below		
£99.0 million		
Final legal maturity of 20 April 2024		
The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date but not before 20 April 2011		
£89.8 million		
Final legal maturity of 15 November 2029		
The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date but not before 15 November 2007		
£162.0 million		
Final legal maturity of 15 October 2031		
The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date but not before 15 July 2009		
£140.9 million		
Final legal maturity of 15 November 2032		
The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date but not before 15 November 2010		
<b>28 Other liabilities</b>		
Settlement liabilities	1 136 578	893 340
Cumulative redeemable preference shares including accrued dividends	186 672	286 810
Other creditors and accruals	260 331	90 949
Other non interest bearing liabilities	206 824	311 757
	<b>1 790 405</b>	<b>1 582 856</b>

At 31 March £'000	2007	2006
<b>29 Pension commitments</b>		
Income statement charge		
Defined benefit obligations	(896)	266
Defined contributions	16 281	13 064
Pension and provident fund contributions	15 385	13 330

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of two schemes in the United Kingdom being the Guinness Mahon Pension Fund Scheme ("GM Scheme") and the Investec Asset Management Pension Scheme ("IAM Scheme"). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2007 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions, in relation to the defined contribution schemes, outstanding at the year end.

The major assumptions used were:

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

#### Demographic assumptions

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

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

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

	Value at 2007 £'000	Long term rate of return expected	Value at 2006 £'000	Long term rate of return expected
<b>GM Scheme</b>				
Equities	40 122	7.60%	41 931	7.30%
Gilts	53 873	4.60%	47 462	4.30%
Cash	1 361	5.25%	3 782	4.50%
<b>Total market value of assets</b>	<b>95 356</b>		<b>93 175</b>	
<b>IAM Scheme</b>				
Equities	7 363	7.60%	6 231	7.30%
Gilts	1 841	4.60%	2 256	4.30%
Cash	484	5.25%	519	4.50%
<b>Total market value of assets</b>	<b>9 688</b>		<b>9 006</b>	

## Notes to the financial statements (continued)

## 29 Pension commitments (continued)

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

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

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expense is £131 million (£92 million net of deferred tax) 2006 £96 million (£67 million of deferred tax)

29 Pension commitments (continued)

At 31 March £'000	GM	IAM	Total
<b>Changes in the fair value of defined benefit obligations</b>			
Defined benefit obligation at 31 March 2005	82 871	9 857	92 728
Interest cost	4 471	547	5 018
Actuarial losses	5 765	630	6 395
Past service cost	-	187	187
Benefits paid	(3 180)	(202)	(3 382)
Opening defined benefit obligation at 31 March 2006	89 927	11 019	100 946
Interest cost	4 414	546	4 960
Actuarial losses/(gains)	165	(206)	(41)
Past service cost	-	4	4
Benefits paid	(3 328)	(208)	(3 536)
Closing defined benefit obligation at 31 March 2007	91 178	11 155	102 333
<b>Changes in the fair value of plan assets</b>			
Assets at 31 March 2005	74 447	7 290	81 737
Expected return	4 452	487	4 939
Actuarial gains	8 125	1 177	9 302
Contributions by the employer	9 331	254	9 585
Benefits paid	(3 180)	(202)	(3 382)
Opening defined benefit obligation at 31 March 2006	93 175	9 006	102 181
Expected return	5 272	588	5 860
Actuarial losses	(3 315)	(254)	(3 569)
Contributions by the employer	3 552	556	4 108
Benefits paid	(3 328)	(208)	(3 536)
Closing fair value of plan assets at 31 March 2007	95 356	9 688	105 044

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

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

## Notes to the financial statements (continued)

At 31 March £'000	2007	2006
<b>30 Subordinated liabilities</b>		
<b>Issued by Investec Finance plc</b>		
- a wholly owned subsidiary of Investec Bank (UK) Limited which is a wholly owned subsidiary of Investec plc		
Guaranteed subordinated step-up notes	195 055	200 306
Guaranteed undated subordinated callable step-up notes	345 658	-
<b>Issued by Investec Bank (UK) Limited</b>		
Zero coupon bonds	21 254	25 377
<b>Issued by Investec Australia Limited</b>		
Guaranteed subordinated medium term notes	41 077	-
<b>Issued by Investec Bank Limited</b>		
- a wholly owned subsidiary of Investec Limited		
Unsecured subordinated compulsorily convertible debentures (CCD's)	19 079	23 933
Class "C" unsecured subordinated CCDs	-	4 083
16% subordinated bonds 2012 issued in South African Rand	37 053	182 891
IV02 12.55% Subordinated unsecured callable bonds	70 443	93 264
IV03 16% subordinated bonds 2017 issued in South African Rand	101 086	-
	<b>830 705</b>	<b>529 854</b>
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand		
<b>Remaining maturity</b>		
In more than one year, but not more than two years	26 969	4 083
In more than two years but not more than five years	286 549	249 616
In more than five years	517 187	276 155
	<b>830 705</b>	<b>529 854</b>

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

The compulsorily convertible debentures issued by Investec Bank Limited were split at issue into their debt and equity components. The equity components were sold to employee share trusts. The debt components were sold to third parties, represented by the amounts above.

