Annual Report

Out of the Ordinary®

Investec

2014 | **VOLUME 1** Investec strategic report incorporating governance, sustainability and the remuneration report

Corporate information

Investec plc and Investec Limited

Secretary and registered office

Investec plc

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Investec Limited

Benita Coetsee
(Up to 30 June 2014)

Niki van Wyk
(with effect from 1 July 2014)
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Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

Auditors

Ernst & Young LLP
Ernst & Young Inc.

Registrars in the UK

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
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Telephone (44) 870 707 1077

Transfer secretaries in South Africa

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27) 11 370 5000

Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Sir David J Prosser (joint chairman)
Fani Titi (joint chairman)
George FO Alford (senior independent NED)
Cheryl A Carolus
Perry KO Crosthwaite
Olivia C Dickson
Bradley Fried
David Friedland
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Peter RS Thomas

Samuel E Abrahams retired with effect 8 August 2013.

For contact details for Investec offices internationally refer to pages 135 and 136 in volume three.

For queries regarding information in this document

Investor Relations

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www.investec.com/en_za/#home/investor_relations.html

About this report

The 2014 integrated annual report covers the period 1 April 2013 to 31 March 2014 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

01	02	03
Investec strategic report incorporating governance, sustainability and the remuneration report	Investec risk and Basel Pillar III disclosures reports	Investec financials

Get the most out of our report

Cross-referencing tools:

Audited information

Denotes information in the risk, corporate responsibility and remuneration reports that form part of the group's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Definitions

Refers readers to the definitions on 164

Page references

Refers readers to information elsewhere in this report

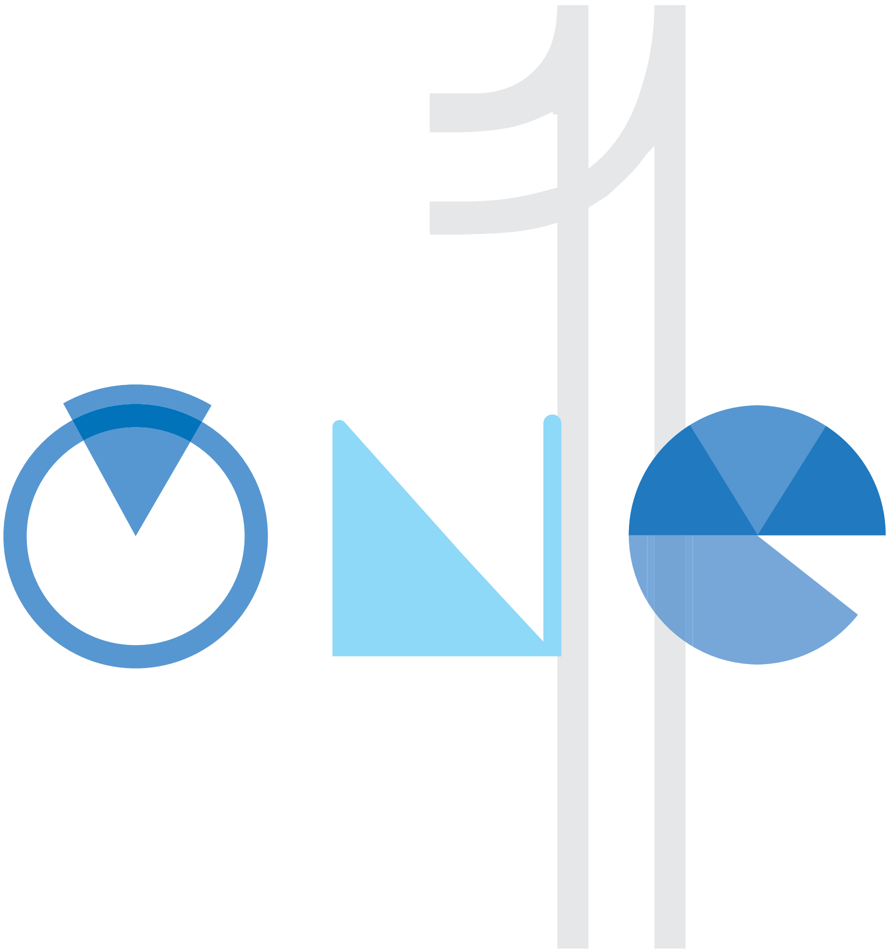
Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

Website

Indicates that additional information is available on our website: www.investec.com

Contents



Overview
of the year

The successful strategic alignment of the group towards low capital intensive businesses and the simplification of the Specialist Banking business model over the past few years have resulted in a scaleable platform from which the group's businesses can continue to grow

The South African business reported an increase in operating profit* of 25.3% in Rand terms. The UK business reported an increase of 24.4% in operating profit*.

The Australian business reported a loss, impacted by strategic restructuring.

Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 20% over the year.

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

Note: *Amounts represented on a currency neutral basis assume that the closing and average exchange rates of the group's relevant exchange rates relative to Pounds Sterling remain the same at 31 March 2014 when compared to 31 March 2013.*

- Wealth & Investment's operating profit* increased by 30.5% and Asset Management reported operating profit* 2.4% ahead of the prior year, with both divisions benefiting from higher levels of average funds under management and combined net inflows of £4.0 billion
- The Specialist Banking businesses in both the UK and South Africa reported operating profit* up in excess of 29%, in home currencies
- Recurring revenue as a proportion of total operating income amounted to 70.7% (2013: 68.6%)
- Capital light businesses account for 52.0% of group income
- Impairments on loans and advances decreased by £84.9 million (i.e. 33.8%) with the credit loss charge on core loans improving from 0.84% at 31 March 2013 to 0.68%
- We maintained a sound capital position with tier 1 ratios of 10.5% for Investec plc and 11.0% for Investec Limited
- Liquidity remains strong with cash and near cash balances amounting to £9.1 billion (2013: £9.8 billion).

Our financial performance

Operating profit* increased 6.0%
(increase of 20.3% currency neutral)

2013	2014
£426.3mn	£451.8mn

Adjusted attributable earnings^ increased 6.0%
(increase of 20.5% currency neutral)

2013	2014
£309.3mn	£327.8mn

Adjusted earnings per share (EPS)^ increased 5.3%
(increase of 19.7% currency neutral)

2013	2014
36.1p	38.0p

Dividends per share increased 5.6%
(increase of 27.7% in Rands)

2013	2014
18.0p	19.0p

Highlights (continued)

Total shareholders' equity increased 1.8%
(increase of 12.2% currency neutral)

2013	2014
£3 942mn	£4 013mn

Third party assets under management decreased 0.7%
(increase of 8.9% currency neutral)

2013	2014
£110.7bn	£109.9bn

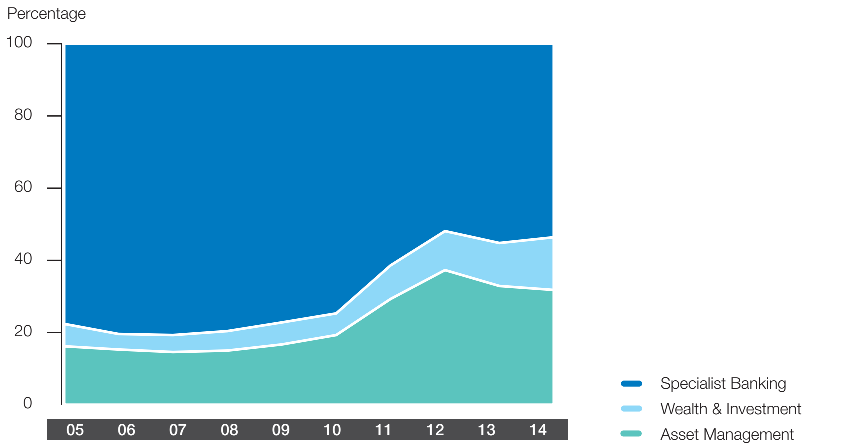
Core loans and advances to customers decreased 6.8%
(increase of 7.9% currency neutral)

2013	2014
£18.4bn	£17.2bn

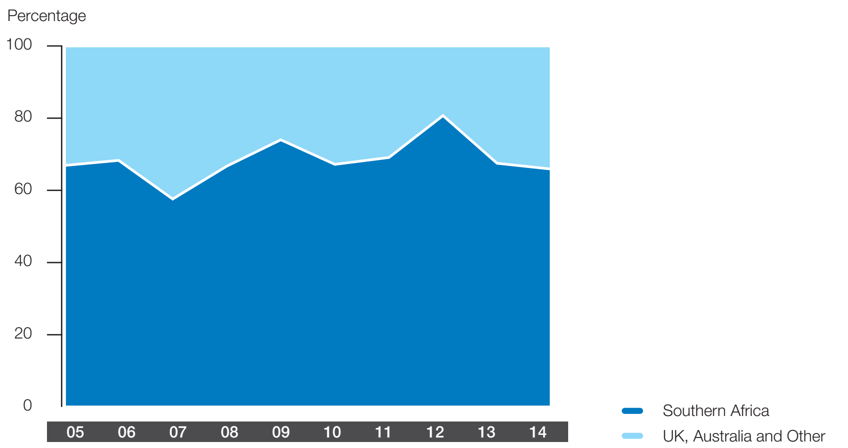
Customer deposits decreased 7.6%
(increase of 6.2% currency neutral)

2013	2014
£24.5bn	£22.6bn

% contribution of operating profit** to total group by business

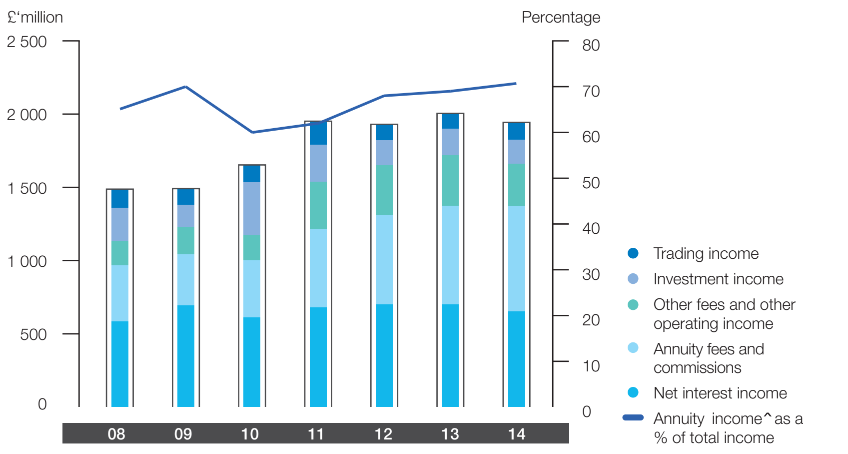


% contribution of operating profit** to total group by geography



** *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

Average recurring annuity income^ since 2008 of 67%



^ *Where annuity income is net interest income and annuity fees.*

Highlights (continued)

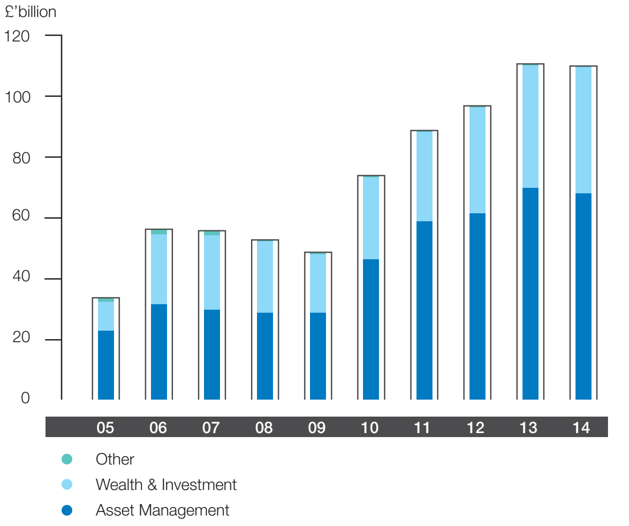
Continued growth in key earnings drivers…

Funds under management down 0.7%
(up 8.9% currency neutral)

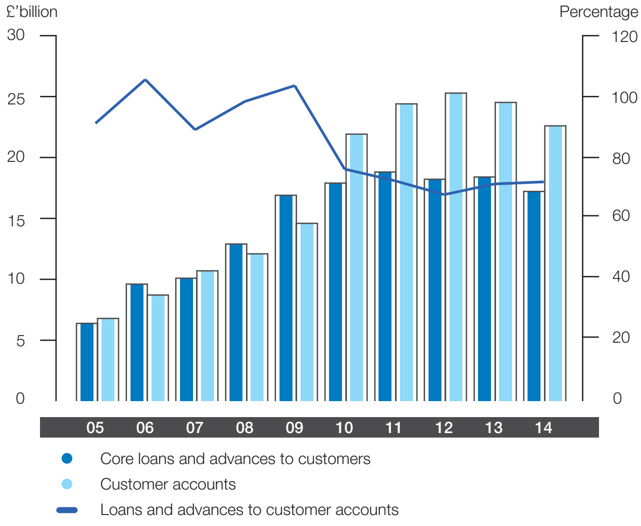
Customer accounts down 7.6%
(up 6.2% currency neutral)

Core loans and advances down 6.8%
(up 7.9% currency neutral)

Third party assets under management



Customer accounts (deposits) and loans



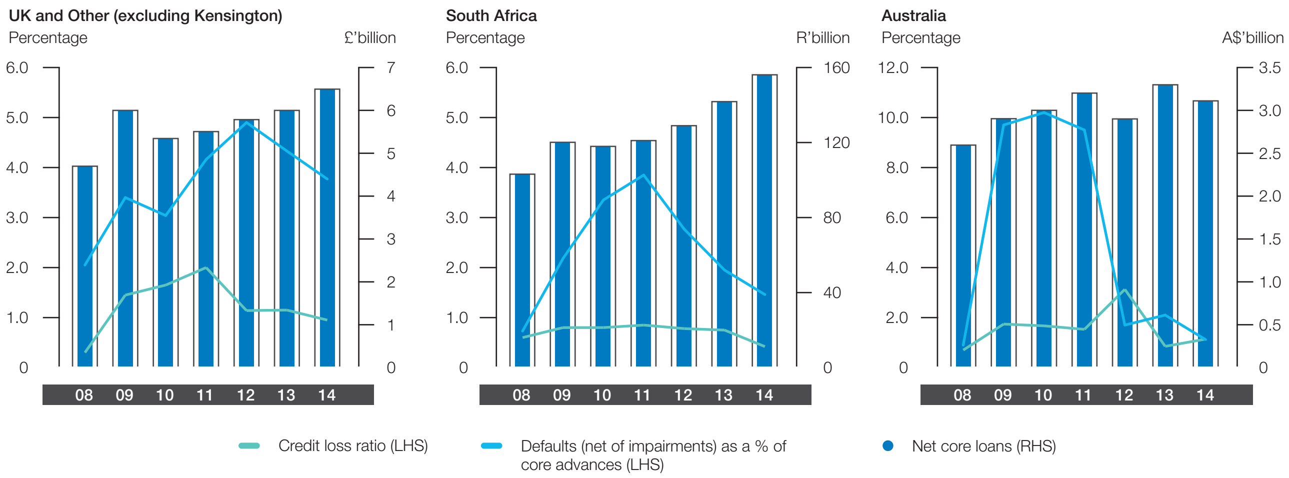
Significantly lower impairments…

Impairments in South Africa decreased by 23.6% in Rands

Impairments in the UK decreased by 17.1% (including Kensington a decline of 38.8%)

Australia reported an increase in impairments over the year

Asset quality trends



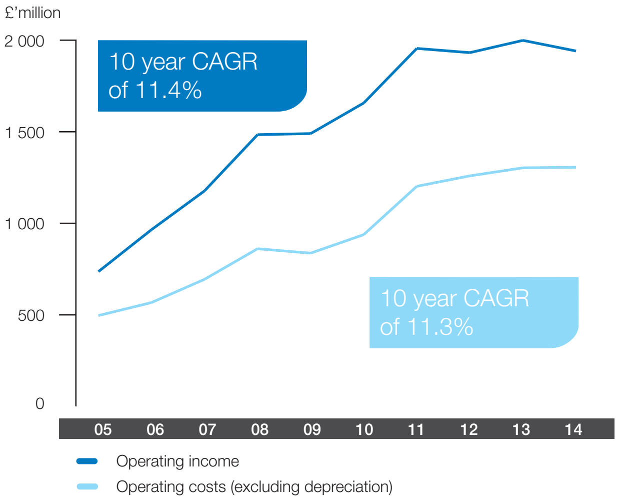
Marginal increase in fixed costs...

Asset Management
- Headcount increased: 200 people
- Supporting growth initiatives

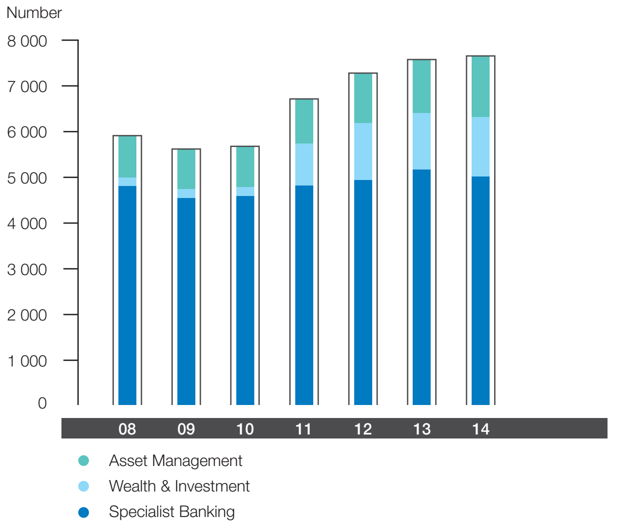
Wealth & Investment
- Headcount increased: 51 people
- Investment in IT, online infrastructure and experienced portfolio managers

Specialist Banking
- Headcount declined: 144 people
- Costs up in line with inflation (in home currencies) and as a consequence of reshaping

Narrowing jaws ratio



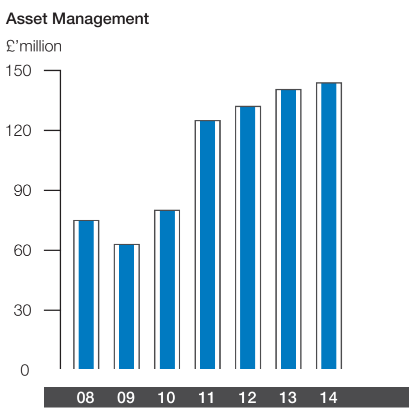
Headcount*

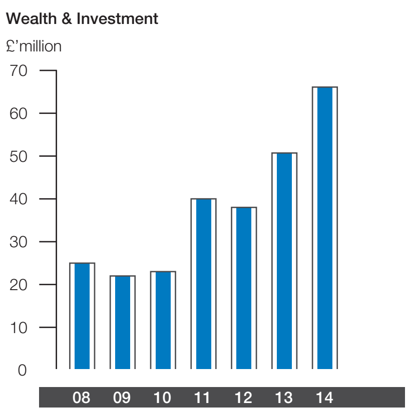


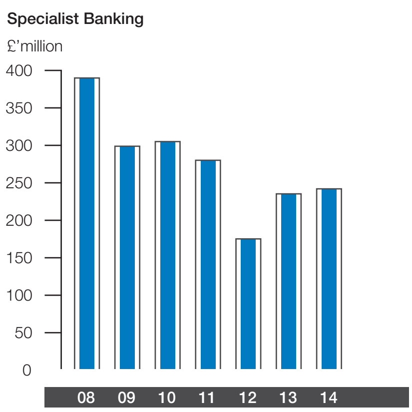
* *Permanent headcount and includes acquisitions.*

Resulting in increased operating profit from all three of our businesses...

Operating profit* by business







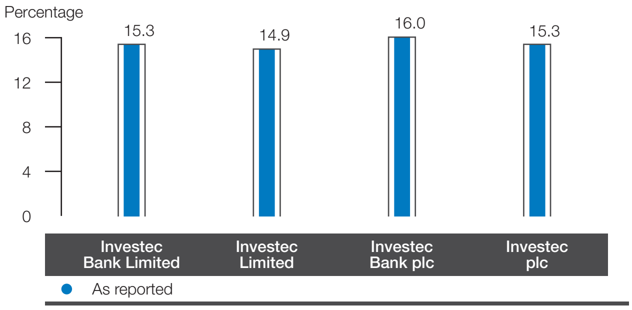
* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

Stable capital position...

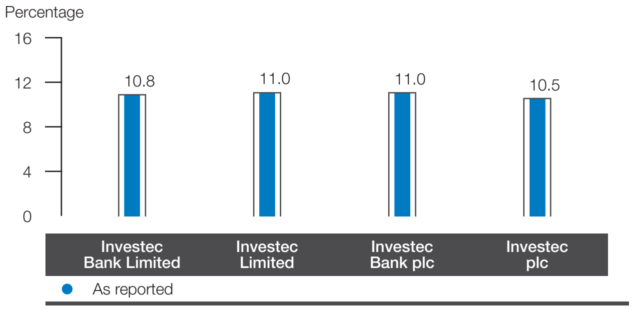
Target

Total capital adequacy: 14.0% – 17.0%
Common equity tier 1 ratio: >10.0% by March 2016
Total tier 1 ratio: >11.0% by March 2016
Leverage ratio: >6.0%

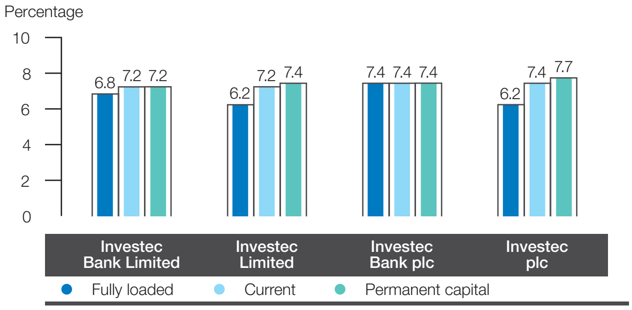
Capital adequacy



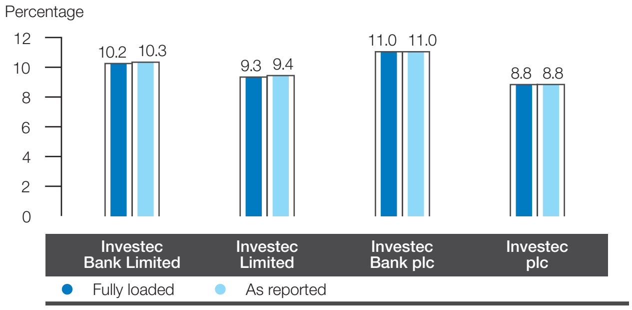
Tier 1



Leverage ratios



Common equity tier 1



Note: Refer to page 164 for detailed definitions and explanations.

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high quality liquid assets targeting a minimum cash to customer deposit ratio of 20.0%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk.

The intimate involvement of senior management ensures stringent management of risk and liquidity

A well-established liquidity management philosophy remains in place

The group's loan to deposit ratios are as follows:
- Investec Limited: 72.9% (2013: 73.2%)
- Investec plc: 71.0% (2013: 68.9%)

Liquidity remains strong with cash and near cash balances amounting to £9.1 billion (2013: £9.3 billion)

Capital remained well in excess of current regulatory requirements

Our banking subsidiaries meet current internal targets

Investec Limited and Investec plc should comfortably achieve a common equity tier 1 ratio above 10% by March 2016.

The value we've added

For further information download the sustainability report available on our website.

Contributing to society, macro-economic stability and the environment

For Investec, sustainability is about building our businesses to ensure we have a positive impact on the economic and social progress of communities and on the environment, while growing and preserving clients and stakeholders' wealth based on strong relationships of trust.

This commitment to sustainability means integrating social, ethical and environmental considerations into our day-to-day operations. A key element of this is solid corporate governance that ensures sustainable management with a long-term vision.

£11.8 million spent on employee training and development

£5.1 million spent on our communities

£3.2 billion committed to renewable energy in South Africa

Value added statement

£'000	31 March 2014	31 March 2013*
Net income generated		
Interest receivable	1 905 383	2 132 715
Other income	1 267 405	1 292 545
Interest payable	(1 253 704)	(1 429 108)
Other operating expenditure and impairments on loans	(475 764)	(597 812)
	1 443 320	**1 398 340**
Distributed as follows:		
Employees	637 399	692 165
Salaries, wages and other benefits		
Government	409 535	312 832
Corporation, deferred payroll and other taxes		
Shareholders	183 865	185 321
Dividends paid to ordinary shareholders	150 053	147 660
Dividends paid to preference shareholders	33 812	37 661
Retention for future expansion and growth	212 521	208 022
Depreciation	34 750	46 372
Retained income for the year	177 771	161 650
	1 443 320	**1 398 340**

** Restated.*

Investec conducts its commitment to sustainability through three key focus areas:

Profit

The financial strength and resilience of Investec depends on a balanced business model that supports our long-term growth vision through varying economic cycles.

People

We invest in the communities in which we operate recognising that education and entrepreneurship are integral to our own long-term strategy.

The sustainability of our business depends largely on our people and positioning Investec as an attractive employer in the financial services industry. We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance.

Planet

Effective environmental management is an essential part of our embedding front-of-mind consciousness of sustainability into the organisation.

We are increasingly incorporating environmental considerations into our daily business activities and are exploring the many valuable opportunities in cleaner energy sources, energy efficiency and responsible financing.

Recognition

Investec group

- Carbon Disclosure Project Gold recognition status for a score of A- on Climate Performance in 2013
- Inclusion in Climate Disclosure Leadership Index 2013 (Top 11 in South Africa across all sectors).

Investec in the UK

- Clean City Awards Scheme Chairman's Cup 2013
- Investec Guernsey won the Guernsey Employer of the Year 2013.

Investec in Australia

- Global Best Award for Partnerships Crossing Boundaries in the Australia and Oceana Region.

We strive to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values

Who we are

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 created a dual listed companies structure (DLC) 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.

We value

1 Distinctive performance	2 Client focus	3 Cast-iron integrity	4 Dedicated partnership
Outstanding talent – empowered, enabled and inspired	Distinctive offering	Moral strength	Respect for others
Meritocracy	Leverage resources	Risk consciousness	Embrace diversity
Passion, energy, stamina, tenacity	Break china for the client	Highest ethical standards	Open and honest dialogue
Entrepreneurial spirit			Unselfish contribution to colleagues, clients and society

Our philosophies

Single organisation

Meritocracy

Focused businesses

Differentiated, yet integrated

Employee ownership

Creating an environment that stimulates extraordinary performance.

What we do

We provide 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 countries.

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity, namely: Asset Management, Wealth & Investment and Specialist Banking.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist bank and asset manager. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and an 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.

The Investec distinction

1 Client-focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High level of service by being nimble, flexible and innovative.

2 Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

3 Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk whilst creating value for shareholders
- Cost and risk conscious.

4 Strong culture

- Strong, entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Employee ownership.

Our strategic focus

Our strategy

Our strategy for the past 20 years has been to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception we have expanded through a combination of organic growth and strategic acquisitions.

In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Our current strategic focus is to:

- Continue to build Asset Management organically by investing and building for the next phase of growth in line with a clear long-term strategy
- Maintain momentum in the Wealth & Investment business by building critical mass in future growth areas
- Improve returns in the Specialist Banking business by continuing to simplify the business and grow the business organically
- Provide an integrated full service solution for our private clients by advancing our strong digital platform
- Continue to leverage our extensive client base and attract new clients by extending the breadth and depth of the franchise.

Our diversified and balanced business model supporting long-term strategy

Broadly defined, we operate across three areas of specialisation focused on well-defined target clients:

Asset Management

Operating completely independently

Corporate/institutional/government

Investment management services to third party institutions, clients and intermediated savers

Specialist Banking

Advisory

Transactional banking

Lending

Treasury and trading

Investment activities

Wealth & Investment

Private client (High net worth/high income)/ charities/trusts

Investment management services

Independent financial planning advice

We aim to maintain an appropriate balance between revenue earned from operational risk activities and revenue earned from financial risk activities.

This ensures that we are not over reliant on any one part of our businesses to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and supports our long-term strategy.

Capital light activities

Contribute 52% to group income

- Asset management
- Wealth management
- Advisory services
- Transactional banking services
- Property funds

Capital intensive activities

Contribute 48% to group income

- Lending portfolios
- Investment portfolios
- Trading income
  - client flows
  - balance sheet management

Fee and commission income — **Types of income** — **Net interest, investment and trading income**

Overview of the year

01

Our operational structure

Operating structure

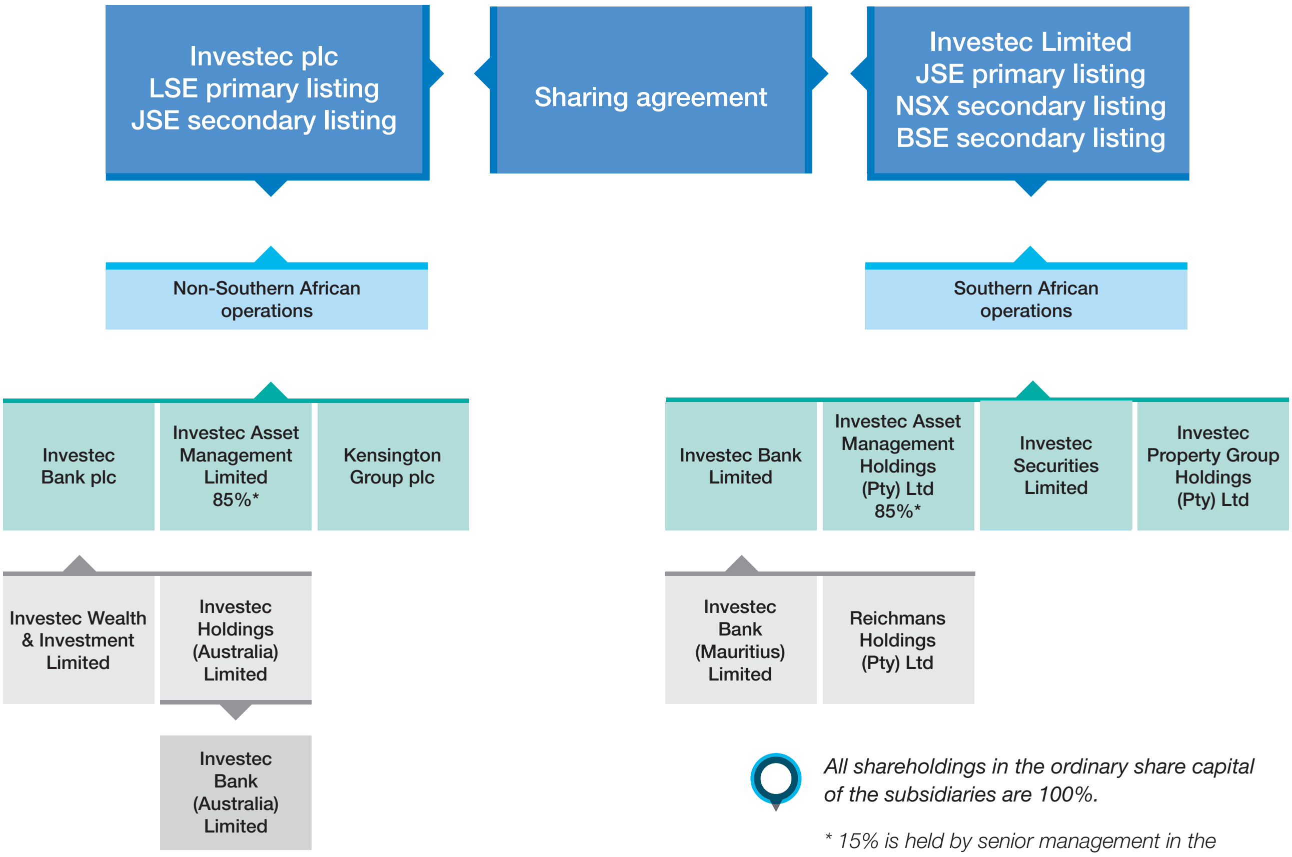
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of our DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius, and Investec plc is the controlling company of our non-Southern African businesses.

Our DLC structure and main operating subsidiaries at 31 March 2014



All shareholdings in the ordinary share capital of the subsidiaries are 100%.

** 15% is held by senior management in the company.*

Salient features of the DLC structure

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

Our operational footprint

We have built a solid international platform, with diversified revenue streams and geographic diversity.

Investec in total

Operating profit*
£451.8 million

Assets
£47 142 million

NAV**
£2 660.8 million

Permanent employees
7 657

COI^	ROE^
67.5%	10.1%

UK and Other

- In 1992 we made our first international acquisition, acquiring Allied Trust Bank in London
- Since that date, we have expanded organically and through a number of strategic acquisitions
- Developed capabilities in all three of our core activities
- Listed in London in July 2002 through the implementation of a dual listed companies structure
- Offices supporting the UK and Other businesses include: Canada; Channel Islands; Hong Kong; India; Ireland; London; Manchester; New York; Switzerland; and Taiwan.

Southern Africa

- Founded as a leasing company in 1974
- Acquired a banking licence in 1980
- Listed on the JSE Limited South Africa in 1986
- In 2003 we implemented a 25.1% empowerment shareholding transaction
- Market leading position in all three of our core activities
- Fifth largest bank in the country
- Offices supporting the Southern African businesses include: Botswana; Cape Town; Durban; East London; Johannesburg; Knysna; Mauritius; Namibia; Nelspruit; Pietermaritzburg; Port Elizabeth; Pretoria; and Stellenbosch.

Australia

- Entered the market in 1997
- Significantly expanded our capabilities in 2001 through the acquisition of Wentworth Associates, one of the leading corporate finance boutiques in Australia
- In 2002 we received a banking licence which opened up many growth opportunities
- Have grown our business organically and through select strategic acquisitions
- We have offices in Brisbane; Melbourne; Perth; and Sydney.

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
** *NAV is tangible shareholders' equity as calculated on page 48.*
^ *COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on page 49.*

Our operational footprint (continued)

Operating profit* of the UK operations increased 24.4% to £168.3 million

£9.4bn	£6.5bn	£69.0bn
Total deposit book	Total core loans	Total funds under management

As a % of group

37.2%	Operating profit*
41.6%	Assets
41.3%	NAV**
42.2%	Permanent employees

Actual

74.5%	COI^
7.6%	ROE^

Operating profit* of the Southern African operations increased 3.4% to £297.4 million, but was up 25.3% in home currency

£11.7bn	£8.9bn	£40.7bn
Total deposit book	Total core loans	Total funds under management

As a % of group

65.9%	Operating profit*
53.2%	Assets
48.6%	NAV**
52.1%	Permanent employees

Actual

54.3%	COI^
16.5%	ROE^

Operating loss* of the Australian operations amounted to £13.9 million, due to strategic restructuring

£1.5bn	£1.7bn
Total deposit book	Total core loans

As a % of group

(3.1%)	Operating profit*
5.2%	Assets
10.1%	NAV**
5.7%	Permanent employees

Actual

92.2%	COI^
(3.8%)	ROE^

Our three distinct business activities are focused on well-defined target clients

Asset Management

Provides investment management services to third party institutions, clients and intermediated savers

Core client base and what we do

Operates independently from Investec's other businesses and its sole focus is the provision of investment management services to its predominantly global institutional client base

Market positioning

Funds under management
1991: £0.4 billion ⇨ 2014: £68.0 billion

Net inflows of £2.6 billion
Good long-term performance with growing traction in all distribution channels

Wealth & Investment

Provides investment management services and independent financial planning advice

Core client base and what we do

Provides investment management services and independent financial planning advice to private clients, charities and trusts

Market positioning

Total funds under management
1997: £0.04 billion ⇨ 2014: £41.5 billion
UK: One of the top five players
SA: Largest player

Specialist Banking

Provides a broad range of services:

Advisory
Transactional banking
Lending
Treasury and trading
Investment activities

Core client base and what we do

We offer a broad range of services from advisory, structuring, lending, transactional banking, treasury and trading, and investment activities. These services are aimed at government, institutional, corporate and high net worth and high income clients

Market positioning

Global core loan portfolio: £17.2 billion
– Corporate and other clients: £6.0 billion
– Private clients: £11.2 billion

Global deposit book: £22.6 billion

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
** *NAV is tangible shareholders' equity as calculated on page 48.*
^ *COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity as calculated on page 49.*

Our operational footprint (continued)

Operating profit* of Asset Management increased 2.4% to £143.8 million

£41.4bn	£26.6bn	£68.0bn
Segregated mandates	Mutual funds	Total funds under management

31.8%	Operating profit*
2.0%	NAV**
17.5%	Permanent employees

65.3%	COI^
96.7%	ROE^

Operating profit* of Wealth & Investment increased 30.5% to £66.1 million

£21.5bn	£20.0bn	£41.5bn
Discretionary funds under management	Non-discretionary and other funds under management	Total funds under management

14.6%	Operating profit*
2.4%	NAV**
17.0%	Permanent employees

77.1%	COI^
18.2%	ROE^

Operating profit* of Specialist Banking increased 2.8% to £241.9 million

£22.6bn	£17.2bn
Total deposit book	Total core loans

53.6%	Operating profit*
95.6%	NAV**
65.5%	Permanent employees

66.0%	COI^
8.7%	ROE^

We now consist of a lean, well capitalised, focused Specialist Bank and strong Asset Management and Wealth & Investment businesses

Reflecting on the 2014 financial year, we are pleased that significant progress was made in reshaping and simplifying the group and dealing with a number of legacy issues. The group's core businesses have sound franchises which have continued to broaden their client bases and grow organically.

Can you give us an overview of the group's performance for the financial year?

A The group achieved an increase in operating profit of 6.0% to £451.8 million (2013: £426.3 million) – a 20.3% increase on a currency neutral basis. Adjusted EPS increased 5.3% from 36.1 pence to 38.0 pence – a 19.7% increase on a currency neutral basis. Distributions to shareholders increased from 18 pence to 19 pence resulting in a dividend cover of 2.0 times (2013: 2.0 times).

Overall group results have been negatively impacted by the depreciation of the Rand of approximately 20% against our reporting currency, Pounds Sterling. The combined South African business reported operating profit of 25.3% ahead of the prior year in Rands, while the combined UK business posted a 24.4% increase in operating profit.

Wealth & Investment's operating profit increased by 30.5%. Asset Management reported operating profit marginally ahead of the prior year. Both divisions benefited from higher levels of average funds under management and net inflows of £4.0 billion. This has resulted in recurring income amounting to 70.7% of total operating income (2013: 68.6%).

Both the South African and UK Specialist Banking businesses reported operating profit in excess of 29.0% in home currencies. This was as a result of a solid performance from the majority of the businesses in South Africa and a significant decline in impairments in the UK business.

What have been the key areas of focus from a strategic perspective?

A If we reflect on our strategic priorities from a year ago, momentum in Asset Management was maintained and the Wealth & Investment business made good progress in organically growing its market share and internationalising its offering. As part of our strategy to improve returns in the Specialist Bank, the past year has seen significant time and resources being spent on simplifying the business model and clearly articulating the legacy book. In the UK, we have reduced or closed non-core businesses, sold the Trust businesses, sold Lease Direct Finance, integrated Investment Banking and Securities into the Institutional and Corporate Banking business and commenced a process for the sale of the Kensington business. We are also starting to see the benefits of growing the UK Private Banking offering and enhancing the franchise businesses in the Corporate and Institutional Banking area.

In Australia, we have sold the Professional Finance and Asset Finance and Leasing businesses (subject to regulatory approval). The remaining entity will operate as a non-bank financial services company with no deposit taking. It will no longer be supervised by the Australian Prudential Regulation Authority thus eliminating cost and infrastructure. The Australian business will now focus on corporate services providing advice, capital and hedging to clients and funds management, primarily property and aviation.

How did the operating environment support performance?

A During the period we experienced an improved operating environment across all areas of operation, although the strength of Pounds Sterling against other operating currencies impacted overall results.

Global environment

Equity market returns in 2013 were the strongest since 2009 as central banks maintained an accommodative monetary policy. We also saw improved consumer confidence and business sentiment in both the UK and US, but global economic growth remained below the long-term trend. In Australia, slower mining demand and a squeeze on domestic expenditure through the fiscal consolidation programme took its toll on the pace of output expansion.

The UK economy has experienced a strong recovery over the past year as a result of increased confidence, easier access to credit and better global economic conditions. Most sectors and regions of the economy are now showing positive growth trends, with recent signs that business investment is also starting to pick up. There are, however, risks to the UK's outlook as a result of global developments and lacklustre growth in the Eurozone. With the Eurozone crisis far from being fully resolved, the UK continues to be exposed to an extended period of subdued activity in the region.

South Africa

Since 1994, living standards have improved and interest rates and inflation have fallen materially, with both real economic growth and GDP per capita rising. However, the growth outlook for 2014 is now at risk as the interest rate cycle has turned with the South African Reserve Bank raising its inflation forecasts following substantial Rand weakness. Further, the slowdown of growth in China will result in noticeably lower demand for South African exports and could surpass the benefits from strengthening US demand.

2014 marks two decades of democratic freedom for South Africa. The transition to a democratic society has resulted in clear economic and social gains including a doubling in the size of the real economy and substantial rollout of basic services and social welfare. We remain committed not only to economic transformation but also to social transformation and to the corrective strategies as set out in our updated Employment Equity Plan for the period 2013 to 2017. Recognising that enterprise development is vital to South Africa's transformation aspirations, we further enhanced our Enterprise Development programme by providing grants to entrepreneurs who are managing and growing their own businesses and have potential to create further jobs.