**Guaranteed subordinated step-up notes**

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

**Guaranteed undated subordinated callable step-up notes**

On 23 January 2007 Investec Finance plc issued £350 000 000 of 6.25% guaranteed undated subordinated step-up notes callable 2017 at a discount. Interest is paid semi-annually. The notes are guaranteed by Investec Bank (UK) Limited and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 23 January 2017, subject to the prior consent of the Financial Services Authority. On 23 January 2017 the interest rate will be reset to become three month LIBOR plus 2.11% payable quarterly in arrears.

### 30 Subordinated liabilities (continued)

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

#### Guaranteed subordinated medium term notes

A\$53 500 000 of floating rate medium term notes (MTN) issued on 3 December 2004 at 3 month Bank Bills Swap Rate (BBSW) plus 1 05% The maturity date is 3rd December 2014 Interest is payable quarterly up to and excluding the early redemption date 3 December 2009 After this date, if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1 55% payable quarterly in arrears

A\$21 500 000 of fixed rate MTN at 6 75% issued on the 3 December 2004 The maturity date is 3 December 2014 Interest is payable semi-annually up to and excluding the early redemption date 3 December 2009 After this date, if the issuers call is not exercised the MTN will convert to floating rate and the interest will be the aggregate of 3 month BBSW plus 1 55% payable quarterly in arrears

A\$25 000 000 of floating rate MTN issued on 10 August 2005 at 3 month BBSW plus 0 90 per cent. The maturity date is 10 August 2015 Interest is payable quarterly up to and excluding the early redemption date 10 August 2010 After this date if the issuers call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1 40% payable quarterly in arrears

#### Zero coupon bonds

On 31 July 2006 Investec Bank (UK) Limited issued 10 000 zero coupon bonds of US\$1 000 each at an effective yield of 4 48% The bonds mature on the 31 July 2009

On 16 November 2004 Investec Bank (UK) Limited issued 10 434 zero coupon bonds of £1 000 each at an effective yield of 6 948% The bonds mature on the 16 November 2009

On 29 July 2004 Investec Bank (UK) Limited issued 17 000 zero coupon bonds of US\$1 000 each at an effective yield of 4 57% The bonds matured on the 31 July 2006

On 29 March 2004 Investec Bank (UK) Limited issued 9 253 zero coupon bonds of £1 000 each at an effective yield of 6 89094% The bonds mature on 25 March 2009

#### Unsecured subordinated CCDs

The CCDs will convert into Investec Bank Limited ordinary shares on a one for one basis on 31 July 2008 The company at its discretion, may at the request of the holder convert at an earlier date

The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 17 869 970 Investec Limited ordinary shares

#### Class C unsecured CCD's

The equity component of the 2 000 000 Class C unsecured subordinated compulsorily convertible debentures were acquired by Investec Limited on 18 June 2002 in exchange for the issue of 10 000 000 Investec Limited shares

#### 16% subordinated bonds 2012 issued in South African Rand

R1 961 million (2006 - R1 961 million) Investec Bank Limited 16% local registered unsecured subordinated bonds are due in 2012 Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum The settlement date of the bonds is 31 March 2012

#### IV02 12 55% Subordinated unsecured callable bonds

R1 000 million (2006 - R1 000 million) Investec Bank Limited IV02 subordinated 12 55% unsecured callable bonds The bonds redemption date is 31 March 2013 but the company has the option to call the bond on 31 March 2008 If not called the bonds will switch to a floating rate of 3 month Jibar plus 300 basis points payable quarterly in arrears until maturity

#### IV03 16% subordinated bonds 2017 issued in South African Rand

R1 435 million (2006 nil) Investec Bank Limited local registered unsecured subordinated bonds are due in 2017 Interest is paid at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 3-month Jibar plus 200 basis points until maturity Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum The settlement date of the bonds is 31 March 2017



## Notes to the financial statements (continued)

At 31 March	2007	2006
<b>31 Called up share capital</b>		
<b>Investec plc</b>		
<b>Authorised</b>		
The authorised share capital of Investec plc is £177 500 (2006 £167 500) comprising 560 000 000 (2006 560 000 000) ordinary shares of £0.0002 each 277 500 000 (2006 277 500 000) Special Converting Shares of £0.0002 each, 1 (2006 1) Special Voting share of £0.001 each, 1 (2006 1) UK DAN Share of £0.001 and 1 (2006 1) UK DAS Share of £0.001 1 000 000 (2006 1 000 000) non-cumulative perpetual preference Shares of £0.01		
<b>Issued, allotted and fully paid</b>		
<b>Number of ordinary shares</b>	<b>Number</b>	<b>Number</b>
As previously reported		74 633 746
Restated for subdivision on 5 for 1 basis that took place on 4 September 2006	373 168 730	373 168 730
Issued during the year	8 444 477	-
At end of year	381 613 207	373 168 730
<b>Nominal value of ordinary shares</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	74	74
Issued during the year	2	-
At end of year	76	74
<b>Number of special converting shares</b>	<b>Number</b>	<b>Number</b>
As previously reported		43 999 527
Restated for subdivision on 5 for 1 basis that took place on 4 September 2006	219 997 635	219 997 635
Issued during the year	7 673 785	-
At end of year	227 671 420	219 997 635
<b>Nominal value of special converting shares</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	44	44
Issued during the year	2	-
At end of year	46	44
<b>Number of UK DAN shares</b>	<b>Number</b>	<b>Number</b>
At beginning and end of year	1	1
<b>Nominal value of UK DAN share</b>	<b>£'000</b>	<b>£'000</b>
At beginning and end of year	*	*
<b>Number of UK DAS shares</b>	<b>Number</b>	<b>Number</b>
At beginning and end of year	1	1
<b>Nominal value of UK DAS share</b>	<b>£'000</b>	<b>£'000</b>
At beginning and end of year	*	*
<b>Number of special voting shares</b>	<b>Number</b>	<b>Number</b>
At beginning and end of year	1	1
<b>Nominal value of special voting share</b>	<b>£'000</b>	<b>£'000</b>
At beginning and end of year	*	*

\* Less than £1 000

At 31 March	2007	2006
<b>31 Called up share capital (continued)</b>		
<b>Investec Limited</b>		
<b>Authorised</b>		
The authorised share capital of Investec Limited is South African Rand 1 205 502 (2006 R 1 205 502), comprising 277 500 000 (2006 277 500 000) ordinary shares of South African Rand 0 0002 each 40 000 000 (2006 40 000 000) Class 'A' variable rate compulsorily convertible non-cumulative preference shares of South African Rand 0 0002 each 50 000 (2006 50 000) variable rate cumulative redeemable preference shares of South African Rand 0 60 cents each, 100 000 000 (2006 100 000 000) non-redeemable non-cumulative non-participating preference shares of R0 01 each, 1 (2006 1) Dividend Access (South African Resident) redeemable preference share of 1 South African Rand, 1 (2006 1) Dividend Access (Non-South African Resident) redeemable preference share of 1 South African Rand, 560 000 000 (2006 560 000 000) convertible redeemable preference shares of South African Rand 0 0002 each (special converting shares)		
<b>Issued, allotted and fully paid</b>		
<b>Number of ordinary shares</b>	<b>Number</b>	<b>Number</b>
As previously reported		43 999 527
Restated for subdivision on 5 for 1 basis that took place on 4 September 2006	219 997 635	219 997 635
Issued during the year	7 673 785	-
At end of year	227 671 420	219 997 635
<b>Nominal value of ordinary shares</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	46	46
Issued during the year	*	-
At end of year	46	46
<b>Number of special converting shares</b>	<b>Number</b>	<b>Number</b>
As previously reported		74 633 746
Restated for subdivision on 5 for 1 basis that took place on 4 September 2006	373 168 730	373 168 730
Issued during the year	8 444 477	-
At end of year	381 613 207	373 168 730
<b>Nominal value of special converting shares</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	5	5
Issued during the year	*	-
At end of year	5	5
<b>Number of SA DAN shares</b>	<b>Number</b>	<b>Number</b>
At beginning and end of year	1	1
<b>Nominal value of SA DAN share</b>	<b>£'000</b>	<b>£'000</b>
At beginning and end of year	*	*
<b>Number of SA DAS shares</b>	<b>Number</b>	<b>Number</b>
At beginning and end of year	1	1
<b>Nominal value of SA DAS share - GBP</b>	<b>£'000</b>	<b>£'000</b>
At beginning and end of year	*	*
* Less than £1 000		
<b>Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited</b>		
Total called up share capital	173	169
Less held by Investec Limited	-	-
Less held by Investec plc	(4)	(4)
Total called up share capital	169	165

## Notes to the financial statements (continued)

### 31 Called up share capital (continued)

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Sterling/Rand exchange rates.

The holder of 3 700 000 Investec Limited shares has agreed to waive its right to dividends until 31 March 2008. In terms of the Dual Listed Companies Structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this. A portion of the unissued shares are under the control of the directors until the next Annual General Meeting.

#### Staff Share Scheme

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

Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:

For the year to 31 March	2007 Number	2006 Number <sup>^</sup>
Outstanding at 1 April	62 006 580	71 822 900
Issued during the year	14 267 529	8 755 310
Exercised	(13 656 354)	(15 092 605)
Lapsed	(3 045 503)	(3 479 025)
Outstanding at 31 March	59 572 252	62 006 580

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

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance to group's share price.

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

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

The extent of the director's interest in the incentive schemes is detailed on page 133.

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

At 31 March	2007	2006
<b>32 Treasury shares</b>		
<b>Treasury shares held by subsidiaries of Investec Limited and Investec plc</b>	<b>£'000</b>	<b>£'000</b>
Investec plc ordinary shares	33 462	32 221
Investec Limited ordinary shares	67 610	54 629
Options held to acquire Investec plc and Investec Limited shares	8 207	9 450
	<b>109 279</b>	<b>96 300</b>
	<b>Number</b>	<b>Number<sup>^</sup></b>
Investec plc ordinary shares held by subsidiaries	3 588 111	17 292 125
Investec Limited ordinary shares held by subsidiaries	26 901 375	23 122 106
<b>Investec plc and Investec Limited shares held by subsidiaries</b>	<b>30 489 486</b>	<b>40 414 231</b>
<b>Reconciliation of treasury shares</b>	<b>Number</b>	<b>Number<sup>^</sup></b>
At beginning of year	40 414 231	48 098 496
Purchase of own shares by subsidiary companies	25 011 167	7 227 490
Shares disposed of by subsidiaries	(34 935 912)	(14 911 755)
At end of year	<b>30 489 486</b>	<b>40 414 231</b>
<b>Market value of treasury shares</b>	<b>£'000</b>	<b>£'000</b>
Investec plc	23 610	101 712
Investec Limited	176 805	135 023
	<b>200 415</b>	<b>236 735</b>