South Africa has a sound financial structure, macro-economic and fiscal framework and a well-developed corporate sector in diverse industries. The country now enters a new 20-year phase of development and the effective implementation of the National Development Plan is critical for continuing the progress already made.

How did the three core areas of activity perform?

A All three key businesses achieved growth during the financial year with Asset Management and Wealth & Investment contributing 46.4% to group operating profit.

Asset Management

For the 2014 financial year, Asset Management increased operating profit by 2.4% to £143.8 million (2013: £140.4 million), benefiting from higher funds under management and net inflows of £2.6 billion. Total funds under management amounted to £68.0 billion (2013: £69.8 billion). The sale of a 15% stake in the business to management was successfully completed in July 2013 for the purposes of ensuring continuity and to retain and incentivise the senior management team.

Market cycles and price movements can affect this business in the short term but management are continually investing and building for the next phase of growth in line with a clear long-term strategy.

Wealth & Investment

Wealth & Investment benefited from a rise in equity markets with operating profit increasing 30.5% to £66.1 million (2013: £50.7 million). This performance was supported by higher average funds under management, improved operating margins and net inflows of £1.4 billion. Total funds under management have grown to £41.5 billion (2013: £40.4 billion). The business in the UK has expanded its operations across the region through the investment in infrastructure and senior talent. Further, the South African business has benefited from a seamless offering to both Wealth & Investment and Private Banking clients, and has made progress in leveraging off the global investment platform.

We will drive ongoing performance in this business by continuing to build critical mass in future growth areas. The focus is on developing the offshore offering and the private office service to high net worth clients while leveraging the group's private client and global investment platforms.

Specialist Banking

For the 2014 financial year, the Specialist Banking business increased operating profit 2.8% to £241.9 million (2013: £235.2 million).

The South African Specialist Banking business reported operating profit up 29.2% in Rands, benefiting from an increase in corporate fees and greater income from customer flow. The loan book grew by 10.6% and the unlisted private equity and property portfolios delivered a sound performance. We will continue to build the franchise in core client segments focusing on cross-selling across different client bases, a more targeted approach to servicing the corporate market and continuing to rollout our Africa strategy.

The UK business grew 29.9% with the quality of income improving. The Corporate Advisory business and the principal investment portfolios performed well. Good growth was recorded in the professional and specialised lending and asset finance portfolios. Levels of transactional activity within the Private Banking and Corporate and Institutional Banking businesses were mixed, but with a promising pipeline. The bank looks to reduce excess liquidity and to gain market share in niches where we believe we can compete effectively.

Looking forward, the future performance of the Specialist Banking business will not only be driven by managing down the legacy portfolios but, more importantly, through a coordinated and concerted effort to grow the core business organically.

We are continuing to build Investec into a high quality, client-driven organisation that is relevant in its core markets

Can you give us a summary of the year in review from a risk perspective?

A The group has a strong culture of risk and capital management entrenched into daily operations, including the intimate involvement of senior executive. We continue to maintain healthy capital and leverage ratios and have a robust liquidity profile. The group's core loan book has grown moderately in home currencies and remains sufficiently diversified with the majority of the book comprising high net worth and private client lending and corporate lending. Impairments on loans and advances decreased from £251.0 million to £166.2 million, and the percentage of default loans to core loans and advances was 2.30% (2013: 2.73%). We have low equity and investment risk exposures, and proprietary market risk within our trading portfolio is modest.

We continue to spend a large amount of time and effort on operational, reputational, conduct, recovery and resolution risks. In the year ahead, we are increasing our focus on stress testing and have appointed an external adviser to assist in this regard. The current regulatory and economic environment continues to prove challenging, but our robust risk management processes and systems provide a strong foundation to manage and mitigate any concerns.

How do you balance driving profits with corporate responsibility?

A At Investec we believe we have a responsibility that extends beyond that of driving shareholder value. We believe that we can have a positive impact on the success and wellbeing of local communities, the environment and on overall macro-economic stability which is vital if we are to maintain a sustainable business in the long term. Over the past year, we have received a number of awards recognising our efforts in this regard. These include winning the Chairman's Cup at the Clean City Awards Scheme in the UK and our inclusion in the Climate Disclosure Leadership Index in South Africa.

Alongside our corporate responsibility is our internal aspiration to provide our clients with an 'Out of the Ordinary' Investec experience. Consequently, we are continually developing the proficiency of our people as well as attracting and retaining talent. We are also investing in technology by building a strong digital platform to complement the skills of our capable management and staff, and ensure we provide our niche client base with the highest level of service.

From a board perspective, we bid a fond farewell to Sam Abrahams who did not seek re-election as a director at the 2013 annual general meeting. We thank Sam for his invaluable contribution to Investec for almost two decades. The composition of the board is regularly reviewed to ensure the appropriate balance of knowledge, expertise and independence is maintained, and several changes will be proposed at the 2014 annual general meeting.

What is your strategic focus and outlook for the coming year?

A The group has navigated very uncertain waters over the past few years which have reminded us about who we are and what we stand for. We are continuing to build Investec into a high quality, client-driven organisation that is relevant in its core markets.

Our focus over the next year will be to execute our key strategic initiatives so that Investec, going forward, will be recognised as an agile, innovative, service-driven organisation providing:

- Quality products and services to our clients
- Above average returns to our shareholders
- A significant contribution to the growth and development of our people, communities and broader society.

Economic conditions in the developed world have continued to improve. The UK economy has gained momentum which is evident in the increased activity levels experienced by our businesses. The South African economy is going through a period of weakness. However, we are still seeing encouraging levels of activity across our client base.

The significant restructuring effort that has taken place over the past year, together with ongoing strategic initiatives, should enable us to benefit from the upturn in global economic conditions and generate appropriate returns for our shareholders.

On behalf of the boards of Investec plc and Investec Limited

Sir David J Prosser	Fani Titi	Stephen Koseff	Bernard Kantor
Joint chairman	Joint chairman	Chief executive officer	Managing director

(References to 'operating profit' in the text above relates to operating profit before taxation, goodwill, acquired intangibles, non-operating items and after other non-controlling interests.)

The operational and strategic report 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 22 to 163 as well as volume two, which elaborate on the aspects highlighted in this review.

Financial review

Introduction

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

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of ordinary shareholders of the companies are maintained in equilibrium relative to each other. The directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies.

Accordingly, the year-end results for Investec plc and Investec Limited present the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS), denominated in Pounds Sterling.

All references in this document to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

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 position of our individual companies are reported in the local currencies of the countries in which they are domiciled, including South African Rands, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial results. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the period.

	31 March 2014		31 March 2013	
Currency per £1.00	Period end	Average	Period end	Average
South African Rand	17.56	16.12	13.96	13.44
Australian Dollar	1.80	1.72	1.46	1.53
Euro	1.21	1.19	1.18	1.23
US Dollar	1.67	1.59	1.52	1.58

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pounds Sterling exchange rate over the period has depreciated by 19.9% and the closing rate has depreciated by 25.8% since 31 March 2013.

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

	Results in Pounds Sterling				
	Actual as reported	Actual as reported	Actual as reported	Neutral currency^	Neutral currency
	Year to 31 March 2014	Year to 31 March 2013#	% change	Year to 31 March 2014	% change
Operating profit before taxation* (million)	£452	£426	6.0%	£513	20.3%
Earnings attributable to shareholders (million)	£332	£310	7.0%	£375	21.0%
Adjusted earnings attributable to shareholders** (million)	£328	£309	6.0%	£373	20.5%
Adjusted earnings per share**	38.0p	36.1p	5.3%	43.2p	19.7%
Basic earnings per share	34.4p	31.7p	8.5%	38.9p	22.7%
Dividends per share	19.0p	18.0p	5.6%		

* *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*

** *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

^ *For income statement items we have used the average Rand: Pounds Sterling and the Australian Dollar: Pounds Sterling exchange rates that was applied in the prior year, i.e. 13.44 and 1.53, respectively.*

\# *Restated.*

	Results in Pounds Sterling				
	Actual as reported At 31 March 2014	Actual as reported At 31 March 2013	Actual as reported % change	Neutral currency^ At 31 March 2014	Neutral currency % change
Net asset value per share	375.7p	384.2p	(2.2%)	419.0p	9.1%
Total equity (million)	£4 013	£3 942	1.8%	£4 421	12.2%
Total assets (million)	£47 142	£52 010	(9.4%)	£54 186	4.2%
Core loans and advances (million)	£17 157	£18 415	(6.8%)	£19 869	7.9%
Cash and near cash balances (million)	£9 135	£9 828	(7.1%)	£10 375	5.6%
Customer deposits (million)	£22 610	£24 461	(7.6%)	£25 981	6.2%
Third party assets under management (million)	£109 941	£110 678	(0.7%)	£120 550	8.9%

^ *For balance sheet items we have assumed that the Rand: Pounds Sterling and the Australian Dollar: Pounds Sterling closing exchange rates have remained neutral since 31 March 2013.*

The following table provides a comparison of the group's results as reported in Pounds Sterling and the group's results as translated into Rands.

	Results in Pounds Sterling			Results in Rand		
	Year to 31 March 2014	Year to 31 March 2013	% change	Year to 31 March 2014	Year to 31 March 2013	% change
Operating profit before taxation* (million)	£452	£426	6.0%	R7 328	R5 725	28.0%
Earnings attributable to shareholders (million)	£332	£310	7.0%	R5 348	R4 244	26.0%
Adjusted earnings attributable to shareholders** (million)	£328	£309	6.0%	R5 313	R4 227	25.7%
Adjusted earnings per share**	38.0p	36.1p	5.3%	616c	494c	24.7%
Basic earnings per share	34.4p	31.7p	8.5%	554c	434c	27.6%
Headline earnings per share	33.9p	31.0p	9.4%	550c	425c	29.4%
Dividends per share	19.0p	18.0p	5.6%	327c	256c	27.7%
	At 31 March 2014	**At 31 March 2013**	**% change**	**At 31 March 2014**	**At 31 March 2013**	**% change**
Net asset value per share	375.7p	384.2p	(2.2%)	6 597c	5 362c	23.0%
Total equity (million)	£4 013	£3 942	1.8%	R70 456	R55 008	28.1%
Total assets (million)	£47 142	£52 010	(9.4%)	R827 649	R725 861	14.0%
Core loans and advances (million)	£17 157	£18 415	(6.8%)	R301 224	R257 002	17.2%
Cash and near cash balances (million)	£9 135	£9 828	(7.1%)	R160 411	R137 161	17.0%
Customer deposits (million)	£22 610	£24 461	(7.6%)	R396 952	R341 377	16.3%
Third party assets under management (million)	£109 941	£110 678	(0.7%)	R1 930 564	R1 544 639	25.0%

* *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*
** *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

Ten year review

Salient features*

For the year ended 31 March	2014	2013	% change 2014 vs 2013
Income statement and selected returns			
Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000)ᵒ	451 817	426 278	6.0%
Operating profit: Southern Africa (% of total)ᵒ	65.9%	67.5%	
Operating profit: UK, Europe, Australia and Other (% of total)ᵒ	34.1%	32.5%	
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	327 824	309 310	6.0%
Headline earnings (£'000)	292 463	265 227	10.3%
Cost to income ratio	67.5%	65.7%	
Staff compensation to operating income ratio	46.3%	43.9%	
Return on average adjusted shareholders' equity (post-tax)	10.1%	9.4%	
Return on average adjusted tangible shareholders' equity (post-tax)	12.3%	11.7%	
Return on average risk-weighted assets	1.14%	1.06%	
Return on average assets (excluding assurance assets)	0.75%	0.67%	
Operating profit per employee (£'000)	55.1	53.5	3.0%
Net interest income as a % of operating income	33.6%	35.2%	
Non-interest income as a % of operating income	66.4%	64.8%	
Recurring income as a % of total operating income	70.7%	68.6%	
Effective operational tax rate	17.1%	18.4%	
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	5 352	5 693	(6.0%)
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 013	3 942	1.8%
Shareholders' equity (excluding non-controlling interests) (£'million)	3 569	3 661	(2.5%)
Total assets (£'million)	47 142	52 010	(9.4%)
Net core loans and advances to customers (£'million)	17 157	18 415	(6.8%)
Core loans and advances to customers as a % of total assets	36.4%	35.4%	
Cash and near cash balances (£'million)	9 135	9 828	(7.1%)
Customer accounts (deposits) (£'million)	22 610	24 461	(7.6%)
Third party assets under management (£'million)	109 941	110 678	(0.7%)
Capital adequacy ratio: Investec plcᵒ	15.3%	16.7%	
Capital adequacy tier 1 ratio: Investec plc	10.5%	11.0%	
Leverage ratio: Investec plc^^	7.4%	n/a	
Capital adequacy ratio: Investec Limitedᵒ	14.9%	15.5%	
Capital adequacy tier 1 ratio: Investec Limited	11.0%	10.8%	
Leverage ratio: Investec Limited^^	7.2%	n/a	
Credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.68%	0.84%	
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	2.30%	2.73%	
Gearing ratio (assets excluding assurance assets to total equity)	10.3x	11.6x	
Core loans to equity ratio	4.3x	4.7x	
Loans and advances to customers: customer deposits	72.0%	71.5%	
Salient financial features and key statistics			
Adjusted earnings per share (pence)#	38.0	36.1	5.3%
Headline earnings per share (pence)#	33.9	31.0	9.4%
Basic earnings per share (pence)#	34.4	31.7	8.5%
Diluted earnings per share (pence)#	32.4	29.8	8.7%
Dividends per share (pence)#	19.0	18.0	5.6%
Dividend cover (times)	2.0	2.0	–
Net tangible asset value per share (pence)#	375.7	384.2	(2.2%)
Net asset value per share#	308.7	310.9	(0.7%)
Weighted number of ordinary shares in issue (million)#	862.6	856.0	0.8%
Total number of shares in issue (million)#	891.7	884.8	0.8%
Closing share price (pence)#	485	459	5.7%
Market capitalisation (£'million)	4 324	4 061	6.5%
Number of employees in the group (including temps and contractors)	8 258	8 151	1.3%
Closing ZAR:£ exchange rate	17.56	13.96	25.8%
Average ZAR:£ exchange rate	16.12	13.44	19.9%

* *Refer to definitions on page 164.*
^ *Calculation not comparable.*
^^ *The group's expected Basel III 'fully loaded' numbers are provided on page 49.*
ᵒ *Capital adequacy figures prior to 2008 are disclosed under Basel I. Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc is reporting in terms of Basel III for the first time at March 2014.*

2012	2011	2010	2009	2008	2007	2006	2005
358 625	434 406	432 258	396 766	508 717	466 585	388 767	224 124
80.7%	69.1%	67.2%	74.0%	66.7%	57.6%	68.3%	66.9%
19.3%	30.9%	32.8%	26.0%	33.3%	42.4%	31.7%	33.1%
257 579	327 897	309 710	269 215	344 695	300 704	230 017	149 510
217 253	286 659	275 131	261 627	301 499	294 881	222 805	147 037
64.7%	61.7%	57.8%	55.9%	56.1%	59.0%	58.7%	67.4%
43.0%	40.7%	36.1%	34.9%	37.2%	40.9%	40.1%	43.4%
7.8%	11.2%	13.5%	14.8%	23.6%	26.1%	25.5%	20.0%
9.6%	13.2%	15.4%	17.4%	28.6%	31.7%	32.7%	28.8%
0.91%	1.23%	1.33%	1.36%	^	^	^	^
0.57%	0.76%	0.83%	0.84%	1.31%	1.46%	1.35%	1.05%
47.8	64.4	69.7	62.6	84.4	92.3	91.5	48.6
36.2%	34.9%	37.0%	46.6%	39.3%	29.2%	26.8%	23.2%
63.8%	65.1%	63.0%	53.4%	60.7%	70.8%	73.2%	76.8%
67.7%	62.3%	60.4%	70.0%	65.1%	58.7%	56.9%	59.2%
18.1%	15.5%	20.6%	21.1%	22.6%	26.3%	27.3%	28.8%
5 505	5 249	4 362	3 762	3 275	2 665	2 042	1 579
4 013	3 961	3 292	2 621	2 210	1 820	1 512	1 076
3 716	3 648	2 955	2 297	1 911	1 542	1 226	931
51 550	50 941	46 572	37 365	34 224	26 300	23 901	19 917
18 226	18 758	17 891	16 227	12 854	10 095	9 605	6 408
35.4%	36.8%	38.4%	43.4%	37.7%	38.4%	40.2%	32.2%
10 251	9 319	9 117	4 866	5 028	^	^	^
25 344	24 441	21 934	14 573	12 133	10 650	8 699	6 805
96 776	88 878	74 081	48 828	52 749	56 121	56 331	33 855
17.5%	16.8%	15.9%	16.2%	15.3%	24.7%	17.7%	16.1%
11.6%	11.6%	11.3%	10.1%	9.2%	14.8%	11.6%	9.5%
16.1%	15.9%	15.6%	14.2%	13.9%	14.7%	16.3%	17.9%
11.6%	11.9%	12.0%	10.8%	10.0%	10.4%	11.5%	10.9%
1.12%	1.27%	1.16%	1.08%	0.51%	0.17%	0.11%	0.28%
3.31%	4.66%	3.98%	3.28%	1.29%	0.92%	0.52%	0.31%
11.3x	11.3x	12.5x	13.0x	13.8x	12.2x	12.5x	14.8x
4.5x	4.7x	5.4x	6.2x	5.8x	5.5x	6.4x	6.0x
67.8x	72.4%	76.2%	103.6%	98.4%	89.1%	105.6%	91.2%
31.8	43.2	45.1	42.4	56.9	53.3	41.9	26.9
26.8	37.7	40.1	41.2	49.7	52.3	40.6	26.5
25.7	49.7	44.0	38.5	57.7	54.7	53.8	17.8
24.3	46.7	41.5	36.1	54.0	50.4	50.0	17.1
17.0	17.0	16.0	13.0	25.0	23.0	18.2	13.4
1.9	2.5	2.8	3.3	2.3	2.3	2.3	2.0
392.0	343.8	324.1	266.3	215.0	178.6	148.9	99.2
317.0	416.0	364.0	308.8	260.6	216.0	182.1	135.4
809.6	759.8	686.3	634.6	606.2	563.8	548.8	555.5
874.0	810.0	741.0	713.2	657.6	609.3	593.0	593.0
382	478	539	292	339	658	588	311
3 340	3 872	3 993	2 083	2 229	4 009	3 488	1 844
7 781	7 237	6 123	5 951	6 333	5 430	4 453	4 163
12.27	10.88	11.11	13.58	16.17	14.20	10.72	11.73
11.85	11.16	12.38	14.83	14.31	13.38	11.43	11.47

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

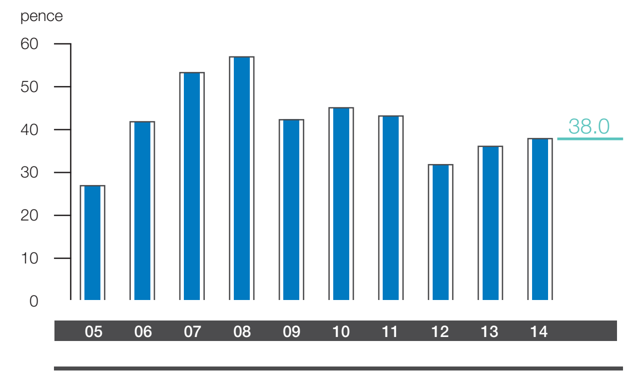
ø *Information prior to 2008 is shown before non-controlling interests and thereafter post other non-controlling interests.*

Track record

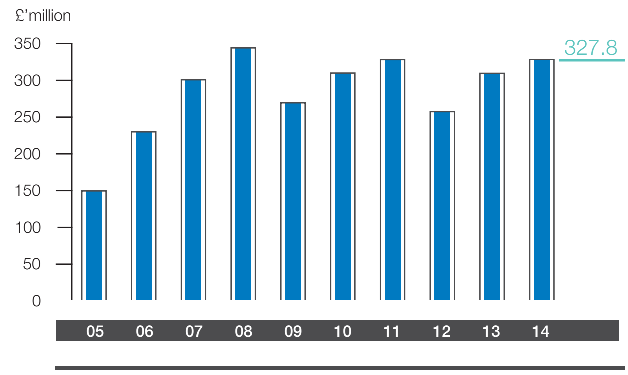
Up 5.3% to 38.0 pence

Up 6.0% £327.8 million

Adjusted earnings per share*



Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items

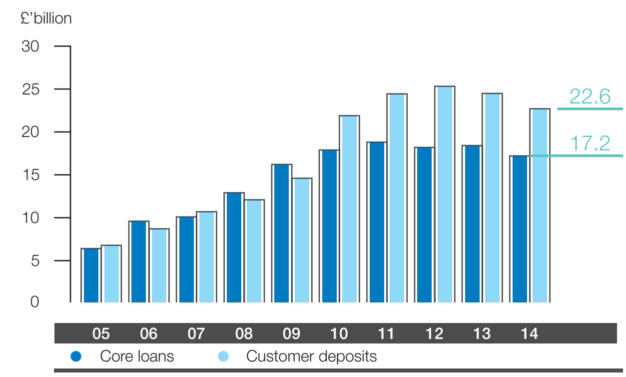


* *Historical EPS numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

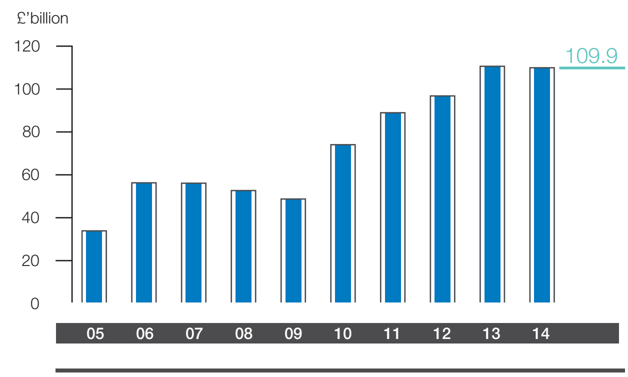
Core loans: down by 6.8% to £17.2 billion since 31 March 2013 – an increase of 7.9% on a currency neutral basis** Deposits: down 7.6% to £22.6 billion since 31 March 2013 – an increase of 6.2% on a currency neutral basis**

Down 0.7% to £109.9 billion since 31 March 2013 – an increase of 8.9% on a currency neutral basis** Net inflows of £4.0 billion

Core loans and customer deposits



Third party assets under management



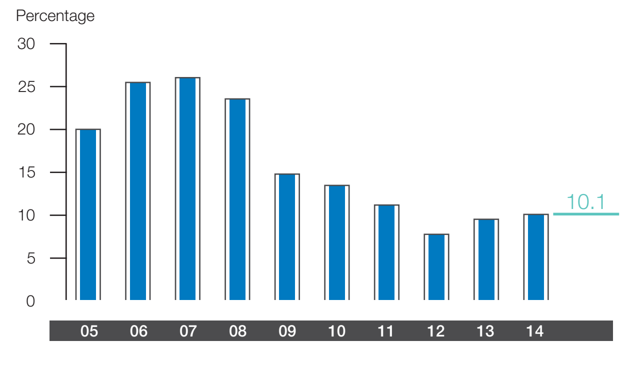
** *Currency neutral basis: calculation assumes that the closing exchange rates of the group's relevant exchange rates, as reflected on page 22, remain the same at 31 March 2014 when compared to 31 March 2013.*

Financial targets

Target

We have set the following target over the medium to long term:
Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling

ROE*

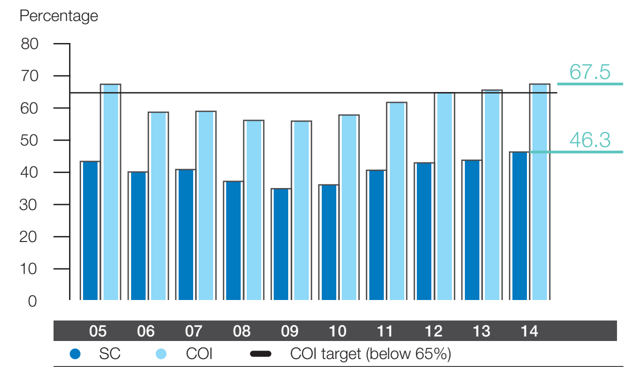


* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 49.*

Target

We have set the following target over the medium to long term:
Group COI ratio: less than 65% in Pounds Sterling

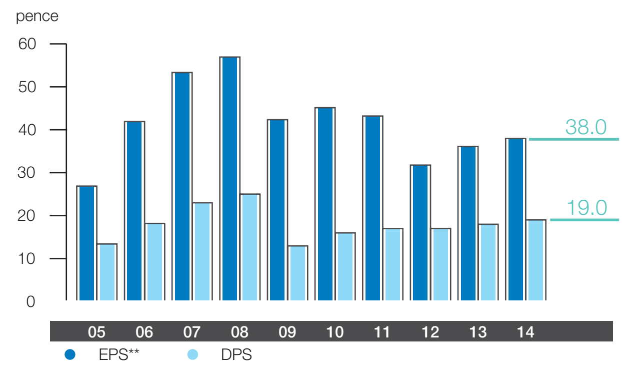
Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



Target

In the medium to long term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as defined above, denominated in Pounds Sterling.

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

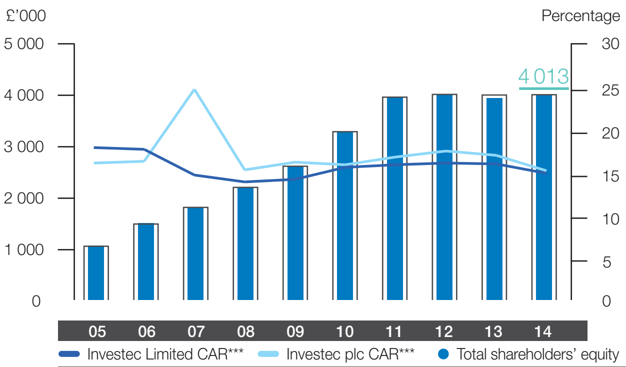


** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 164. The numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.*

Target

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. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 10.5% (11.0% by March 2016) and a common equity tier 1 ratio above 10.0% (by March 2016).

Total shareholders' equity and capital adequacy ratios (CAR)



*** *Capital adequacy figures prior to 2008 are disclosed under Basel I. Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc is reporting in terms of Basel III for the first time at March 2014.*

Note:
The numbers shown in the financial targets graphs on pages 26 and 27 are for the years ended 31 March, unless otherwise stated.

An overview of the operating environment impacting our business

South Africa

Our views

South Africa celebrates two decades of democratic freedom this year, and has made remarkable progress in the transition from apartheid to democracy. The transition has been peaceful, despite the country's history of dispossession and violence. Noticeable economic and social gains include a doubling of the size of the real economy and a substantial rollout of basic services and social welfare.

2.5%	1.9%
2012/13 Economic growth	**2013/14** Economic growth

GDP per capita has risen

2013	2014
R37 476	R37 700

Since 1994, living standards have improved, and interest rates and inflation have fallen materially, with both real economic growth and GDP per capita rising

Forty quarters of uninterrupted growth, from 1998 until the global financial market crisis, has translated into real after tax income per person rising to R25 048 per annum, from R17 320 in 1994. Indeed, the South African economy has increased from R1.1 trillion, to R2 trillion on real growth of 3.2% per annum since 1994, double the 1.6% per annum of the prior period. South Africans have become more affluent on average as many more are included in the formal economic net, but inequality remains high. South Africa still ranks amongst the most unequal societies in the world, and a significant number of households live in poverty. However, free state provision of basic services, housing and social grants are making meaningful inroads into the social deficit. The budget deficit rose following the financial crisis. Fiscal policy has therefore sought to smooth the economic cycle via increased expenditure, with a focus on social services and government employment creation. While the budget is still in deficit, it has narrowed considerably since 2009 and is on track to fall below 3.0% of GDP in the next few years.

Economic growth is waning, and has been on a downward trend since 2011. Interest rates are running near 40-year lows, but the process of global monetary policy normalisation has started. South Africa increased its interest rates by 50bp in January 2014 and further hikes are expected. The international economy continues to strengthen, although South Africa's key trading partners, China and the Eurozone, have seen economic growth underperform. The current account remains in deficit, and will be so, as long as foreigners are substantial holders of domestic bonds and equities. South Africa is well positioned to take advantage of Africa's growth potential, particularly the provision of services from a regional hub. In particular, South Africa has a sound banking sector, ranked third in the world by the World Economic Forum's Global Competitiveness Survey, and retains first place for the regulation of the securities exchange (JSE) and strength of auditing and reporting standards. South Africa is also placed first on the efficacy of its corporate boards and has incubated a large number of companies to large scale, international level. State provision of certain services continues to rank amongst the worst in the world, while the level of cooperation between labour and corporates is ranked the lowest in the 148 World Economic Forum country survey. Labour flexibility still needs to improve to absorb the unskilled and unemployed, and increase the ability to capture economic opportunity. The successful completion of the 2014 national and provincial elections opens up the opportunity for the state to become centrist, with consequent improved service delivery and economic freedom resulting in faster, inclusive economic growth.

United Kingdom

Our views

The UK economy mustered growth of 1.7% through 2013 and expanded by 0.8% on the quarter between January and March 2014 leaving output 3.1% up on the year, the fastest annual pace of growth since Q4 2007.

0.2%	2.3%
2012/13 Economic growth	**2013/14** Economic growth

GDP per capita has risen

2013	2014
£24 373	£25 175

Over the 2013/14 financial year, the UK's economic recovery gained momentum.

At the same time the UK jobs market recovery picked up pace, with the unemployment rate falling to 6.8% in March 2014 from 7.8% in April 2013, its lowest level since January 2009. Inflation moderated relatively sharply through the period falling to the 2% target in December 2013 and standing below target at the end of the year. Nevertheless, the improved economic backdrop sparked expectations of tighter policy from the Bank of England (BoE). In response, the new BoE governor Mark Carney, in post since 1 July, introduced 'forward guidance' in August 2013 whilst the bank rate stood at 0.5% and the size of the Quantitative Easing programme was held at £375 billion. The BoE's forward guidance began life in August 2013 as advice that implied the BoE would not consider adjusting interest rates until the unemployment rate reached 7%. But when the 7% mark was approached relatively quickly, the BoE adjusted its guidance, broadening it out to look at 'spare capacity' in February 2014, seeking to limit talk of an impending rate hike and the impact such expectations might have on the UK's recovery momentum. There were no changes in the UK's sovereign ratings during the period, with S&P holding the UK at AAA, Fitch at AA+ and Moody's at Aa1.

Australia

Our views

In an election year which saw a change of government, with Tony Abbott of the Liberal Party assuming the role of Prime Minister, the pace of growth in the Australian economy slowed.

3.1%	2.6%
2012/13 Economic growth	**2013/14** Economic growth

GDP per capita has risen

2013	2014
A$65 612	A$67 185

Indeed, in 2013, the pace of output growth dropped to 2.4% from 3.6% in 2012, more akin to the level seen in the post 2008/9 financial crisis years than in the pre-crisis period. The resources sector, a key driver of Australian growth momentum, was affected by slower mining demand with this explaining a significant part of the moderation in Australian growth in 2013. Furthermore, a squeeze on domestic expenditure through the fiscal consolidation programme also took its toll on the pace of Australian output expansion, with the new government largely continuing to work on improving Australia's fiscal position. Given this weaker backdrop, the Reserve Bank opted to ease policy further during the period, reducing the cash rate to 2.5% in August 2013, a new low below the 3% level deployed at the height of the 2008/9 crisis. That loose policy stance persisted through the remainder of the forecast period supporting signs of steady, albeit not storming, economic expansion through the early part of 2014.

An overview of the operating environment impacting our business (continued)

United States

Our views

At the end of the 2013/14 year US GDP stood 6.3% up on its 2008 pre-crisis peak level.

The US economy expanded by 1.9% through 2013, continuing America's recovery from the 2008/9 downturn, albeit at a slower pace than the prior year

In the final quarter of the 2013/14 financial year the US recovery appeared to grind to a halt with growth effectively flat on the quarter. However, that weakness was not expected to continue into the new financial year and recovery momentum was seen as largely intact, with much of the weakness attributed to severe weather. The improvement in the economic backdrop also helped to support a continued recovery in the US jobs market over the period with the unemployment rate having slid further to 6.3% in April 2014 from 7.5% in April 2013. Whilst broader measures of the US's recovery position also built over the year, the housing market was a relative soft spot with some moderation in recovery momentum seen in that sector. That was triggered in part by the decision by the Federal Reserve to 'taper' its QE3 programme in December 2013, with that decision (and the expectation of it) pushing up long-term mortgage rates. The Federal Reserve continued with that pullback at subsequent meetings too, such that the monthly asset purchase pace (of Mortgage Backed Securities and Treasuries) had fallen to U$45 billion per month in April 2014, from U$85 billion per month before the taper commenced in December 2013. More broadly, Federal Reserve policy remained ultra-loose through the period with the Federal Reserve Funds target rate at 0.00-0.25% as the Federal Open Market Committee sought to reinforce the recovery.

Eurozone

The Euro area moved onto a calmer footing in the 2013/14 financial year as a series of positive Euro crisis developments boosted confidence in the single currency zone. Indeed, the financial year saw Ireland exit its bailout programme without assistance, Portugal return to debt markets, Spain exit its Financial Assistance Programme and Greece successfully undertake a debt syndication. Through 2013 overall the Euro area contracted by 0.4%, a marginal improvement on 2012's 0.6% decline, although performance still varied significantly across members with much of peripheral Europe still struggling in a more significant way under the weight of fiscal austerity. Further, even across the brighter member states, recovery momentum remained far from strong and wider measures of economic health, including the jobs market remained soft with unemployment still elevated across much of the Euro area. As such, the European Central Bank (ECB) maintained a stance of exceptionally loose policy through the period under consideration. The ECB's main refinancing rate was reduced from 0.5% to 0.25% in November 2013, on the back of a weak inflation outlook across the zone overall. Indeed, subdued inflation was a theme through much of the latter part of the financial year with further policy easing such as Quantitative Easing, a negative deposit rate and other monetary easing options all having gained attention towards the end of the period. None of these latest ideas had been enacted by the end of the financial year but remained under consideration as the year closed.

Operating environment

The table below provides an overview of some key statistics that should be considered when reviewing our operational performance:

	Period ended 31 March 2014	Period ended 31 March 2013	% change	Average over the period 1 April 2013 to 31 March 2014
Market indicators				
FTSE All share	3 556	3 381	5.2%	3 496
JSE All share	47 771	39 861	19.8%	43 299
Australia All ords	5 403	4 980	8.5%	5 163
S&P	1 872	1 569	19.3%	1 722
Nikkei	14 828	12 336	20.2%	14 433
Dow Jones	16 458	14 579	12.9%	15 538
Rates				
UK overnight	0.33%	0.42%		0.43%
UK 10 year	2.74%	1.76%		2.56%
UK clearing banks base rate	0.50%	0.50%		0.50%
Libor – three month	0.52%	0.51%		0.52%
SA R157 (2015)	6.79%	5.48%		6.12%
Rand overnight	5.33%	4.76%		4.86%
SA prime overdraft rate	9.00%	8.50%		8.59%
Jibar – three month	5.73%	5.13%		5.25%
Reserve Bank of Australia cash target rate	2.50%	3.00%		2.60%
US 10 year	2.73%	1.85%		2.54%
Commodities				
Gold	U$1 289/oz	U$1 596/oz	(19.2%)	U$1 327/oz
Gas Oil	U$904/mt	U$928/mt	(2.6%)	U$915/mt
Platinum	U$1 418/oz	U$1 576/oz	(10.0%)	U$1 435/oz
Macro-economic				
UK GDP (% change over the period)	2.3%	0.2%		
UK per capita GDP	25 175	24 373	3.3%	
South Africa GDP (% real growth over the calendar year in Rands)	1.9%	2.5%		
South Africa per capita GDP (real value in Rands)	37 700	37 476	0.6%	
Australia GDP (% change over the period)	2.6%	3.1%		
Per capita GDP (A$)	67 185	65 612	2.4%	

Source: Datastream, Bloomberg's, Office for National Statistics, SARB Quarterly Bulletin, Australian Bureau of Statistics.

Key income drivers

We provide a wide range of financial products and services to a niche client base in three principal markets – the UK, South Africa and Australia. We are organised as a network comprising three principal business divisions: Asset Management, Wealth & Investment and Specialist Banking

Specialist Banking

There are therefore a number of key income drivers for our business which are discussed below and alongside:

Asset Management

Key income drivers

- Fixed fees as a percentage of assets under management
- Variable performance fees.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- Movements in the value of the assets underlying client portfolios
- Performance of portfolios against set benchmarks
- Net flows.

Wealth & Investment

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Commissions earned for executing transactions for clients.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- Movement in the value of assets underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.

Key income drivers	Income impacted primarily by	Income statement primarily reflected as
• Lending activities.	• Size of portfolios • Clients' capital and infrastructural investments • Client activity • Credit spreads • Shape of yield curve.	• Net interest income • Fees and commission.
• Cash and near cash balances.	• Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements • Credit spreads.	• Net interest income • Trading income arising from balance sheet management activities.
• Deposit and product structuring and distribution.	• Distribution channels • Ability to create innovative products • Regulatory requirements • Credit spreads.	• Net interest income • Fees and commissions.
• Investments made (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received.	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities.	• Net interest income • Investment income.
• Advisory services.	• The demand for our specialised advisory services which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals.	• Fees and commissions.
• Derivative sales, trading and hedging.	• Client activity • Market conditions/volatility • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity.	• Fees and commissions • Trading income arising from customer flow.
• Transactional banking services.	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure.	• Net interest income • Fees and commissions.

Key risks relating to our operations

In our ordinary course of business we face a number of risks that could affect our business operations

These risks are summarised briefly in the table below with further details provided in volumes one and two of the report.

For additional information pertaining to the management and monitoring of these risks, see the references provided.

12 – 43*	78 – 82*	82 and 83*
Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.	**Operational risk** may disrupt our business or result in regulatory action.	**Legal and regulatory risks** are substantial in our businesses.
67 – 78*	22	82*
Liquidity risk may impair our ability to fund our operations.	We are exposed to **non-traded currency risk,** where fluctuations in exchange rates against Pounds Sterling could have an impact on our financial results.	**Reputational, strategic** and **business risk.**
63 – 67*	78 – 82*	82*
Our net interest earnings and net asset value may be adversely affected by **interest rate risk.**	We may be **vulnerable to the failure of our systems** and breaches of our security systems.	We may be exposed to **pension risk** in our UK operations.
44 – 62*	83 – 87*	78 – 82*
Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways.	**We may have insufficient capital** in the future and may be unable to secure additional financing when it is required.	**Employee misconduct** could cause harm that is difficult to detect.
112 – 115	18 – 21, 28 – 30	83*
We may be unable to **recruit, retain and motivate key personnel.**	The **financial services industry** in which we operate is intensely competitive.	**Retail conduct risk** is the risk that we treat our customers unfairly and deliver inappropriate outcomes. **Wholesale conduct risk** is the risk of conducting ourselves negatively in the market.

* *Refer to volume two.*

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 55 to 80.

Total operating income

Total operating income decreased by 2.9% to £1 941.0 million (2013: £1 999.5 million). The various components of total operating income are analysed below.

£'000	31 March 2014	% of total income	31 March 2013*	% of total income	% change
Net interest income	651 679	33.5%	703 607	35.2%	(7.4%)
Net fee and commission income	989 421	51.0%	966 820	48.4%	2.3%
Investment income	166 809	8.6%	181 992	9.1%	(8.3%)
Trading income arising from					
– customer flow	103 914	5.4%	70 859	3.5%	46.6%
– balance sheet management and other trading activities	10 587	0.5%	34 038	1.7%	(68.9%)
Other operating income	18 554	1.0%	42 153	2.1%	(56.0%)
Total operating income before impairments	1 940 964	100.0%	1 999 469	100.0%	(2.9%)

* *Restated.*

The following table sets out information on total operating income before impairment losses on loans and advances by geography for the year under review.

£'000	31 March 2014	% of total income	31 March 2013*	% of total income	% change
UK and Other	1 067 672	55.0%	1 060 090	53.0%	0.7%
Southern Africa	766 812	39.5%	806 657	40.4%	(4.9%)
Australia	106 480	5.5%	132 722	6.6%	(19.8%)
Total operating income before impairments	1 940 964	100.0%	1 999 469	100.0%	(2.9%)

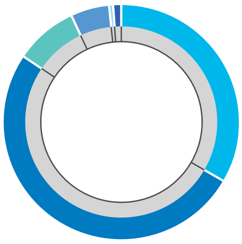
* *Restated.*

The following table sets out information on total operating income before impairment losses on loans and advances by division for the year under review:

£'000	31 March 2014	% of total income	31 March 2013*	% of total income	% change
Asset Management	414 180	21.4%	407 191	20.4%	1.7%
Wealth & Investment	288 033	14.8%	248 988	12.5%	15.7%
Specialist Banking	1 238 751	63.8%	1 343 290	67.1%	(7.8%)
Total operating income before impairments	1 940 964	100.0%	1 999 469	100.0%	(2.9%)

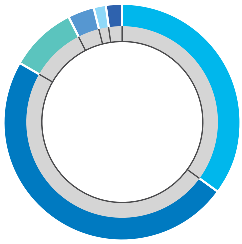
* *Restated.*

% of total operating income before impairments



31 March 2014
£1 941.0 million total operating income before impairments

Net interest income	33.5%
Net fee and commission income	51.0%
Investment income	8.6%
Trading income arising from customer flow	5.4%
Trading income arising from balance sheet management and other trading activities	0.5%
Other operating income	1.0%



31 March 2013
£1 999.5 million total operating income before impairments

Net interest income	35.2%
Net fee and commission income	48.4%
Investment income	9.1%
Trading income arising from customer flow	3.5%
Trading income arising from balance sheet management and other trading activities	1.7%
Other operating income	2.1%

Net interest income

Net interest income decreased by 7.4% to £651.7 million (2013: £703.6 million) largely due to a lower return earned on certain higher yielding assets and on the legacy portfolios which are running down. This was partially offset by loan book growth and lower cost of funding, notably in the UK and Australia.