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

## Notes to the financial statements (continued)

At 31 March £'000	2007	2006
<b>33 Perpetual preference shares of holding company</b>		
<b>Authorised</b>		
100 000 000 (2006 100 000 000) non redeemable, non cumulative, non-participating preference shares of one cent each		
100 000 000 (2006 nil) non redeemable, non cumulative, non-participating preference shares of £0.01 each		
<b>Issued by Investec Limited</b>		
22 182 000 (2006 22 182 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R104.49 per share	162 615	215 305
Preference shareholders will be entitled to receive dividends if declared, at a rate of 70% of prime interest rate on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.		
An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
<b>Issued by Investec plc</b>		
9 381 149 (2006 nil) non-redeemable, non-cumulative non-participating preference shares of £0.01 each issued at a premium of £8.58 per share	79 584	-
5 700 000 (2006 nil) non-redeemable, non-cumulative non-participating preference shares of £0.01 each issued at a premium of £8.86 per share	49 974	-
Preference shareholders will receive an annual dividend if declared, based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value, on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared. If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	292 173	215 305

At 31 March £'000	2007	2006
<b>34 Minority interests</b>		
Minority interests in partially held subsidiaries	50 597	7 142
Perpetual preferred securities issued by subsidiaries	241 081	278 459
	<b>291 678</b>	<b>285 601</b>
<b>Perpetual preferred securities issued by subsidiaries</b>		
<b>Issued by Investec plc subsidiaries</b>		
€200 000 000 (2006 €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities (Preferred Securities) were issued by Investec Tier 1 (UK) LP, a limited partnership organised under the laws of England and Wales) on 24 June 2005. The Preferred Securities, which are guaranteed by Investec plc, are callable at the option of the issuer subject to the approval of the Financial Services Authority, on the tenth anniversary of the issue and, if not called are subject to a step up in coupon of one and a half times the initial credit spread above the three month euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the Preferred Securities will be at 7.075 per cent. The first annual dividend is due on the 24 June 2006. The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company.	136 051	139 402
Under the terms of the issue there are provisions for the Preferred Securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.		
<b>Issued by Investec Limited subsidiaries</b>		
15 000 000 (2006 15 000 000) non-redeemable non-cumulative non-participating preference shares of one cent each issued at a premium of R99.99 per share.	105 030	139 057
Preference shareholders will be entitled to receive dividends at a rate of 75% of the South African prime interest rate of the face value of the preference shares held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.		
An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. If declared preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any but shall be payable no later than 120 business days after 31 March and 30 September respectively.	241 081	278 459

## Notes to the financial statements (continued)

At 31 March £'000	2007		2006	
	Total future minimum payments	Present value	Total future minimum payments	Present value
<b>35 Miscellaneous balance sheet items</b>				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in				
Less than 1 year	55 792	43 759	41 752	32 655
1-5 years	86 951	72 724	54 502	45 187
Later than 5 years	10 975	8 981	12 054	11 017
	<b>153 718</b>	<b>125 464</b>	<b>108 308</b>	<b>88 859</b>
Unearned finance income	<b>28 254</b>		<b>19 449</b>	

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

**36 Cash flow reconciliations**

For the year to 31 March £'000	2007	2006
Reconciliation of operating profit to net operating cash flows		
Operating profit after taxation	469 154	367 411
Adjustment for non cash items included in operating profit		
Goodwill income statement amount	(2 569)	21 356
Depreciation and impairment of property, equipment and intangibles	13 315	7 741
Impairment of loans and advances	16 530	9 160
Operating income from associates	(10 685)	(6 694)
Dividends received from associates	4 699	1 455
Share based payment charges	33 990	19 221
Reconciliation of operating profit to net operating cash flows	<b>524 434</b>	<b>419 650</b>

At 31 March £'000	2007	2006
<b>37 Commitments</b>		
Undrawn facilities	1 507 542	1 068 591
Other commitments	37 398	11 033
	<b>1 544 940</b>	<b>1 079 624</b>
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet		
<b>Operating lease commitments</b>		
Future minimum lease payments under non-cancellable operating leases		
Less than 1 year	32 729	28 103
1-5 years	130 112	113 663
Later than 5 years	197 371	331 147
	<b>360 212</b>	<b>472 913</b>
At 31 March 2007, Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% percent per annum. The majority of the leases have renewal options.		
<b>Operating lease receivables</b>		
Future minimum lease payments under non-cancellable operating leases		
Less than 1 year	34 497	946
1-5 years	69 966	1 730
Later than 5 years	10 577	122
	<b>115 040</b>	<b>2 798</b>
Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The term of the leases range between 3 and 5 years with no annual escalation clauses. The majority of the leases have renewal options.		
<b>38 Contingent liabilities</b>		
Guarantees and assets pledged as collateral security		
- guarantees and irrevocable letters of credit	429 684	396 544
- assets pledged as collateral security	365	403
Other contingent liabilities	807	61 021
	<b>430 856</b>	<b>457 968</b>

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

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

#### Legal proceedings

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

A number of legal actions have been instituted against Investec Employee Benefits Limited (IEB), a subsidiary of Investec Limited, which they are defending. The legal claims were instituted against IEB by various industrial pension and provident funds. The legal claims are based primarily on allegations that IEB breached certain alleged implied terms of policies issued by them. IEB will only have an obligation to pay the legal claims once a final judgement has been made. IEB's legal representative has advised that the funds have a difficult claim to prove and there is a reasonable prospect that IEB will successfully defend the claims. IEB's insurers have indicated that the possible claims are covered by existing insurance cover, subject to any policy exclusions.