£'000	31 March 2014	31 March 2013*	Variance	% change
Asset Management	3 918	4 501501	(583)	(13.0%)
Wealth & Investment	7 857	9 049	(1 192)	(13.2%)
Specialist Banking	639 904	690 057	(50 153)	(7.3%)
Net interest income	651 679	703 607	(51 928)	(7.4%)

* *Restated.*

A further analysis of interest received and interest paid is provided in the tables below.

		UK and Other		Southern Africa		Australia		Total group	
For the year to 31 March 2014 £'000	Notes	Balance sheet value	Interest received	Balance sheet value	Interest received	Balance sheet value	Interest received	Balance sheet value	Interest received
Cash, near cash and bank debt and sovereign debt securities	1	5 010 123	44 571	6 515 392	295 811	522 552	17 336	12 048 067	357 718
Core loans and advances	2	6 492 335	382 124	8 935 103	765 050	1 729 929	160 356	17 157 367	1 307 530
Private client		3 777 504	165 077	6 024 500	488 165	1 369 078	102 331	11 171 082	755 573
Corporate, institutional and other clients		2 714 831	217 047	2 910 603	276 885	360 851	58 025	5 986 285	551 957
Other debt securities and other loans and advances		1 634 693	73 497	656 089	31 088	8 165	1 101	2 298 947	105 686
Other interest-earning assets	3	2 798 158	124 783	778 368	9 666	–	–	3 576 526	134 449
Total interest-earning assets		15 935 309	624 975	16 884 952	1 101 615	2 260 646	178 793	35 080 907	1 905 383

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*

Overview of the year

01

For the year to 31 March 2014 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest paid	Southern Africa Balance sheet value	Southern Africa Interest paid	Australia Balance sheet value	Australia Interest paid	Total group Balance sheet value	Total group Interest paid
Deposits by banks and other debt related securities	4	3 035 188	64 931	2 493 082	62 435	105 617	11 611	5 633 887	138 977
Customer accounts		9 406 909	160 248	11 670 995	655 969	1 531 880	62 210	22 609 784	878 427
Other interest-bearing liabilities	5	2 374 599	50 128	947 286	41 531	449 084	30 638	3 770 969	122 297
Subordinated liabilities		668 007	64 449	597 803	46 735	72 942	2 819	1 338 752	114 003
Total interest-bearing liabilities		15 484 703	339 756	15 709 166	806 670	2 159 523	107 278	33 353 392	1 253 704
Net interest income			285 219		294 945		71 515		651 679

For the year to 31 March 2013* £'000	Notes	UK and Other Balance sheet value	UK and Other Interest received	Southern Africa Balance sheet value	Southern Africa Interest received	Australia Balance sheet value	Australia Interest received	Total group Balance sheet value	Total group Interest received
Cash, near cash and bank debt and sovereign debt securities	1	5 324 884	47 511	7 622 170	315 841	707 398	16 076	13 654 452	379 428
Core loans and advances	2	6 045 063	357 343	10 164 864	853 372	2 205 046	180 301	18 414 973	1 391 016
Private client		3 024 629	162 618	6 900 949	557 108	1 402 295	112 566	11 327 873	832 292
Corporate, institutional and other clients		3 020 434	194 725	3 263 915	296 264	802 751	67 735	7 087 100	558 724
Other debt securities and other loans and advances		1 898 895	144 171	561 788	18 425	22 506	18 205	2 483 189	180 801
Other interest-earning assets	3	3 106 741	161 727	896 467	19 743	–	–	4 003 208	181 470
Total interest-earning assets		16 375 583	710 752	19 245 289	1 207 381	2 934 950	214 582	38 555 822	2 132 715

For the year to 31 March 2013* £'000	Notes	UK and Other Balance sheet value	UK and Other Interest paid	Southern Africa Balance sheet value	Southern Africa Interest paid	Australia Balance sheet value	Australia Interest paid	Total group Balance sheet value	Total group Interest paid
Deposits by banks and other debt related securities	4	3 700 994	74 013	2 717 887	70 864	470 689	32 436	6 889 570	177 313
Customer accounts		9 489 748	219 180	13 278 098	669 085	1 692 820	79 411	24 460 666	967 676
Other interest-bearing liabilities	5	2 486 153	63 119	1 265 885	54 652	477 903	30 486	4 229 941	148 257
Subordinated liabilities		664 624	62 714	1 004 562	69 987	82 620	3 161	1 751 806	135 862
Total interest-bearing liabilities		16 341 519	419 026	18 266 432	864 588	2 724 032	145 494	37 331 983	1 429 108
Net interest income			291 726		342 793		69 088		703 607

** Restated.*
See notes on next page.

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; reverse repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets and liabilities arising on securitisation.*

Net fee and commission income

Net fee and commission income increased by 2.3% to £989.4 million (2013: £966.8 million) as a result of higher average funds under management and net inflows in the Asset Management and Wealth Management businesses. The Specialist Banking business recorded a decrease in net fees and commissions due to lower corporate fees earned in the UK and Australia, with the South African business benefiting from increased client activity.

£'000	31 March 2014	31 March 2013*	Variance	% change
Asset Management	409 341	393 116	16 225	4.1%
Wealth & Investment	275 377	237 560	37 817	15.9%
Specialist Banking	304 703	336 144	(31 441)	(9.4%)
Net fee and commission income	989 421	966 820	22 601	2.3%

* *Restated.*

Further information on net fees by type of fee and geography is provided in the tables below.

For the year to 31 March 2014 £'000	UK and Other	Southern Africa	Australia	Total group
Asset management and wealth management businesses net fee and commission income	462 375	222 343	–	684 718
Fund management fees/fees for assets under management	497 863	191 271	–	689 134
Private client transactional fees	61 887	33 287	–	95 174
Fee and commission expense	(97 375)	(2 215)	–	(99 590)
Specialist Banking net fee and commission income	144 944	132 508	27 251	304 703
Corporate and institutional transactional and advisory services	158 040	118 667	19 013	295 720
Private client transactional fees	14 548	27 003	15 323	56 874
Fee and commission expense	(27 644)	(13 162)	(7 085)	(47 891)
Net fee and commission income	607 319	354 851	27 251	989 421
Annuity fees (net of fees payable)	443 583	257 662	17 844	719 089
Deal fees	163 736	97 189	9 407	270 332

For the year to 31 March 2013* £'000	UK and Other	Southern Africa	Australia	Total group
Asset management and wealth management businesses net fee and commission income	400 769	229 907	–	630 676
Fund management fees/fees for assets under management	451 084	201 182	–	652 266
Private client transactional fees	54 124	29 708	–	83 832
Fee and commission expense	(104 439)	(983)	–	(105 422)
Specialist Banking net fee and commission income	167 826	113 413	54 905	336 144
Corporate and institutional transactional and advisory services	168 286	92 709	49 850	310 845
Private client transactional fees	20 973	32 901	9 581	63 455
Fee and commission expense	(21 433)	(12 197)	(4 526)	(38 156)
Net fee and commission income	568 595	343 320	54 905	966 820
Annuity fees (net of fees payable)	392 722	254 073	26 138	672 933
Deal fees	175 873	89 247	28 767	293 887

* *Restated.*

Investment income

Investment income decreased by 8.3% to £166.8 million (2013: £182.0 million). The group's private equity and property fund portfolios performed well, however, results were offset by lower income earned on the fixed income portfolio in the UK and investment property activity in South Africa.

£'000	31 March 2014	31 March 2013*	Variance	% change
Asset Management	28	36	(8)	(22.2%)
Wealth & Investment	2 183	555	1 628	>100.0%
Specialist Banking	164 598	181 401	(16 803)	(9.3%)
Investment income	166 809	181 992	(15 183)	(8.3%)

* *Restated.*

Further information on investment income is provided in the tables below.

For the year to 31 March 2014 £'000	UK and Other	Southern Africa	Australia	Total group
Realised	52 958	19 534	1 028	73 520
Unrealised	36 339	14 899	(1 348)	49 890
Dividend income	9 702	38 569	1 183	49 454
Funding and other net related income/(costs)	541	(5 292)	(1 304)	(6 055)
Investment income	99 540	67 710	(441)	166 809

For the year to 31 March 2014 £'000	Investment portfolio (listed and unlisted equities)^	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	96 603	(1 380)	–	4 317	99 540
Realised	36 614	11 457	–	4 887	52 958
Unrealised	50 480	(12 837)	–	(1 304)	36 339
Dividend income	9 509	–	–	193	9 702
Funding and other net related income	–	–	–	541	541
Southern Africa	43 092	(2 851)	23 450	4 019	67 710
Realised	12 607	–	8 610	(1 683)	19 534
Unrealised	1 746	(2 851)	16 374	(370)	14 899
Dividend income	38 569	–	–	–	38 569
Funding and other net related (costs)/income	(9 830)	–	(1 534)	6 072	(5 292)
Australia	3 970	–	–	(4 411)	(441)
Realised	1 208	–	–	(180)	1 028
Unrealised	1 579	–	–	(2 927)	(1 348)
Dividend income	1 183	–	–	–	1 183
Funding and other net related costs	–	–	–	(1 304)	(1 304)
Total investment income	143 665	(4 231)	23 450	3 925	166 809

^ *Including embedded derivatives (warrants and profit shares).*

For the year to 31 March 2013* £'000	UK and Other	Southern Africa	Australia	Total group
Realised	58 571	110 824	1 752	171 147
Unrealised	32 235	(18 362)	(1 654)	12 219
Dividend income	2 999	11 572	240	14 811
Funding and other net related (costs)/income	1 445	(17 830)	200	(16 185)
Investment income	95 250	86 204	538	181 992

* *Restated.*

For the year to 31 March 2013* £'000	Investment portfolio (listed and unlisted equities)^	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	32 162	56 919	–	6 169	95 250
Realised	917	51 301	–	6 353	58 571
Unrealised	28 246	5 618	–	(1 629)	32 235
Dividend income	2 999	–	–	–	2 999
Funding and other net related income	–	–	–	1 445	1 445
Southern Africa	35 728	6 791	44 818	(1 133)	86 204
Realised	51 938	–	61 548	(2 662)	110 824
Unrealised	(15 476)	6 791	(9 599)	(78)	(18 362)
Dividend income	11 572	–	–	–	11 572
Funding and other net related (costs)/income	(12 306)	–	(7 131)	1 607	(17 830)
Australia	(2 412)	1 617	–	1 333	538
Realised	64	1 617	–	71	1 752
Unrealised	(2 716)	–	–	1 062	(1 654)
Dividend income	240	–	–	–	240
Funding and other net related income	–	–	–	200	200
Total investment income	65 478	65 327	44 818	6 369	181 992

* *Restated.*
^ *Including embedded derivatives (warrants and profit shares).*

Trading income

Trading income arising from customer flow increased by 46.6% to £103.9 million (2013: £70.9 million) whilst trading income from balance sheet management and other trading activities decreased by 68.9% to £10.6 million (2013: £34.0 million) due to gains arising from the sale of bonds not repeated in the current year.

Arising from customer flow

£'000	31 March 2014	31 March 2013	Variance	% change
Asset Management	–	–	–	n/a
Wealth & Investment	1 324	687	637	92.7%
Specialist Banking	102 590	70 172	32 418	46.2%
Trading income arising from customer flow	103 914	70 859	33 055	46.6%

Arising from balance sheet management and other trading activities

£'000	31 March 2014	31 March 2013*	Variance	% change
Asset Management	(1 982)	(45)	(1 937)	(>100.0%)
Wealth & Investment	58	360	(302)	(83.9%)
Specialist Banking	12 511	33 723	(21 212)	(62.9%)
Trading income arising from balance sheet management and other trading activities	10 587	34 038	(23 451)	(68.9%)

* *Restated.*

Other operating income

Other operating income includes associate income and income earned on an operating lease portfolio.

Impairment losses on loans and advances

Impairments on loans and advances decreased from £251.0 million to £166.2 million. Impairments in the UK and South Africa were much improved, whilst Australia reported an increase over the year.

Since 31 March 2013 gross defaults have improved from £792.2 million to £658.7 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 2.30% (2013: 2.73%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.27 times (2013: 1.26 times).

Further information is provided on pages 31 to 33.

£'000	31 March 2014	31 March 2013	Variance	% change
UK and Other	(104 792)	(171 187)	66 395	(38.8%)
Southern Africa	(39 241)	(61 976)	22 735	(36.7%)
Australia	(22 119)	(17 849)	(4 270)	23.9%
Total impairment losses on loans and advances	(166 152)	(251 012)	84 860	(33.8%)
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(636)	(833)	197	(23.6%)
Australia (A$'million)	(38.5)	(27.3)	(11.4)	42.1%

Operating costs

The ratio of total operating costs to total operating income was 67.5% (2013: 65.7%).

Total operating costs grew by 0.2% to £1 306.1 million (2013: £1 303.0 million) largely as a result of an increase in growth in the Asset Management and Wealth Management businesses. Fixed costs in the Specialist Bank have increased by inflation in home currencies.

£'000	31 March 2014	% of total expenses	31 March 2013*	% of total expenses	% change
Staff costs	(897 743)	68.4%	(877 341)	66.5%	2.3%
– fixed	(592 192)	45.1%	(602 884)	45.7%	(1.8%)
– variable	(305 551)	23.3%	(274 457)	20.8%	11.3%
Business expenses	(196 866)	15.0%	(201 017)	15.2%	(2.1%)
Premises expenses (excluding depreciation)	(70 478)	5.4%	(73 642)	5.6%	(4.3%)
Equipment expenses (excluding depreciation)	(56 386)	4.3%	(65 092)	5.0%	(13.4%)
Marketing expenses	(55 923)	4.3%	(55 641)	4.2%	0.5%
Depreciation and impairment of property, plant, equipment and software	(28 706)	2.1%	(30 300)	2.3%	(5.3%)
Total operating expenses	(1 306 102)	99.5%	(1 303 033)	98.8%	0.2%
Depreciation on operating leased assets	(6 044)	0.5%	(16 072)	1.2%	(62.4%)
Total expenses	(1 312 146)	100.0%	(1 319 105)	100.0%	(0.5%)

* *Restated.*

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

£'000	31 March 2014	% of total expenses	31 March 2013*	% of total expenses	% change
UK and Other	(797 348)	60.8%	(753 206)	57.1%	5.9%
Southern Africa	(416 581)	31.7%	(454 427)	34.4%	(8.3%)
Australia	(98 217)	7.5%	(111 472)	8.5%	(11.9%)
Total expenses	(1 312 146)	100.0%	(1 319 105)	100.0%	(0.5%)

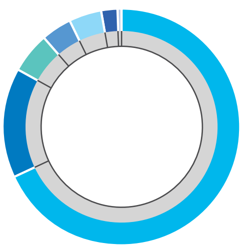
* *Restated.*

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

£'000	31 March 2014	% of total expenses	31 March 2013*	% of total expenses	% change
Asset Management	(270 361)	20.6%	(266 784)	20.2%	1.3%
Wealth & Investment	(221 934)	16.9%	(198 321)	15.1%	11.9%
Specialist Banking	(819 851)	62.5%	(854 000)	64.7%	(4.0%)
Total expenses	(1 312 146)	100.0%	(1 319 105)	100.0%	(0.5%)

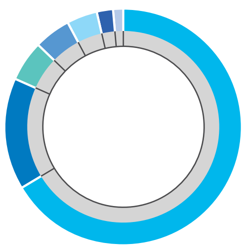
* *Restated.*

% of total expenses



31 March 2014
£1 312.1 million total expenses

Staff costs	68.4%
Business expenses	15.0%
Premises expenses	5.4%
Equipment expenses	4.3%
Marketing expenses	4.3%
Depreciation	2.1%
Depreciation on operating leased assets	0.5%



31 March 2013
£1 319.1 million total expenses

Staff costs	66.5%
Business expenses	15.2%
Premises expenses	5.6%
Equipment expenses	5.0%
Marketing expenses	4.2%
Depreciation	2.3%
Depreciation on operating leased assets	1.2%

Key income drivers in our core businesses

The information below reflects our key income drivers in our core businesses.

Asset Management

Global business (in Pounds Sterling)	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Operating margin	34.70%	34.50%	35.70%	37.00%	33.40%	33.50%
Net inflows in funds under management as a % of opening funds under management	3.70%	6.70%	8.80%	16.0%	16.2%	2.60%
Average income yield earned on funds under management^	0.60%	0.62%	0.62%	0.66%	0.67%	0.70%

Wealth & Investment

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Global business (in Pounds Sterling)						
Operating margin	22.9%	20.3%	19.7%	25.9%	n/a*	n/a*
Net organic growth in funds under management as a % of opening funds under management	3.5%	2.0%	(5.3%)	6.2%	n/a*	n/a*
Average income yield earned on funds under management^	0.70%	0.66%	0.61%	0.55%	n/a*	n/a*
UK and Other^^ (in Pounds Sterling)						
Operating margin	20.1%	17.3%	16.3%	24.5%	n/a*	n/a*
Net organic growth in funds under management as a % of opening funds under management	5.1%	1.3%	(7.4%)	3.5%	n/a*	n/a*
Average income yield earned on funds under management^	0.89%	0.86%	0.80%	0.68%	n/a*	n/a*
South Africa (in Rands)						
Operating margin	33.9%	31.3%	28.5%	28.9%	35.5%	35.3%
Net organic growth in discretionary funds under management as a % of opening discretionary funds under management	13.1%	13.9%	8.7%	6.0%	3.4%	(4.2%)
Average income yield earned on funds under management^**	0.40%	0.37%	0.39%	0.41%	0.41%	0.41%

* *Prior to 25 June 2010, Rensburg Sheppards plc was an associate of Investec and not a 100% owned subsidiary.*

** *A large portion of the funds under management are non-discretionary funds.*

^ *The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not take into account the impact of market movements throughout the period on funds under management or the timing of acquisitions and disposals during the respective periods.*

^^ *Other comprises European Wealth Management, which prior to 1 July 2010 was part of the Private Bank, Investec Wealth & Investment Ireland (formerly NCB), which was acquired on 12 June 2012 and Investec Wealth & Investment Channel Islands.*

Specialist Banking

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Global business (in Pounds Sterling)						
Cost to income ratio	66.0%	63.1%	62.4%	60.1%	56.4%	54.5%
ROE post-tax^	7.2%	6.4%	5.1%	8.2%	11.4%	13.4%
Growth in net core loans	(6.8%)	1.0%	(2.8%)	4.8%	10.3%	26.2%
Growth in risk-weighted assets	(6.0%)	4.7%	0.6%	14.1%	16.4%	15.9%
Defaults (net of impairments as a % of core loans)	2.30%	2.73%	3.31%	4.66%	3.98%	2.28%
Credit loss ratio on core loans	0.68%	0.84%	1.12%	1.27%	1.16%	1.08%
UK and Other (in Pounds Sterling)						
Cost to income ratio	73.4%	65.9%	63.7%	63.2%	61.3%	60.0%
ROE post-tax^	4.3%	3.2%	2.5%	3.3%	8.2%	7.1%
Growth in net core loans	7.4%	4.4%	3.8%	2.6%	(8.8%)	10.3%
Growth in risk-weighted assets	6.3%	5.2%	4.6%	9.6%	5.3%	3.8%
Defaults (net of impairments as a % of core loans)	3.76%	4.34%	4.92%	4.23%	3.16%	3.51%
Credit loss ratio on core loans	0.95%	1.26%	1.22%	2.50%	1.85%	1.55%
Southern Africa (in Rands)						
Cost to income ratio	52.9%	55.5%	55.2%	54.7%	49.8%	48.5%
ROE post-tax^	11.2%	10.0%	9.6%	10.7%	13.8%	18.2%
Growth in net core loans	10.6%	10.2%	6.6%	0.3%	1.9%	14.1%
Growth in risk-weighted assets	11.0%	16.5%	11.9%	13.8%	3.6%	11.1%
Defaults (net of impairments as a % of core loans)	1.46%	1.89%	2.73%	3.97%	3.32%	2.12%
Credit loss ratio on core loans	0.42%	0.61%	0.65%	0.71%	0.68%	0.69%
Australia (in Australian Dollars)						
Cost to income ratio	91.9%	83.4%	96.9%	69.7%	61.9%	63.1%
ROE post-tax^	(3.8%)	1.1%	(10.8%)	1.6%	3.6%	0.6%
Growth in net core loans	(3.2%)	7.1%	(9.3%)	9.4%	3.4%	13.4%
Growth in risk-weighted assets	(6.9%)	14.7%	(11.9%)	16.9%	(4.3%)	2.9%
Defaults (net of impairments as a % of core loans)	1.12%	2.13%	1.70%	9.54%	10.26%	9.62%
Credit loss ratio on core loans	1.12%	0.85%	3.13%	1.53%	1.70%	2.23%

^ *Divisional ROEs are reported on a pre-tax basis. For the purpose of this calculation we have applied the group's effective tax rate to derive post-tax numbers. Capital at 31 March 2014 was c.£1.0 billion in the UK, c.R22 billion in South Africa and c.A$0.6 billion in Australia.*

Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests

As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests increased by 6.0% from £426.3 million to £451.8 million.

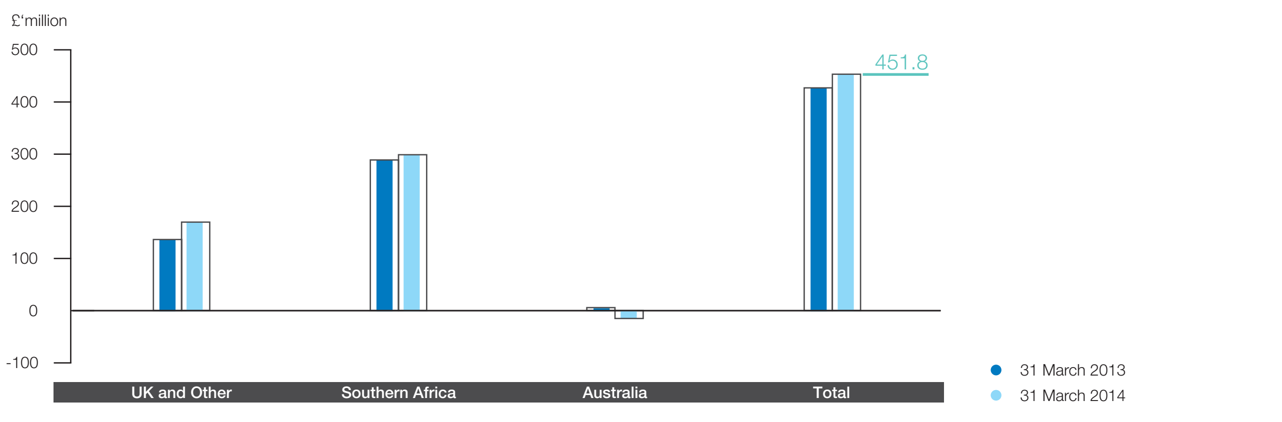
The following tables set out information on operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests by geography and by division for the year under review.

For the year to 31 March 2014 £'000	UK and Other	Southern Africa	Australia	Total group	% change	% of total
Asset Management	67 585	76 234	–	143 819	2.4%	31.8%
Wealth & Investment	46 065	20 034	–	66 099	30.5%	14.6%
Specialist Banking	54 602	201 153	(13 856)	241 899	2.8%	53.6%
Ongoing business	157 354	201 153	(3 222)	355 285	3.9%	78.6%
Legacy business	(102 752)	–	(10 634)	(113 386)	6.1%	(25.0%)
Total group	168 252	297 421	(13 856)	451 817	6.0%	100.0%
Other non-controlling interest – equity				10 849		
Operating profit				462 666		
% change	24.4%	3.4%	(>100.0%)	6.0%		
% of total	37.2%	65.9%	(3.1%)	100.0%		

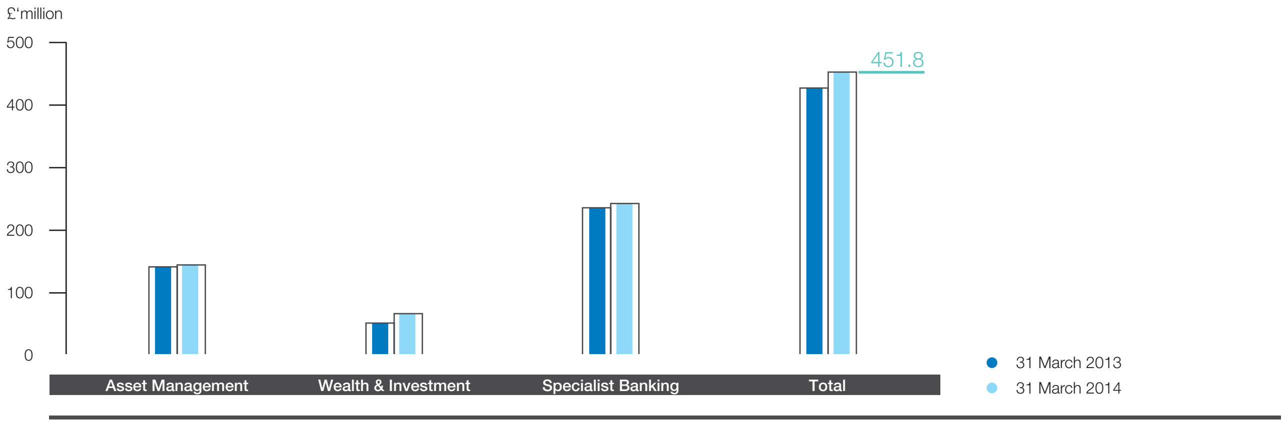
For the year to 31 March 2013* £'000	UK and Other	Southern Africa	Australia	Total group	% of total
Asset Management	59 341	81 066	–	140 407	32.9%
Wealth & Investment	33 910	16 757	–	50 667	11.9%
Specialist Banking	42 049	189 754	3 401	235 204	55.2%
Ongoing business	128 249	189 754	23 928	341 931	80.2%
Legacy business	(86 200)	–	(20 527)	(106 727)	(25.0%)
Total group	135 300	287 577	3 401	426 278	100.0%
Non-controlling interest – equity				3 074	
Operating profit				429 352	
% of total	31.7%	67.5%	0.8%	100.0%	

* *Restated.*

Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests by geography



Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests by line of business



Impairment of goodwill

The current year's goodwill impairment relates to the restructure of the Australian business and certain Asset Management businesses acquired in prior years.

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2014	31 March 2013
UK and Other	397 756	406 389
Asset Management	88 045	88 045
Wealth & Investment	242 951	243 102
Specialist Banking	66 760	75 242
Southern Africa	6 560	10 260
Asset Management	4 346	7 450
Wealth & Investment	1 963	2 494
Specialist Banking	251	316
Australia	29 255	50 257
Specialist Banking	29 255	50 257
Total goodwill	433 571	466 906
Intangible assets	159 169	178 567
Total goodwill and intangible assets	592 740	645 473

Amortisation of acquired intangibles

Amortisation of acquired intangibles relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Operating costs arising from integration, restructuring and partial disposal of subsidiaries

Operating costs arising from integration, restructuring and partial disposal of subsidiaries includes costs associated with the restructuring of the Australian business, as mentioned above, and operational costs associated with the implementation of the Asset Management transaction.

Net gain on disposal of subsidiaries

Net gain on disposal of subsidiaries comprises a loss on the sale of the Trust businesses offset by a gain on disposal of Lease Direct Finance.

Taxation

The effective tax rate amounts to 17.1% (2013: 18.4%).

	Effective tax rates		31 March 2014 £'000	31 March 2013 £'000*	% change
	2014	2013*			
UK and Other	18.8%	23.4%	(31 164)	(31 801)	2.0%
Southern Africa	15.5%	16.8%	(48 140)	(48 693)	(1.1%)
Australia	(1.1%)	(42.0%)	154	1 430	(89.2%)
Tax	17.1%	18.4%	(79 150)	(79 064)	0.1%

* *Restated.*

Profits attributable to non-controlling interests

Profits attributable to non-controlling interests mainly comprises:

- £11.0 million profit attributable to non-controlling interests in the Asset Management business
- £15.8 million profit attributable to non-controlling interests in the Investec Property Fund
- A loss of £3.8 million relating to Euro denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of non-controlling interests. (The transaction is hedged and a forex transaction loss arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to non-controlling interests).

Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders increased from £310.1 million to £331.7 million.

Dividends and earnings per share

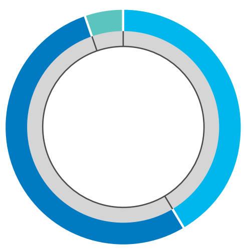
Information with respect to dividends and earnings per share is provided on pages 5, 6, 51 and 52 in volume three.

Balance sheet analysis

Since 31 March 2013:

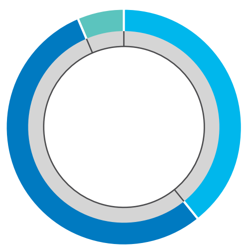
- Total shareholders' equity (including non-controlling interests) increased by 1.8% to £4.0 billion – an increase of 12.2% on a currency neutral basis. The weakening of the closing Rand and Australian exchange rates relative to Pounds Sterling has resulted in a reduction in total equity of £407.5 million
- Net asset value per share decreased 2.2% to 375.7 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased by 0.7% to 308.7 pence largely as a result of the depreciation of the Rand as described above. On a currency neutral basis net asset value per share and net tangible asset value per share increased by 9.1% and 12.9%, respectively
- The return on adjusted average shareholders' equity increased from 9.4% to 10.1%
- The return on average risk-weighted assets increased from 1.06% to 1.14%.

Assets by geography



31 March 2014
£47 142 million total assets

UK and Other	41.6%
Southern Africa	53.2%
Australia	5.2%



31 March 2013
£52 010 million total assets

UK and Other	39.4%
Southern Africa	54.4%
Australia	6.2%

Net tangible asset value per share

The group's net tangible asset value per share is reflected in the table below.

£'000	31 March 2014	31 March 2013*
Shareholders' equity	3 569 459	3 661 472
Less: perpetual preference shares issued by holding companies	(330 890)	(377 659)
Less: goodwill and intangible assets (excluding software)	(577 816)	(626 870)
Net tangible asset value	2 660 753	2 656 943
Number of shares in issue (million)	891.7	884.8
Treasury shares (million)	(29.7)	(30.1)
Number of shares in issue in this calculation (million)	862.0	854.7
Net tangible asset value per share (pence)	308.7	310.9
Net asset value per share (pence)	375.7	384.2

* *Restated.*

Return on risk-weighted assets and return on assets

The group's return on risk-weighted assets and total assets is reflected in the table below.

	31 March 2014	31 March 2013*	Average	31 March 2012*	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	327 824	309 310		257 579	
Investec plc risk-weighted assets (£'million)	13 711	13 705	13 708	12 827	13 266
Investec Limited risk-weighted assets^ (£'million)	14 125	16 036	15 081	15 679	15 858
Total risk-weighted assets (£'million)	27 836	29 741	28 789	28 506	29 124
Return on average risk-weighted assets	1.14%	1.06%		0.91%	
^ Investec Limited risk-weighted assets (R'million)	248 040	223 865		192 376	
Total assets (excluding assurance assets)	41 279	45 784	43 531	46 139	45 961
Return on average assets	0.75%	0.67%		0.57%	

* *Restated.*

A summary of capital adequacy and leverage ratios

We hold capital in excess of regulatory requirements targeting a minimum tier 1 capital ratio of 10.5% (11.0% by March 2016) and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited.

Further information is provided on pages 83 to 96 in volume two.

At 31 March 2014	Investec plc^	Investec Bank plc^	Investec Bank (Australia) Limited	Investec Limited	Investec Bank Limited
Common equity tier 1 (as reported)	8.8%	11.0%	12.2%	9.4%	10.3%
Common equity tier 1 ('fully loaded')^^	8.8%	11.0%	12.2%	9.3%	10.2%
Tier 1 (as reported)	10.5%	11.0%	12.2%	11.0%	10.8%
Total capital adequacy ratio (as reported)	15.3%	16.0%	16.1%	14.9%	15.3%
Leverage ratio** – permanent capital	7.7%	7.4%	11.2%	7.4%	7.2%
Leverage ratio** – current	7.4%	7.4%	11.2%	7.2%	7.2%
Leverage ratio** – 'fully loaded'^^	6.2%	7.4%	11.2%	6.2%	6.8%

^ *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable dividends when calculating common equity tier 1 as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £61 million for Investec plc and £32 million for Investec Bank plc would be around 50bps and 30bps, respectively.*

^^ *Based on the group's understanding of current and draft regulations. 'Fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*

** *The leverage ratios are calculated on an end-quarter basis so as to show a consistent basis of calculation across the jurisdictions in which the group operates.*

ROE by country and business

Return on capital by segment

Methodology based on segmental information after reallocation of:

- A notional return on capital (net of the cost of subordinated debt) which is managed and borne in the centre from 'Other Activities in the Specialist Bank' to the business segments based on their total capital utilisation.

£'000	31 March 2014	31 March 2013*	Average	31 March 2012*	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	3 238 569	3 283 813	3 261 191	3 277 636	3 280 725
Goodwill and intangible assets (excluding software)	(577 816)	(626 870)	(602 343)	(637 773)	(632 322)
Adjusted tangible shareholders' equity	2 660 753	2 656 943	2 658 848	2 639 863	2 648 403

* *Restated.*

£'000	31 March 2014	31 March 2013*
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	462 666	429 352
Non-controlling interests	(21 880)	(3 317)
Accrued preference dividends, adjusted for currency hedge	(33 812)	(37 661)
Operating profit	406 974	388 374
Tax on ordinary activities	(79 150)	(79 064)
Adjusted earnings attributable to ordinary shareholder before goodwill, acquired intangibles and non-operating items	327 824	309 310
Pre-tax return on average ordinary shareholders' equity	12.5%	11.8%
Post-tax return on average ordinary shareholders' equity	10.1%	9.4%
Pre-tax return on average tangible ordinary shareholders' equity	15.3%	14.7%
Post-tax return on average tangible ordinary shareholders' equity	12.3%	11.7%

* *Restated.*

ROE by geography

£'000	UK and Other	Southern Africa	Australia	Total group
Operating profit before goodwill, acquired intangibles, non-operating items and taxation	165 532	310 990	(13 856)	462 666
Tax on profit on ordinary activities	(31 164)	(48 140)	154	(79 150)
Non-controlling interests	(2 815)	(19 065)	–	(21 880)
Accrued preference dividends, adjusted for currency hedge	(13 502)	(20 310)	–	(33 812)
Profit on ordinary activities after taxation – 31 March 2014	118 051	223 475	(13 702)	327 824
Profit on ordinary activities after taxation – 31 March 2013*	89 631	214 848	4 831	309 310
Ordinary shareholders' equity – 31 March 2014	1 628 517	1 299 122	310 930	3 238 569
Goodwill and intangible assets (excluding software)	(530 171)	(6 559)	(41 086)	(577 816)
Tangible ordinary shareholders' equity – 31 March 2014	1 098 346	1 292 563	269 844	2 660 753
Ordinary shareholders' equity – 31 March 2013	1 465 110	1 401 732	416 971	3 283 813
Goodwill and intangible assets (excluding software)	(549 581)	(10 260)	(67 029)	(626 870)
Tangible ordinary shareholders' equity – 31 March 2013*	915 529	1 391 472	349 942	2 656 943
Average ordinary shareholders' equity – 31 March 2014	1 546 814	1 350 426	363 951	3 261 191
Average ordinary shareholders' equity – 31 March 2013*	1 493 055	1 385 321	402 349	3 280 725
Average tangible shareholders' equity – 31 March 2014	1 006 939	1 342 016	309 893	2 658 848
Average tangible shareholders' equity– 31 March 2013*	936 927	1 373 342	338 134	2 648 403
Post-tax return on average ordinary shareholders' equity – 31 March 2014	7.6%	16.5%	(3.8%)	10.1%
Post-tax return on average ordinary shareholders' equity – 31 March 2013*	6.0%	15.5%	1.2%	9.4%
Post-tax return on average tangible shareholders' equity – 31 March 2014	11.7%	16.7%	(4.4%)	12.3%
Post-tax return on average tangible shareholders' equity – 31 March 2013*	9.6%	15.6%	1.4%	11.7%
Pre-tax return on average ordinary shareholders' equity – 31 March 2014	9.6%	20.1%	(3.8%)	12.5%
Pre-tax return on average ordinary shareholders' equity – 31 March 2013*	8.7%	18.3%	0.8%	11.8%
Pre-tax return on average tangible shareholders' equity – 31 March 2014	14.8%	20.2%	(4.5%)	15.3%
Pre-tax return on average tangible shareholders' equity – 31 March 2013*	13.7%	18.5%	1.0%	14.7%

* *Restated.*

ROE by business

£'000	Asset Management	Wealth & Investment	Specialist Banking	Adjusted Wealth & Investment^
Total operating profit, after other non-controlling interests	143 819	66 099	241 899	66 099
Notional return on regulatory capital	1 880	1 176	(3 056)	1 176
Notional cost of statutory capital	(970)	(11 706)	12 676	(11 706)
Cost of subordinated debt	(979)	(623)	1 602	(623)
Cost of preference shares	(523)	(360)	(32 929)	(360)
Absorption of additional residual costs**	(10 226)	(4 669)	14 895	(4 669)
Adjusted earnings – 31 March 2014	133 001	49 917	235 087	49 917
Adjusted earnings – 31 March 2013*	128 619	45 335	214 420	45 335
Ordinary shareholders' equity – 31 March 2014	147 123	451 700	2 639 746	292 650
Goodwill and intangible assets (excluding software)	(92 391)	(388 329)	(97 096)	(229 279)
Tangible ordinary shareholders' equity – 31 March 2014	54 732	63 371	2 542 650	63 371
Ordinary shareholders' equity – 31 March 2013	127 955	415 797	2 740 061	256 747
Goodwill and intangible assets (excluding software)	(95 495)	(402 363)	(129 012)	(243 313)
Tangible ordinary shareholders' equity – 31 March 2013*	32 460	13 434	2 611 049	13 434
Average ordinary shareholders' equity – 31 March 2014	137 539	433 749	2 689 903	274 699
Average ordinary shareholders' equity – 31 March 2013*	135 279	445 561	2 699 885	286 511
Average tangible shareholders' equity – 31 March 2014	43 596	38 403	2 576 849	38 403
Average tangible shareholders' equity – 31 March 2013*	38 265	43 208	2 566 930	43 208
Pre-tax return on average ordinary shareholders' equity – 31 March 2014	96.7%	11.5%	8.7%	18.2%
Pre-tax return on average ordinary shareholders' equity – 31 March 2013*	95.1%	10.2%	7.9%	15.8%
Pre-tax return on average tangible shareholders' equity – 31 March 2014	305.1%	130.0%	9.1%	130.0%
Pre-tax return on average tangible shareholders' equity – 31 March 2013*	336.1%	104.9%	8.4%	104.9%

* *Restated.*

** *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.*

^ *The adjusted Wealth & Investment is consistent with the group computation, except for:*

- *An adjustment of £159.1 million between ordinary shareholders' funds and goodwill which represents historical accounting gains, with a corresponding effective increase in goodwill. These gains were excluded from group adjusted earnings (2006 and 2011) and related to the sale of Carr Sheppards Crosthwaite Limited (CSC) to Rensburg plc (subsequently renamed Rensburg Sheppards plc) on 6 May 2005 and the subsequent gain on the acquisition of the remaining share in Rensburg Sheppards plc on 25 June 2010.*
- *The average equity calculations take into consideration the timing of the acquisition of the Evolution group.*

Operating profit (before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests) per employee

By division	Asset Management	Wealth & Investment	Specialist Banking	Total group
Number of employees – 31 March 2014	1 468	1 383	5 407	8 258
Number of employees – 31 March 2013	1 268	1 332	5 551	8 151
Number of employees – 31 March 2012	1 173	1 319	5 289	7 781
Average employees – year to 31 March 2014	1 368	1 358	5 479	8 205
Average employees – year to 31 March 2013	1 220	1 326	5 420	7 966
Operating profit – year to 31 March 2014 (£'000)	143 819	66 099	241 899	451 817
Operating profit – year to 31 March 2013 (£'000)*	140 407	50 667	235 204	426 278
Operating profit per employee^ – 31 March 2014 (£'000)	105.1	48.7	44.2	55.1
Operating profit per employee^ – 31 March 2013 (£'000)*	115.1	38.2	43.4	53.5

* *Restated.*
^ *Based on average number of employees over the year.*

By geography	UK and Other	Southern Africa	Australia	Total group
Number of employees – 31 March 2014	3 407	4 404	447	8 258
Number of employees – 31 March 2013	3 495	4 168	488	8 151
Number of employees – 31 March 2012	3 289	4 068	424	7 781
Average employees – year to 31 March 2014	3 451	4 286	468	8 205
Average employees – year to 31 March 2013	3 392	4 118	456	7 966
Operating profit/(loss) – year to 31 March 2014 (£'000)	168 252	297 421	(13 856)	451 817
Operating profit – year to 31 March 2013 (£'000)*	135 300	287 577	3 401	426 278
Operating profit/(loss) per employee^ – 31 March 2014 (£'000)	48.8	69.4	(29.6)	55.1
Operating profit per employee^ – 31 March 2013 (£'000)*	39.9	69.8	7.5	53.5

* *Restated.*
^ *Based on average number of employees over the year.*

Total third party assets under management

£'million	31 March 2014	31 March 2013
Asset Management	68 017	69 822
UK and Other	42 006	41 569
Southern Africa	26 011	28 253
Wealth & Investment	41 524	40 350
UK and Other	26 950	24 733
Southern Africa	14 574	15 617
Property activities	272	320
Southern Africa	144	185
Australia	128	135
Australia other funds	128	186
Total	109 941	110 678

A further analysis of third party assets under management

At 31 March 2014 £'million	UK and Other	Southern Africa	Australia	Total
Asset Management	42 006	26 011	–	68 017
Mutual funds	15 386	11 180	–	26 566
Segregated mandates	26 620	14 831	–	41 451
Wealth & Investment	26 950	14 574	–	41 524
Discretionary	18 889	2 674	–	21 563
Non-discretionary	7 823	11 900	–	19 723
Other	238	–	–	238
Property activities	–	144	128	272
Australia other funds	–	–	128	128
Total third party assets under management	68 956	40 729	256	109 941

At 31 March 2013* £'million	UK and Other	Southern Africa	Australia	Total
Asset Management	41 569	28 253	–	69 822
Mutual funds	17 004	11 847	–	28 851
Segregated mandates	24 565	16 406	–	40 971
Wealth & Investment	24 733	15 617	–	40 350
Discretionary	16 806	2 604	–	19 410
Non-discretionary	7 580	13 013	–	20 593
Other	347	–	–	347
Property activities	–	185	135	320
Australia other funds	–	–	186	186
Total third party assets under management	66 302	44 055	321	110 678

* *Restated.*

Two

Divisional review

Group divisional structure

Investec is a focused Specialist Bank and Asset Manager striving to be distinctive in all that it does

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.