## Notes to the financial statements (continued)

## 39 Related party transactions

For the year to 31 March £'000	2007	2006
Compensation to the Board of Directors and other key management personnel*		
Short-term employee benefits	30 240	20 391
Share-based payment	3 858	3 008
	34 098	23 399

\* Key management personnel are board directors and members of the global operations forum

	2007		2006	
	Highest balance during the year*	Balance at year end*	Highest balance during the year*	Balance at year end*
Transactions, arrangements and agreements involving directors and others				
Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them, and with officers of the company, were as follows				
Directors, key management and connected persons and companies controlled by them				
Loans	44 638	41 718	19 734	18 363
Guarantees	1 043	1 043	1 933	1 933
Other	(10 704)	(9 308)	(11 480)	(7 386)
	34 977	33 453	10 187	12 910
The above transactions were made in the ordinary course of business and on substantially the same terms including interest rates and security as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment.				
Transactions with other related parties				
S Koseff GR Burger B Kantor IR Kantor, HS Herman and DE Jowell have an interest in Spurwing P-Investments Limited and Spurwing L-Investments Limited, which jointly amount to a holding of 32.3% and 12.02% respectively. Loans were provided to these entities by Investec Bank (Mauritius) Limited on an arms length, fully secured basis. These loans were repaid during the current year.				
Spurwing-P Investments Limited	3 694	-	4 060	3 694
Spurwing-L Investments Limited	1 050	-	1 154	1 050
Other loans				
Funding provided to finance the Black Economic Empowerment deal Tiso Group Limited	22 490	20 175	7 764	7 764
Amounts due from associates	62 121	70 351	62 015	67 440

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

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

### 39 Related party transactions (continued)

The group have provided Rensburg Sheppards plc with a £60 million subordinated loan facility which was entered into on 6 May 2005. The loan formed part of the consideration paid by Rensburg Sheppards plc for the acquisition of Carr Sheppards Crosthwaite Limited on that date. The interest receivable on the loan during the year amounted to £4 305 00 (2006 £3 858 000) and interest of £1 718 000 was at 31 March 2007 (2006 £1 679 000).

### 40 Post balance sheet events

#### 40.1 Acquisition of Kensington Group plc

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

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

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

#### 40.2 Disposal of the Property Fund Management and Property Administration Business of Investec Property Group Limited

Investec Property Group Limited (IPG) has agreed to dispose of its property fund management business and its property administration business, collectively the Property Services businesses as a going concern to Growthpoint Properties Limited ('Growthpoint') ("the proposed transaction").

IPG is a wholly owned subsidiary of Investec Limited ("Investec") and its operations include property development, property fund management, property administration and listed property investment management. The property development and listed property investment management businesses will not form part of the proposed transaction.

The effective date of the proposed transaction, which is subject to the suspensive conditions set out below is 1 July 2007.

Growthpoint has agreed to acquire IPG's interest in the Property Services businesses, for a purchase consideration of R1 393 649 600 (one billion three hundred and ninety three million and six hundred and forty nine thousand six hundred rand), ("the purchase consideration"). The purchase consideration will be settled through the issue of 87 103 100 new Growthpoint linked units at a price of 1600 cents per linked unit, ex distribution for the 6 month period ending 30 June 2007.

The proposed transaction is subject, inter alia, to the fulfillment of the following suspensive conditions:

- The signing of binding legal agreements between IPG, Investec Limited, Growthpoint and Growthpoint's BEE partners
- Granting of all regulatory approvals as may be required from various authorities including the Competition Authorities
- Growthpoint obtaining approval for the proposed transaction from the requisite majority of its linked unitholders in a general meeting

### 41 Hedges

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

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

#### Fair value hedges

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

## Notes to the financial statements (continued)

## 41 Hedges (continued)

At 31 March £'000 2007	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or losses on hedging instrument	Current year gains or losses on hedging instrument	Cumulative gains or losses on hedged item	Current year gains or losses on hedged item
Assets	Interest rate swap	5 198	1 499	1 200	(1 793)	(1 638)
Liabilities	Interest rate swap	17 077	(242)	5 196	856	(4 493)
	Fx currency swap	102	348	(102)	(348)	102
		22 377	1 605	6 294	(1 285)	(6 029)

2006	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or losses on hedged item	Cumulative gains or losses on hedged item
Assets	Interest rate swap	9 434	6 455	(7 097)
Liabilities	Interest rate swap	18 500	(352)	811
	Fx currency swap	451	451	(451)
	Fx swap	(297)	(297)	297
		28 088	6 257	(6 440)

## Cash flow hedges

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

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

#### 41 Hedges (continued)

At 31 March £'000	2007	2006
<b>Reconciliation of cash flow hedge reserve</b>		
At beginning of year	164	-
Changes in fair value recognised directly in equity	79	164
Amounts removed from equity and recognised in income	(243)	-
At end of year	-	164

#### Hedges of net investments in foreign operations

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

At 31 March £'000	Fair value of hedging instrument	Ineffective portion recognised in principal transactions
2007	(2 982)	-
2006	(2 411)	-