We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses. This ensures that we are not over reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives.

Asset Management

What we do

4Factor™ equities
Quality
Frontier and emerging market equities
Value
Commodities and resources
Emerging market fixed income
Multi-asset

Where we operate

Africa
Americas and Japan
Asia Pacific
Europe
UK

Wealth & Investment

What we do

Portfolio management
Stockbroking
Alternative investments
Investment advisory services
Electronic trading services
Retirement portfolios

Where we operate

Southern Africa
UK and Europe

Specialist Banking

What we do

Property activities
Private Banking activities
Corporate Advisory and Investment activities
Corporate and Institutional Banking activities
Group Services and Other activities

Where we operate

Australia
Canada
Hong Kong
India
Southern Africa
UK and Europe
USA

Integrated global management structure

Global roles

Chief executive officer	Stephen Koseff	**Executive director**	Hendrik du Toit
Managing director	Bernard Kantor	**Group risk and finance director**	Glynn Burger

Geographical business leaders

South Africa
Andy Leith
Glynn Burger
David Lawrence

United Kingdom
David van der Walt

Australia
Ciaran Whelan
(Acting)

Specialist Banking

Property activities
Sam Hackner

Private Banking activities
Ciaran Whelan

Corporate Advisory and Investment activities
Andy Leith

Corporate and Institutional Banking activities
David van der Walt

Asset Management

Hendrik du Toit

Wealth & Investment

Steve Elliott

Support structures

Banking and institutions
David Lawrence

Chief integrating officer
Allen Zimbler

Corporate governance and compliance
Bradley Tapnack

Marketing
Raymond van Niekerk

Finance and risk management
Glynn Burger

Share schemes and secretarial
Les Penfold

Asset Management

Our only business is to manage money on behalf of third parties.

We aim to do this to the highest possible standard by exceeding the investment and client service expectations of our clients.

Established in 1991, we have grown largely organically from domestic roots in Southern Africa and are still managed by our founding members, representing continuity and stability.

We manage money for clients from right around the world. Our clients include sovereign wealth funds, central banks, many of the world's largest private and public sector pension funds, financial groups and foundations, as well as advisors and those whom they serve.

Our investment team of 177 professionals is organised around seven core capabilities. Our client group is organised in five geographically defined units, serving our target clients around the globe. We have a centralised operations platform supporting these activities.

Our value proposition

- Organically built an independent global platform from an emerging market base
- Independently managed entity within the Investec group
- Competitive investment performance in chosen specialities
- Global approach:
  - global investing
  - global client base
  - global operations platform
- Institutional and adviser focus
- Unique and clearly understood culture
- Stable and experienced leadership:
  - executive committee: average tenure of 20 years
  - top 30 leaders: average tenure of 15 years.

Annual highlights

Operating profit before non-controlling interests increased by 2.4% to £143.8 million, contributing 31.8% to group profit.

Assets under management

£68.0 billion

(2013: £69.8 billion)

Net new flows of £2.6 billion (2013: £4.1 billion).

Operating margin

34.7%

(2013: 34.5%)

Management structure

Chief executive officer
Hendrik du Toit

Chief operating officer
Kim McFarland

Global head of client group
John Green

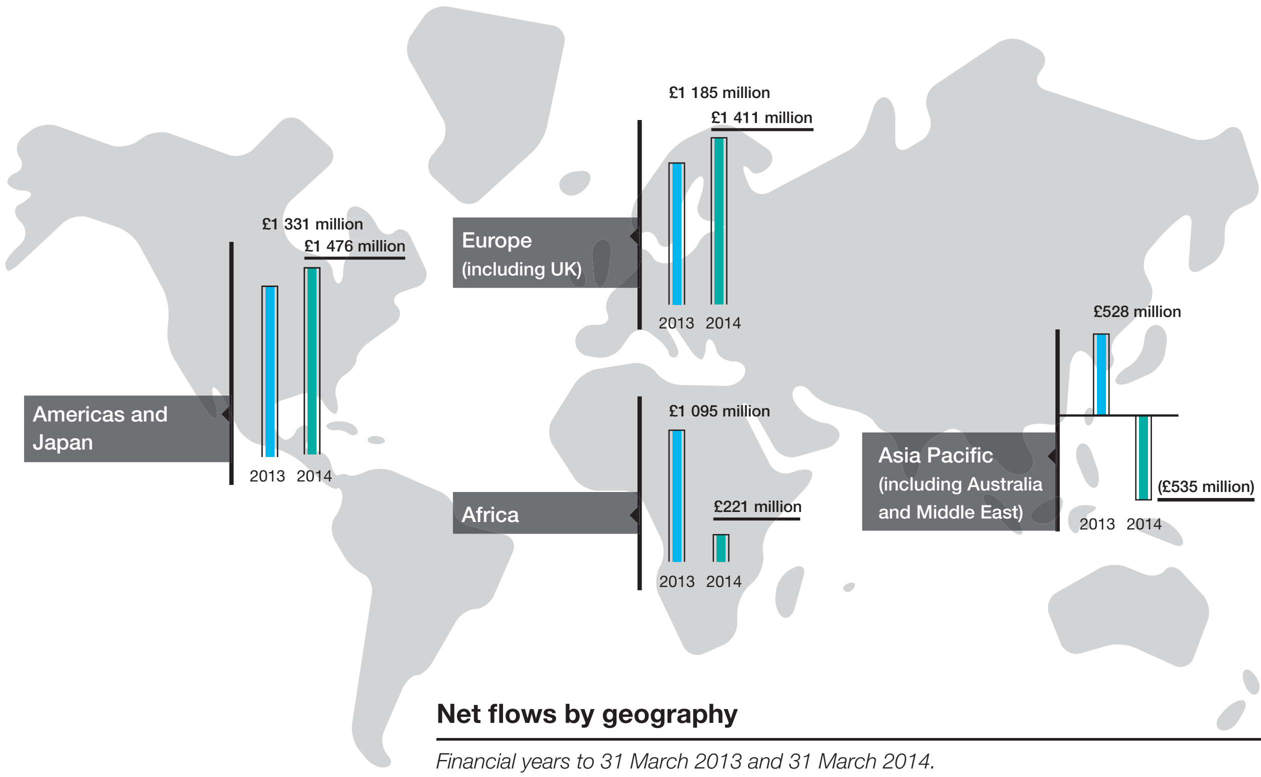
Co-chief investment officer
Domenico (Mimi) Ferrini

Co-chief investment officer
John McNab

What we do

Where we operate

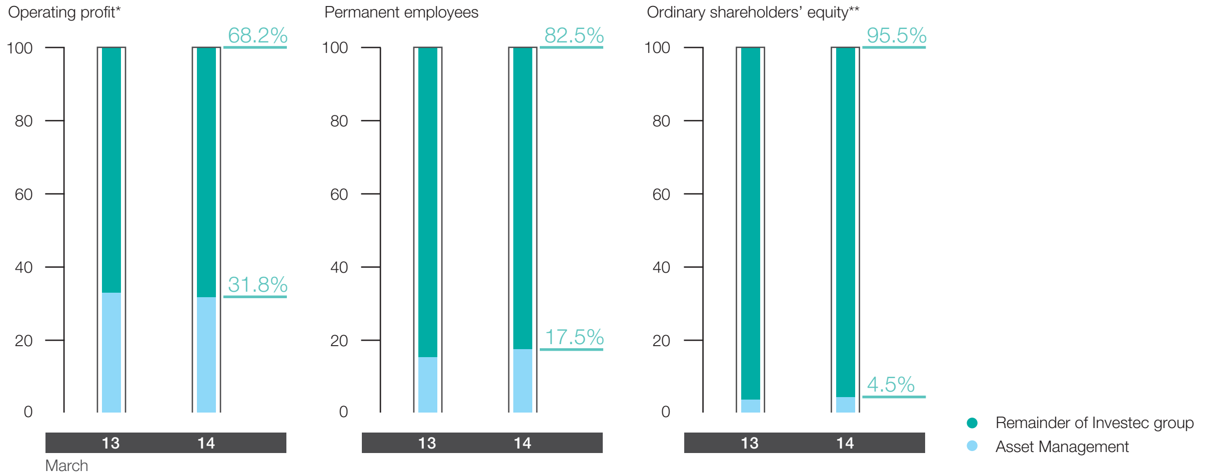
Capabilities and organisational structure



Net flows by geography

Financial years to 31 March 2013 and 31 March 2014.

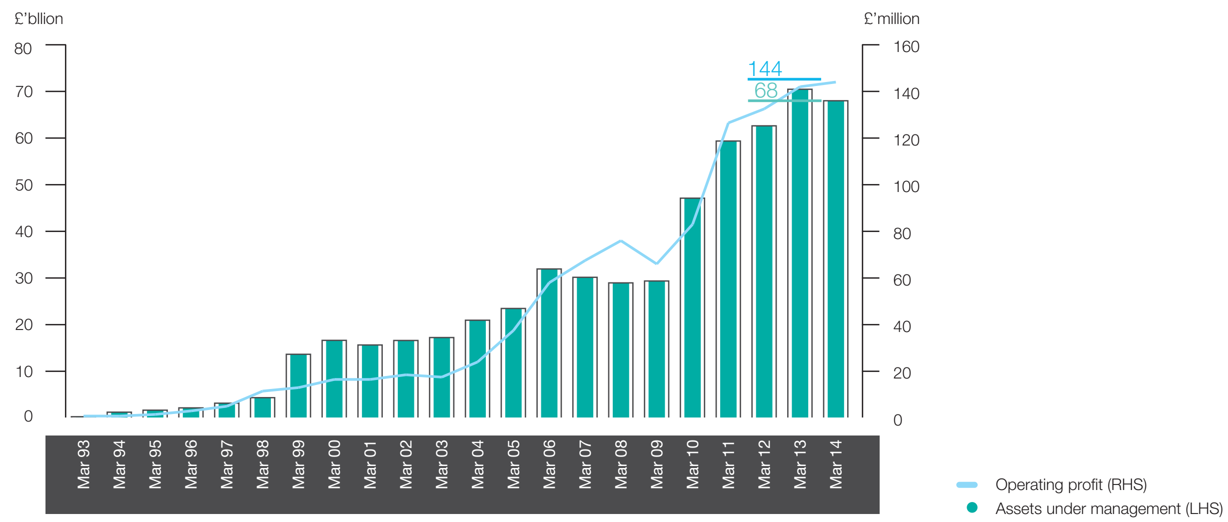
Financial analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

** *As calculated on page 51, based on regulatory capital requirements.*

Historical financial performance



Income statement analysis

£'000	31 March 2014	31 March 2013	Variance	% change
Net interest income	3 918	4 501	(583)	(13.0%)
Net fee and commission income	409 341	393 116	16 225	4.1%
Investment income	28	36	(8)	(22.2%)
Trading income arising from balance sheet management and other trading activities	(1 982)	(45)	(1 937)	>100.0%
Other operating income	2 875	9 583	(6 708)	(70.0%)
Total operating income	414 180	407 191	6 989	1.7%
Operating costs	(270 361)	(266 784)	(3 577)	1.3%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests	143 819	140 407	3 412	2.4%
Profit attributable to Asset Management non-controlling interests**	(11 031)	(243)	(10 788)	>100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	132 788	140 164	(7 376)	(5.3%)
UK and Other	62 050	59 341	2 709	4.6%
Southern Africa	70 738	80 823	(10 085)	(12.5%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	132 788	140 164	(7 376)	(5.3%)
Selected returns and key statistics				
Ordinary shareholders' equity*	147 123	127 955	19 168	15.0%
ROE (pre-tax)*	96.7%	95.1%		
Return on tangible equity (pre-tax)*	305.1%	336.1%		
Operating margin	34.7%	34.5%		
Operating profit per employee (£'000)*	105.1	115.1	(10.0)	(8.7%)

* *As calculated on pages 51 and 52, based on regulatory capital requirements.*

** *Earnings attributable to non-controlling interests includes the portion of earnings attributable to the 15% shareholding in the business by employees.*

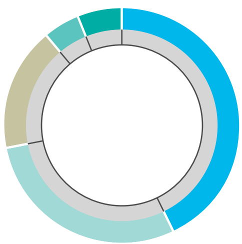
The variance in operating profit over the year can be explained as follows:

Whilst market volatility remained, overall equity markets performed positively, although on a relative basis emerging market equities underperformed. Bond markets performed poorly, particularly in emerging markets. Volatile markets will continue to affect our revenues but our broad range of investment capabilities is well positioned to serve current and future investor demand. Performance fees decreased over the year (£36.4 million) as compared to the prior year (£41.4 million).

Assets under management and flows

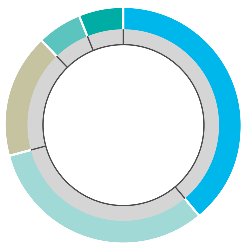
£'million	31 March 2014	Net flows	31 March 2013
Equities	29 198	1 245	27 313
Fixed income	19 754	1 129	21 946
Multi-asset	11 728	722	11 909
Alternatives	3 070	(780)	4 420
Third party funds on advisory platform	4 267	257	4 234
Total	68 017	2 573	69 822

Assets under management by assets



31 March 2014
£68.0 billion total assets under management

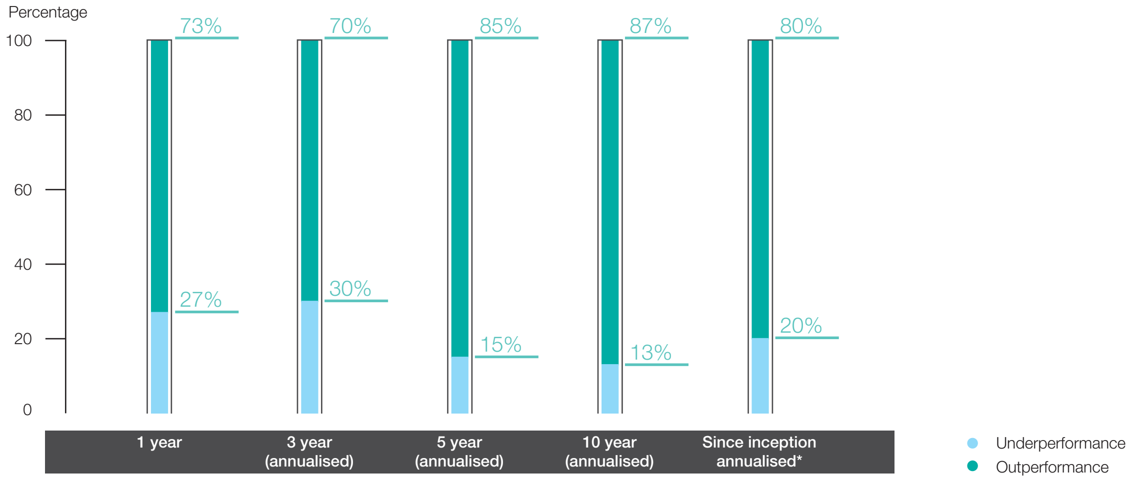
Equities	43%
Fixed income	29%
Multi-asset	17%
Alternatives	5%
Third party funds on advisory platform	6%



31 March 2013
£69.8 billion total assets under management

Equities	39%
Fixed income	32%
Multi-asset	17%
Alternatives	6%
Third party funds on advisory platform	6%

Segregated mandates performance



Source: Calculated by Investec Asset Management from StatPro Composites, capability weighted. Performance to 31 March 2014.

* *Since the inception date of each portfolio, only annualised if inception date is older than 12 months.*

Note: Outperformance (underperformance) is calculated as the sum of the total market values for those funds that have positive active returns (negative active returns) by capability expressed as a percentage of total assets under management. Market values for the indicated date are used for all periods shown.

Independent recognition

Financial year 2014

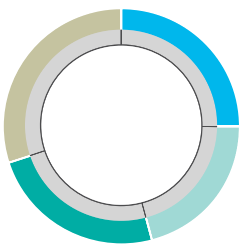
- Winner of FERI EuroRating Award 2014 for Best Asset Manager
- Winner of European Funds Trophy 2014 for Best Asset Manager: Multi-Countries category with 26 – 40 Funds
- Winner of Global Investor/ISF Investment Excellence Award 2013 for Africa Equities Manager of the Year
- Winner of aiCIO European Innovation Award for Emerging Markets Category Winner
- Winner of TFF – Bloomberg Best Fund Award for Best Fund in Energy Sector Equity (10 Years)
- Highly commended for Global Investor/ISF Investment Excellence Award 2013 for Asset Manager of the Year
- Nominated by Financial News Awards for Excellence in European Institutional Asset Management 2013 for European Asset Management CEO of the Year Award (for Hendrik du Toit)

Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients' expectations around specific strict risk parameters.

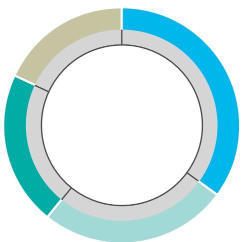
We measure our investment performance relative to peer group and against benchmark over one, three, five and 10 year periods and since inception. Our long-term track record remains competitive.

Mutual funds investment performance



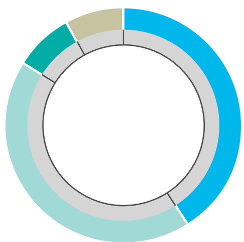
One year

First quartile	25%
Second quartile	21%
Third quartile	24%
Fourth quartile	30%



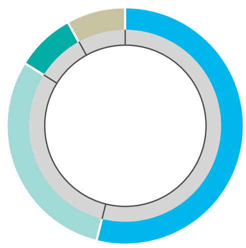
Three year

First quartile	35%
Second quartile	26%
Third quartile	21%
Fourth quartile	18%



Five year

First quartile	41%
Second quartile	43%
Third quartile	8%
Fourth quartile	8%



Ten year

First quartile	54%
Second quartile	30%
Third quartile	8%
Fourth quartile	8%

Source: Calculated from Morningstar data by value; excludes cash, cash plus and liquidity funds. Performance to 31 March 2014.

Questions and answers

Hendrik du Toit

Chief executive officer

Can you give us an overview of the environment in which you operate?

A Our focus is on the institutional and adviser segments of the market. We build long-term relationships with the largest and most sophisticated institutional investors and asset platforms, irrespective of where they are based geographically. In the UK and Southern Africa we also serve medium-sized institutional accounts as well as advisers. Over the last decade, we have consciously developed a presence in most of the world's major markets. We think and act with a very long-term horizon.

The turbulence in emerging markets and specifically emerging currencies over the past year has been some cause for concern. However, in spite of this, the business has performed competitively and continued to attract net inflows into these strategies. We are committed to building a well-balanced, robust firm with a variable cost base, which should be able to look after its clients in benign as well as challenging market conditions. We do not let short-term market movements influence our long-term strategy and positioning.

Against this backdrop and measured against the universe of peers, we had a good year for net inflows, bringing in £2.6 billion. The majority of these flows came from the Americas and Europe. This number could have been even higher had it not been for the weaknesses across emerging market currencies.

The avalanche of regulatory initiatives prevails and has continued to consume more resources and management time than pre-financial crisis. We do not anticipate this to change in the near term in this industry.

What have been the key developments in the business over the financial year?

A This year we reorganised our client groups from seven to five, through the combination of the previously separate Asia, Middle East and Australia client groups, into a single Asia Pacific client group. This enables us to enhance efficiency and build a strong, unified presence in this important region.

In addition, our Asia Pacific business has undergone significant change and evolution in the past year. This has included establishing our position in Singapore, recruiting investment professionals into the region and strengthening our regional leadership team. This will help us to benefit from the significant developments across both institutional and adviser clients in this area.

Long-term investment performance remains solid with 87% of our mandates outperforming their benchmark on a ten-year annualised basis. As always, there are a few strategies facing short-term performance pressure or market headwinds, but it is important to confirm that we are positioned to compete effectively at the highest level.

In addition to the client endorsement through the seventh consecutive year of positive net inflows, we have also continued to achieve independent and international recognition during the past year, as detailed on page 61.

Finally, this was our first full year following an acquisition by senior management of a 15% shareholding in the business (with an option to purchase a further 5% over the following six years). This transaction has been successful in enabling us to compete more effectively with other independent, pure-play global asset managers.

What are your strategic objectives in the coming year?

A Our long-term objective remains unchanged: we continue to be completely committed to managing our clients' money to the highest standard possible. We focus on investment performance, meeting the needs of our clients, innovation and investment insight. To deliver on these objectives, we continue to invest in the development of our investment capabilities, our service proposition to our global client base and, most importantly, our people. We continue to nurture the culture that binds us together.

What is your outlook for the coming year?

A In spite of a modest year overall due to the impact of volatile markets and weakening emerging market currencies, our business remains stable and momentum is positive. We believe that we are well positioned to face the future.

The opportunity for growth over the next five years is significant. Our priorities are to deepen and widen our investment strategies, and to focus on further diversifying our client base. This will include expanding our range of private market strategies, and increasing our market penetration in Asia, Europe and the Americas.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

A In our role as a global asset manager, our primary goal is to deliver on our clients' mandates. The essential purpose of which is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this by assuming a stewardship role over our clients' assets, including exercising of their ownership rights. This includes ensuring that our investments adhere to appropriate ESG standards. We believe this approach benefits both our clients and the social realms in which we invest and operate.

For further information around ESG, please visit the Stewardship page on our website.

For further information refer to the sustainability report available on our website.

Wealth & Investment

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes. Investec Wealth & Investment is one of the UK's leading private client investment managers and the largest in South Africa

Today the business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities. Formed through the alliance of Investec Private Client Securities, Investec Private Bank's Wealth Management division and the acquisition of Rensburg Sheppards and Williams de Broë in the UK, we are one of the UK's leading private client investment managers and the largest in South Africa.

Global head: Steve Elliott
UK head: Jonathan Wragg
South Africa head: Henry Blumenthal
Switzerland head: Peter Gyger
Ireland Wealth Management head: Eddie Clarke

Further detail on the Wealth & Investment management structure is available on our website: www.investec.com

Our value proposition

- Investec Wealth & Investment has been built via the acquisition and integration of businesses and organic growth over a long period of time
- Well-established platforms in the UK, South Africa and Switzerland. The new Guernsey business became fully operational in the final quarter of the 2013 calendar year
- Focus is on internationalising the business and organic growth in our key markets
- The business currently has four distinct channels: direct, intermediaries, charities and international, and is in the process of developing its online capabilities to form a fifth 'digital' distribution channel.
- *c.*100 000 clients.

Annual highlights

Operating profit up 30.5% to £66.1 million, contributing 14.6% to group profit.

Assets under management
up 2.9% to
£41.5 billion

Operating margin 22.9% (2013: 20.3%).

Net new flows of
£1.4 billion

What we do and where we operate

United Kingdom and Other

Investments and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Independent financial planning advice for private clients
- Specialist portfolio management services for international clients.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pensions (SIPPs)
- Advice and guidance on pension schemes, life assurance and income protection schemes.

Tax planning and mitigation

- Individual and corporate tax planning services, including ISAs and Venture Capital Trusts
- Inheritance tax planning.

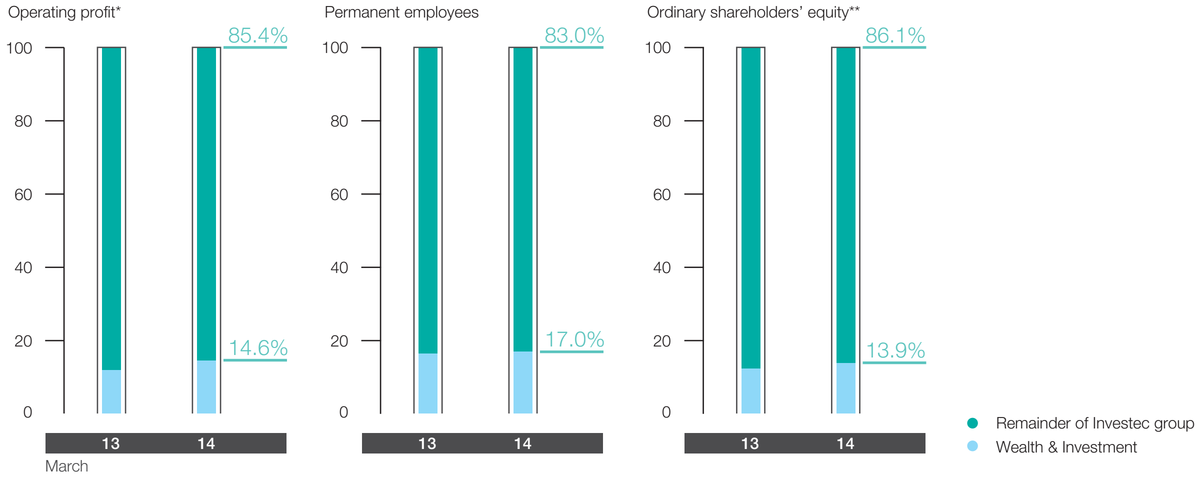
The European operations are conducted through Investec Wealth & Investment Ireland, European Wealth Management, which operates from Switzerland, and in Guernsey through Investec Wealth & Investment Channel Islands.

Over 1 000 staff operate from offices located throughout the UK and Europe, with combined funds under management of £27.0 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

South Africa

Investec Wealth & Investment South Africa provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts, operating from eight offices across South Africa with R47.0 billion of funds under full discretionary management and a further R209.0 billion of funds under various other forms of administration.

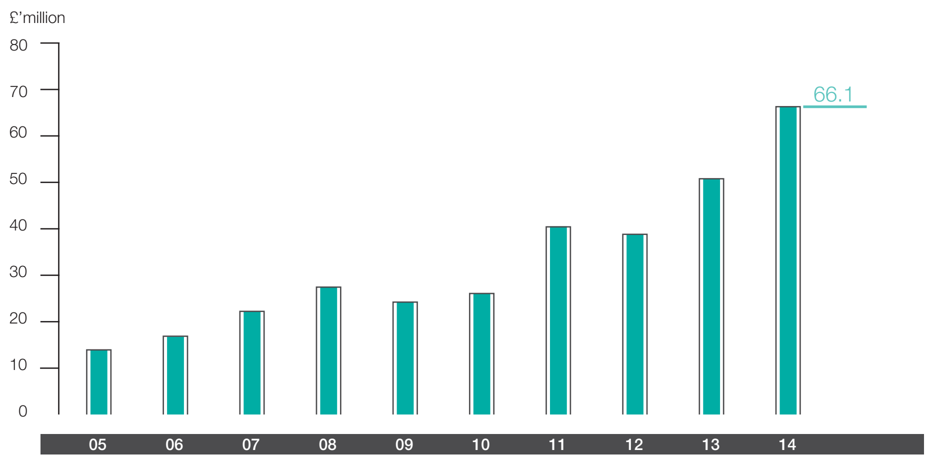
Financial analysis



* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.

** As calculated on page 51, based on regulatory capital requirements.

Operating profit^ — track record



^ Trend reflects numbers at the year ended 31 March. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.

Income statement analysis

£'000	31 March 2014	31 March 2013	Variance	% change
Net interest income	7 857	9 049	(1 192)	(13.2%)
Net fee and commission income	275 377	237 560	37 817	15.9%
Investment income	2 183	555	1 628	>100.0%
Trading income arising from				
– customer flow	1 324	687	637	92.7%
– balance sheet management and other trading activities	58	360	(302)	(83.9%)
Other operating income	1 234	777	457	58.8%
Total operating income	288 033	248 988	39 045	15.7%
Operating costs	(221 934)	(198 321)	(23 613)	11.9%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests	66 099	50 667	15 432	30.5%
UK and Other**	46 065	33 910	12 155	35.8%
South Africa	20 034	16 757	3 277	19.6%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests	66 099	50 667	15 432	30.5%
Selected returns and key statistics				
Ordinary shareholders' equity*	292 650	256 747	35 903	14.0%
ROE (pre-tax)*	18.2%	15.8%		
Return on tangible equity (pre-tax)*	130.0%	104.9%		
Operating margin	22.9%	20.3%		
Operating profit per employee (£'000)*	48.7	38.2	10.5	27.5%

* *As calculated on pages 51 and 52, based on regulatory capital requirements.*

** *Other comprises European Wealth Management, Investec Wealth & Investment Ireland and Investec Wealth & Investment Channel Islands.*

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

- In the UK and Europe the division has benefited from higher average funds under management, as a result of net inflows and a modest increase in relevant market indices. Operating margins have improved from 17.3% in 2013 to 20.1%
- The South African business posted an operating profit of R323 million, an increase of 43.6% over the prior year, benefiting from higher average funds under management and solid discretionary net inflows.

Analysis of key earnings drivers (funds under management)

£'million	31 March 2014	31 March 2013	% change
UK and Other	26 950	24 733	9.0%
Discretionary	18 889	16 806	12.4%
Non-discretionary and other	8 061	7 927	1.7%
South Africa	14 574	15 617	(6.7%)
Discretionary	2 674	2 604	2.7%
Non-discretionary and other	11 900	13 013	(8.6%)
Total	41 524	40 350	2.9%

UK and Other: analysis of key drivers (funds under management and flows)

Funds under management

£'million	31 March 2014	31 March 2013	% change
Investec Wealth & Investment Limited	24 282	22 271	9.0%
Discretionary	18 291	16 177	13.1%
Non-discretionary	5 753	5 747	0.1%
Other	238	347	(31.4%)
Investec Wealth & Investment Ireland	1 854	1 536	20.7%
Discretionary	247	204	21.0%
Non-discretionary	1 607	1 332	20.6%
European Wealth Management	814	926	(12.1%)
Discretionary	351	425	(17.4%)
Non-discretionary	463	501	(7.6%)
Total	26 950	24 733	9.0%

Further analysis of the Investec Wealth & Investment Limited business

Funds under management and flows

£'billion	31 March 2014	31 March 2013	% change
At the beginning of the period	22.27	19.96	11.6%
Inflows	2.48	1.87	32.6%
Outflows	(1.23)	(1.50)	(18.0%)
Market adjustment^	0.70	1.94	(63.9%)
Transfers*	0.06	–	–
At the end of the period	24.28	22.27	9.0%
WMA Private Investors Balanced Index (at period end)	3 385	3 300	2.6%
Annualised underlying rate of net organic growth in total funds under management**	5.6%	1.9%	n/a
% of total funds managed on a discretionary basis	76.3%	74.2%	n/a

^ *Impact of market movement and relative performance.*

* *Reflects the transfer of clients from European Wealth Management.*

** *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.*

South Africa: analysis of key earnings drivers (funds under management and flows)

Funds under management

R'million	31 March 2014	31 March 2013	% change
Discretionary	46 961	36 352	29.2%
Non-discretionary	208 959	181 668	15.0%
Total	255 920	218 020	17.4%

Net inflows/(outflows) at cost over the period

R'million	31 March 2014	31 March 2013
Discretionary	4 748	3 714
Non-discretionary	(2 405)^^	2 148
Total	2 343	5 862

^^ *Largely related to one client who moved their portfolio to another institution to serve as collateral in a transaction they were concluding.*

Questions and answers

Steve Elliott

Global head

Can you give us an overview of the environment in which you operate?

A Market conditions for the UK business have generally been favourable during the financial year, with many equity markets ending 2013 at or close to all-time highs. Markets began 2014 somewhat less confidently, but subsequently recovered. While there remain challenges and uncertainties in the global economy that could lead to further volatility, there are good reasons for investors to maintain a positive outlook for the year ahead.

Measures announced by the UK government in its 2014 budget are significant for the UK investment management sector. In a major change to pension regulations, UK individuals will no longer be required to use their pension fund to purchase an annuity to fund their retirement. They will instead be free to utilise the assets of their fund as they choose upon retirement. This presents a significant opportunity for investment management businesses, as individuals are now free to continue to invest in risk-based assets throughout their retirement as a means of seeking greater returns from their pension savings. In a further positive development for UK investment management businesses, the amount which individuals can invest each year into their tax exempt Individual Savings Account (ISA) has been increased significantly and greater flexibility has also been introduced.

The regulatory environment continues to place increasing obligations on UK investment management businesses and this has been a driver to the latest wave of consolidation in the UK industry. It may also have contributed to the change of strategic focus by some in the UK market, which has given rise to greater opportunities to recruit experienced investment managers.

The strength of our offering means we are well placed to take advantage of the potential for growth which these opportunities present and look to recruit additional experienced investment managers who understand our philosophy and core values.

With its political and economic stability, Switzerland continues to be one of the preferred private client financial centres and forms part of our international strategy.

In South Africa, the 12 months to the end of March 2014 have been volatile for markets, and emerging markets in particular. Many stock market indices, including the JSE, achieved record highs.

The main driving factor was the timing and pace of the so-called taper – the phased withdrawal by the US Federal Reserve from its monthly programme of asset purchases, worth US$85 billion at its peak. The Fed first outlined in May 2013 its intentions to begin tapering.

The 'tapering' of quantitative easing kept the pressure on risk assets for most of 2013. The Rand weakened from around R9.00 to the US Dollar in April 2013, to R11.20 in January 2014, as global investors switched out of emerging markets.

Global investors appear to be seeing value once more in emerging markets, including South Africa, taking the view that sustained growth in the developed world will also lift emerging markets. They appear willing to look beyond tensions in the Ukraine, Turkey and the strike action in South Africa, as well as the January rate hikes in Turkey, India and South Africa.

In Rand terms, the JSE returned 19.8% over the 12 months to 31 March 2014. In US Dollars, the JSE returned 9.6%.

What have been the key developments in the business over the last financial year?

A We have continued to expand our business across the UK, but most notably in Scotland with the recruitment of a total of nine experienced investment managers across our Glasgow and Edinburgh offices. We now have a substantial presence in both of these key strategic locations which provides a strong platform for future growth in the Scottish marketplace.

Our investment management service is well suited to a wide range of levels of wealth. The strength of our offering presents an opportunity to capture a greater share of the higher net worth market. We have recently launched our Private Office service, which draws on those elements of our service which can be targeted to fulfil the requirements of higher net worth individuals.

We are committed to maintaining the high standard of service we provide and see the continuous development of our offering to our existing clients as the foundation on which future growth will be achieved. To this end, we have continued to invest in our systems and processes.

Our offering to international clients has been expanded during the year with the launching of our Channel Islands business, which provides investment management and custody services from our office in Guernsey.

Key to our international expansion will be a focus on Southern and East Africa. The group has an established business within Hong Kong/Asia and we are considering opportunities within these areas. We will continue to enhance and expand our offering to higher net worth clients utilising our well-established platforms with international capabilities and investment management expertise.

It was a period of significant change and integration for Wealth & Investment in Ireland. The business was rebranded from NCB to Investec Wealth & Investment in May 2013.

Across the discretionary and advisory investment mandates within the South African business, strong net asset flows have been secured.

We have achieved solid investment performance across a broad range of domestic and offshore investment mandates. We continue to invest in these processes.

We have actively embarked on the provision of an integrated offering to both Wealth & Investment and Private Banking clients, reinforced by the launch of the Investec App and online experience.

Over the last year, Investec Wealth & Investment received a number of international and domestic awards, recognising us as the leading private client wealth and investment manager in South Africa.

What are your strategic objectives in the coming year?

A The personal service we provide to our clients is fundamental to our business. However, client preferences change over time and we are mindful that an increasing number of our clients prefer to receive communications and other aspects of our service electronically. A strong digital capability also provides an opportunity to reach sectors of the market that would not comprise part of our traditional client base. Advancing our digital strategy is a key priority in order to ensure that we continue to meet the changing needs of our current and future clients.

As noted above, we have recently launched our offshore business in the Channel Islands and our Private Office service to higher net worth clients. We will be working during the coming year to take advantage of the opportunities which these offerings provide.

We believe we are well positioned in Ireland to become one of the preferred wealth and investment management providers within our high net worth target market.

There continues to be opportunities to recruit experienced investment managers. We continue to attract candidates who are drawn to our working environment and culture and our strong, well resourced investment process and operating platforms from which we service our clients. We will continue to pursue opportunities to recruit investment managers of the appropriate calibre who share our values.

In South Africa, we will continue to reinforce our leading market positioning as a seamless global investment business, enabling our South African based clients to access global investment opportunities on a discretionary, advisory or execution only basis.

As part of our strategy in South Africa to offer investment services to existing Private Bank clients, we will be launching our online self-directed investment platform this year. It will be aimed at the bank's emerging investment clients who have not historically been part of our target market.

We are committed to promoting, for the clients of Wealth & Investment and Private Banking, a truly seamless banking and investment experience across South Africa and the UK, as appropriate to the market.

What is your outlook for the coming year?

A The volatility in the equity markets in the first few months of 2014 is a reminder that risks remain in both the economic and political arenas that have the potential to unsettle investor confidence. Whilst these factors cannot be ignored and may drive further volatility during the year ahead, we believe that the overall outlook for investors remains positive given the traction that is now being gained in the developed economies, the relative strength of corporate balance sheets and the desire by governments and policymakers to maintain demand.

In South Africa, we are confident that our investment processes are sound and should continue to deliver superior performance. Our asset acquisition and distribution strategies are progressing well and we expect to increase our discretionary funds over the next 12 months.

The investment we have made, and continue to make, in developing the business and our offering, leaves us well placed to continue to build on the growth we have achieved over the last financial year.

Ongoing initiatives in the digital and online channels should support revenue improvements and business efficiencies.

How do you incorporate environmental and sustainability considerations into your business?

A Investec Wealth & Investment has 15 offices spread across the UK. This presents an opportunity for the business to become involved in communities across a wide geographical area. We positively encourage our teams across the UK to become involved in their communities, and staff have used their volunteering days to get involved in charitable, environmental and educational projects across the regions.

We also provide financial support to charitable projects initiated by our staff.

For further information refer to the sustainability report available on our website.

Specialist expertise delivered with dedication and energy

Global heads

Andy Leith	Corporate Advisory and Investment activities
Sam Hackner	Property activities
David van der Walt	Corporate and Institutional Banking activities
Ciaran Whelan	Private Banking activities

Further information on the Specialist Banking management structure is available on our website: www.investec.com

The specialist teams are well positioned to provide services for both personal and business needs right across Private Banking, Property activities, Corporate and Institutional Banking and Corporate Advisory and Investment Banking.

Our value proposition

- High quality specialist banking solution to corporate, institutional and private clients with leading positions in selected areas
- Provide high touch personalised service
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Balanced business model with good business depth and breadth
- Total corporate and other clients: *c.*238 000
- Total high income and high net worth clients: *c.*171 000

Annual highlights

66.0% cost to income (2013: 63.1%)

Operating profit
up 2.8% to
£241.9 million
contributing 53.5% to group profit

8.7% ROE (pre-tax) (2013: 7.9%)

Loans and advances
£17.2 billion

9.1% Tangible ROE (pre-tax) (2013: 8.4%)

Customer deposits
£22.6 billion

What we do

High income and high net worth private clients

Private Banking activities

Transactional banking and foreign exchange
Lending
Deposits
Investments

Australia
Southern Africa
UK and Europe

Corporates/government/institutional clients

Corporate Advisory and Investment activities

Advisory
Principal investments
Property investment fund management

Australia
Hong Kong
India
Southern Africa
UK and Europe

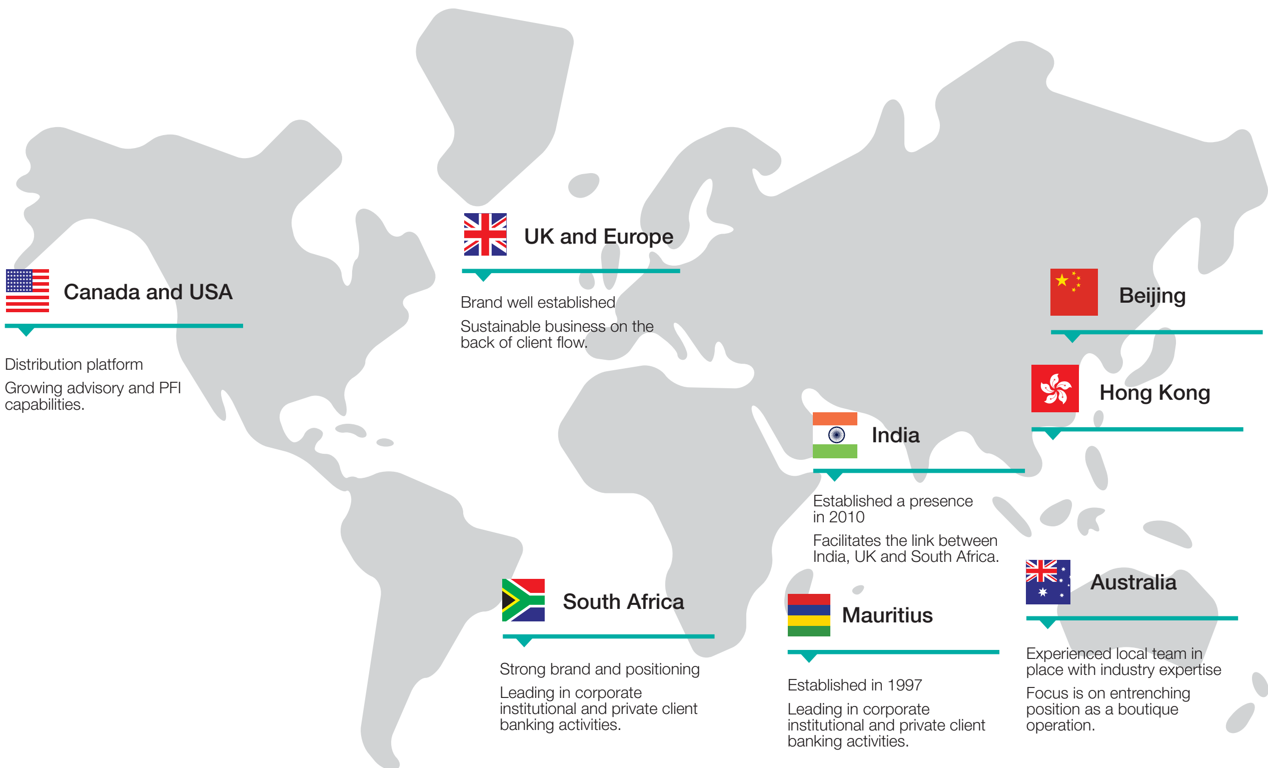
Corporate and Institutional Banking activities

Treasury and trading services
Specialised lending, funds and debt capital markets
Institutional research sales and trading

Australia
Canada
India
Southern Africa
UK and Europe
Hong Kong
USA

Integrated systems and infrastructure

Where we operate

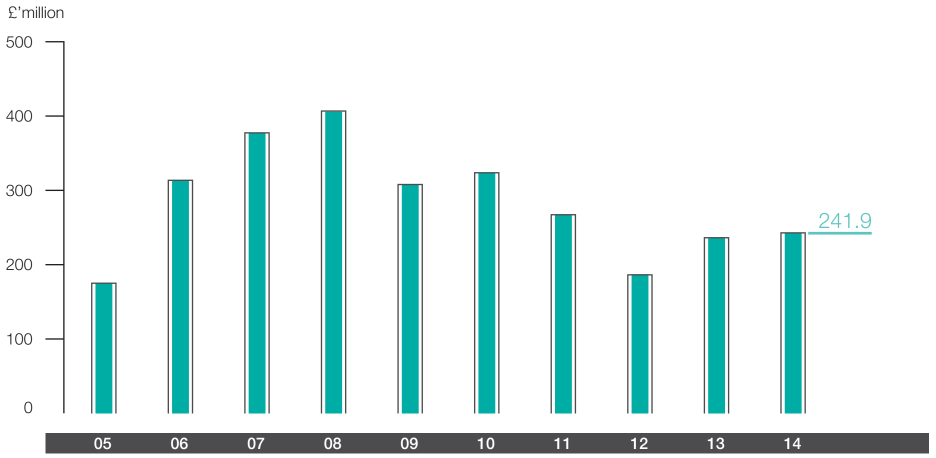


Financial analysis

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

** *As calculated on page 51, based on regulatory capital requirements.*

Operating profit^ — track record



^ *Trend reflects numbers at the year ended 31 March, unless otherwise stated. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.*

Income statement analysis

£'000	31 March 2014	31 March 2013*	Variance	% change
Net interest income	639 904	690 057	(50 153)	(7.3%)
Net fee and commission income	304 703	336 144	(31 441)	(9.4%)
Investment income	164 598	181 401	(16 803)	(9.3%)
Trading income arising from				
– customer flow	102 590	70 172	32 418	46.2%
– balance sheet management and other trading activities	12 511	33 723	(21 212)	(62.9%)
Other operating income	14 445	31 793	(17 348)	(54.6%)
Total operating income before impairment on loans and advances	1 238 751	1 343 290	(104 539)	(7.8%)
Impairment losses on loans and advances	(166 152)	(251 012)	84 860	(33.8%)
Operating income	1 072 599	1 092 278	(19 679)	(1.8%)
Operating costs	(813 807)	(837 928)	24 121	(2.9%)
Depreciation on operating leased assets	(6 044)	(16 072)	10 028	(62.4%)
Operating profit before goodwill, acquired intangibles and non-operating items and taxation	252 748	238 278	14 470	6.1%
Operating losses attributable to non-controlling interests	(10 849)	(3 074)	(7 775)	(>100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	241 899	235 204	6 695	2.8%
UK and Other	54 602	42 049	12 553	29.9%
Southern Africa	201 153	189 754	11 399	6.0%
Australia	(13 856)	3 401	(17 257)	(>100.0%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	241 899	235 204	6 695	2.8%
Selected returns and key statistics				
Ordinary shareholders' equity**	2 639 746	2 740 061	(100 315)	(3.7%)
ROE (pre-tax)**	8.7%	7.9%		
Return on tangible equity (pre-tax)**	9.1%	8.4%		
Cost-to-income ratio	66.0%	63.1%		
Operating profit per employee (£'000)**	44.2	43.4	0.8	1.8%

* *Restated.*

** *As calculated on pages 51 and 52, based on regulatory capital requirements.*

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

- Net interest income decreased marginally as a result of less interest earned on running down legacy portfolios, offset partially by increased lending turnover and an improvement in the cost of funding
- Net fee and commission income has decreased as a result of less corporate fees earned in the period, however, pipelines remain sound
- Investment and other trading income decreased as a result of lower returns generated on the fixed income portfolio, partially offset by a good performance from the equity investment portfolio
- Trading income from customer flow improved due to increased corporate foreign exchange and rates activities
- Other operating income includes associate income and income earned on an operating lease portfolio acquired during December 2010
- Total operating income decreased 7.2%
- Impairments decreased by 38.8%. Further information is provided on pages 32 and 33 in volume two
- Operating expenses decreased largely as a result of lower depreciation recorded on operating leased assets, with other costs marginally higher than the prior year.

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

- The analysis and variances described below for the South African Specialist Banking division are based on the Rand numbers reported. Results in Pounds Sterling have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 20% over the period. The Specialist Banking division reported operating profit before taxation of R3 289 million (2013: R2 546 million)
- Net interest income increased as a result of an increase in core loans and advances of 10.6%, partially offset by a lower return earned on certain higher yielding asset portfolios
- Net fee and commission income has increased as a result of a good performance from the corporate business with strong growth in project finance and structured finance fees. The transactional banking activities, property lending and property fund continued to perform well
- Investment income was marginally behind the prior year, with this year's performance supported by a solid performance from the unlisted private equity portfolio, however the prior year included gains on the sale of investment properties which have not been repeated in the current year
- Trading income from customer flow improved due to increased client activity, notably in foreign exchange transactions
- Other trading income has benefited from effective balance sheet management
- Total operating income increased by 14.5%
- Impairments decreased by 23.6%. Further information is provided on pages 32 and 33 in volume two
- Operating expenses increased by 8.0%.

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

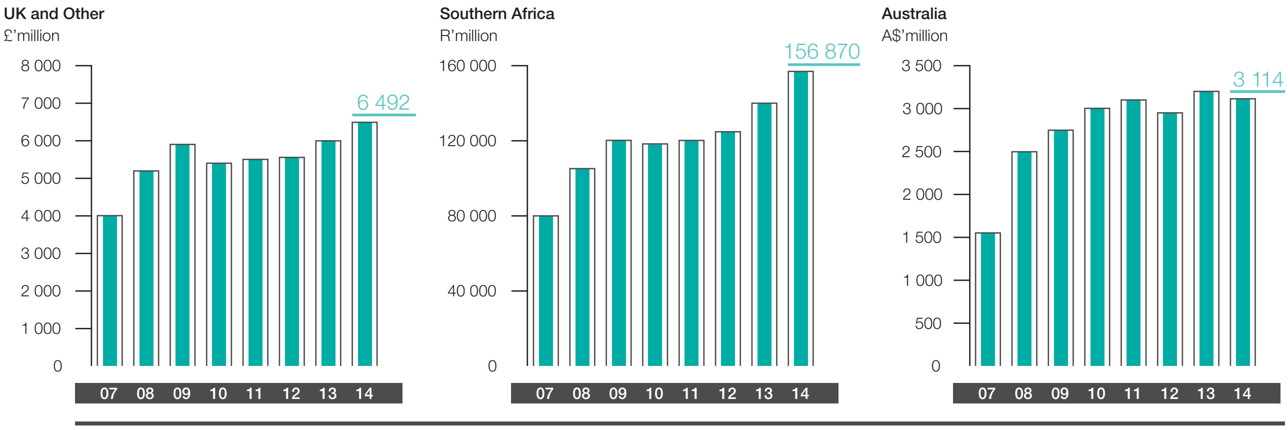
- Following a review conducted in Australia, a number of businesses which lacked scale or alignment with the greater group were closed during the year
- The restructure costs resulting from this action are included in the current year's results
- On 11 April 2014, the group announced that it had entered into a definitive contract with Bank of Queensland Limited to purchase Investec Bank (Australia) Limited's professional finance and asset finance and leasing businesses and its deposit book at an A$210 million premium to tangible net asset value, structured via a sale of Investec Bank (Australia) Limited. The transaction is subject to regulatory approval.

Analysis of key earnings drivers

Net core loans and advances (excluding Kensington)

	£'million			Home currency 'million		
	31 March 2014	31 March 2013	% change	31 March 2014	31 March 2013	% change
UK and Other	6 492	6 045	7.4%	£6 492	£6 045	7.4%
Southern Africa	8 935	10 165	(12.1%)	R156 870	R141 903	10.6%
Australia	1 730	2 205	(21.5%)	A$3 114	A$3 219	(3.3%)
Total	17 157	18 415	(6.8%)			

Net core loans and advances (excluding Kensington)



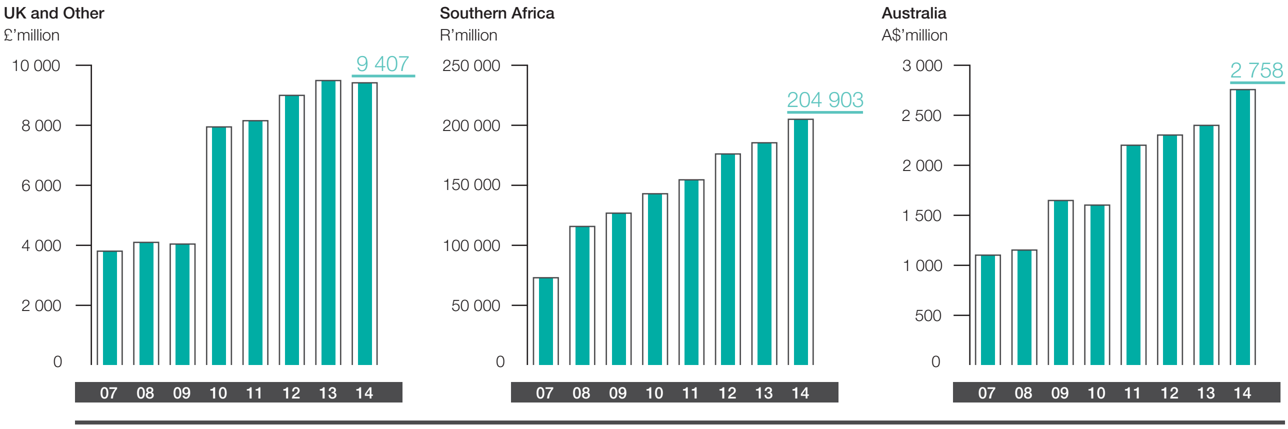
Trend reflects numbers at the year ended 31 March unless stated otherwise.

Total deposits

	£'million			Home currency 'million		
	31 March 2014	31 March 2013*	% change	31 March 2014	31 March 2013*	% change
UK and Other	9 407	9 490	(0.9%)	£9 407	£9 490	(0.9%)
Southern Africa	11 671	13 278	(12.1%)	R204 903	R185 311	10.6%
Australia	1 532	1 693	(9.5%)	A$2 758	A$2 472	11.6%
Total	22 610	24 461	(7.6%)			

* *Restated.*

Total deposits



Trend reflects numbers at the year ended 31 March unless stated otherwise.

Legacy business in the UK Specialist Bank

The legacy business in the UK Specialist Bank comprises:

- Assets put on the bank's books pre-2008 where market conditions post the financial crisis have materially impacted the business model, e.g. unsecuritised mortgage assets
- Assets written prior to 2008 with very low/negative margins
- Assets relating to business we are no longer undertaking.

An analysis of assets within the legacy business

£'million	31 March 2014 Total net assets (after impairments)	31 March 2014 Total balance sheet impairment	31 March 2013 Total net assets (after impairments)	31 March 2013 Total balance sheet impairment
Kensington – UK warehouse assets	768	16	857	23
Kensington – Ireland	474	138	504	116
Total Kensington warehouse assets	1 242	154	1 361	139
Performing	820	3	839	20
Non-performing	422	151	522	119
Other corporate assets and securitisation activities	864	51	1 151	52
Private Bank Irish planning and development assets	60	59	62	58
Other Private Bank assets	1 261	82	1 402	84
Total other legacy assets	2 185	192	2 615	194
Performing	1 798	4	2 219	5
Non-performing	387	188	396	189

A further analysis of the UK Specialist Bank's results for the year ended 31 March 2014

£'million	Ongoing business	Legacy business	Total
Total income	560.3	35.7	596.0
Total impairments	(11.2)	(93.6)	(104.8)
Total expenses	(389.0)	(44.3)	(433.3)
Depreciation on operating leased assets	(5.4)	(0.6)	(6.0)
Net profit before tax	154.7	(102.8)	51.9
Taxation (using total effective tax rate for the UK at 18.8%)	(29.1)	19.3	(9.8)
Net profit after tax	125.6	(83.5)	42.1
Non-controlling interests	2.7	–	2.7
Attributable earnings before preference dividends	128.3	(83.5)	44.8
Average shareholders' equity	681	354	1 035
Post-tax return on average shareholders' equity (before preference dividends)	18.8%	(23.6%)	4.3%
Cost to income ratio	70.1%	126.2%	73.4%

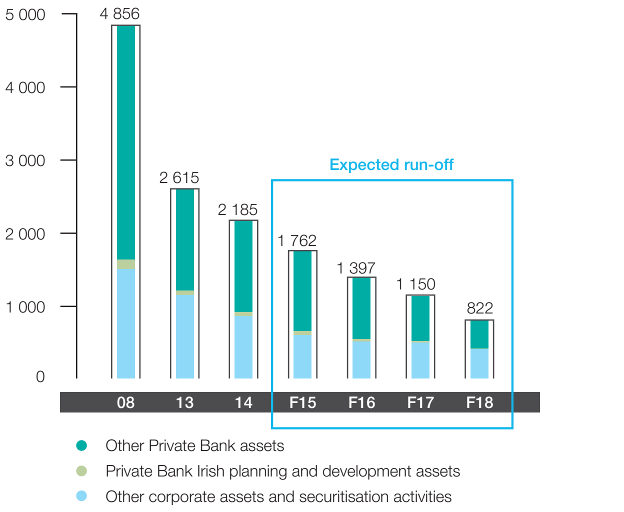
A further analysis of the UK Specialist Bank's results for the year ended 31 March 2013*

£'million	Ongoing business	Legacy business	Total
Total income	577.9	64.6	642.5
Total impairments	(65.9)	(105.3)	(171.2)
Total expenses	(367.3)	(45.5)	(412.8)
Depreciation on operating leased assets	(16.1)	–	(16.1)
Net profit before tax	128.6	(86.2)	42.4
Taxation (using total effective tax rate for the UK at 23.4%)	(29.6)	19.8	(9.8)
Net profit after tax	99.0	(66.4)	32.6
Non-controlling interests	(0.4)	–	(0.4)
Attributable earnings before preference dividends	98.6	(66.4)	32.2
Average shareholders' equity	587	410	997
Post-tax return on average shareholders' equity (before preference dividends)	16.8%	(16.2%)	3.2%
Cost to income ratio	65.4%	70.4%	65.9%

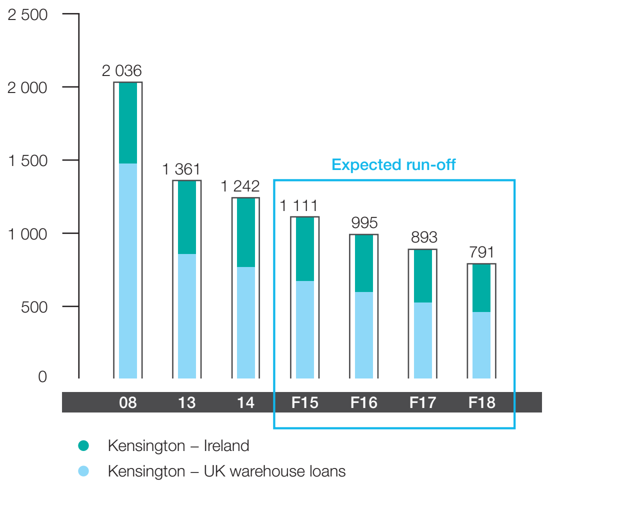
* *Restated.*

Expected run-off of legacy assets

Total other legacy assets excluding Kensington



Kensington



Questions and answers

Stephen Koseff
Bernard Kantor

Glynn Burger

Geographical business leaders South Africa

Can you give us an overview of the environment in which you operate?

A The political economic environment has been challenging with a high degree of uncertainty and breakdown between business and labour resulting in weak macro-economic conditions. Our business activity has been supported by strong equity markets, an improving global environment and positive levels of activity amongst our core client base. We continue to see an increase in regulatory scrutiny as the world adjusts its regulatory model to ensure that financial institutions act in the interest of broader society and do not provide a threat to economic stability.

Now that the general election is behind us and government seems to be committed to the National Development Plan, we are hopeful the economic environment will improve supported by global growth as well as the development of infrastructure, improvement in labour relations and the creation of a more business-friendly environment.

What have been the key developments in the business over the financial year?

A We have spent the last few years implementing the One Bank process which was designed to provide better solutions for our clients but at the same time create a more simple, efficient and effective operating structure. This process is now embedded within the organisation and how it conducts itself on a daily basis.

We have seen a lot of traction from the close co-operation between the Private Bank and Wealth & Investment businesses in leveraging our private client platform. Our approach is to provide and integrate our offering across our client segments and build market share in those segments through further client penetration.

Lending activity levels continued to improve compared to previous years, with solid growth achieved in our professional banking, property lending and corporate portfolios. A dedicated Retail Funding business was created to focus on growing the deposit base in a highly competitive market in the quest for Basel III compliant funds. We continued to enhance our transactional banking offering, particularly with our online offering, which supported further momentum in our Professional Banking business.

Corporate activity was buoyant, resulting in a solid performance from our advisory, debt origination, treasury sales and structuring businesses. A number of businesses within our corporate division were integrated in an effort to provide a more holistic offering to our corporate client base, which also resulted in the introduction of a number of new product offerings.

Our unlisted investment and investment/ trading property portfolios continued to perform well.

What are your strategic objectives in the coming year?

A Over the past few years, we have continued to build our franchise in our core client segments. Building and developing our client franchises remains integral to the growth and development of our organisation and we endeavour to continue to enhance our client experience, ensuring our target clients do more with us as an organisation.

We will continue to focus on cross-selling our products across different client bases, providing services between Private Bank and the Wealth & Investment business and a more focused approach to servicing the corporate market so that our Specialist Bank maintains its agility in providing our clients, both private and corporate, with integrated solutions.

We continue to rollout our Africa strategy. The African continent has made great strides in its democratisation over the past couple of years and South Africa is well positioned to provide a platform for global players wishing to take advantage of the African opportunity. These initiatives remain focused largely on advisory, corporate institutional banking and asset management opportunities.

What is your outlook for the coming year?

A We are hopeful that with the general election completed and government on a path to implement its plans, activity levels will remain satisfactory to improving.

Overall, we are well positioned and placed to benefit from an uptick in infrastructure investment and an improved global economic outlook.

How do you incorporate environmental and sustainability considerations into your business?

We continue to have a meaningful impact through a number of our environmental and social projects. Investec Limited maintained its inclusion in the JSE SRI Index and we were included in the Climate Disclosure Leadership Index 2013 (Top 11 in South Africa across all sectors). Our Power and Infrastructure team continue to play an active role in the renewable energy sector with R3.2 billion committed to renewable projects in the country. In line with our corporate social investment strategy, a total of 90% of our spend was allocated to education and entrepreneurial projects. Following on from the previous success of our Promaths programme, during the 2013 academic year we launched four new Promaths centres reaching a further 1 800 learners.

For further information refer to the sustainability report available on our website.

Questions and answers

David van der Walt

Geographical business leader United Kingdom

Can you give us an overview of the environment in which you operate?

A Since the beginning of the financial year the operating environment has improved steadily, and for the first time in a long while feels 'normal'. During the year, pipelines have built steadily and are now quite strong as board decisions start to translate into activity.

Equity and IPO markets have been robust. We were, however, slow to take advantage of these conditions due to internal restructuring at the beginning of the year, since then momentum has built and this has allowed us to be selective with our transactions; we are confident of a high quality pipeline.

The cost of liquidity improved substantially in the first half of the year and has continued to improve albeit at a slower pace. This has allowed us to reprice and remain competitive in most areas as margins have also started to tighten.

The regulatory environment remains challenging although the pace of change has begun to slow. While there are still a fair amount of regulatory changes to be implemented, most of the changes can be anticipated, giving greater certainty as to the impact and helping to plan accordingly. Regulatory change continues to affect costs, driving them higher.

The unrest in Ukraine is on the radar but has not to date affected the operating environment.

In summary, it has been an improving environment during the year and we are now in a healthy position to take advantage of more buoyant activity levels.

What have been the key developments in the business over the financial year?

A We have continued with our theme of building our core business but, at the same time, simplifying our operating model.

Regarding simplification, we have closed our financial markets group and reduced our secondary market and principle credit activities. We have sold our trust businesses in Jersey, Switzerland and Mauritius. We integrated our Investment Banking and Securities business into our Corporate and Institutional Banking business. We have co-located the NCB business with our Irish branch in Dublin. The banking and securities business of NCB has been integrated into our Irish branch and no longer operates as a separate legal entity.

We have reduced pricing on deposit accounts and closed a number of non-core accounts to reduce the overall drag on liquidity. We have sold a leasing business, Lease Direct Finance, and are in the process of disposing of the Kensington mortgage business. We have separately identified our legacy assets and are actively managing these exposures.

On the theme of building out, we have continued to grow and expand our Asset Finance business. We have added overdrafts to our Voyage private client card and transactional banking offering aimed at high net worth individuals. We have launched our Private Bank account targeting professionals, high income and South African clients banking abroad. We have focused the business back on primary client activity and building our franchise. We have launched an aircraft leasing fund out of Hong Kong with U$750 million of committed equity. We are steadily gaining market share in our chosen areas.

Overall, it has been a busy year with a number of initiatives delivered to plan.

What are your strategic objectives for the coming year?

A Our overall objective is to continue to build a significant client franchise while maintaining our expertise in niche specialist areas. Outside of this we have the following objectives:

- Successfully launch and rollout the Private Bank account to our selected client base
- Digitise our private client offering
- Progress with the potential sale of Kensington
- Manage down the legacy portfolio
- Integrate the Irish business operationally with the UK business
- Continue to manage down the cost of funds
- Grow our client base and embed a consistent client culture and experience within the business.

What is your outlook for the coming year?

A On the basis that the environment continues to be good, we expect the core business to grow off the current base. We will work hard to get the majority of the drag of the legacy portfolio behind us which may mean that we sacrifice some income in the short term for long-term benefit. As a result of the pending sale of some of our businesses in Australia, our capital position will be comfortable and we will target moderate loan growth from our core client base. Quality of income should continue to improve, and overall we are anticipating an improved performance.

How do you incorporate environmental and sustainability considerations into your business?

A We continue to receive recognition for our efforts in operating an effective environmental management system. Our Gresham Street head office waste management programme made history by becoming the first organisation in the Clean City Awards Scheme's 20-year history to win the Chairman's Cup for a second time. They were also awarded the ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark. Our social investment programmes enjoyed a solid commitment from staff who volunteered 2 300 hours to the Arrival Education programme and participated in a number of events throughout the year. Our Guernsey office was awarded the Employer of the Year 2013 award with specific acknowledgement of its successful social investment programmes, for engaging employees and for carrying out great work in the community.

For further information refer to the sustainability report available on our website.

Questions and answers

Ciaran Whelan (acting)

Geographical business leader — Australia

Can you give us an overview of the recent strategic development?

A Following a strategic review of the business, on 11 April 2014 the group announced that it had entered into a definitive agreement with Bank of Queensland (BOQ) to sell its Professional Finance business, Asset Finance and Leasing businesses and its deposit book. The transaction is structured as a sale of IBAL and is subject to approval by the Australian Prudential Regulation Authority which is expected to be received between June and September 2014.

Tell us a little more about the deal

A The value of the deal was a premium of A$210 million, over book value of the businesses. About A$2.4 billion loans and A$2.7 billion deposits are being sold, with a total of about 310 people transferring to BOQ. The agreement with BOQ represents a significant opportunity for both the Professional Finance, Asset Finance and Leasing businesses to pursue their next phase of growth.

What of Investec's presence in Australia remains?

A Following the sale, we will retain a significant business in Australia focusing on our core strengths across Corporate and Institutional Banking, Investment Banking and Property Fund Management. We are thus left with a non-bank subsidiary in Australia, with the business being serviced by approximately 90 staff members. The assets and liabilities relevant to the businesses that remain will be transferred to the balance sheets of either the UK or South Africa. New business written will be written on either of the two balance sheets. The Australian business will focus on entrenching its position as a boutique operation, providing strong cross-border and local opportunities for the greater Investec group.

What is the outlook for Investec Australia going forward?

A We have an experienced leadership team with a focused business backed by a strong global balance sheet and parent. We are in a good position to concentrate on what we do best within our specialist niches and to demonstrate our distinctive approach. The business that remains will form part of Investec's global operations. The lower cost structure and different regulatory environment means that there are high hopes for this business going forward.

Three

Corporate
governance and
corporate responsibility

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure

Joint chairmen's introduction

Dear shareholder

Introduction

We are pleased to present the 2014 annual corporate governance report which sets out Investec's approach to corporate governance and, more specifically, how we as joint chairmen ensure that we discharge our duties of leading the board and ensuring the board's effectiveness in carrying out its role.

Our culture and values

Underpinning legislative, regulatory and best practice requirements are Investec's values and philosophies, which provide the framework against which we measure behaviour and practices so as to assess the characteristics of good governance. Our values require that directors and employees act with integrity and conduct themselves to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures, and a written statement of values serves as our code of ethics.

We operate under a dual listed company (DLC) structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate rule for the group.

All international business units operate in accordance with the above determined corporate governance requirements, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

Regulatory context

The disclosure of our governance practices requires a description of the regulatory context that Investec, as a DLC, operates within.

The board, management and employees of Investec are 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 UK Corporate Governance Code (the Code) which was issued by the UK's Financial Reporting Council in 2010 and revised in September 2012, and the King Code of Governance Principles for South Africa (King III). Therefore, all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

The past year in focus

Composition of the board and board refreshment

- Sam Abrahams did not seek re-election as a director at the 2013 annual general meeting and accordingly stepped down from the board and from the chair of the audit committees at the conclusion of the 2013 annual general meeting. David Friedland succeeded Sam Abrahams as chair of the audit committees
- The nominations and directors' affairs committee (NOMDAC) continued to focus on ensuring that the board has the appropriate balance of skills, experience, independence and knowledge of the group. The board agreed, on the recommendation of the NOMDAC, to implement a structured refreshment programme so as to ensure that we are recruiting new independent non-executive directors and retiring some of our longer serving non-executive directors over a period of years.

  In this regard, discussions have been concluded with two non-executive directors, i.e. George Alford and Peter Malungani, both of whom have successfully served on the board for a period exceeding nine years, and will not stand for re-election at the August 2014 annual general meeting
- Olivia Dickson has advised that she will not offer herself for re-election at the August 2014 annual general meeting
- The board, on the recommendation of the NOMDAC and following regulatory approvals, resolved that Charles Jacobs, Lord Malloch-Brown and Khumo Shuenyane be appointed as independent non-executive directors with effect from 8 August 2014, the day following the annual general meeting.

Composition of the DLC remuneration committee

- George Alford stepped down as chairman of the DLC remuneration committee (REMCO), with effect from 31 March 2013, and Olivia Dickson was appointed as acting chairman up to 8 December 2013. Perry Crosthwaite is now the chairman of the REMCO
- Bradley Fried was appointed as a member of the committee, effective from 3 April 2013. Although Bradley is not considered to be independent as he was employed as Investec Bank plc CEO during the five years prior to his appointment as a director, his knowledge and experience of the group is deemed to be beneficial to the workings of this committee and is believed to be in the best interests of shareholders
- Fani Titi was appointed as a member of the committee, effective from 18 September 2013.

Board and directors' performance evaluation

The 2014 review of the board's effectiveness was not conducted by an external independent facilitator and took the form of a detailed questionnaire and a series of structured interviews between individual directors and the joint chairmen (the 2014 Review). All directors completed the questionnaire and were interviewed during the course of the 2014 Review. A focus of the 2014 Review was to ensure that sufficient progress was being made on the actions agreed in addressing the areas for improvement identified during the course of the 2013 Review.

Audit committee support structure

Following the implementation of the new 'Twin Peaks' model of regulation in the UK in April 2013 and the additional focus of conduct risk and outcomes for consumers, we reviewed the committee structure supporting the Investec plc audit committee. Following that review, we merged two of the committees supporting the Investec plc audit committee – the Investec plc audit sub-committee and the Investec Bank plc audit and compliance implementation forum – into a newly constituted prudential audit and conduct committee (the PACC). The PACC first met in May 2013 and is now firmly embedded in the Investec plc audit committee process.

Priorities for the new year

In broad terms, our priorities for 2015, from a corporate governance perspective, are as follows:

Leadership

- The board intends appointing Perry Crosthwaite as senior independent director to replace George Alford after the 2014 annual general meeting.

Composition of the board

- The NOMDAC continues to implement the structured refreshment programme referred to above so as to ensure that we are retiring some of our longer serving non-executive directors over a period of years. Per Lord Davies' report on 'Women on Boards', the board has an aspirational target of 25% female representation on the board by the end of 2015. The board acknowledges the value to be derived from bringing together on the board individuals with a broad range of backgrounds, experiences and outlooks. Gender is recognised to be an important part of that diversity
- While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC will be mindful of the value of diversity as it progresses the structured refreshment programme described above. As reflected in our sustainability report, diversity and employment equity are issues on which the group continues to focus
- At the date of this report, the board had adopted a board diversity policy.

Management succession

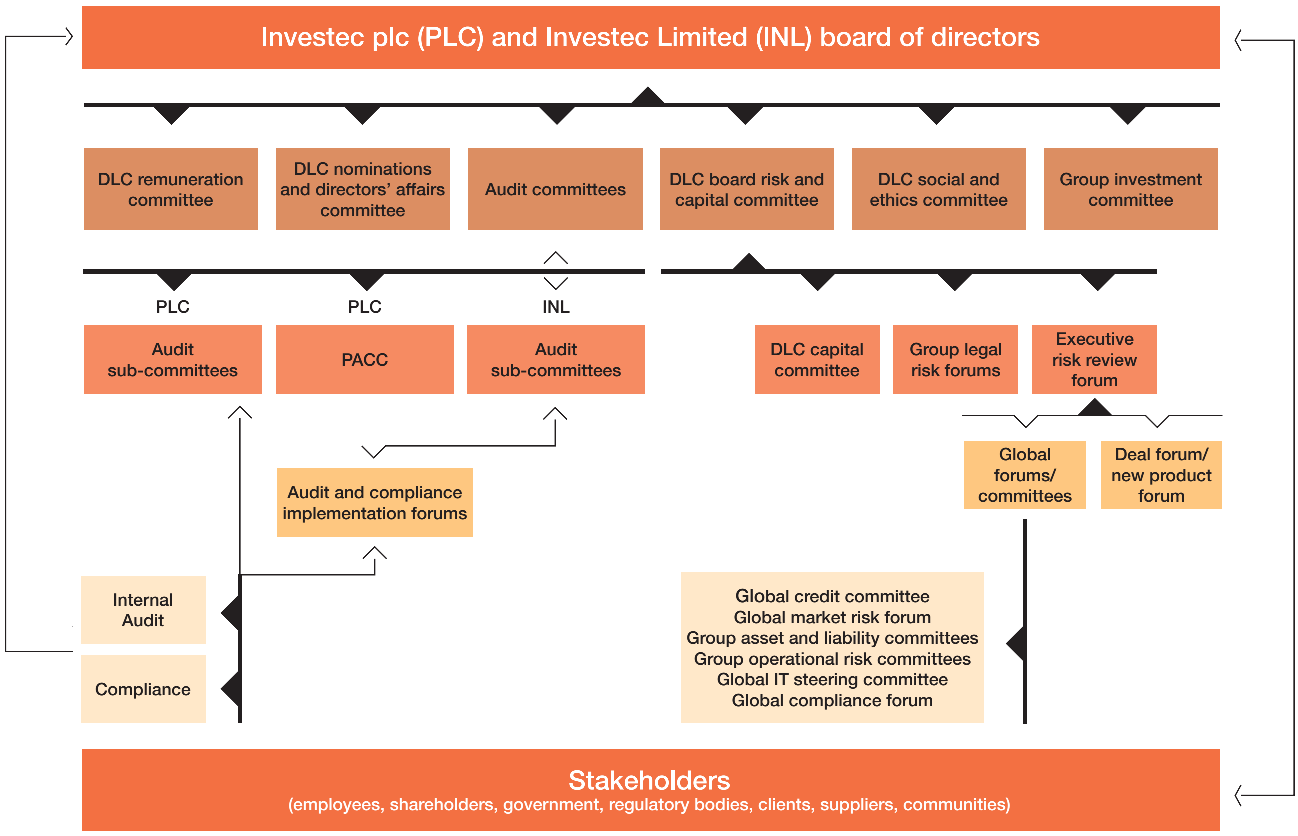
The NOMDAC received a detailed presentation from the executive management regarding senior management succession, and the NOMDAC is satisfied that there is a formal management succession plan in place. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date.

Conclusion

The environment in which we operate remains challenging from a governance and regulatory perspective, however, we are confident that our culture and values will continue, as ever, to provide the group with a strong foundation that will enable the board and group to meet these challenges going forward.

Sir David J Prosser	Fani Titi
Joint chairmen	

Governance framework



Statement of compliance

UK Corporate Governance Code

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the group has complied with the relevant provisions set out in the UK Corporate Governance Code, save that:

- Bradley Fried, who is not considered to be independent as he was employed as Investec Bank plc CEO during the five years prior to his appointment as a director, was appointed as a member of the DLC remuneration committee on 3 April 2013. Given the increasing complexity of remuneration policy and its application to the group, Bradley's knowledge and experience of the group is deemed to be beneficial to the workings of this committee and is believed to be in the best interests of shareholders.

King III

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, Investec has applied the King III principles.

For a complete list of all principles and a reference to demonstrate how Investec has applied these principles, please refer to our website.

Financial reporting and going concern

The directors are required to confirm that they are satisfied that the group, as well as Investec plc and Investec Limited individually, have adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial results by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity.

The board is of the opinion, based on its knowledge of the group, key processes in operation and enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future.

Further information on our liquidity and capital position is provided on pages 67 to 78 and pages 83 to 87 in volume two.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control are effective.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited combined and consolidated financial statements, accounting policies and the information contained in the integrated annual report, and to ensure that the annual financial statements are fair, balanced and understandable.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the key risks Investec faces in preparing the financial and other information contained in this integrated annual report. This process was in place for the year under review and up to the date of approval of this integrated annual report and annual financial statements.

The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board.

Further information is provided on pages 89 to 98.

Our annual financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Nature and complexity of our business
- Risks we assume, and their management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital
- Needs of all our stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

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 55.

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

The NOMDAC received a detailed presentation from the executive regarding senior management succession and the NOMDAC is satisfied that there is a formal management succession plan in place. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date.

Senior management succession plans are also presented annually to the banking regulators.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The DLC board risk and capital committee (BRCC) and audit committees 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.

Internal control is designed to mitigate, not eliminate, significant risks faced. 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.

Internal Audit reports any control recommendations to senior management, group risk management and the relevant audit committee. Appropriate processes, including review by the audit committees' support structures, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are regularly considered by the executive risk review forum (ERRF) and by the BRCC. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC and the audit committees. Reports from the audit committees, BRCC and risk and control functions are reviewed at each board meeting.

Conflict of interest

Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 and the South African Companies Act 2008, as amended. In accordance with these Acts and the Articles of Association (Articles) of Investec plc and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the Articles and MOI, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

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, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committees and are 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. Group Finance and Investor Relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the independent audit process.

Directors' dealings

The remuneration report on pages 127 to 163, 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 one of the joint chairmen or, in the absence of both the joint chairmen, the senior independent director or the chairman of the audit committees. All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and one of the joint chairmen.

Board of directors

In terms of DLC arrangements, the boards of Investec plc and Investec Limited are identical and the group is managed as a unified economic enterprise. The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and affairs of Investec. It provides leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed.

The board has adopted a board charter, which provides a framework of how the boards operate as well as the type of decisions to be taken by the board and which decisions should be delegated to management.

The Investec board:

- Approves the group's strategy
- Monitors that the group complies with the applicable laws and regulations and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as a focal point for and custodian of corporate governance
- Provides effective leadership on an ethical foundation
- Ensures the group is, and is seen to be, a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the group's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks, determining our risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of supporting board committees.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities:

- The board has formally defined and documented, by way of terms of reference, the authority it has delegated to the various board committees, group forums and chief executive officer
- In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

Furthermore, directly or through its committees, the Investec board:

- Has delegated the review of the integrated annual report and annual financial statements to the audit committees. The audit committees recommended that, taken as a whole, the integrated annual report is fair, balanced and understandable and the board is satisfied with the recommendation
- Assesses the quantitative and qualitative aspects of Investec's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors the group's compliance with relevant laws, regulations and codes of business practice
- Assisted by the audit committee support structures and BRCC, ensures that conduct risk is adequately mitigated, managed and addressed
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders and monitors our communication with all stakeholders and disclosures made to ensure transparent and effective communication
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of the internal systems of control
- Ensures we adopt sustainable business practices, including our social and environmental activities
- Assisted by the audit committee, ensures appropriate IT governance processes are in place, the implementation of which management is responsible for, and ensuring that the process is aligned to the performance and sustainability objectives of the board
- Assisted by the audit committee support structures and BRCC, monitors cyber risks and mitigating factors to prevent cybercrime
- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures the appropriate risk governance, including IT, is in place including continual risk monitoring by management, determines the levels of risk tolerance and that risk assessments are performed on a continual basis
- Ensures the integrity of the group's integrated annual report, which includes sustainability reporting
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

Membership

At the end of the year under review, the Investec board, including the joint chairmen, comprised four executive directors and 12 non-executive directors.