## 42 Maturity analysis

At 31 March 2007 £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
<b>Assets</b>								
Cash and balances at central banks	90 780	11 971	-	-	-	-	-	102 751
Loans and advances to banks	483 771	1 669 426	152 642	163 570	1 039	6 521	-	2 476 969
Cash equivalent advances to customers	525 408	162 510	-	-	-	-	-	687 918
Reverse repurchase agreements and cash collateral on securities borrowed	2 185 322	-	-	-	-	-	-	2 185 322
Trading securities	1 095 494	475 462	171 635	202 722	105 042	42 381	58 300	2 151 036
Derivative financial instruments	542 352	40 964	8 835	18 143	29 445	82 490	2 263	724 492
Investment securities	60 439	249 506	398 581	241 215	510 944	308 402	7 514	1 776 601
Loans and advances to customers	574 858	423 727	642 275	676 559	996 253	4 401 094	2 475 486	10 190 252
Other assets*	673 097	524 069	102 620	41 270	10 423	42 620	592 427	1 986 526
	<b>6 231 521</b>	<b>3 557 635</b>	<b>1 476 588</b>	<b>1 343 479</b>	<b>1 653 146</b>	<b>4 883 508</b>	<b>3 135 990</b>	<b>22 281 867</b>
<b>Liabilities</b>								
Deposits by banks	60 391	704 227	57 235	61 533	141 775	1 161 689	160 245	2 347 095
Derivative financial instruments	441 641	8 736	-	1 882	16 250	41 410	-	509 919
Repurchase agreements and cash collateral on securities lent	1 765 671	-	-	-	-	-	-	1 765 671
Customer accounts	3 773 974	1 382 369	2 683 826	572 632	511 847	395 018	65 182	9 384 848
Debt securities in issue	(1)	447 321	640 092	551 965	1 019 201	668 869	6 269	3 333 716
Other liabilities**	899 736	742 434	125 277	187 454	51 033	196 362	73 454	2 275 750
	<b>6 941 412</b>	<b>3 285 087</b>	<b>3 506 430</b>	<b>1 375 466</b>	<b>1 740 106</b>	<b>2 463 348</b>	<b>305 150</b>	<b>19 616 999</b>
Subordinated liabilities (including convertible debt)	-	-	-	-	-	485 047	345 658	830 705
Equity	-	-	-	-	-	-	1 834 163	1 834 163
	<b>6 941 412</b>	<b>3 285 087</b>	<b>3 506 430</b>	<b>1 375 466</b>	<b>1 740 106</b>	<b>2 948 395</b>	<b>2 484 971</b>	<b>22 281 867</b>
Liquidity gap	(709 891)	272 548	(2 029 842)	(31 987)	(86 960)	1 935 113	651 019	-
Cumulative liquidity gap	(709 891)	(437 343)	(2 467 185)	(2 499 172)	(2 586 132)	(651 019)	-	-

\* Includes deferred taxation assets other assets, property and equipment, investment properties, goodwill and intangible assets

\*\* Includes other trading liabilities current taxation liabilities, deferred taxation liabilities and other liabilities

The above table excludes assets and liabilities relating to the long-term assurance business attributable to policyholders

For further IAS 32 risk disclosures please refer to

Credit risk - tables on pages 79 to 80

Interest rate risk - tables on pages 88 and 89

Liquidity risk - pages 91 and 93

# Notes to the financial statements (continued)

## 42 Maturity analysis (continued)

At 31 March 2006 £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
<b>Assets</b>								
Cash and balances at central banks	190 838	-	-	-	-	-	-	190 838
Loans and advances to banks	309 109	1 510 444	6 517	-	-	4 058	475	1 830 603
Cash equivalent advances to customers	660 236	30 000	-	-	-	-	-	690 236
Reverse repurchase agreements and cash collateral on securities borrowed	748 793	-	7 852	-	-	-	-	756 645
Trading securities	632 013	458 805	287 903	205 915	12 708	8 118	34 626	1 640 088
Derivative financial instruments	1 002 130	2 623	4 669	-	4 146	52 833	14 886	1 081 287
Investment securities	6 305	239 236	234 217	208 835	395 971	153 455	28 654	1 266 673
Loans and advances to customers	322 392	335 456	342 408	425 709	1 154 686	4 669 913	2 354 025	9 604 589
Other assets*	669 359	401 634	26 099	14 723	80 310	113 662	473 753	1 779 540
	<b>4 541 175</b>	<b>2 978 198</b>	<b>909 665</b>	<b>855 182</b>	<b>1 647 821</b>	<b>5 002 039</b>	<b>2 906 419</b>	<b>18 840 499</b>
<b>Liabilities</b>								
Deposits by banks	22 731	436 029	153 028	202 832	178 499	747 434	138 930	1 879 483
Derivative financial instruments	617 336	1 087	20 197	522	29 393	11 737	25 492	705 764
Repurchase agreements and cash collateral on securities lent	358 278	-	-	-	-	-	-	358 278
Customer accounts	1 929 052	2 717 768	2 498 247	609 053	508 741	354 496	81 808	8 699 165
Debt securities in issue	-	307 049	713 825	366 755	782 284	780 190	-	2 950 103
Other liabilities**	1 175 521	375 053	176 954	103 216	172 218	168 976	33 821	2 205 759
	<b>4 102 918</b>	<b>3 836 986</b>	<b>3 562 251</b>	<b>1 282 378</b>	<b>1 671 135</b>	<b>2 062 833</b>	<b>280 051</b>	<b>16 798 552</b>
Subordinated liabilities (including convertible debt)	-	-	-	-	-	253 699	276 155	529 854
Equity	-	-	-	-	-	-	1 512 093	1 512 093
	<b>4 102 918</b>	<b>3 836 986</b>	<b>3 562 251</b>	<b>1 282 378</b>	<b>1 671 135</b>	<b>2 316 532</b>	<b>2 068 299</b>	<b>18 840 499</b>
Liquidity gap	438 257	(858 788)	(2 652 586)	(427 196)	(23 314)	2 685 507	838 120	-
Cumulative liquidity gap	438 257	(420 531)	(3 073 117)	(3 500 313)	(3 523 627)	(838 120)	-	-

\* Includes deferred taxation assets other assets property and equipment, investment properties goodwill and intangible assets

\*\* Includes other trading liabilities current taxation liabilities, deferred taxation liabilities and other liabilities

The above table excludes assets and liabilities relating to the long-term assurance business attributable to policyholders

Principal subsidiary companies At 31 March	Principal activity	Country of incorporation	Interest	
			% 2007	% 2006
43 Principal subsidiaries and associated companies - Investec plc				
Direct subsidiaries of Investec plc				
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Bank (Australia) Limited	Banking institution	Australia	100	100
Investec Australia Limited (formerly NM Rothschilds & Sons (Australia) Limited)	Holding company	Australia	100	-
Investec SA	Investment holding	Luxembourg	100	100
Investec Holdings (UK) Limited	Holding company	England and Wales	100	100
Investec I Limited	Investment holding	England and Wales	100	100
Investec Bank (UK) Limited	Banking institution	England and Wales	100	100
Investec Group (UK) PLC	Holding company	England and Wales	100	100
Investec Asset Finance PLC	Leasing company	England and Wales	100	100
Investec Finance plc	Debt issuer	England and Wales	100	100
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Trust (Guernsey) Limited	Trust Company	Guernsey	100	100
Investec Trust (Switzerland) S A	Trust Company	Switzerland	100	100
Investec Trust (Jersey) Limited	Trust Company	Jersey	100	100
Investec Asset Management Limited	Asset Management	England and Wales	100	100
Investec Ireland Limited	Financial Services	Ireland	100	100
investec Securities (US) LLC	Financial Services	USA	100	-
European Capital Company Limited	Project Finance	England and Wales	100	100
Global Ethanol Holdings Limited	Holding company	Australia	71.4	100
GEH LLC (formally Midwest Grain Processors LLC)	Production and marketing of Ethanol	USA	42.8	
IdaTech LLC	Development of fuel cell technology	USA	86.7	-
All of the above subsidiary undertakings are included in the consolidated accounts				
Principal associated companies				
Rensburg Sheppards plc	Stockbroking and portfolio management	England and Wales	47.33	47.78
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35	35

## Notes to the financial statements (continued)

Principal subsidiary companies At 31 March	Principal activity	Country of incorporation	Interest	
			% 2007	% 2006
<b>44 Principal subsidiaries and associated companies - Investec Limited</b>				
<b>Direct subsidiaries of Investec Limited</b>				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	100	100
Investec Assurance Ltd	Insurance company	South Africa	100	100
Investec Bank Ltd	Registered Bank	South Africa	100	100
Investec Employee Benefits Holdings (Pty) Ltd	Investment holding	South Africa	100	100
Investec Int. (Gibraltar) Limited	Investment holding	Gibraltar	100	100
Investec Securities Ltd	Registered Stock Broker	South Africa	100	100
Fedsure International Ltd	Investment holding	South Africa	100	100
Investec Property Group Holdings Ltd	Investment holding	South Africa	100	100
<b>Indirect subsidiaries of Investec Limited</b>				
Investec Asset Management (Pty) Ltd	Asset management	South Africa	100	100
Investec Insurance Brokers (Pty) Ltd	Insurance broking	South Africa	100	100
Investec International Holdings (Pty) Ltd	Investment holding	South Africa	100	100
Investec Fund Managers SA Ltd	Unit trust management	South Africa	100	100
Investec Bank (Mauritius) Ltd	Banking institution	Mauritius	100	100
Investec Property Group Ltd	Property trading	South Africa	100	100
Reichmans (Pty) Ltd	Trade financing	South Africa	100	100
Investec Employee Benefits Ltd	Long-term Insurance	South Africa	100	100

Investec Limited has no equity interest in the following special purpose vehicles, which are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities

Peu II Ltd	South Africa
<b>Securitisation entities</b>	
Private Mortgages 1 (Pty) Ltd	South Africa
Private Mortgages 2 (Pty) Ltd	South Africa
Private Mortgages 3 (Pty) Ltd	South Africa
Private Residential Mortgages (Pty) Ltd	South Africa
Private Commercial Mortgages (Pty) Ltd	South Africa
Grayston Conduit 1 (Pty) Ltd	South Africa



## Investec plc parent company accounts

## Balance sheet

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

# Notes to Investec plc parent company accounts

## a Accounting policies

### Basis of preparation

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

### Foreign currencies

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

### Investments

Investments are stated at cost less any impairment in value.