Biographical details of the directors are set out on pages 101 and 102.

George Alford, Peter Malungani and Olivia Dickson will not offer themselves for re-election at the August 2014 annual general meeting. In accordance with the UK Corporate Governance Code, the remainder of the board will offer themselves for re-election at the August 2014 annual general meeting.

The board recently resolved that Charles Jacobs, Lord Malloch-Brown and Khumo Shuenyane be appointed as independent non-executive directors with effect from 8 August 2014, following the annual general meeting.

The names of the directors at the date of this report, the year of their appointment and their independence status for the year under review are set out in the table below:

	Date of appointment:		
	Investec plc	Investec Limited	Independent
Executive directors			
S Koseff (chief executive officer)	26 Jun 2002	6 Oct 1986	–
B Kantor (managing director)	26 Jun 2002	8 Jun 1987	–
GR Burger (group risk and finance director)	3 Jul 2002	3 Jul 2002	–
HJ du Toit	15 Dec 2010	15 Dec 2010	–
Non-executive directors			
Sir David J Prosser (joint chairman)	23 Mar 2006	23 Mar 2006	Yes
F Titi (joint chairman)	30 Jan 2004	30 Jan 2004	Yes
GFO Alford (senior independent director)	26 Jun 2002	26 Jun 2002	Yes
CA Carolus	18 Mar 2005	18 Mar 2005	Yes
PKO Crosthwaite	18 Jun 2010	18 Jun 2010	Yes
OC Dickson	31 Mar 2011	31 Mar 2011	Yes
B Fried	1 Apr 2010	1 Apr 2010	No
D Friedland	1 Mar 2013	1 Mar 2013	Yes
H Fukuda OBE	21 Jul 2003	21 Jul 2003	Yes
IR Kantor	26 Jun 2002	30 Jul 1980	No
MP Malungani	26 Jun 2002	26 Jun 2002	No
PRS Thomas	26 Jun 2002	29 Jun 1981	Yes

Details of directors' attendance at the six board meetings held during the financial year ended 31 March 2014:

	Meetings attended
Executive directors	
S Koseff (chief executive officer)	6
B Kantor (managing director)	6
GR Burger (group risk and finance director)	6
HJ du Toit	6
Non-executive directors	
Sir David J Prosser (joint chairman)	6
F Titi (joint chairman)	6
SE Abrahams*	2
GFO Alford (senior independent director)	6
CA Carolus	6
PKO Crosthwaite	6
OC Dickson	6
B Fried	6
D Friedland	6
H Fukuda OBE	6
IR Kantor	6
MP Malungani	6
PRS Thomas	6

* *SE Abrahams stepped down from the board with effect from 8 August 2013, and was therefore only eligible to attend meetings held prior to 8 August 2013.*

The number of meetings held during the year excludes the single separate meeting for each of Investec plc and Investec Limited.

Board meetings

The combined boards of Investec plc and Investec Limited meet jointly at least six times annually, excluding the annual two-day board strategy session. 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. Special (unscheduled) meetings are called as the need arises.

The joint chairmen are responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretaries. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

Independence

- At 31 March 2014, the board is compliant with Principle B.1.2 of the UK Corporate Governance Code in that at least half the board, excluding the joint chairmen, comprises independent non-executive directors
- At 31 March 2014, the board is compliant with Chapter 2, Principle 2.18 of King III in that the majority of non-executive directors are independent.

A summary of the factors the board uses to determine the independence of non-executive directors is detailed below:

Relationships and associations

- Peter Malungani is the chairman of Peu Group (Pty) Ltd (Peu). Peu had a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter in place at that time. Accordingly, the board concluded that Peter could not be considered independent under the UK Corporate Governance Code and King III. Peter will not, however, offer himself for re-election at the upcoming annual general meeting
- Ian Kantor is the brother of Bernard Kantor, Investec's managing director. Ian was also previously CEO of Investec. Accordingly, the board concluded that Ian could not be considered independent under the UK Corporate Governance Code and King III

- Bradley Fried resigned as CEO of Investec Bank plc and as an employee of Investec during March 2010. The board soon thereafter appointed Bradley as a non-executive director due to his specific business skills, knowledge and experience in the group which is valuable to the organisation. Accordingly, the board concluded that Bradley could not be considered independent under the UK Corporate Governance Code and King III.

Despite the board concluding that Peter, Ian and Bradley cannot be considered independent for the reasons explained above, the board is of the view that their skills, knowledge, experience and attributes are nonetheless valuable to the organisation and believe they do and will use their independent judgement when making decisions that affect the organisation and stakeholders.

Tenure

The board follows a thorough process of assessing independence on an annual basis for each director whose tenure exceeds nine years. The board does not believe that tenure of any of the current non-executive directors interferes with their independence of judgement and their ability to act in Investec's best interests. Accordingly, the board has concluded that Fani Titi, George Alford, Cheryl Carolus, Peter Thomas and Haruko Fukuda, despite having been directors of Investec for nine years or more, retain both financial independence and independence of character and judgement. George Alford will not, however, offer himself for re-election at the upcoming annual general meeting.

Notwithstanding the guidelines set out in the UK Corporate Governance Code and King III, the board is of the view that these 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 have unfettered powers of decision-making. The board believes that it functions effectively and evaluates its performance annually.

Attendance at credit meetings

David Friedland and Peter Thomas regularly attend, by invitation, certain credit committees of the group. The board considers their attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business. This further allows David to discharge his responsibilities more effectively as chairman of the Investec plc and Investec Limited audit committees. The board concluded that David and Peter retain their independence of character and judgement.

Skills, knowledge, experience, diversity and attributes of directors

The board considers that the skills, knowledge, experience, diversity and attributes of the directors as a whole are appropriate for their responsibilities and the group's activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which the group operates
- Knowledge of the regulatory environments in which the group operates
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed by the NOMDAC to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

Board and directors' performance evaluation

In 2013, the board commissioned a board effectiveness review conducted by an external independent facilitator, Professor Rob Goffee of the London Business School (the 2013 Review). Professor Goffee has no connection with the group. The detailed outcomes of that review were disclosed in the previous integrated annual report.

The 2014 review of the board's effectiveness was accordingly not conducted by an external independent facilitator and took the form of a detailed questionnaire and a series of structured interviews between individual directors and the joint chairmen (the 2014 Review). All directors completed the questionnaire and were interviewed during the course of the 2014 Review. A focus of the 2014 Review was to ensure that sufficient progress was being made on the actions agreed to address the areas for improvement identified during the course of the 2013 Review.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, 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 an insurance policy that insures directors against liabilities they may incur in carrying out their duties.

On the recommendation of the NOMDAC, non-executive directors will be appointed for an expected term of nine years (three times three-year terms) from the date of their first appointment to the board.

Ongoing training and development

On appointment, directors are provided with an induction pack and participate in an induction programme tailored to their needs, including meeting with the business unit and central services' heads to ensure they become familiar with business operations, senior management, our business environment and internal controls, policies, processes and systems for managing risks.

Directors' ongoing training and development is a standing board agenda item, including updates on various training and development initiatives. Board members receive regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units.

The company secretaries liaise with directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Following the board's and directors' performance evaluation process, any training needs are communicated to the company secretaries who ensure these needs are addressed.

During the year under review, a number of director workshops were arranged outside of board meetings.

Independent advice

Through the senior independent director or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2014 financial year.

Remuneration

Details of the directors' remuneration and remuneration process are set out in the remuneration report on pages 127 to 163.

Joint chairmen and chief executive officer

The roles of the joint chairmen and chief executive officer are distinct and separate. The joint chairmen lead the board and are 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 joint chairmen's external directorships are set out on page 101.

The board does not consider that the joint chairmen's external commitments interfere with their performance and responsibilities to Investec. The board is satisfied that the joint chairmen make sufficient time available to serve Investec effectively. There have been no changes to the significant commitments of either of the joint chairmen during the period under review.

The board has not appointed a deputy chairman.

Senior independent director

George Alford is the senior independent director. He is available to address any concerns or questions from shareholders and non-executive directors. George Alford will not be offering himself for re-election at the August 2014 annual general meeting and accordingly, he will be stepping down as senior independent director immediately following the conclusion of the annual general meeting. At that time, Perry Crosthwaite will be appointed as senior independent director.

Company secretaries

David Miller is the company secretary of Investec plc and Benita Coetsee is the company secretary of Investec Limited. Benita has resigned with effect from 30 June 2014 and as from 1 July 2014 Niki van Wyk will assume the role of company secretary of Investec Limited. The company secretaries are professionally qualified and have experience gained over a number of years. Their services are evaluated by board members during the annual board evaluation process. 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 board matter.

In compliance with the JSE listings requirements, the board has considered and is satisfied that each of the company secretaries is competent, has the relevant qualifications and experience and maintains an arm's length relationship with the board. In evaluating these qualities, the boards have considered the prescribed role and duties pursuant to the requirements codified in the South African and the UK Companies Acts and the listings and governance requirements as applicable. Furthermore, the board is satisfied with the skill, experience and qualifications of Niki van Wyk who will take over the role as company secretary from Benita Coetsee on 1 July 2014.

In addition, the board confirms that for the period 1 April 2013 to 31 March 2014 neither of the company secretaries served as a director on the board of Investec plc and/or Investec Limited, nor did they take part in board deliberations and only advised on matters of governance, form or procedure.

Board committees

In exercising control of the group, the directors are empowered to delegate to various board and executive committees. The committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

The full terms of reference are available on our website.

The board considers that the skills, knowledge, experience, diversity and attributes of the directors as a whole are appropriate for their responsibilities and the group's activities

The following table indicates non-executive board representation on the board committees as at the date of this report:

Members	Indepen-dent	DLC audit	Investec plc audit	Investec Limited audit	DLC remun-eration	DLC NOMDAC	DLC BRCC	DLC social and ethics commit-tee
Sir David J Prosser (joint chairman)	Yes				√	√	√	
F Titi (joint chairman)*	Yes				√	Chair	√	Chair
GFO Alford (senior independent director)	Yes	√	√	√		√		
CA Carolus	Yes							√
PKO Crosthwaite	Yes				Chair			
OC Dickson	Yes	√	√	√	√			
B Fried	No				√		√	
D Friedland	Yes	Chair	Chair	Chair			√	
H Fukuda OBE	Yes						√	
MP Malungani	No						√	
PRS Thomas	Yes	√	√	√		√	√	√

* *F Titi was appointed to the DLC remuneration committee with effect from 18 September 2013.*

Audit committees

This is my first report as audit committee chairman.

Having spent six months as an understudy to the former chairman, I have a good understanding and appreciation of the role that I need to play as the audit committee chairman.

Introduction

The audit committee is an essential part of the group's governance framework to which the board has delegated oversight of the group's financial reporting, risk management, compliance, internal and external audit.

This report provides an overview of the work of the committee and details how it has discharged its duties over the year.

Following the annual cycle of work of the committees, we concluded that sound risk management and internal controls have been maintained during the year.

The committees were satisfied that the integrated annual report presents fairly and provides a fair, balanced and understandable assessment of the group's financial position at 31 March 2014, and the results of its operations for the year then ended.

Background

In terms of Investec's 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 and their subsidiaries with each having their own regulatory requirements to meet. A DLC audit committee – which is the combined audit committee of Investec plc and Investec Limited – has responsibility to the board for matters common to both Investec plc and Investec Limited and, in particular, the combined group annual financial statements and results.

The audit committees comply with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules, and apply the corporate governance principles for audit committees as required by the UK Disclosure and Transparency Rules (7.1.3R), the UK Corporate Governance Code and King III.

External auditors from both the UK and South Africa attend meetings.

The board recognises the important role of the audit committees as part of the risk management and corporate governance processes and procedures of the Investec group. In this regard the audit committees have oversight of and monitor:

- Financial reporting process and risks
- Fraud and IT risks as they relate to financial reporting
- The effectiveness of the group's internal controls, internal audit and risk management systems
- The statutory audit and group annual financial statements
- The independence of the statutory auditor.

At each audit committee meeting, the group chief executive officer, group managing director and group risk and finance director provide an in-depth assessment of their current risk-related concerns and the procedures introduced by management to control or mitigate these risks.

Following the completion of all group audit committee meetings, a written report is provided to the next meeting of the board of directors highlighting matters of which the audit committee believes the board should be aware.

All responsibilities are covered in the audit committees' terms of reference.

The board has approved terms of reference for the audit committees which can be found on our website.

The audit committees approve the annual internal audit plan. The heads of Internal Audit for both Investec plc and Investec Limited have free access to the chairman of the audit committees or any member of the audit committees and they attend all audit committee meetings by invitation.

Membership and attendance

The audit committees are comprised entirely of independent non-executive directors who must meet predetermined skills, competency and experience requirements.

In aggregate the audit committees meet 12 times per year. The joint chairmen, chief executive officer, managing director, finance and risk director, heads of Compliance, IT, Operational Risk, Internal Audit and representatives of the external auditors attend meetings by invitation.

A comprehensive meeting pack is prepared with written reports received from the external auditors and each of the above functions. They present on the significant matters included in their reports.

The chairman of the audit committees regularly meet with the heads of Internal Audit as well as the lead external audit partners outside formal committee meetings.

At the final results audit committee meetings, the external auditors and internal auditors meet separately with the committee members to enable them to have a frank and open debate without the executives being present.

Attendance by members at audit committee meetings during the financial year ended 31 March 2014:

	DLC audit committee		Investec plc audit committee		Investec Limited audit committee	
Members	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended
D Friedland* (chairman)	4	4	4	4	4	4
SE Abrahams**	4	2	4	1	4	1
GFO Alford	4	4	4	4	4	4
OC Dickson	4	4	4	4	4	4
PRS Thomas	4	4	4	4	4	4
CB Tshili***	4	4	n/a	n/a	4	4

* *D Friedland was appointed as chairman of the audit committees with effect from 8 August 2013.*

** *SE Abrahams stepped down from the audit committees with effect from 8 August 2013, and was therefore only eligible to attend meetings held prior to 8 August 2013.*

*** *CB Tshili is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee.*

Summary of conclusions reached by the audit committees for the year ended 31 March 2014

The individual and combined audit committees, to the best of our knowledge and belief, are satisfied that:

- The finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries are adequately skilled, resourced and experienced
- The group finance director, GR Burger, has the appropriate expertise and experience to meet the responsibilities of the position
- The group's internal financial controls are effective and all identified weaknesses in financial control are rectified
- The external auditors of both Investec plc and Investec Limited are, and remain, independent
- The external auditors perform their functions with the appropriate expertise, competence and experience.

In fulfilling our duties, the audit committees have:

- Considered whether the integrated annual report taken as a whole was fair, balanced and understandable and provided the information necessary for stakeholders to assess the group's performance
- Reviewed and discussed with the external auditors material areas in which significant judgements were applied
- Reviewed the Internal Audit function including the process for evaluating the control environment, approved the internal audit plan and considered internal audit reports
- Reviewed and considered representations by management on the going concern statement for the group and recommended the adoption of the going concern concept to the board
- Reviewed the risk assessment process and the manner in which significant business risks are managed
- Recommended to the board the reappointment of our external auditors. (See External auditors below.)

With the ever increasing threat posed by cybercrime, information security has become a regular focus for the committees.

The audit committees recommended the adoption of the integrated annual report to the board.

In this regard the audit committees:

- Considered all facts and risks that may impact on the integrity of the integrated annual report
- Reviewed and commented on the annual financial statements included in the integrated annual report
- Reviewed the disclosure of sustainability issues in the integrated annual report to ensure they are reliable and do not conflict with the financial information
- Engaged Grant Thornton to verify all the environmental data included in the report. None of the audit firms engaged in the group's external audit were considered for the project.

The board subsequently approved the integrated annual report, including the annual financial statements, which will be tabled for approval at the forthcoming annual general meeting.

External auditors

Appointment and independence

During 2014, the committees evaluated the effectiveness of the external auditors (Ernst & Young) and, following due consideration, make a recommendation to shareholders that they be reappointed for the year ending 31 March 2015.

The audit partner responsible for the group audit is required to rotate every five years. The incumbent lead audit partner for Ernst & Young in the UK, Angus Grant, has completed his fifth year and, as such, rotates off the audit this year.

Having considered the experience of Andy Bates, the audit partner proposed to replace Angus, as well as the robust handover process, the committees recommended to the board that Andy be appointed as the designated lead audit partner for the 2015 financial year.

Although Ernst & Young has been the group's auditors since listing on the London Stock Exchange in 2002, we believe that partner rotation, limitations on non-audit services and the confirmation of the independence of both Ernst & Young and the audit team, are adequate safeguards to ensure that the audit process is both objective and effective.

Non-audit services

The committees have adopted a policy on the engagement of the external auditor to provide non-audit services. This policy, designated to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the committees.

The committees review whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the group.

For further details on non-audit services see note 6 on page 46 in volume three.

Internal Audit

The committees are responsible for monitoring and reviewing the scope and the effectiveness of the Internal Audit function. Both the Investec Limited and Investec plc heads of Internal Audit have a direct reporting line to the chairman of the audit committees and they regularly meet to discuss progress with the audit plans, and setting annual objectives. Internal Audit was subject to a 'quality assurance review' during the financial year. The review, confirming that we have an effective audit function, identified areas for improving efficiency and streamlining the audit process.

Risks addressed during the year under review

Detailed below are certain of the key areas the committees focused on:

- Monitoring of credit quality and the appropriateness of the allowance for credit losses.

  We discussed with management and the auditors the specific and collective loan provision process, and considered the reasonableness of the allowance relative to the quality of the book and related collateral
- Impairment assessments for goodwill and intangibles

We discussed with management the methodology and assumptions used for assessing the valuation of goodwill and intangibles

- Risk of inappropriate revenue recognition, valuation of financial instruments, unlisted investments and embedded derivatives including the impact of the implementation of IFRS 13.

  Unlisted investments often require a large degree of subjectivity surrounding the various inputs to their valuations.

  The implementation of IFRS 13 for the first time this year presented additional challenges.

  We discussed with management the assumptions used in the valuations of unlisted investments, including embedded derivatives.

  We confirmed compliance with IFRS 13

- Inaccurate or improper accounting and financial reporting of large or complex transactions and the impact of implementing IFRS 10, 11 and 12.

  Discussions were held with management and the external auditors with regard to large and complex transactions to ensure compliance with the Accounting Standards

- Cybercrime (IT fraud). The year under review has seen a significant escalation in attempted IT fraud throughout the group. Considerable effort and time have been devoted by management to ensure that IT controls are robust and appropriate solutions are deployed to protect the group from increased threat levels

- Other
  - The adequacy and appropriateness of liquidity management throughout the group's operations
  - Adherence to key regulatory issues facing the group
  - Assessing the internal control weaknesses identified by the assurance providers and ensuring appropriate steps are taken within prescribed and specified time limits to mitigate and remedy such weaknesses.

The auditors provided detailed reporting in respect of these key areas.

Audit committees' structure

The flow chart below depicts the Investec group audit committees' structure and ambit of activities.

Audit committees of Investec plc and Investec Limited	DLC audit committees

External auditors
- Planning/budget
- Conflict/independence
- Attest and non-attest fees
- Reports to regulators
- Management letter
- Quality of earnings (overs and unders schedule)
- Appointment/reappointment

Compliance
- Planning/budget
- Resources
- High level reporting of non-compliance
- Monitoring of special projects
- Regulatory matters
- Conduct risk

Tax
- High level only

Internal auditors
- Planning/budget
- Resources
- Annual audit plan
- Adequacy of staffing complement
- Succession planning
- Charter
- Execution
- Reporting
- Special *ad hoc* work
- Review of high level reports
- Internal controls
- Sustainability report

Operational risk
- Fundamental internal controls
- Fraud and loss statistics
- Insurance coverage
- Corporate governance (South African Banks Act requirements)
- Disaster recovery and business continuity
- Key staff issues

Finance
- Accounting policies
- Annual financial statements
  – Half-year results
  – Year-end results
- Production of audited annual financial statements of companies and subsidiaries
- Accounting for one-off transactions
- Accounting updates and conventions – IFRS
- Basel
- Reconciliations
- Regulatory reports
- Representation letters

Prudential audit and conduct committee
- Distil only major issues to the Investec plc audit committee

Audit sub-committees
- Distil only major issues to audit committees

Audit compliance implementation forum
- High level reports

Information technology
- Status
- Major risks, including cybercrime
- Change control
- Capacity management
- Security and fraud awareness
- Staffing
- Projects
- Governance

Current risk review
- Chief executive officer
- Managing director
- Financial director

The audit and compliance implementation forum (ACIF) has been established for Investec Limited and its principal operating subsidiaries. In the case of Investec plc, the audit and compliance implementation forum was reconstituted as the prudential audit and conduct committee (PACC). This committee retained the responsibilities of an audit and compliance implementation forum while taking into account the additional focus, following the implementation of the 'Twin Peaks' model of regulation, on conduct risk and consumer outcomes. The ACIF and PACC meetings are attended by key executives, heads of risk and control functions and the chairman of the audit committees. Non-executive directors have an open invitation to attend.

The forums are key to enhancing risk and control consciousness and the associated control environment of the group. The forums support and provide important insight to the audit committees. Essentially, the forums act as a filter, enabling the audit committees to concentrate their efforts on matters of appropriate materiality.

Support structures

Furthermore, audit sub-committees for Investec plc and Investec Limited, and other regulated subsidiaries, have been established. Reports on the risk and control environment of all business units and principal operating subsidiaries are made to one of the audit sub-committees, with significant issues being escalated to the audit committees. These 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 units. Members of the Investec plc and Investec Limited audit committees are entitled to attend these meetings and, as a general rule, at least one non-executive director attends these meetings.

Governance developments

The provisions of the UK Corporate Governance Code, the UK Competition Commission's final decision published in October 2013, including the transitional arrangements contained therein, and the current proposals of the European Union regarding putting the external audit contract out to tender at least every 10 years has been considered by the audit committees. The audit committees have also considered the Financial Reporting Council's guidance on aligning the timing of any re-tender with the rotation of the audit partner. The audit committees noted that the remedies proposed by the UK Competition Commission may be affected by measures currently being considered at the EU level and accordingly will continue to keep developments in this area under review in assessing an appropriate time frame within which to carry out a formal tender process.

David Friedland
Chairman, audit committees

11 June 2014

DLC remuneration committee

The report by the chairman of the DLC remuneration committee, including a summary of the roles and responsibilities, is set out in the remuneration report on pages 127 to 129.

Membership and attendance

Attendance by members at remuneration committee meetings during the financial year ended 31 March 2014:

Members	Number of meetings held during the year	Number of meetings attended during the year
PKO Crosthwaite (chairman)	11	10
OC Dickson*	11	11
B Fried**	11	9
Sir David J Prosser	11	11
F Titi***	11	4

* *OC Dickson was appointed acting chairman of the DLC remuneration committee with effect from 31 March 2013 and stepped down with effect from 8 December 2013.*
** *B Fried was appointed to the DLC remuneration committee with effect from 3 April 2013.*
*** *F Titi was appointed to the DLC remuneration committee with effect from 18 September 2013.*

DLC nominations and directors' affairs committee (NOMDAC)

Introduction

This report to the board and shareholders, on how the NOMDAC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The NOMDAC has combined the duties of a nominations committee as well as that of a directors' affairs committee as required under section 64B of the South African Banks Act.

Major operating subsidiaries in the group are exempt from having their own nominations or directors' affairs committee, as the NOMDAC fulfils the duties for these companies as well.

The NOMDAC complies with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules and corporate governance principles.

The board has approved terms of reference for the NOMDAC which can be found on our website.

Role and responsibilities

The NOMDAC is responsible for, amongst other things:

- Identifying and nominating the approval of board candidates to fill board vacancies as and when they arise
- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group
- Establishing and maintaining a board directorship continuity and refreshment programme
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the boards and board committees compared with their current situations and making recommendations to the boards regarding any changes
- Reviewing the succession plan of the key positions in Investec Limited and Investec plc and all their major subsidiaries, in order to ensure that an updated management succession plan remains in place.

Membership and attendance

Attendance by members at NOMDAC meetings during the financial year ended 31 March 2014:

Members	Number of meetings held during the year	Number of meetings attended during the year
F Titi (chairman)	6	6
SE Abrahams*	6	5
GFO Alford	6	5
Sir David J Prosser	6	6
KXT Socikwa*	6	4
PRS Thomas	6	6

* *KXT Socikwa and SE Abrahams are non-executive directors of Investec Bank Limited, a major subsidiary of Investec Limited, and represent its interest on this committee.*

Summary of conclusions reached and key recommendations made to the board during the year under review

Board composition

- Reviewed the structure, size and composition of the board and subsidiary boards and the principal board committees and has carefully reviewed the balance of independent non-executives relating to executive directors
- As noted above, the committee considered that it was appropriate to increase the number of independent non-executive directors on the board while ensuring that there is a sufficient number of non-executive directors with experience and knowledge of the business. Accordingly, the board adopted an active programme of refreshing the board
- The committee continues to discuss the implications of Lord Davies' Review ('Women on Boards', March 2011)
- The board acknowledges the value to be derived from bringing together on the board individuals with a broad range of backgrounds, experience and outlooks. Gender is recognised to be an important part of that diversity, and currently the board comprises three women
- While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC will be mindful of the value of diversity as it progresses the structured refreshment programme described above
- The committee has recommended to the board that going forward, non-executive appointments are made for an expected period of nine years (three times three years) from the date the director was first appointed.

Board succession

- The committee continued to focus on ensuring that the board has the appropriate balance of skills, experience, independence and knowledge of the group. The board agreed, on the recommendation of the committee, to implement a structured refreshment programme so as to ensure that we are recruiting new, independent non-executive directors and retiring some of our longer serving non-executive directors over a period of years. The committee retained the services of Woodburn Mann and Zygos Partnership to assist in the board recruitment process. Neither of these external search consultancies has any connections to the companies.

  In this regard:

  – Discussions have been concluded with two non-executive directors, i.e. George Alford and Peter Malungani, both of whom have successfully served on the board for a period exceeding nine years, that they will not stand for re-election at the August 2014 annual general meeting

  – Olivia Dickson has advised that she will not offer herself for re-election at the August 2014 annual general meeting

  – The board, on the recommendation of the NOMDAC and following regulatory approvals, resolved that Charles Jacobs, Lord Malloch-Brown and Khumo Shuenyane be appointed as independent non-executive directors with effect from 8 August 2014, following the annual general meeting.

Management succession

The committee received a detailed presentation from the executive regarding senior management succession and the committee is satisfied that there is a formal management succession plan in place. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date.

Governance

- The committee considered changes to the UK Corporate Governance Code and related governance developments including the Financial Reporting Council's guidance on board effectiveness
- The committee monitors the induction programme of new directors
- The committee ensures that the directors' ongoing training and development programme remains relevant and appropriate
- The committee considered the independent status of board members and made recommendations to the board
- The committee reviewed the expertise of the company secretaries and made recommendations to the board.

Board effectiveness

- In 2013, the board commissioned a board effectiveness review conducted by an external independent facilitator, Professor Rob Goffee of the London Business School (the 2013 Review). Professor Goffee has no connection with the group. The detailed outcomes of that review were disclosed in the previous integrated annual report
- The 2014 Review of the board's effectiveness was accordingly not conducted by an external independent facilitator and took the form of a detailed questionnaire and a series of structured interviews between individual directors and the joint chairmen (the 2014 Review). All directors completed the questionnaire and were interviewed during the course of the 2014 Review

A focus of the 2014 Review was to ensure that sufficient progress was being made on the actions agreed to address the areas for improvement identified during the course of the 2013 Review.

Fani Titi
Chairman, DLC nominations and directors' affairs committee

11 June 2014

DLC social and ethics committee (SEC)

Introduction

This report to the board and shareholders, on how the SEC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The SEC is mandated by the board to be the social and ethics committee of Investec plc and Investec Limited and their subsidiaries. The South African Companies Act 2008, as amended (the Act), provides that all listed public companies must establish a social and ethics committee. The Act enables the group to appoint a social and ethics committee for the holding company, which will fulfil the required functions on behalf of the subsidiary companies. Due to the required functions of the committee which are universal in nature, the board resolved to constitute the committee to monitor the activities for the group and not just Investec Limited.

Role and responsibilities

The DLC SEC is responsible for monitoring the group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development
- Good corporate citizenship
- Monitoring Investec Limited and its subsidiaries' activities, with regard to matters relating to:
  - The Employment Equity Act
  - The Broad-Based Black Economic Empowerment Act
  - Contribution to development of the communities in which its activities are predominantly conducted or within which its products and services are predominantly marketed.

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

Membership and attendance

Attendance by members at SEC meetings during the financial year ended 31 March 2014:

Members	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
B Kantor	3	3
S Koseff	3	3
Non-executive directors		
F Titi (chairman)	3	3
CA Carolus	3	3
PRS Thomas	3	3

Summary of monitoring activities during the year under review

Employment equity

- The committee monitors progress made against Investec Limited's Employment Equity Plan
- The committee engages with the management of Human Resources to discuss challenges around matters such as diversity and employment equity targets
- The committee engages with members of the employment equity forum
- The committee monitors and reviews diversity across the group and considers any regulatory developments in this regard.

Skills development

- The committee monitors the various learning and leadership programmes on offer by the group

  The committee monitors the group's spend on skills development and discusses initiatives with Human Resources in this regard.

Corporate social investment (CSI)

- The committee receives regular reports on the group's CSI initiatives and the CSI strategy and spend.

Transformation

- The committee monitors Investec Limited's empowerment rating and discusses with management how to improve the rating
- The committee received detailed information on the recent developments to the DTI Codes and the impact on the Financial Sector Charter and scorecards going forward.

Sustainability

- The committee receives regular, detailed reports on all matters relating to sustainability
- The committee monitors the group's initiatives to reduce the carbon footprint.

Conservation

- The committee receives presentations about the group's initiatives around conservation.

Reputational risk

- The committee receives reports regarding matters that could impact the group's reputation.

Fani Titi
Chairman, DLC social and ethics committee

11 June 2014

DLC board risk and capital committee (BRCC)

Introduction

This report to the board and shareholders, on how the BRCC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The BRCC is the appointed board committee to meet the requirements of the UK and SA regulators for the board of directors of a bank.

The purpose of the BRCC is to determine, under delegated authority from (and as a sub-committee of) the board, the categories of risk, specific risk and the extent of such risks which the group on a consolidated basis, and its banks on a solo basis, should undertake.

Role and responsibilities

The committee will 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; liquidity and operational risk are also monitored
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives and the basis of measuring risk
- There is sufficient capital in relation to existing and potential risks to the organisation.

Over the past year the committee has spent a considerable amount of time reviewing and monitoring matters relating to cybercrime and conduct risk across all geographies in which the group operates.

The BRCC defines the processes by which internal financial control, risk and capital management are 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 and the BRCC. These include the DLC capital committee, ERRF, asset and liability committees, group credit committees, group market risk forum, group deal forum, operational risk committees/forums and group legal risk forum.

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

Membership and attendance

Attendance by members at BRCC meetings during the financial year ended 31 March 2014:

	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
S Koseff (chairman)	6	6
B Kantor (managing director)	6	5
GR Burger (group risk and finance director)	6	5
Non-executive directors		
SE Abrahams*	6	6
B Fried	6	3
D Friedland	6	6
H Fukuda OBE	6	6
MP Malungani	6	4
Sir David J Prosser	6	4
KXT Socikwa*	6	4
PRS Thomas	6	6
F Titi	6	6

* *KXT Socikwa and SE Abrahams are non-executive directors of Investec Bank Limited, a major subsidiary of Investec Limited, and represent its interests on this committee.*

Additional meetings are held throughout the year when necessary. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC as well as the audit committees.

For more information on the group's risk management processes, please refer to volume two.

Corporate governance and corporate responsibility

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Executive risk review forum (ERRF)

The ERRF is mandated by the BRCC to be the ERRF of Investec plc and Investec Limited and their subsidiaries, as regards enterprise-wide risk and its measurement, monitoring and mitigation.

The purpose of the ERRF is to supplement the BRCC. It assists in determining the categories of risk, the specific risks and the extent of such risks which the group should undertake.

Role and responsibilities

The ERRF:

- Evaluates the most significant risks Investec faces in the ordinary course of business
- Reviews the risk models (including, but not limited to, credit models) which need to be incorporated appropriately into the allocation of capital
- Ensures that limits are adhered to and that agreed recommendations to mitigate risk are implemented
- Acts 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
- Ensures the group-wide risk management structure is adequately resourced and has an appropriate budget
- Provides regular reports to the board focusing on effectiveness of the control framework
- Provides regular reports on group-wide adherence to regulatory requirements and advises on how changes to regulatory requirements will affect us
- Ensures 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.

Meetings take place every Monday except on the BRCC dates.

DLC capital committee

The DLC capital committee is mandated by the BRCC to be the capital committee of Investec plc and Investec Limited and their subsidiaries, as regards capital allocation and structuring, performance measurement, investment decisions and capital-based incentivisation.

Role and responsibilities

The DLC capital committee is responsible for:

- Determining the DLC group's capital requirements
- Reviewing capital adequacy submissions to be made to regulators
- Considering the ongoing requirements and consequences of Basel III and other regulatory requirements and their impacts on regulatory capital requirements
- Reviewing the risk models which need to be incorporated appropriately into the allocation of capital
- Considering, determining and approving capital issues relating to any corporate structuring for acquisitions
- Monitoring the capital positions and returns on internal capital of each business unit
- Submission of capital recommendations to the BRCC.

Stephen Koseff
Chairman

Board risk and capital committee, Executive risk review forum, DLC capital committee

11 June 2014

Risk management

The board is responsible for the total process of risk management and the systems of internal control. A number of committees and forums assist in this regard. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls within their businesses. The independent group risk management functions, accountable to the board, are responsible for establishing, reviewing and monitoring the process of risk management. Group Risk Management reports regularly to the BRCC and the ERRF.

Risk management is discussed in more detail in volume two.

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.

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

External audit

Investec's external auditors are Ernst & Young LLP and Ernst & Young Inc, at a DLC level. Ernst & Young Inc and KPMG Inc are joint auditors of the Investec Limited silo and Ernst & Young LLP are the auditors of the Investec plc silo. The independence of the external auditors is reviewed by the audit committees each year.

The audit committees meet with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to 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 Directive 6/2008 of the South African Banks Act, were adhered to during the year under review.

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

- 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 ended were £12.0 million (2013: £15.1 million), of which £2.1 million (2013: £3.0 million) related to the provision of non-audit services.

For further details on non-audit services see note 6 on page 46 in volume three.

Compliance

The Compliance function ensures that Investec continuously complies with existing and emerging regulation impacting on its operations. 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 managed by group Compliance and supported by the compliance officers in the business units.

For further details on the Compliance function, see pages 101 and 102 in volume two.

Regulation and supervision

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the UK Prudential Regulation Authority and the Financial Conduct Authority (the UK regulators), the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB), and the Australian Prudential Regulation Authority (APRA). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator and the South African Financial Intelligence Centre.

The SARB 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 UK regulators supervise 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 regularly to the regulators and supervisory bodies. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlights the potential conflicts of interest between the interests of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UK's disclosure and transparency rules require 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.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such award, unless the remuneration committee determines otherwise.

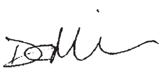
Values and code of conduct

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 are 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, available on the intranet.

Approved and authorised for issue by the board of directors on 11 June 2014 and signed on its behalf by:



David Miller
Company secretary
Investec plc

Benita Coetsee
Company secretary
Investec Limited

Directorate Investec plc and Investec Limited

Executive directors

(details as at the date of this report)

Stephen Koseff (62)

Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Board committees: DLC board risk and capital, DLC capital, DLC social and ethics and global credit

Appointed to the board in October 1986

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.

Other directorships include: The Bidvest Group Limited and a number of Investec subsidiaries.

Bernard Kantor (64)

Managing director
CTA

Board committees: DLC board risk and capital, DLC capital, DLC social and ethics and global credit

Appointed to the board in June 1987

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.

Other directorships include: Phumelela Gaming and Leisure Limited and a number of Investec subsidiaries.

Glynn R Burger (57)

Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Board committees: DLC board risk and capital, DLC capital and global credit

Appointed to the board in July 2002

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Other directorships include: Investec Bank Limited and a number of Investec subsidiaries.

Hendrik du Toit (52)

Investec Asset Management chief executive officer
BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)

Appointed to the board in December 2010

After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 as portfolio manager and later chief executive officer of Investec Asset Management.

Other directorships include: Investment Management Association, Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited as well as their subsidiaries.

Non-executive directors

(details as at the date of this report)

Sir David J Prosser* (70)

Joint chairman
BSc (Hons), FIA

Board committees: DLC remuneration, DLC board risk and capital and DLC nominations and directors' affairs

Appointed to the board in March 2006

Sir David was previously chief executive of Legal & General Group plc, joining Legal and General in 1988 as group director (investments) becoming deputy chief executive in January 1991 and group chief executive in September 1991. Sir David was previously chairman of the Financial Services Skills Council.

Other directorships include: Investec Bank Limited and Investec Bank plc (chairman).

Fani Titi* (51)

Joint chairman
BSc (Hons), MA, MBA

Board committees: DLC remuneration, DLC board risk and capital, DLC nominations and directors' affairs and DLC social and ethics

Appointed to the board in January 2004

Fani is chairman of Investec Bank Limited and former chairman of Tiso Group Limited and deputy chairman of the Bidvest Group.

Other directorships include: Investec Bank Limited (chairman), Investec Bank plc, Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, Kumba Iron Ore Limited (chairman), MTN Group Limited and MRC Media (Pty) Ltd.

* *Joint chairmen with effect from 17 November 2011.*

George FO Alford (65)

Senior independent director
BSc (Econ), FCIS, FIPD

Board committees: DLC audit, Investec plc audit, Investec Limited group audit and DLC nominations and directors' affairs

Appointed to the board in June 2002

George is a former head of private banking and personnel at Kleinwort Benson Group and was a senior adviser to the UK Financial Services Authority. He is former chairman and now director on the Advisory Board of London Metropolitan Business School and chair of the Independent Trust Financing Facility of the Department of Health.

Other directorships include: Investec Bank plc.

Cheryl A Carolus (56)

BA (Law), BEd, Honorary doctorate in Law

Board committees: DLC social and ethics

Appointed to the board in March 2005

Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was chief executive officer of South African Tourism.

Other directorships include: De Beers Consolidated Mines Limited, Gold Fields Limited, Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, The IQ Business Group (Pty) Ltd, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, executive chairperson of Peotona Group Holdings (Pty) Ltd and director of a number of the Peotona group companies and International Crisis Group.

Perry KO Crosthwaite (65)

MA (Hons) in modern languages

Board committees: DLC remuneration

Appointed to the board in June 2010

Perry is a former chairman of Investec Investment Banking Securities Limited and director of Investec Bank plc.

Other directorships include: Investec Bank plc, Jupiter Green Investment Trust, Melrose Industries plc, Investec Holdings (Ireland) Limited and Investec Capital and Investments (Ireland) Limited.

Olivia C Dickson (53)

MA (Oxon), MSc (Lon), CDipAF

Board committees: DLC audit, Investec plc audit, Investec Limited group audit and DLC remuneration

Appointed to the board in March 2011

Olivia is a non-executive director and chair of the risk committee of Canada Life Limited. She is also a non-executive director, member of the codes and standards committee and chair of the Actuarial Council of the Financial Reporting Council Limited.

Olivia was previously, among other positions, senior adviser to the Financial Services Authority, a managing director of JP Morgan and a non-executive director and chair of the audit committee of the London International Financial Futures Exchange.

Other directorships include: Canada Life Limited, The Canada Life Group (UK) Limited, Canada Life Asset Management Limited, Financial Reporting Council Limited.

Bradley Fried (48)

BCom, CA(SA), MBA

Board committees: DLC board risk and capital and DLC remuneration

Appointed to the board in April 2010

Bradley previously held the positions of joint head of investment banking and chief executive of Investec Bank plc. He is the chief executive in residence at Judge Business School.

Other directorships include: Investec Wealth & Investment Limited, Grovepoint Capital LLP and non-executive director of the Court of Bank of England.

David Friedland (60)

BCom, CA(SA)

Board committees: DLC audit, Investec Limited group audit, Investec plc audit, DLC board risk and capital, DLC capital and global credit

Appointed to the board in March 2013

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG, Cape Town office.

Other directorships include: Investec Bank Limited, Investec Bank plc, Foschini Group Limited, Pick n Pay Stores Limited.

Haruko Fukuda OBE (67)

MA (Cantab), DSc

Board committees: DLC board risk and capital

Appointed to the board in July 2003

Haruko was previously chief executive officer of the World Gold Council, and senior adviser at Lazard. She is former vice chairman of Nikko Europ plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.

Other directorships include: Investec Bank plc, director of Aberdeen Asian Smaller Companies Investment Trust Plc. She is an adviser to Braj Binani Group of India.

Ian R Kantor (67)

BSc (Eng), MBA

Appointed to the board in July 1980

Other directorships include: Insinger de Beaufort Holdings SA (in which Investec Limited indirectly holds an 8.6% interest), Bank Insinger de Beaufort NV (where he is chairman of the management board) Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited.

M Peter Malungani (56)

BCom, MAP, LDP

Board committees: DLC board risk and capital

Appointed to the board in June 2002

Peter is chairman and founder of Peu Group (Pty) Ltd, chairman of the deals and acquisitions committee and a member of the social and ethics committee of Pretoria Portland Cement Limited.

Other directorships include: Phumelela Gaming and Leisure Limited (chairman), Investec Bank Limited, Investec Asset Management Holdings (Pty) Ltd, Pretoria Portland Cement Limited, Peu Group (Pty) Ltd and a number of Peu subsidiaries.

Peter RS Thomas (69)

CA(SA)

Board committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and global credit

Appointed to the board in June 1981

Peter was the former managing director of The Unisec Group Limited.

Other directorships include: Investec Bank Limited, various Investec subsidiaries, JCI Limited and various unlisted companies.

Details of the Investec committees can be found on pages 89 to 98.

Details of the board members of our major subsidiaries are available on our website.

Shareholder analysis

Investec ordinary shares

At 31 March 2014 Investec plc and Investec Limited had 608.8 million and 282.9 million ordinary shares in issue, respectively.

Spread of ordinary shareholders at 31 March 2014

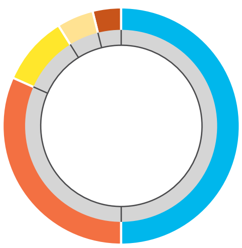
Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
13 784	1 to 500	50.9%	2 473 178	0.4%
4 695	501 – 1 000	17.3%	3 643 272	0.6%
5 814	1 001 – 5 000	21.5%	13 188 514	2.2%
987	5 001 – 10 000	3.6%	7 186 330	1.2%
1 037	10 001 – 50 000	3.8%	24 005 338	3.9%
256	50 001 – 100 000	0.9%	18 435 072	3.0%
529	100 001 and over	2.0%	539 824 639	88.7%
27 102		100.0%	608 756 343	100.0%

Investec Limited ordinary shares in issue

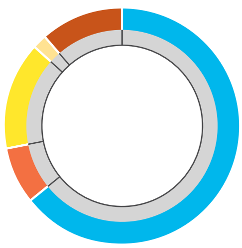
Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 183	1 to 500	39.7%	732 663	0.3%
1 561	501 – 1 000	19.4%	1 215 734	0.4%
1 915	1 001 – 5 000	23.8%	4 403 394	1.6%
416	5 001 – 10 000	5.2%	3 079 002	1.1%
529	10 001 – 50 000	6.6%	12 943 426	4.6%
171	50 001 – 100 000	2.1%	12 338 524	4.4%
256	100 001 and over	3.2%	248 221 786	87.6%
8 031		100.0%	282 934 529	100.0%

Geographical holding by beneficial ordinary share owner at 31 March 2014



31 March 2014
Investec plc

South Africa	50.1%
UK	31.6%
USA and Canada	9.4%
Rest of Europe	5.1%
Other countries and unknown	3.8%



31 March 2014
Investec Limited

South Africa	64.4%
UK	7.8%
USA and Canada	14.7%
Rest of Europe	1.9%
Other countries and unknown	11.2%

Corporate governance and corporate responsibility

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Largest ordinary shareholders at 31 March 2014

In accordance with the terms provided for in section 793 of the UK Companies Act 2006 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 discussed below:

Investec plc

	Shareholder analysis by manager group	Number of shares	% holding
1	Public Investment Corporation (ZA)	71 229 118	11.7%
2	Allan Gray (ZA)	51 047 200	8.4%
3	BlackRock Incorporated (UK and US)	30 224 232	5.0%
4	Old Mutual (ZA)	19 873 218	3.3%
5	Prudential Group (ZA)	19 738 410	3.2%
6	Schroder Investment Management (UK)	16 520 336	2.7%
7	State Street Corporation (UK and US)	16 378 619	2.7%
8	Legal & General Investment Management (UK)	16 252 011	2.7%
9	Sanlam Group (ZA)	16 346 398	2.7%
10	Royal London Mutual Assurance Society (UK)	15 844 463	2.6%
		273 454 005	45.0%

The top 10 shareholders account for 45.0% 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 Corporation (ZA)	36 303 207	12.8%
2	Allan Gray (ZA)	22 638 951	8.0%
3	Investec Staff Share Scheme (ZA)	19 053 638	6.7%
4	Old Mutual (ZA)	18 750 879	6.6%
5	Sanlam Investment Management (ZA)	14 421 294	5.1%
6	Entrepreneurial Development Trust (ZA)*	11 625 199	4.1%
7	BlackRock Incorporated (UK and US)	10 972 032	3.9%
8	Dimensional Fund Advisors (UK)	10 676 492	3.8%
9	Vanguard Group (UK and US)	7 404 210	2.6%
10	State Street Corporation (US)	6 102 517	2.2%
		157 948 419	55.8%

The top 10 shareholders account for 55.8% 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 Shareholder classification at 31 March 2014.*

Shareholder classification at 31 March 2014

	Number of Investec plc shares	% holding	Number of Investec Limited shares	% holding
Public*	587 411 787	96.5%	256 438 351	90.7%
Non-public	21 344 556	3.5%	26 496 178	9.3%
Non-executive directors of Investec plc/Investec Limited	3 677 453	0.6%	325	–
Executive directors of Investec plc/Investec Limited	7 049 470	1.2%	7 452 215	2.6%
Investec staff share schemes	10 617 633	1.7%	19 043 638	6.7%
Total	608 756 343	100.0%	282 934 529	100.0%

* *As per the JSE listings requirements.*

Share statistics

Investec plc

For the period ended	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Closing market price per share (Pounds Sterling)							
– year end	4.85	4.59	3.82	4.78	5.39	2.92	3.39
– highest	5.08	5.14	5.22	5.50	5.62	4.21	7.65
– lowest	3.66	3.10	3.18	4.29	2.87	1.69	2.94
Number of ordinary shares in issue (million)[1]	608.8	605.2	598.3	537.2	471.1	444.9	423.3
Market capitalisation (£'million)[1]	2 953	2 778	2 286	2 568	2 539	1 299	1 435.0
Daily average volume of shares traded ('000)	1 985	1 305	1 683	1 634	1 933	2 604	3 926.0
Price earnings ratio[2]	12.8	12.7	12.0	11.1	12.0	6.9	6.00
Dividend cover (times)[2]	2.0	2.0	1.9	2.5	2.8	3.3	2.30
Dividend yield (%)[2]	3.9	3.9	4.5	3.6	3.0	4.5	7.40
Earnings yield (%)[2]	7.8	7.9	8.3	9.0	8.4	14.5	16.70

Investec Limited

For the period ended	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Closing market price per share (Rands)							
– year end	84.84	64.26	47.16	52.80	62.49	38.86	57.43
– highest	85.04	69.89	57.36	65.50	65.40	63.19	104.40
– lowest	59.00	41.31	42.00	49.49	37.51	27.20	50.90
Number of ordinary shares in issue (million)[3]	282.9	279.6	276.0	272.8	269.8	268.4	234.3
Market capitalisation (R'million)[3]	75 652	56 857	41 232	42 768	46 299	27 715	37 766
Market capitalisation (£'million)[3]	4 325	4 061	3 340	3 872	3 993	2 083	2 229
Daily average volumes of share traded ('000)	810	980	1 033	794	1 068	1 168	841

1 *The LSE only include the shares in issue for Investec plc, i.e. currently 608.8 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*

2 *Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.*

3 *The JSE Limited has agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation, i.e. currently a total of 891.7 million shares in issue.*

Investec perpetual preference shares

Investec plc, Investec Limited and Investec Bank Limited have issued perpetual preference shares.

Spread of perpetual preference shareholders at 31 March 2014

Investec plc perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
135	1 to 500	12.0%	35 450	0.2%
143	501 – 1 000	12.7%	116 536	0.8%
575	1 001 – 5 000	51.2%	1 197 530	7.9%
90	5 001 – 10 000	8.0%	669 569	4.4%
119	10 001 – 50 000	10.5%	2 638 274	17.5%
31	50 001 – 100 000	2.8%	2 280 446	15.1%
31	100 001 and over	2.8%	8 143 344	54.1%
1 124		100.0%	15 081 149	100.0%

Investec plc (Rand denominated) perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
80	1 to 500	23.0%	22 869	1.0%
76	501 – 1 000	21.8%	60 234	2.6%
145	1 001 – 5 000	41.7%	323 183	14.2%
18	5 001 – 10 000	5.2%	133 620	5.9%
20	10 001 – 50 000	5.8%	485 624	21.3%
4	50 001 – 100 000	1.1%	324 724	14.3%
5	100 001 and over	1.4%	925 686	40.7%
348		100.0%	2 275 940	100.0%

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
860	1 to 500	15.3%	283 556	0.9%
1 341	501 – 1 000	23.9%	1 160 221	3.6%
2 538	1 001 – 5 000	45.2%	6 015 271	18.7%
449	5 001 – 10 000	8.0%	3 220 357	10.0%
370	10 001 – 50 000	6.6%	7 055 240	21.9%
18	50 001 – 100 000	0.3%	1 303 024	4.0%
36	100 001 and over	0.7%	13 176 830	40.9%
5 612		100.0%	32 214 499	100.0%

Investec Limited redeemable preference shares

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
747	1 to 500	91.8%	106 072	26.0%
37	501 – 1 000	4.5%	24 960	6.1%
24	1 001 – 5 000	2.9%	60 335	14.8%
2	5 001 – 10 000	0.2%	20 000	4.9%
4	10 001 – 50 000	0.5%	96 952	23.7%
1	50 001 – 100 000	0.1%	100 000	24.5%
–	100 001 and over	–	–	–
815		100.0%	408 319	100.0%

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
829	1 to 500	20.8%	243 180	1.6%
1 139	501 – 1 000	28.6%	1 010 159	6.5%
1 551	1 001 – 5 000	38.9%	3 721 039	24.1%
259	5 001 – 10 000	6.5%	1 917 572	12.4%
170	10 001 – 50 000	4.3%	3 237 160	21.0%
15	50 001 – 100 000	0.4%	1 127 889	7.3%
23	100 001 and over	0.5%	4 190 631	27.1%
3 986		100.0%	15 447 630	100.0%

Largest perpetual preference shareholders at 31 March 2014

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec plc

Chase Nominees Limited (Artemis)	10.6%

Investec plc (Rand denominated)

NES Investments (Pty) Ltd	5.3%
Liberty Active Investment	6.5%
Regent Insurance Company Limited safe custody	6.6%
Cadiz Absolute Yield Fund – CIS	17.6%

Investec Limited

Coronation Capital Plus Fund	5.0%
Coronation Strategic Income Fund	5.2%

Investec Limited redeemable preference shares

Investec Securities (Pty) Ltd	6.2%
The Saltzman Family Trust	9.8%
National Savings and Investment (Pty) Ltd	24.5%

Investec Bank Limited

There were no shareholders holding beneficial interests in excess of 5% of the issued preference shares in Investec Bank Limited, at 31 March 2014.

Building trust and credibility among our stakeholders is vital to good business

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, as 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 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.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UKLA and JSE and other exchanges on which our shares are listed and with any public disclosure obligations as required by the UK Regulators 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 Investor Relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial 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.

Employees

- Communication policy
- Quarterly magazine (Impact)
- Comprehensive intranet site
- Staff updates hosted by executive management

Investors and shareholders

- Annual general meeting
- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Shareholder road shows and presentations
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Government and regulatory bodies

- Active participation in policy forums
- Response and engagement on regulatory matters
- Industry consultative bodies

Clients

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored client presentations
- Annual and interim reports
- Client relationship managers within the business

Suppliers

- Centralised negotiation process

Rating agencies

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored presentations
- Annual and interim reports

Media

- Regular email and telephonic communication
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management

Equity and debt analysts

- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Corporate responsibility

Sustainable business practices...

Our sustainability philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on, or prolongs life on our planet.

Investec as a responsible corporate

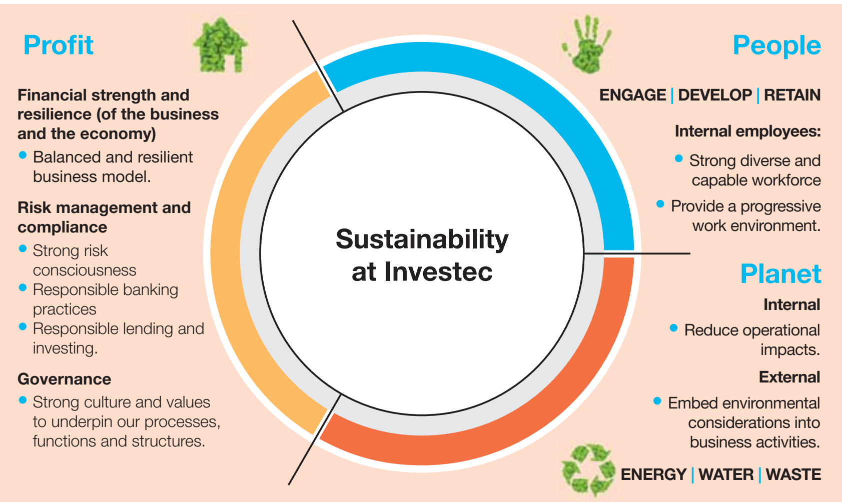
At Investec we recognise that, while our shareholders remain at the forefront, our purpose ultimately is not only about driving profits. We strive to be a distinctive specialist bank and asset manager, demonstrating cast-iron integrity, moral strength and behaviour which promote trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstanding, empowered talent, entrepreneurial spirit and regard for the planet are other qualities that fit squarely with the culture of our organisation and our approach to responsible business.

Our culture and values, at the heart of our approach, demonstrate our belief that as an organisation we can and must, if we are to maintain a sustainable business in the long term, have a positive impact on the success and wellbeing of communities local to our offices, the environment and on overall macro-economic stability.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive, nor exhaustive, but allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our sustainability efforts while the individual business units provide the principal drivers behind our activities, in a manner that best makes sense to each.

Sustainability at Investec

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet:



Investec maintained its inclusion in the JSE SRI Index, the FTSE4Good Index*, the Dow Jones Sustainability Index and the Carbon Disclosure Project. Investec group received two awards from the Climate Disclosure Project. Gold recognition status was given for a score of A- on Climate Performance in 2013 and we were also included in the Climate Disclosure Leadership Index 2013 (Top 11 in South Africa across all sectors).

** FTSE Group confirms that Investec has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalise on the benefits of responsible business practice.*

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Sustainability at Investec is about:

- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients and stakeholders' wealth based on strong relationships of trust.

Recognition

Materiality

During the year under review, we embarked on a robust process of engagement with internal and external stakeholders. This stakeholder engagement involved an interview process with the Investec executive, heads of business and employees and also external stakeholders such as industry associations, rating agencies, clients, investment analysts and NGOs. This process has allowed us to confirm the core sustainability issues for our stakeholders and will ultimately guide our 2015 sustainability strategy.

The key issues raised are summarised below:

Communication of full social and economic value generated by the banking sector

The need to develop innovative methods and messages of the broad social and economic value that is brought about by a healthy and robust banking sector was highlighted. In order to support these 'total value' claims, new environment, social and governance (ESG) datasets and measurable targets are being developed by the banking sector.

Client retention and new client attraction

Internal and external stakeholders both recognise the growing competitiveness in Investec's traditional niche market of high net worth individuals. Investec's current strategy (as summarised on page 12) is very focused on both retaining its current clientele and also attracting future clientele in our key target markets. In particular, we have been developing a full service offering aimed at maximising the creation and preservation of our clients' wealth by integrating our Private Banking and Wealth & Investment offerings to ensure clients have a consistent and seamless Investec experience. We have also launched a strong digital platform which is client centric, as opposed to product centric, and enables us to cross-sell between these divisions, acquire new clients and retain existing clients.

Remuneration strategy

Following the need expressed by our stakeholders for greater transparency in remuneration arrangements at Investec, the remuneration committee embarked on a process during the prior year to redesign the short- and long-term incentive schemes for the chief executive, managing director and group risk and finance director. We believe that we developed a comprehensive and credible response to shareholders' concerns and after a period of shareholder consultations, we are pleased to report that the financial incentive scheme proposals and long-term incentive awards were approved at the annual general meeting in August 2013.

Please refer to pages 130 to 163 for more detail.

Succession planning

The nominations and directors' affairs committee (NOMDAC) received a detailed presentation from the executive management regarding senior management succession and the NOMDAC were satisfied that there is a formal succession plan in place. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date. Senior management succession plans are also presented annually to the bank regulators.

Employee equity, retention and attraction

This form of employment equity closely relates to how Investec attracts quality employees and retains their services through continued personal and professional development and/or appropriate incentive schemes. Please see pages 112 and 113 for more detail of how we offer staff a stimulating and progressive working environment to attract and retain talent.

Integration of ESG factors in project finance and investment decision-making

The financing of (corporate) activities that result in negative environmental and social consequences is increasingly being scrutinised by monitoring bodies. We have extended our reporting in this regard which can be found in the detailed sustainability report on our website.

Responsible community engagement

We will continue to nurture existing programmes and relationships and communicate our progress to stakeholders. For more information on our community engagement, please refer to pages 116 to 119.

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Responsibility

The social and ethics committee is responsible for monitoring the non-profit elements of sustainability (see page 96). The mandate of this committee places a strong emphasis on the responsibility of the group towards the communities in which we operate, on social transformation in the workplace, and on preserving the well-being and dignity of our employees.

We also have sustainability representatives in each of the major geographies in which we operate who drive our sustainability objectives as well as various forums discussing sustainability considerations. Feedback on relevant sustainability issues is provided to board members at each board meeting.

Reporting

Our approach to sustainability is documented throughout this integrated annual report with further detail available in a more extensive sustainability report on our website. In line with our view on integrated annual reporting and reducing paper consumption, printed copies of the detailed sustainability report have been limited. The online version is available at www.investec.com where a pdf version can be downloaded.

Our approach to reporting has followed guidance from the King Code of Governance Principles for South Africa (King III), the Global Reporting Initiative's (GRI) G3.1 sustainability reporting guidelines and an index of these indicators together with our response to each of them can be found in our separate sustainability report. We have self-assessed our reporting to be application level B.

Investec Internal Audit

Investec Internal Audit performed a limited review of the quantitative and qualitative sustainability information disclosed on pages 112 to 125 of this integrated annual report. The scope of our work was agreed with management and based on the result thereof, nothing has come to our attention to indicate that:

- The qualitative sustainability information is not a fair statement of Investec's corporate responsibility initiatives
- The quantitative sustainability information is significantly misstated.

External audit

Grant Thornton has provided limited assurance over selected environmental, human resources and corporate social spend key performance indicators, as set out in the corporate responsibility review of this integrated annual report, which have been extracted from the 2014 Sustainability Report. Based on the work Grant Thornton has performed, nothing has come to our attention that causes us to believe that the selected key performance indicators in the 2014 Sustainability Report for the year ended 31 March 2014, have not been fairly stated.

For a better understanding of the scope of Grant Thornton's assurance process, the extracted environmental, human resources and corporate social key performance indicators in this report should be read in conjunction with the full 2014 Sustainability Report containing our assurance statement.

Corporate responsibility (continued)

Employee report

Investec employees remain critical to continued business success and to overall sustainability efforts. The expertise and dedication of staff is fundamental in meeting our clients' needs and delivering distinctive results. It is therefore vital that we engage, develop and retain a high-value workforce. One of the group's values is to ensure open and honest communication and hence we encourage active and open dialogue between staff and senior management. As a responsible employer, Investec aims to offer staff a stimulating and progressive working environment in which they can flourish and realise their true potential.

In assuming responsibility for our human capital we seek to promote sustainability through:

1. Competitive remuneration and reward
2. Specialised learning environment
3. Measures to ensure the health and wellbeing of employees
4. Managing performance through regular reviews, pathing and development
5. Succession planning and business continuity
6. Resourcing and recruiting that prioritises a diverse workforce
7. Facilitating an understanding of the Investec culture and people practices, to allow for guidance and opportunity among staff

Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisation Development (OD) which serve to supplement the ongoing people focus of our individual business units. The Investec careers and HR teams are mandated to attract, develop and retain talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

The HR division participates in local and international forums, to ensure ongoing development of HR best practice in the group and the alignment of HR strategy with business strategy. As our operating jurisdictions have different legal and regulatory requirements, our various HR functions operate independently of one another, while at all times adhering to the group philosophical approach.

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Number of employees

By division – permanent employees	31 March 2014	31 March 2013
Asset Management		
UK and Other	428	383
Southern Africa	913	778
Total	1 341	1 161
Wealth & Investment		
UK and Other	1 014	973
Southern Africa	286	272
Total	1 300	1 245
Specialist Banking		
UK and Other	1 769	1 982
Southern Africa	2 787	2 698
Australia	440	470
USA	20	19
Total	5 016	5 169
Total number of permanent employees	7 657	7 575

By geography – total employees	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
UK and Other	3 211	3 338	3 181	2 606	1 763	1 706
Southern Africa	3 986	3 748	3 661	3 680	3 542	3 541
Australia	440	470	411	401	356	354
USA	20	19	33	29	23	22
Temporary employees and contractors	601	576	495	521	439	328
Total number of employees	8 258	8 151	7 781	7 237	6 123	5 951

Employee strategy

The core areas of emphasis regarding our people strategy are:

To attract, retain and motivate the right people who can perform extraordinarily

We invest significantly in a number of opportunities for developing and training employees and in leadership programmes to develop current and future leaders of the group. Our Learning and Development centre plays a critical role in the development of our employees as well as assisting the business areas to achieve their learning objectives. Such learning objectives are always aligned to the business strategy and market trends. The centre is also involved in group-wide activities such as an induction programme for new employees, providing learning advice to individual employees and facilitating the development of generic programmes in the fields of information technology, banking and finance, compliance, e-learning, talent retention and mentoring.

To retain and motivate staff through appropriate remuneration and reward structures

Our remuneration practices comply with the principles of local regulations, while continuing to reward people meaningfully for performance and contribution. Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment that encourages and fosters extraordinary performance. In line with our philosophy of employee ownership, staff share schemes provide all employees, at all levels of the organisation, with the opportunity to participate in our long-term growth.

Further information is provided on pages 130 to 163.

To ensure that performance management is effectively and constructively practised

Our culture of open and honest dialogue promotes immediate and direct performance-related feedback between manager, employee and team, to help individuals identify and address their development needs.

Group training spend

	31 March 2014		31 March 2013	
	£	R	£	R
South Africa				
Asset Management	417 008	6 722 164	532 584	7 157 926
Wealth & Investment	426 252	6 871 175	499 852	6 718 017
Specialist Banking	5 740 765	59 807 626	6 655 846	61 514 557
Total	6 584 025	73 400 965	7 688 282	75 390 500
UK and Other				
Asset Management	723 303	11 659 649	528 868	7 109 307
Wealth & Investment	548 596	8 843 364	508 744	6 838 781
Specialist Banking	3 691 419	59 505 677	3 009 451	40 454 510
Total	4 963 318	80 008 690	4 047 063	54 402 598
Mauritius	18 370	296 121	17 934	289 089
Australia	287 421	2 706 689	319 084	3 004 864
Total group training spend	11 853 134	156 412 465	12 072 363	133 087 051

Working at Investec

The policies and business practices of Investec are outlined in Becoming Acquainted with Investec (BAWI) and in the compliance handbook. They are intended to guide our conduct and ensure that at all times our actions and attitudes reflect the group's values and philosophies.

These policies and business practices can be found on our website, including more details on the following:

Health and safety

A group-wide formal health and safety programme identifies and manages all health and safety risks, and carries out regular safety audits. It is overseen by a health and safety committee that meets quarterly to review health and safety concerns. In South Africa, Investec's HIV/Aids policy and management forum extends to all permanent employees.

To enable and develop employee health and wellbeing, Investec provides employees with a bespoke Employee Assistance and Wellbeing Programme. The comprehensive and integrated Health and Wellbeing Programme, which expresses our focus of care and concern for the wellbeing of employees, and provides personalised wellness interventions offered in face-to-face counselling and coaching. The wellness interventions are provided by a multi-disciplinary team of select health professionals who are all specialists in their fields of practice. Investec values the physical and psychological health, welfare and safety of our people. Our offices also host wellness days for staff to raise awareness and education around health issues through a unique, fun and interactive approach which focuses on physical and mental health.

Retrenchment policy

Where it becomes necessary for Investec to terminate employment based on operational requirements, the procedure to be followed will be in accordance with Investec's retrenchment policy which is more favourable than the local regulatory requirements. We conduct consultation for a period which exceeds the minimum prescribed period, during which we attempt to find a suitable alternative position for the affected employee.

Freedom of association

We fully support employees' rights to freedom of association. There is no representative trade union for Investec and we are not aware of any employees who are part of a trade union. We do however uphold the constitutional rights of the individual to freedom of association, the right to collective bargaining and the right to be a member of a union of their choice.

Human rights

We support and respect the protection of internationally proclaimed human rights and are not complicit in any human rights abuses. We do not have a formal human rights policy for the group as this would fall within the ambit of our Code of Conduct but we do adhere to the relevant laws in all our jurisdictions.

Our philosophy as an organisation is to respect the dignity and worth of the individual. We uphold the constitutional rights of our employees at all times, do not practise forced or compulsory labour and do not employ children.

Discrimination

We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, religion, age and sexual preference (or any other basis as envisaged by the South African Bill of Rights in the Constitution). Investec has a formal grievance procedure (and a written policy) to deal appropriately with any incident which may occur. Furthermore, there are several informal avenues for employees who wish to discuss concerns, e.g. OD, HR, Employee Relations and our independent external consultants.

We are unaware of any incidence of discrimination in the South African business and there are no recorded incidences of discrimination for the period under review.

Whistle-blowing policy and protected disclosures

One of Investec's values requires employees to 'conduct all internal and

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust'. Integrity and confidence are critical to our reputation and sustainability. The purpose of our whistle-blowing policy is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behaviour or workplace misconduct in total confidentiality and anonymity and without fear of retribution. We seek to protect all employees who disclose unlawful or irregular conduct by the company, its employees or other stakeholders.

To review the full details on employees and our policies relating to business practices, please refer to the separate sustainability report on our website.

Promoting equity and diversity in the workplace

Our promotion of equal opportunity and workplace diversity is not merely a social responsibility, but a means of ensuring that we foster a culture of diversity in the belief that this brings business advantage. We have various processes to encourage debate and dialogue around appreciating diversity and different cultures. Emerging and established leaders are invited to participate in talent discussions with executive management around all issues related to talent management. In addition, our Zebra Crossing initiative, which is aligned to our employment equity plan, aims to raise levels of multi-cultural awareness of staff at Investec and enable them to appreciate and celebrate the richness of our diverse population and to take these insights back into the business.

Transformation

In South Africa, Investec remains committed to black economic empowerment. Our approach involves:

- Using our entrepreneurial expertise to foster the creation of new black entrepreneurial platforms
- Serving as a leading source of empowerment financing
- Encouraging internal transformation by bringing about greater representivity in our workplace. In this regard, we are focusing on creating black entrepreneurs within the organisation.

During the year we completed our fourth Department of Trade and Industry BEE verification according to the generic codes and received a level 3 rating status by Empowerdex. We are committed to achieving and sustaining an equitable workplace that encourages and manages diversity and as such remain focused on the corrective strategies as set out in our Employment Equity Plan for the period 2013 to 2017. In terms of numerical targets for 2013 we met our targets at Top Management level and the overall EE count at both Senior and Middle Management levels exceeded the overall EE target. In addition we delivered on all the non-numerical goals, as outlined in our EE Plan for 2013.

Recognising that enterprise development is vital to South Africa's transformation aspirations, we launched an Enterprise Development programme in partnership with Raizcorp to back 12 entrepreneurs who are managing their own business and have potential to grow and create jobs.

Further information on the employment equity statistics of our South African business is available on our website.

Employee gender composition – permanent employees

	Southern Africa			UK and Other			Australia		
	31 March 2014			31 March 2014			31 March 2014		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	2	–	2	2	–	2	–	–	–
Senior managers*	734	432	1 166	184	23	207	6	1	7
Rest of employees	1 034	1 784	2 818	1 700	1 322	3 022	232	201	433
Total	1 770	2 216	3 986	1 886	1 345	3 231	238	202	440

* *A senior manager is defined as a person who: (a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and (b) is an employee of the company.*

Corporate responsibility (continued)

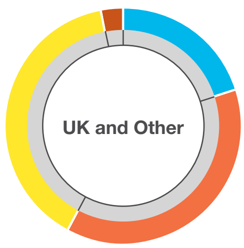
Corporate social investment

Our CSI endeavours are central to the group's values of making an unselfish contribution to society, valuing diversity and respecting others, and underpin Investec's aim of being a good corporate citizen. Our approach to CSI focuses on education, entrepreneurship and the environment. We believe that to focus on education and entrepreneurship is an effective way to create opportunities for employment, wealth creation and stimulate socio-economic growth.

In keeping with our business model of independent, highly autonomous business units, supported by a strong centre, there is no single overriding approach to social investment within the group, although clear commonalities exist. Each of the regions has pursued social investment as deemed appropriate to their circumstances and where they are in the evolution of their business.

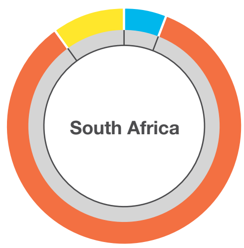
The active involvement of our people, through volunteering, remains at the core of our social investment strategy. We have many well-established charitable partnerships and volunteering initiatives to support these partners. Further, we make donations to charities in response to requests for assistance across all regions and business areas within the group. This allows us to allocate meaningful grants in areas which might not fall within our main focus areas.

Breakdown of spend by the CSI divisions



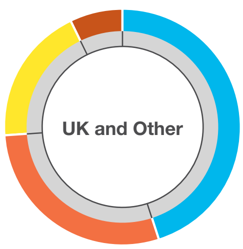
31 March 2014
£1.0 million

Entrepreneurship	20.0%
Education	38.0%
Philanthropic and other	39.0%
Environment	3.0%



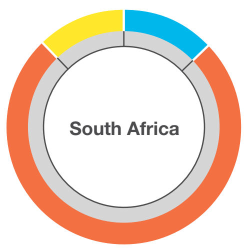
31 March 2014
£3.5 million

Entrepreneurship	6.0%
Education	84.0%
Philanthropic and other	10.0%



31 March 2013
£0.9 million

Entrepreneurship	45.0%
Education	29.0%
Philanthropic and other	19.0%
Environment	7.0%



31 March 2013
£3.0 million

Entrepreneurship	13.0%
Education	75.0%
Philanthropic and other	12.0%

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Group CSI spend

	31 March 2014		31 March 2013	
	£	R	£	R
South Africa				
Asset Management	10 994	177 221	210 898	2 834 997
Wealth & Investment	27 047	435 995	45 855	616 408
Specialist Banking	138 602	2 234 265	147 031	1 976 467
Group Corporate Social Investment division	3 461 272	55 795 709	3 021 175	40 612 116
Total	3 637 915	58 643 190	3 424 960	46 039 988
Mauritius	58 269	939 299	75 241	1 011 420
UK and Other				
Asset Management	92 594	1 492 613	689 861	9 273 445
Wealth & Investment	29 959	482 944	9 524	128 024
Specialist Banking	195 425	3 150 255	139 144	1 870 442
Group Corporate Social Investment division	991 381	15 981 059	887 128	11 925 208
Total	1 309 359	21 106 871	1 725 657	23 197 120
Australia				
Specialist Banking	123 489	2 000 221	178 917	2 409 675
Group Corporate Social Investment division	23 609	382 403	47 681	642 170
Total	147 098	2 382 624	226 598	3 051 845
Total Investec CSI spend	5 152 641	83 071 984	5 452 456	73 300 373
Total Investec CSI spend as a % of operating profit before tax	1.14%		1.28%	

Note: Group CSI division spend (2013) for South Africa has been restated.

UK and Other

The corporate social investment programme plays a key role in the fulfilment of Investec's core values, focusing on making an unselfish contribution to society. We champion sustainable social investment by:

- Building dedicated charitable partnerships
- Engaging all Investec people in making a positive difference
- Harnessing our diverse resources and collective talent.

Our social investment programme in the UK is focused on the areas of education, entrepreneurship and environment; sectors identified by staff as best aligned with Investec's core values. Our approach encompasses the principal elements of facilitating employee volunteering with our charitable partners, and making other charitable donations to small local charities that fit within the education, entrepreneurship and environment sectors. We also encourage and facilitate employees' giving by providing a Give-As-You-Earn facility and matching funds raised by our employees.

Highlights during the period

- Investec Ashes 2013 Cycle Challenge – a bespoke, cricket-themed challenge to cycle between the host grounds of the Investec Ashes Series, created by James Bedingfield of our Sheffield office, in partnership with the Lord's Taverners charity. The event successfully engaged employees, partners and clients of several of our offices, as well as raising over £279 000 for the Lord's Taverners and other local charities. Funding to the Lord's Taverners provides five specially-adapted mini-buses to facilitate nearly 4 000 trips to sporting facilities and other amenities for 400 disabled young people up and down the country every year, granting them access to sport and recreation. We have been shortlisted for this at the national Business Charity Awards 2014 (Challenge Event category)
- Our volunteers remain committed to our partnership with Arrival Education, having spent over 2 300 hours with the students and forming over 90 coaching relationships, with the aim of creating the high performers and wealth creators of the future. In 2013 we were finalists at the Lord Mayor Dragon Awards (Education category), as well as being Highly Commended at the Business Charity Awards (Community Impact category), for this mutually beneficial partnership
- An Investec team was entered into the Movember Campaign, an international fundraising event, for a second year and finished sixth in the country and fourth in the Square Mile Challenge (we were 20th in the country the previous year); 74 people across the bank were involved, including our Executive team. We raised a total of £35 000 as well as considerable awareness for men's health issues, our efforts having been done in collaboration with pupils from our charitable partner, Morpeth School

- In 2013 our employees opted to renew the partnership with Amherst School for another three years. Many relationships and commitments have been built between employees and pupils and we are thrilled to continue our support of these young people. Our volunteers have been described as part of the fabric of life at the school; they have found volunteering opportunities motivating and fulfilling, collectively, giving more than 50 days per year. We were awarded the Guernsey Employer of the Year 2013 for looking after our people, with specific acknowledgment of our successful social investment programmes for engaging employees and carrying out great work within the community
- In 2013 we relaunched the Junior Apprentice Programme for a group of Morpeth pupils. The programme, run by our volunteers, includes three introductory skills sessions for the pupils, focusing on developing confidence in unfamiliar situations, interview preparation and presentation skills.

Southern Africa

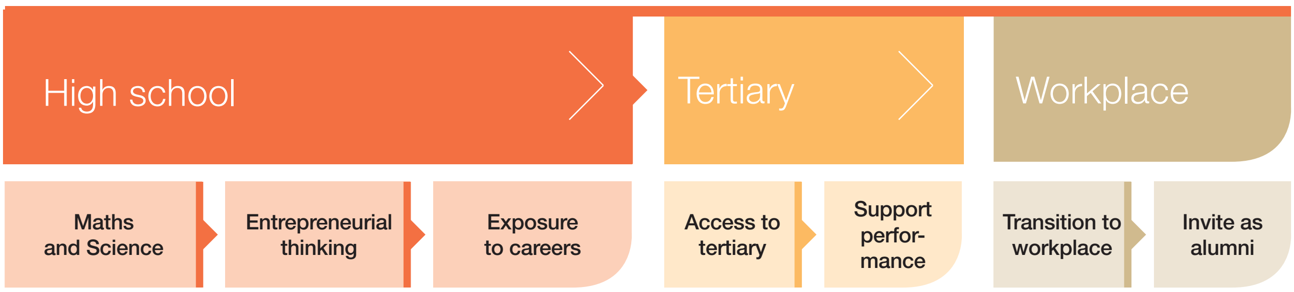
Aligned with the group approach, our CSI endeavours in South Africa focus on education and entrepreneurship. Wherever possible, we seek to collaborate with partners so as to leverage resources and expertise and help ensure enduring impact and long-term sustainability for our projects. In all cases, we look to clear indications that projects are enduring, sustainable and replicable (where appropriate) and are guided by strategic intent, rather than philanthropic well-meaning.

Our CSI strategy is to focus on a more clearly defined pipeline of educational and entrepreneurial projects. The strategy is aimed at facilitating the empowerment of talented individuals within a defined continuum of interventions through school and university to the workplace. The following two key objectives have been identified:

- To facilitate an increase in the number of entrepreneurially-minded matriculants as well as those with a decent pass in English, Maths and Science who have an aspiration to proceed beyond Matric
- To facilitate access to quality tertiary education.

The illustration below shows how various components of our strategy form a pipeline of interventions starting at high school and progressing to the workplace:

South African pipeline of interventions



Promaths stats

Academic year	Dobsonville, Qwaqwa and Umlazi 2013	Dobsonville and Qwaqwa 2012	Dobsonville and Qwaqwa 2011
Number of Maths distinctions	189	114	50
Number of Maths decent passes (50% – 100%)	464	307	214
Number of Science distinctions	158	84	61
Number of Science decent passes (50% – 100%)	421	276	196

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Highlights during the period

In line with our strategy, a total of 90% of South Africa's CSI spend was allocated to education and entrepreneurial initiatives:

- Promaths, which is a partnership between Investec and Kutlwanong Centre for Maths, Science and Technology, offers extra Maths and Science lessons to Grade 10, 11 and 12 learners. The main aim is to improve learners' performance in Maths, hence facilitating entrance into tertiary learning institutions. This year, Investec CSI is proud to announce that 92% of the Matric class of 2013 obtained 60% and above for Pure Maths
- During the 2013 academic year we launched four new Promaths centres in Cape Town, Port Elizabeth, Pretoria and Durban, thereby creating space for 1 800 more learners to be part of this programme
- We developed our partnership with the Independent Schools Association of Southern Africa (ISASA) and the Department of Education for the Teacher Internship programme. The 2013 academic year saw an initial intake of 21 teacher interns with an additional 50 teacher interns recruited towards the end of 2013 bringing the total number of interns currently on the programme to 71
- The 2013 academic year saw the piloting of the Brainwave mobile career helpline hosted on Mxit, a free instant messaging application designed to be a user-friendly information tool, relevant for learners in need of career guidance. This online platform may also be utilised by unemployed graduates in need of information about organisations recruiting for new talent
- Investec, in partnership with Study Trust, awards young South Africans with academic potential and financial need the opportunity to study towards financial sector related degrees at selected local universities. For the 2013 academic year, the programme had 88 bursary recipients from first year to honours level
- In 2013 Investec continued its partnership with Junior Achievement South Africa in an entrepreneurship initiative that seeks to stimulate an entrepreneurial mindset as well as life skills amongst Grade 10 and 11 learners. Investec is currently sponsoring the programme to be offered at 10 schools, in the nine provinces across the country thus reaching approximately 350 learners in previously disadvantaged communities
- The Cradle Project, a group of Investec employees who give their time and resources to improving the lives of those less fortunate in our surrounding communities, allocated R628 297 (2013: R508 999) to a variety of worthy causes
- During the financial year, 350 (2013: 380) high school learners participated in an eight-month long Investec funded programme focusing on entrepreneurship, financial literacy and workplace readiness, as well as micro-economics and business ethics
- Investec Bank Mauritius has a CSI strategy to focus on projects and initiatives in education, environment and sports development. The office contributed £58 269 (2013: £75 241) to a number of corporate social investment projects during the financial year. Please refer to the Investec Bank Mauritius annual report for more detail.

Australia

The Investec Foundation in Australia embodies our philanthropic commitment to the Australian community. This commitment is illustrated primarily through supporting meaningful health, welfare and educational programmes, while remaining focused on preserving the local environment and managing our environmental footprint.

To create a positive social impact, the Investec Foundation focuses on a small number of sustained philanthropic giving and volunteering efforts. We partner with local, entrepreneurial organisations which perform remarkable work in these fields.

Highlights during the period

The Australian office contributed A$253 009 (2013: A$347 600) to a number of CSI projects:

- Over 250 (2013: 230) Investec employees participated in the bank's second consecutive year of the national volunteering initiative, ICARE. This is a volunteering day where Investec reaches out to the community. It is well received by all parties involved as it also enables Investec Australia employees to team build as well as assisting and promoting a better and more sustainable future for the community
- The Outback Oral Treatment and Health (TOOTH) programme which was launched in partnership with Australia's Royal Flying Doctor Service. TOOTH exceeded its second year goal of 512 clinics by providing 516 clinics including 15 oral health promotion clinics to rural and remote Australia. Over two years, TOOTH has treated 3 485 patients with a combined value of A$754 436
- Our staff donated A$67 664 (2013: A$76 996) which was matched by Investec
- Investec staff participated in four Australian Business Community Network (ABCN) programmes focused on mentoring and coaching. Investec Australia continued its involvement with ABCN by committing 33 mentors throughout the year consisting of four programmes within two different schools
- Investec Australia has committed to support Football United on a two-year basis. Football United uses football to bring people together for the common goal of creating harmonious and cohesive societies
- A new partnership was developed between our Power and Infrastructure Finance business, the South Australian government and not-for-profit housing provider Community Housing Limited to use an innovative rent-then-buy model to deliver affordable housing for workers including teachers, nurses, police officers and hospitality staff. The finance model is geared towards social sustainability by enabling key professionals to afford to buy in a suburb close to their place of employment.