### Income

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

### Taxation

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

## b Investments in subsidiaries

£'000

At beginning and end of year 421 446

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

## d Statement of changes in shareholders equity

£'000

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

### Parent company profit and loss account

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

### Treasury shares

£'000

	2007	2006
Treasury shares held by Investec plc		
Investec plc ordinary shares	1 197	2 309
Number of Investec plc ordinary shares held by Investec plc	Number	Number
At 1 April	100 000	100 000
Restated for effect of 1.5 share split	400 000	-
At 31 March	500 000	100 000
Reconciliation of treasury shares		
At 1 April	2 309	-
Purchase of own shares by Investec plc	-	2 634
Share based payments adjustment	(1 112)	(325)
At 31 March	1 197	2 309
Market value of treasury shares	3 290	2 941

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

## Investec Limited parent company accounts

## Income statement

For the year to 31 March R'million	2007	2006
Interest receivable	165	168
Interest payable	(78)	(173)
<b>Net interest income/(expense)</b>	<b>87</b>	<b>(5)</b>
Principal transactions	867	951
<b>Other income</b>	<b>867</b>	<b>951</b>
Administrative expenses	(105)	(7)
<b>Operating profit</b>	<b>849</b>	<b>939</b>
Profit on disposal of group operations	-	119
<b>Profit before taxation</b>	<b>849</b>	<b>1 058</b>
Taxation	-	(59)
<b>Profit after taxation</b>	<b>849</b>	<b>999</b>

# Investec Limited parent company accounts

## Balance sheet

At 31 March R'million	Notes	2007	2006
<b>Assets</b>			
Loans and advances to banks		28	27
Trading securities		1	-
Loans and advances to customers		3	5
Other assets		-	2
Investment in subsidiaries	b	6 561	6 023
		<b>6 593</b>	<b>6 057</b>
<b>Liabilities</b>			
Current taxation liabilities		84	84
Other liabilities		827	767
		911	851
Subordinated liabilities (including convertible debt)		379	379
		<b>1 290</b>	<b>1 230</b>
<b>Equity</b>			
Ordinary share capital	c	1	1
Share premium		5 061	4 811
Perpetual preference shares	d	2 309	2 309
Other reserves		62	62
Retained loss		(2 130)	(2 356)
Total equity		<b>5 303</b>	<b>4 827</b>
Total liabilities and shareholders' equity		<b>6 593</b>	<b>6 057</b>

## Investec Limited parent company accounts

## Statement of changes in equity

For the year ended 31 March R'million	Share capital Investec Limited	Share premium account Investec Limited	Capital reserve account	Perpetual prefer- ence shares	Profit and loss account	Total share- holders equity
At 1 April 2005	1	4 811	62	2 309	(2 697)	4 486
Retained profit for the year	-	-	-	-	999	999
Share based payments	-	-	-	-	132	132
Dividends accrued to ordinary shareholders	-	-	-	-	(687)	(687)
Dividends accrued to perpetual preference shareholders	-	-	-	-	(103)	(103)
	1	4 811	62	2 309	(2 356)	4 827
At 1 April 2006	-	-	-	-	849	849
Retained profit for the year	-	-	-	-	234	234
Share based payments	-	-	-	-	(690)	(690)
Dividends accrued to ordinary shareholders	-	-	-	-	(167)	(167)
Dividends accrued to perpetual preference shareholders	-	-	-	-	-	250
Issue of shares	1	5 061	62	2 309	(2 130)	5 303

## Notes to Investec Limited parent company accounts

### a Accounting policies

#### Basis of presentation

The parent company accounts of Investec Limited are prepared in accordance with International Financial Reporting Standards and in a manner consistent with the policies disclosed on pages 165 to 173 for the group accounts, except as noted below

#### Foreign currencies

The presentational and functional currency for Investec Limited parent company is South African Rand. All foreign currency transactions are initially recorded and translated to the functional currency at the rate applicable at the time of the transaction.

#### Investment in subsidiaries

Investment in subsidiaries are stated at cost less any impairment in value.

### b Investment in subsidiaries

R'million	2007	2006
At beginning of year	6 023	7 178
Acquisition of subsidiary companies	-	36
Reversal of impairments	-	119
Increase/(decrease) in loans to subsidiaries	436	(1 244)
Exchange adjustments	102	(66)
<b>At end of year</b>	<b>6 561</b>	<b>6 023</b>

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At list of the companies principal subsidiaries is detailed in note 44 of the group accounts on page 229.

c The company's called up share capital is detailed in note 31 of the group accounts on pages 215 to 216.

d The company's perpetual preference shares is detailed in note 33 of the group accounts on page 218.

# Definitions

## Term

## Definition

Adjusted shareholders' equity

Refer to calculation on page 25

Cost to income ratio

Administrative expenses and depreciation divided by operating income

Dividend cover

Adjusted earnings per ordinary share before impairment of goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before impairment of goodwill and non-operating items

Refer to pages 23 and 24

Adjusted earnings per ordinary share before impairment of goodwill and non-operating items

Refer to pages 23 and 24

Effective tax rate

Tax on profit on ordinary activities divided by operating profit (excluding income from associates)

Headline earnings

Refer to page 24

Headline earnings per share

Refer to page 24

Market capitalisation

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

Net tangible asset value per share

Refer to calculation on page 30

Non-operating items

Reflects profits and/or losses on termination or disposal of group operations

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before impairment of goodwill and non-operating items

Operating profit per employee

Refer to calculation on page 33

Return on average adjusted shareholders' equity

Refer to calculation on page 25

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 25

Staff compensation to operating income ratio

All employee related costs expressed as a percentage of operating income

Third party assets under administration

Includes third party assets under administration managed by the Private Client, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity subordinated liabilities and minority interests

Total equity

Total shareholders' equity including minority interests

Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 23

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