Investec group received two awards from the Carbon Disclosure Project. Gold recognition status was given for a score of A- on Climate Performance in 2013 and we were also included in the Climate Disclosure Leadership Index 2013 (Top 11 in South Africa across all sectors)

Environmental

As a niched, specialist, knowledge-based financial services organisation with a limited physical presence, the direct environmental and social impacts of Investec's daily operations are limited. However, in promoting sustainability as part of Investec's core strategy, we believe there needs to be a balance between economic and financial imperatives, the needs of society and their combined impact on the environment.

Environmental policy

Investec's environmental policy takes into account the challenges that climate change presents to the global economy and we will consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet. We believe that, as a bank, and given our positioning in the first world and emerging world, we can make a meaningful impact in addressing climate change.

Our internal environmental strategy is focused on creating awareness and encouraging behavioural change in recognition of our environmental responsibilities. Investec recognises that effective environmental management is an essential part of embedding this philosophy into the organisation. We are committed to operating an effective environmental management system compliant with King III in South Africa and ISO 14001:2004 in the UK. The Gresham Street waste management programme made history by becoming the first organisation in the Clean City Awards Scheme's 20-year history to win the Chairman's Cup for a second time. They were also awarded the ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark.

Sustainability principles are further integrated into our daily operations through the environmental programmes communicated to staff through our team of environmental champions – Team Green. The teams are made up of representatives from across the business areas and aims to raise awareness around our environmental impact and to encourage positive and sustainable behaviour change amongst our staff through education and engagement.

Externally, we focus on incorporating environmental considerations into our daily operations. We recognise the significant opportunities for our clients and our various businesses in areas such as cleaner and renewable energy sources, energy efficiency and responsible lending and investing.

Carbon footprint across the group

Our respective carbon footprints have been calculated according to the international Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (revised edition), data has been gathered to fulfil our requirements under the CRC Energy Efficiency scheme. We use the operational control method to determine what is included in our scope of reporting. Materiality set at a group level was 5% with all facilities estimated to contribute >1% of total emissions included. Limited assurance was provided by Grant Thornton.

The increase in total emissions is largely a result of greater international business travel as activity has picked up across our business. Team Green continues to encourage the use of video conferencing to reduce long-haul business travel. Part of the increase in recorded consumption is a result of our improved environmental management system which has resulted in more business road and rail travel being captured.

Carbon footprint for the group

	31 March 2014	31 March 2013
Tonnes of CO_2 equivalent:		
Scope 1	2 507	2 261
Southern Africa	1 802	1 476
UK and Other	705	785
Australia*	n/a	n/a
Scope 2	38 492	39 183
Southern Africa	29 979	31 561
UK and Other**	7 673	6 609
Australia	840	1 013
Scope 3	26 735	15 917
Southern Africa	15 589	8 275
UK and Other	11 057	7 589
Australia	89	53
Total emissions	67 734	57 361
Total average employees (including temporary employees)	8 074	7 847
Emissions per average employee	8.39	7.31
m² office space	174 472	147 325
Emissions per m² office space	0.39	0.39

* *No Scope 1 emissions recorded.*
** *UK and Other coverage increased to include our New York, Manchester, South Hampton and Zurich offices.*

Note: 2013 restatements – Business travel long haul restated to reflect more accurate measurements.

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Highlights for the UK Gresham Street head office

- 100% of our energy usage is monitored via smart metres. We continue to exceed our energy reduction targets, despite a headcount increase. With a base year of 2008/9, in 2013/14 our electricity reduction was 27% against a target reduction of -25%, while our gas reduction was 58% against a target of -25%
- We continue to operate a zero-to-landfill waste policy, and our current recycling rate is 84%, an increase of 8%, 29% of which is food waste sent to anaerobic digestion to become bio-fuel/bio-fertiliser. This is against a headcount increase of 12% during this period
- Recognising that we have a part to play in improving the air quality in the City of London where our head office is situated, Investec was one of the first city businesses to sign up to the recent Air Quality Pledge. The pledge commits us to try to raise the profile of air quality, reduce gas consumption and install low NOx technology, promote walking and cycling to staff and clients, and to reduce the number of deliveries servicing our business
- We continue to bottle our own pure drinking water into Investec branded glass bottles for use in our hospitality suite. We refilled 25 353 litre bottles during 2013/14, helping reduce our delivery footprint, and reducing our glass recycling by 7 099 kg
- Our Guildford office was the first UK low-carbon commercial building to achieve the Low Carbon Workplace standard. It passed stretching requirements to achieve the standard by making a 33% reduction in carbon emissions per person in its 160-year-old former printing press building
- Our commitment to reducing our environmental impact includes promoting sustainable travel through initiative such as:
  - Setting up an affiliate account with a UK car club. Using one car club vehicle takes 15 personally owned vehicles off the road, reducing fuel emissions and road congestion
  - We also partnered up with the UK's largest car sharing social enterprise. Membership enables our staff to share their car journeys with Investec colleagues from across our offices
  - Our Cycle2Work offering continues to be popular with our staff. We have 100 bicycle parking bays in our basement, and a local bicycle maintenance company carries out regular bike maintenance sessions from there
- Investec Asset Management has partnered with Tusk Trust to launch the inaugural Tusk Conservation Awards in partnership with Investec Asset Management. The awards aim to recognise and celebrate outstanding achievement in the field of African conservation and also comprise the Prince William Award for Conservation.

Carbon footprint for the UK

UK and Other consumption		Units	31 March 2014	31 March 2013
Scope 1				
Energy	Gas consumption	kWh	3 773 803	3 560 230
	Diesel	l	1 440	1 440
Refrigerant	Refrigerant	kg	–	79
Scope 2				
Energy	Electrical energy	kWh	15 061 462	13 470 655
Scope 3				
Material	Paper	t	34	37
	Paper recycled	t	317	320
Waste	General waste	t	85	77
	Waste recycled	t	442	94
Employee travel	National rail	km	2 053 646	1 443 965
	Road business travel	km	1 783 638	1 118 019
	Taxi	km	63 151	114 637
	Commercial airlines	km	23 735 658	21 788 816
No scope				
Water	Water consumption	kl	26 729	22 336
	Waste water	kl	26 729	22 229
Total emissions			19 435	14 983
Total average employees (including temporary employees)			3 355	3 256
Emissions per average employees			5.79	4.60
m^2 office space			51 491	51 044
Emissions per m^2 office space			0.38	0.29

UK and Other coverage increased to include our New York, Manchester, South Hampton and Zurich offices.

Corporate governance and corporate responsibility

03

Highlights for Southern Africa

- In order to encourage recycling and simultaneously help surrounding communities Investec staff partnered with Interwaste, a waste management company, in an initiative called 'Tops and Tags' where companies or individuals collect plastic bottle tops and plastic bread tags to be recycled. When contributors have collected 100 000 tops and tags they exchange these for a wheelchair which is then donated to a charity of their choice. Since inception, staff have collected enough tops and tags to donate 14 wheelchairs to the community
- On Earth Day, staff were made aware of Investec's recycling system. Investec collects paper, cans, plastic and glass and recycles this waste in the basement which is then collected by external organisations for recycling. Food waste that can still be consumed is distributed to charities. E-waste is sent to an outside organisation to refurbish or dispose of the computers in an environmentally friendly manner. Refurbished computers are distributed to selected Investec charities
- Investec Sandton embarked on an external environmental campaign which entailed 'greening' Sandown High School. As a result of implementing these renewable energy technologies, the school's electricity overheads will be reduced and the money saved can be used on more pertinent needs for the pupils such as stationery, extra lessons and maintenance of the school building. A recycling competition has also been launched which creates awareness to the pupils on what waste can be recycled. The idea behind this is two-fold: firstly, it cleans up their community and secondly, the recyclables will bring in funds for the school
- A number of staff awareness campaigns were held during the year on topics such as water awareness, World Food Day, Arbor Week, Earth Day and Earth Hour
- The power and infrastructure team continues to play an active role in the renewable energy sector and, during the course of the year, they supported a number of transactions, both as lender and equity investor in the country's renewable energy programme. The team takes consideration of the environmental impact of these types of transactions and continued its partnership with BirdLife South Africa to fund research on the environmental impact of renewable energy such as wind energy facilities on the local birdlife in South Africa
- Investec Property continued its support for the Endangered Wildlife Trust's (EWT) Carnivore Conservation Programme's research and monitoring of the endangered African wild dogs in the Kruger National Park
- The Investec Rhino Lifeline initiative, together with Dr Will Fowlds, continued to raise awareness around the rhino crisis and a pilot education programme was launched through our partnership with Coaching for Conservation in September 2013. We also developed a partnership with Wilderness Foundation, a recognised and credible NGO, to enable fundraising initiatives to further support education, rescue and prevention initiatives
- The group has sponsored an environmental project in Mauritius to aid local farmers with nutritional farming. This farming methodology is based on building soil fertility using biological inputs as opposed to chemical fertilisers. In the first year of the sponsorship, we have been able to sequester 3 700 tons of CO_2 in the soil in addition to producing good amounts of consumer health-enhancing vegetables and fruits.

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Carbon footprint for Southern Africa

Southern African consumption		Units	31 March 2014	31 March 2013
Scope 1				
Energy	Gas consumption	kWh	79 187	82 568
	Diesel	l	25 687	30 553
Refrigerant	Refrigerant	kg	733	663
Employee travel	Vehicle fleet	km	1 892 879	1 563 811
Scope 2				
Energy	Electrical energy	kWh	30 654 933	31 943 427
Scope 3				
Material	Paper	t	120.10	83.00
	Paper recycled	t	69.64	57.00
Waste	General waste	t	60.58	25.00
	Waste recycled	t	134.02	47.00
Travel	Employee business travel	km	37 689 167	34 079 739
Employee travel	Road business travel	km	308 491	277 811
	Commercial airlines	km	37 380 675	33 801 928
No scope				
Water	Water consumption	kl	118 357	103 182
Total emissions			47 370	37 691
Total average employees (including temporary employees)			4 260	4 130
Emissions per average employee			11.12	9.13
m^2 office space			117 519	89 421
Emissions per m^2 office space			0.40	0.42

Highlights for Australia

- An audit of high-power usage areas was performed to ensure that timing and sensor systems are optimised for best usage
- We continued to decrease the number of personal computers (PCs) by switching over to Wyse systems (virtual PCs which you can log on to anywhere within the office). Each virtual system uses only 6W of power compared to 96W for a PC. As this equipment is left on 24/7 for maintenance reasons, this means that each virtual system saves us a potential 788 kWh per annum
- We continued to raise general awareness by utilising print management and 'swipe-to-print' facilities
- Investec's Real Estate Finance team facilitated A$115 million debt facility for the construction of one of Australia's most environmentally sustainable commercial office buildings in Canberra (six-star Green Star and five-star NABERS rated).

Carbon footprint for Australia

Australia consumption		Units	31 March 2014	31 March 2013
Scope 2				
Energy	Electrical energy	kWh	954 864	1 113 079
Scope 3				
Material	Paper	t	21	12
	Paper recycled	t	19	20
Waste	General waste	t	35	31
	Waste recycled	t	21	16
Total emissions			928	1 066
Total average employees (including temporary employees)			459	461
Emissions per average employee			2.02	2.31
Total m²			6 860	6 860
Emissions per m²			0.14	0.16

Note: The Australian office was unable to provide reliable data on scope 1 emissions and water consumption for the year.

Information technology

Our vision: Continuous delivery of an efficient and effective information technology platform that serves the needs of the business to deliver excellent client service.

Key infrastructure-related developments during the period include:

- By leveraging international teams and promoting a collaborative approach, we continue to see increased efficiency in a number of selected technologies
- The move towards a 'Mail in the Cloud' solution Software as a Service (SAAS) will achieve reduced on-site hardware and storage requirements
- We continue to improve datacentre efficiencies through our virtualisation strategy resulting in the clean-up and de-commissioning of a number of physical hosts across all geographies
- Telepresence is deployed in the major centres and we look to expand this footprint. This has changed our day-to-day collaboration experience and enhanced communication between offices, effectively reducing travel needs
- The UK office continues to expand its footprint of 'thin' desktops, reducing total energy consumption of the desktop environment. In South Africa, the deployment of a thin client strategy is gaining momentum
- A managed print service, similar to the solution deployed in South Africa, has been implemented in the UK region to reduce print wastage
- In South Africa, the migration of the business continuity environment, to our new recovery site, has realised an energy efficient, small footprint infrastructure and will be further developed in our quest to achieve a 'High Availability' business environment
- Wherever feasible, the use of 'Cloud' based infrastructure is considered and specific workloads currently utilise 'Cloud' based processing Platform as a Service (PAAS) to great effect resulting in reduced physical infrastructure and energy requirements
- Cloud solutions have been utilised in supplying basic office Infrastructure Services (IAAS) in both Hong Kong and New York, with similar thinking soon to be applied in the resized Australian operation
- The deployment of a standardised Enterprise Content Management system will result in reduced paper-based storage and the ability to commoditise common functions across business units
- Implementation of a Software Asset Management (SAM) toolset will ensure better management of the international licensing landscape resulting in optimal licensing level and ultimate cost.

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Key business application-related developments during the period include:

- There is a concerted effort to become a more internationally focused client-centric organisation
- Great strides have been achieved on the digital front with the launch of the Investec mobile and tablet application in South Africa, focused primarily on our Retail client base. This will shortly be expanded to include the UK and Mauritius client base, delivered by a single international dedicated digital focused team. Elements of our corporate offering have been included, and we continue to look to increase our range of digital offerings to meet our corporate client needs
- The 'Single Specialist Bank' initiative, continues to focus on the elimination of duplicate business processes across divisions and geographies to deliver a cost-effective, client-friendly service
- In the UK, the drive to move clients into online banking, online processing and electronic statement distribution for our Private Banking, Mortgage and Asset Finance businesses continues
- Continued consolidation and merging of technology and support teams across divisions, and in some cases geographies, is taking place in the following areas:
  - Business Intelligence
  - Enterprise Content Management
  - Payments
  - Reconciliations.
- This convergence will lead to opportunities to leverage resources, skills and licensing internationally and help the achievement of our four strategic goals to:
  - Align architectural principles across all businesses and geographies
  - Reduce the international business applications footprint
  - Commoditise common functionality wherever commercially viable
  - Simplify the environment.

Other key developments during the period include:

- From a security and risk management perspective we:
  - Focus on alignment of functions across business units and geographies
  - Reuse standards, methods and practices
  - Are achieving the move away from reactive toward proactive risk management.
- The IT graduate programme implemented in South Africa in 2013 continues and has been a great success. We increased our intake in 2014 and will continue to invest in the creation of IT human capital in future.

Procurement report

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, changed outcomes across economic, social and environmental fronts.

In the UK, additions have been made to our procurement policy to incorporate both green and corporate social responsible aspects. We now incorporate evaluation criteria into all of our procurement documentation to allow us to measure and demonstrate our intent to procure effectively without compromising the environment. We have recently committed to ensuring that 100% of our beverage offering has the Fairtrade label. This includes beverages available in our staff teapoints, our coffee bar and our hospitality suite. A product that carries the Fairtrade Certification Mark has met the rigorous Fairtrade standards, which focus on improving labour and living conditions for farming communities and on promoting a way of farming that does not harm either people or the environment.

In South Africa, our procurement practices seek to accord with the BEE requirements of the Department of Trade and Industry's Codes of Good Practice and we have an established process for monitoring and measuring our broad-based BEE procurement efforts. Environmentally responsible partners are key to the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. Our largest suppliers of PCs and server equipment subscribe to an electronic code of conduct which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety. We always consider the Energy Star endorsement before purchasing equipment.

FOUR

Remuneration report

Annual statement from the chairman of the board remuneration committee

This remuneration report was prepared by the remuneration committee and approved by the board and describes our remuneration policy and directors' remuneration for the 2014 financial year. This report has been prepared in compliance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and other related regulations.

Overview of the year

Following the need expressed by our shareholders for greater transparency in remuneration arrangements at Investec, we embarked on a process during the prior year to redesign the short- and long-term incentive schemes for the chief executive, managing director and group risk and finance director. We believe that we developed a comprehensive and credible response to shareholders' concerns and after a period of shareholder consultation, we are pleased to report that the final incentive scheme proposals and long-term incentive awards were approved at the annual general meeting in August 2013.

The short-term incentive awards made to the chief executive, managing director and group risk and finance director during the 2014 financial year have been made in accordance with the newly approved plan which clearly sets out the link between their pay and performance (a detailed assessment is provided on pages 141 to 143).

The remuneration committee directed much of its time and efforts during the 2014 financial year on the new remuneration regulations under the Capital Requirements Directive IV (CRD IV), which essentially focus on the application of a cap on variable pay that can be paid to Prudential Regulation Authority (PRA) Code staff (as defined in the rules). These regulations have presented us with some challenges and will unfortunately require some changes in our recently approved remuneration policy for the chief executive, managing director and group risk and finance director. These regulations also impact some of our employees in our Specialist Bank in the UK. Fundamentally, the remuneration committee has ensured that its approach in complying with these regulations is in line with its core remuneration philosophies and allows Investec to remain competitive in attracting and retaining talent and ensuring the long-term success of the business. We believe that our ability to diverge significantly from market practice is limited by the exposure to losing staff to rivals who will pay more. Further information on our intended approach is provided below. We are not proposing any other material changes to our remuneration policy.

The committee maintains oversight of the remuneration policies and packages of the executive directors, persons discharging managerial responsibilities, a number of other senior and high paid employees across the group, while paying specific attention to the rewards allocated to employees within the internal audit, compliance and risk divisions.

Core remuneration principles remain effective

Our overarching remuneration philosophy has remained unchanged from prior years as we retain focus on employing and retaining the highest calibre individuals through the payment of industry competitive packages and long-term share awards which ensure alignment with key stakeholders in our business.

Our rewards continue to be distributed from pools of realised earnings generated in excess of targeted thresholds which reflect usage of risk-adjusted capital. This economic value-added model has been in operation for about 15 years and ensures that risk and capital management form the basis for key processes at both a group and transaction level thus balancing the rewards between all stakeholders.

We currently recognise the principles of both malus and clawback in respect of the chief executive, managing director and group risk and finance director but only malus in respect of PRA Code staff and have considered the financial results and governance reviews and regulatory actions to assess whether any such action is appropriate this year. We have concluded that no such action is required.

Staff ownership of shares remains a core philosophy of the group. Our employee share schemes (excluding schemes applicable to the executive directors) and PRA Code staff are not generally subject to performance conditions as their purpose is to provide all staff with some alignment with the interests of our owners. Outside of these schemes, we have many senior executives with significant shareholdings reflecting their long association with our business. The proportion of shares held by our employees is approximately 10%. Furthermore, for our executive directors and certain of our employees, a portion of variable remuneration is required to be deferred and paid in shares.

Our 'distribution' model

We continue to acknowledge the importance of the appropriate division of the returns generated by our business between our owners, our workforce and the societies in which we operate, the latter through corporate and personal taxation.

Our effective corporate tax rate has averaged 22% over the past 10 years, while our gross staff compensation ratio, i.e. comprising total fixed costs, total variable remuneration paid (including the total deferred portion) and share-based costs (as spread over the period of the share incentive option) has averaged at 41% over the same period. Personal tax deduction, payroll taxes and national insurance mean that a substantial portion of the gross compensation is ultimately paid to the tax authorities. Our payments to shareholders remain within our stated dividend policies, and we have retained a portion of earnings each year to build up capital resources.

In summary, we estimate our total economic return has been divided between the main stakeholders, as follows:

- Governments through corporate, personal and other taxation at source 28%
- Employees through total compensation net of taxation at source 44%
- Owners through dividends (before taxation) at source 13%.

Our value added statement is provided on page 9.

The year under review

Key points to note for the period under review include:

Group performance

- Overall group results have been negatively impacted by the depreciation of the Rand: Pounds Sterling exchange rate of approximately 20% over the period
- Earnings attributable to shareholders before goodwill, acquired intangibles, non-operating items and after non-controlling interests increased 6.0% to £327.8 million – an increase of 20.5% on a currency neutral basis
- Adjusted earnings per share increased 5.3% – an increase of 19.7% on a currency neutral basis to 38.0 pence
- Dividends per share increased 5.6% to 19.0 pence
- Return on equity increased to 10.1% (2013: 9.4%)
- Recurring income as a % of total operating income amounted to 70.7% (2013: 68.6%)
- Return on average risk-weighted assets increased to 1.14% (2013: 1.06%)
- Core capital, leverage and liquidity ratios remain sound
- Our total shareholder return was 9.6% for Investec plc in Pounds Sterling and 36.3% for Investec Limited in Rand. This compares to a return of 27.4% for the FTSE 350 General Finance Index and a return of 25.7% for the JSE Top 40 Index
- The group's variable pay pool was established with reference to the group's underlying profit before tax (as described in detail on pages 132 and 133) and amounted to £305 million (2013: £274 million), with approximately 20% of the pool deferred
- Total staff compensation ratios are as follows:
  - Total for the group: 46.3% (2013: 43.9%)
  - Asset Management: 47.7% (2013: 46.1%)
  - Wealth & Investment: 56.1% (2013: 55.6%)
  - Specialist Banking: 43.5% (2013: 41.0%)
- Salary and benefits for executive directors:
  The remuneration committee approved inflationary increases in the salary and benefits of the executive directors in line with average salary increases provided to employees across the group
- Annual bonus for executive directors:
  In light of the positive financial performance of the group in 2014 and after consideration of progress across a range of financial and non-financial measures (as reflected on page 152), the remuneration committee approved an annual bonus of £1.97 million for each of Stephen Koseff and Bernard Kantor, £1.77 million for Glynn Burger and £4.36 million for Hendrik du Toit. A total of £5.50 million is to be received up front in cash and £4.57 million deferred.
- Non-executive directors:
  The board approved a modest increase in fees for the forthcoming year, roughly in line with inflation, and introduced a *per diem* allowance for *ad hoc* requirements.

Proposed changes to executive directors' remuneration for the 2015 financial year

CRD IV introduces a variable pay cap of 100% of fixed pay for PRA Code staff which can be increased to 200% of fixed pay with shareholder approval. Our current short- and long-term incentive schemes for the chief executive, managing director and group risk and finance director will, however, require adjustments. In summary we are proposing to:

- Increase the cap on variable pay to 200% of fixed pay
- Introduce a fixed allowance payable in shares
- Discontinue the long-term incentive award
- Decrease the short-term incentive sharing percentage of the profit pool
- Increase the deferral period of the short-term incentive
- Reduce the overall quantum of total remuneration payable to the three executive directors relative to current remuneration arrangements.

These proposals will be put to shareholders for approval at the annual general meeting in August 2014. We have discussed these proposals with a representative group of our largest shareholders both in the UK and South Africa. These shareholders have been broadly supportive of these proposed changes and share the remuneration committee's view that Investec has to adopt policies that allow it to remain competitive in attracting and retaining talent and ensuring the long-term success of the business. The fixed allowance payable in shares which ensures a greater degree of alignment with shareholders and the extended deferral period have been seen as key positive aspects. We would like to thank our shareholders for the open and frank nature of these conversations and for the various suggestions that were made. These awards will be subject to both malus adjustment and clawback.

Further detail on these proposals is provided on pages 146 to 148.

Proposed changes to other PRA Code staff remuneration for the 2015 financial year

We currently have approximately 39 PRA Code staff. Excluding the executive and non-executive directors, we have 33 PRA Code staff. Approximately half of these employees receive variable remuneration that amounts to less than two times their fixed remuneration. The balance, who historically received higher levels of variable remuneration, will have structural amendments made to ensure compliance with the two times cap. This will be in the form of a fixed monthly cash Code staff allowance and a commensurate reduction in the levels of variable remuneration.

Looking forward

The remuneration committee will continue to ensure that reward packages remain appropriately competitive, provide an incentive for performance, and take due regard of our culture, values, philosophies, business strategy, risk management and capital management frameworks.

We are aware that the UK government has lodged a legal challenge to the variable pay cap in CRD IV with the European Court of Justice. If this process is successful we may have to submit a revised remuneration policy to shareholders for approval.

Where appropriate, we will continue to consult shareholders and shareholder bodies on any significant proposed changes in remuneration policy.

We are seeking shareholder approval at the 2014 annual general meeting for:

- Our directors' remuneration policy
- Our 2014 integrated annual report on directors' remuneration
- Our proposals to ensure compliance with CRD IV, i.e. increasing the ratio of variable to fixed remuneration to 200%
- Our non-executive directors' remuneration.

Signed on behalf of the board

PKOCrosthwaite.

Perry Crosthwaite
Chairman, remuneration committee

11 June 2014

Remuneration policy

Remuneration philosophy

Our philosophy, which remains unchanged from prior years, 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 the group.

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)
- A long-term incentive plan (share awards) providing long-term equity participation
- Certain of our PRA Code staff receive fixed monthly cash Code staff allowances and a commensurate reduction of variable short-term incentive in order to comply with the two times cap.

We consider the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term in a risk-conscious manner. 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 culture and values in the pursuit of excellence in a regulated industry and within an effective risk management environment is considered paramount in determining overall reward levels.

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. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short-, medium- and long-term success.

In summary, we recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

Remuneration principles

Remuneration policies, procedures and practices, collectively referred to as the 'remuneration policy' are designed, in normal market conditions, to:

- Be in line with the business strategy, objectives, values and long-term interests of the Investec group
- Be consistent with, and promote, sound and effective risk management, and not encourage risk taking that exceeds the level of tolerated risk of the Investec group
- Ensure that payment of variable remuneration does not limit the Investec group's ability to maintain or strengthen its capital base
- Target gross fixed remuneration (base salary and benefits including pension) at median market levels to contain fixed costs
- Ensure that variable remuneration is largely economic value added (EVA)-based and underpinned by our pre-determined risk appetite and capital allocation
- Facilitate alignment with shareholders through deferral of a portion of short-term incentives into shares and long-term incentive share awards
- Target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of PRA Code staff (as discussed on page 146).

The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not contractually (and do not consider ourselves morally) bound to make variable remuneration awards. Investec has the ability to pay no annual bonuses and make no long-term incentive awards should the performance of the group or individual employees require this.

We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations.

Furthermore, employees must undertake not to use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Group compliance maintains arrangements designed to ensure that employees comply with this policy.

No individual is involved in the determination of his/her own remuneration rewards and specific internal controls and processes are in place to prevent conflicts of interest between Investec and its clients from occurring and posing a risk to the group on prudential grounds.

Remuneration policy for employees

Our policy with respect to the remuneration of employees has remained unchanged during the 2014 financial year. There will be minor changes made in the 2015 financial year to incorporate the impact of CRD IV (as discussed on page 146).

All remuneration payable (salary, benefits and incentives) is assessed at a group, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

Determination of remuneration levels

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration at the level of the group include:

- Financial measures of performance
  - Risk-adjusted EVA model
  - Affordability.
- Non-financial measures of performance:
  - Market context
  - Specific input from the group risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- Non-financial measures of performance
  - Alignment and adherence to our culture and values
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the group's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the group risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive, on the following bases:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For employees generally, combinations of firms from the JSE Financial 15 and the FTSE 350 General Finance sector have offered the most appropriate benchmarks
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments may be 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 or sustain either a business unit or our capability in a geography.

The following section outlines our remuneration policy in more detail for each element of total compensation as it applies to employees.

Gross remuneration: base salary and benefits

Salaries and benefits are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the group's policy to seek to set base salaries and benefits (together known as gross remuneration) at median market levels when compared like for like with peer group companies.

The Human Resources division provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec in meeting its objectives while remaining true to corporate values and incorporate guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and do not encourage a reliance on variable remuneration.

Advisers are often engaged by either the Human Resources division or the business units to obtain general benchmark information or to benchmark specific positions to ensure that gross remuneration levels are market-driven and competitive so that levels of remuneration do not inhibit our ability to recruit the people we need to develop our business.

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, not annual bonuses or PRA Code staff allowances, are pensionable.

Variable short-term incentive: annual bonus

All employees are eligible to be considered for a discretionary annual bonus subject, *inter alia,* to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives varies between employees of our three operating divisions: Asset Management, Wealth & Investment and the Specialist Bank. This reflects differing regulatory requirements on the different legal entities and also differing competitive pressures in each distinct market.

Specialist Banking: variable short-term incentive

Risk-weighted returns form basis for variable remuneration levels

In our ordinary course of business we face a number of risks that could affect our business operations, as highlighted on page 34.

Group risk management is independent from the business units and monitors, manages and reports on the group's risk to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee (BRCC). The group monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/forums/committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The BRCC (comprising both executive and non-executive directors) meets six times per annum and sets the overall risk appetite for the Investec group and determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the group's risk management teams who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The capital committee is a sub-committee of the BRCC and provides detailed input into the group's identification, quantification and measurement of its capital requirements taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the group should hold and its minimum liquidity requirements taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The executive risk review forum (ERRF), comprising members of the executive and the heads of the various risk functions, meets weekly. Its responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risk are implemented.

The group's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis and the riskiness of business undertaken is therefore evaluated and approved at initiation of the business through deal forum, investment committee and ERRF and is reviewed and ratified at ERRF on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and, by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums thus ensures that every transaction undertaken by the group results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model as described in detail below is principally applied to realised profits against pre-determined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a group and transaction level which form the basis of the group's performance-related variable remuneration model thus balancing the interests of all stakeholders.

Further, both the risk and compliance functions are also embedded in the operating business units and are subject to review by the internal audit and compliance monitoring teams. The risk and compliance functions also provide, on an exception only basis, information relating to the behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding the riskiness of business undertaken.

EVA model: allocation of performance-related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided by ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each operating business on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the chief executive officer and managing director, and agreed by the remuneration committee.

Our EVA model has been consistently applied for a period of about 15 years and encompasses the following elements:

- The profitability of each operating business unit is determined as if they are a stand-alone business. Gross revenue is determined based on the activity of the business, with arm's length pricing applicable to inter-segment activity. Profits are determined as follows:
  - Realised gross revenue (net margin and other income)
  - Less: funding costs
  - Less: impairments for bad debts
  - Add back: debt coupon or preference share dividends paid out of the business (where applicable)
  - Less: direct operating costs (personnel, systems, etc)
  - Less: group allocated costs and residual charges (certain independent group functions are provided on a centralised basis, with an allocation model applied to charge out costs incurred to business units. Costs allocated are based on the full operational costs for the particular central service area, inclusive of the variable remuneration cost of the central service. Allocation methodologies generally use cost drivers as the basis of allocation)
  - Less: profits earned on retained earnings and statutory held capital
  - Add: notional profit paid by centre on internal allocated capital
  - Equals: net profits
- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The group has always held capital in excess of minimum regulatory requirements, and this principle is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline

is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk and credit committees

A detailed explanation of our capital management and allocation process is provided on pages 83 to 93 in volume two.

- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, *inter alia*, for any unspecified or future risks not specifically identified in the capital planning process. The Investec group then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks
- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to the degree of risk and the competitive benchmarks for each product line
- In essence, varying levels of return are 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)
- Growth in profitability over time will result in an increasing bonus pool, as long as it is not achieved at the expense of capital efficiency
- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The group's credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis adding a level of risk consciousness to the pre-determined (and risk-adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where an operating business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the chief executive officer and managing director may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the group, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the group; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed pre-determined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering firm-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the group's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the group's finance function and subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving human resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management, before the remuneration committee review and approval process.

The group remuneration committee specifically reviews and approves the individual remuneration packages of the executive directors, persons discharging managerial responsibilities, and PRA Code staff. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the group. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the internal audit, compliance and risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. In making these decisions the committee relies on a combination of external advice and supporting information prepared internally by the group.

Deferral of annual bonus awards: other than UK PRA Code staff within the Specialist Bank

All annual bonus awards exceeding a pre-determined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The entire deferred amount is awarded in the form of forfeitable share awards vesting in three equal tranches at the end of 12 months, 24 months and 36 months. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as EVA shares. These awards are made in terms of our existing long-term incentive plans (refer below). The entire amount of the annual bonus that is not deferred is payable up front in cash.

Deferral of annual bonus awards: UK PRA Code staff within the Specialist Bank

- PRA Code staff include senior management, risk takers, staff engaged in central functions and any other employees whose professional activities have a material impact on Investec's risk profile within Investec plc
- Individual awards to PRA Code staff are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the group remuneration policy and governance processes (also set out above)
- Annual bonus awards to directors of the UK Specialist Bank (excluding executive directors who are employees of a separately regulated firm) and all annual bonus awards where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All other annual bonus awards to PRA Code staff are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as to 50% in cash and 50% in EVA forfeitable shares (up-front EVA forfeitable shares)
- The up-front EVA forfeitable shares will vest immediately but will only be released after a period of six months, which we consider to be an appropriate retention period
- Discretionary bonuses for PRA Code staff who are not exempted by the *de minimis* concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of LTIPs granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to PRA Code staff will, at the election of the staff member, be made either entirely in the form of EVA forfeitable shares, or 50% in EVA forfeitable shares and 50% in cash
- All deferrals in the form of EVA forfeitable shares (being either 50% or 100% of such deferral) vest in equal amounts at the end of 12 months, 24 months and 36 months and are then subject to an appropriate period of retention, being six months.

Investec Asset Management: variable short-term incentive

The Investec Asset Management (IAM) remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy, principles and policy of IAM. The proposals from this committee are subject to final approval by the DLC remuneration committee.

IAM operates the following annual bonus schemes which may result in annual payments to employees:

- Annual Discretionary Cash Bonus Scheme (all employees of IAM are currently eligible to be considered for a cash bonus payment under this scheme)
- Deferred Bonus Plan (participation in this scheme is determined on an annual basis at the discretion of IAM based on the roles of individual employees).

The percentage of profit allocated to the variable remuneration pool has been agreed (at a fixed participation rate) and approved by both the DLC and IAM remuneration committees. The same fixed participation rate has been applied consistently for many years. This structure has been a key contributor to the long-term success of IAM and encourages the staff to behave like owners. We believe in aligning the long-term interests of clients, shareholders and staff.

Individual annual bonus awards are approved by the IAM remuneration committee and the DLC remuneration committee annually.

Annual Discretionary Cash Bonus Scheme (ADCBS)

Awards under the ADCBS are payable entirely in cash. The purpose of the cash bonus is to reward behaviour and effort against objectives and values, and retain key employees. The cash bonus pool determination is based on the profitability of IAM only. In principle, there would be no cash bonus payments should IAM be loss making (although this would be reviewed where it was considered that bonus payments were necessary in order to retain staff and protect the business in the long term even if the business had been loss making in the short term).

Management information is provided to the IAM remuneration committee to ensure that IAM's financial results are put into the context of the risk appetite of the business and the IAM remuneration committee is able to risk-adjust the cash bonus pool should they believe this is required, given the risk taken and the overall financial results.

Deferred Bonus Plan (DBOP)

As noted above, participation in the DBOP is determined on an annual basis at the discretion of IAM based on the roles of individual employees. The purpose of the DBOP is both to retain key employees and to provide better alignment of the interests with clients and to manage potential, currently unknown future risks.

The conditions for participation in the DBOP are approved by the IAM remuneration committee annually, based on the remuneration requirements in the year being considered. This will take into consideration local market remuneration practices and relevant and required regulations.

The DBOP awards are made in the form of investments into various funds managed by IAM and with specific allocations for the portfolio managers into their own funds. The deferral period is just over three years and awards are only paid out under specific listed conditions. The award does not accrue to the employee until the end of the deferral period and as such both the asset and liability remain on the balance sheet of IAM until that time. Employees forfeit their allocations if they resign or their employment terminates (other than at the discretion of IAM for redundancy, retirement, death or disability) prior to the vesting date.

Payments can only be made to participants prior to a scheduled vesting date with the consent of the IAM executive committee and ultimately by the IAM remuneration committee.

IAM's governance processes, operating within the context of the broader Investec group's processes, ensure robust oversight of reward and effective management of any potential conflicts of interest whilst reflecting the need to link remuneration decisions with IAM's risk appetite.

The head of the IAM risk committee assesses the risk appetite, risk tolerance level and risk management for IAM and feeds her views into the remuneration decision-making process, including sending a risk report to the IAM remuneration committee for consideration when making remuneration decisions.

In addition, IAM human resources and compliance are responsible for ensuring that the IAM remuneration committee takes into consideration financial and non-financial criteria, risk and compliance reports, and any other relevant information in making decisions around remuneration.

The primary determinant of the variable compensation pool available for distribution is IAM's own annual profit. There is an annual budget against which the business is measured.

The variable compensation pool is allocated to business divisions and then to individuals based on divisional performance and the individual's performance. This ensures that staff are rewarded appropriately for meeting their objectives and keeping within the values of the business.

The oversight of conflicts of interest and the link between risk and reward is achieved through a combination of effective remuneration components, designed to incorporate risk and of the dual operation of the DLC remuneration committee and IAM remuneration committee in ensuring appropriate and, where necessary, independent oversight of both remuneration policy and outcomes.

Employee equity ownership

In August 2013, 40 employees of IAM acquired a 15% stake in the IAM business, ultimately through a trust structure in which each employee owns a portion of the underlying trust assets. Each employee funded their portions through a combination of existing deferred compensation (for which vesting was accelerated), personal debt and personal cash. This structure locks in key talent and aligns employees' interests with the interests of the firm as a whole, our shareholders and our clients.

Employees' portion holdings are governed by the terms of a trust deed to which all portion holders have agreed. In summary, various pre-emption provisions apply to the transfer of employees' portions. On leaving, an employee is required to offer their portions for sale (save in limited circumstances where part of the portion holding may be retained). Good leaver/bad leaver provisions apply to determine the price at which the portions must be offered for sale.

Investec Wealth & Investment other than in South Africa: variable short-term incentive

Investec Wealth & Investment (IW&I) recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the Remuneration Code. IW&I recognises that the policy, procedures and practices it has adopted should not conflict with the group's obligations under the Remuneration Code. The IW&I remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of IW&I within the context of the Investec group's agreed remuneration philosophy and policy. The proposals from this committee are subject to final approval by the DLC remuneration committee.

IW&I operates the following performance-related discretionary bonus schemes:

- Incentive Scheme – for those in client-facing roles and administrative staff who support them directly
- Bonus Scheme – for those in non-client-facing, central support functions
- Additional New Business Incentive Scheme – for staff primarily in client-facing roles who are direct generators of income. During the year, this scheme was replaced by the Growth Plan.

Funding is at the discretion of the remuneration committee. Under the Incentive Scheme a bonus pool is derived from a formula that is directly related to the profitability of a team or business unit. The pool is distributed to the members of the team or business unit on a discretionary basis. Funding for the Bonus Scheme is related to the profitability of overall business and awarded to individuals on a discretionary basis.

The Additional New Business Incentive Scheme rewards revenue attributed to individuals who acquire new client assets and retain them for three years following the end of the year in which the new business is gained. The replacement Growth Plan (effective 1 September 2013) reflects growth in revenue net of market movement. Awards made through the original and replacement schemes relate to performance for the year to 28 February, are payable in cash and deferred over the three-year period. Payments do not attract employer pension contributions.

For the Incentive and Bonus Schemes, awards relate to performance for the financial years ending 31 March. An interim payment on account of the annual award is considered at the half-year. Non-financial performance is reviewed, and where individuals fall below the standards expected, awards may be deferred or forfeited, in part or in full. Payments are made entirely in cash and do not attract employer pension contributions. The award may be paid directly to the individual (subject to the deduction of income tax and national insurance) or, at IW&I's discretion, as an additional pension contribution.

IW&I executive directors either participate in the Bonus Scheme or, where the role is primarily client facing, that director may be eligible to participate in the Incentive and Growth Schemes.

Investec Wealth & Investment South Africa: variable short-term incentive

As there are no overriding regulatory requirements applicable to the business, the policies applicable to the Specialist Bank are applied to this business unit as set out on pages 131 to 134.

Other information on deferred awards and clawback provisions within the group

Employees who leave the employment of Investec prior to vesting of deferred incentive awards will lose their EVA forfeitable shares other than as a result of retirement, subject to the group's normal good leaver provisions and approval process in exceptional cases.

The deferred share awards for PRA Code staff are subject to malus adjustment of unpaid EVA. The assessment of whether any malus adjustment should be made to an individual's unvested award will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or operating business unit suffers a material downturn in its financial performance
- Where the firm or business unit suffers a material failure of risk management.

In these cases, management and the remuneration committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the group or business unit
- Any violation of the group's culture and values
- The long-term impact of the outcome on the group or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for EVA share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

Long-term incentive: share awards

We have a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining the skills of key talent.

Awards are made in the form of nil cost options other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of forfeitable shares, conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the remuneration committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Association of British Insurers (ABI) guidelines. These awards comprise three elements, namely:

- 'New starter' awards are made based on a *de facto* non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also *de facto* non-discretionary awards of the same quantum as new starter awards, and are made to employees who have not had any other share award in a three-year period
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards (LTIPs) are recommended by business unit management, approved by the staff share executive committee and then the remuneration committee before being awarded. Awards of Investec plc LTIPs are made to employees of Investec plc and awards of Investec Limited LTIPs for employees of Investec Limited. At IAM, LTIP awards are only generally considered for employees who do not participate in the DBOP and/or the IAM equity ownership scheme.

LTIP awards for non-PRA Code staff are subject to 75% vesting at the end of four years and the final 25% at the end of the fifth year, which we believe is appropriate for our business requirements. LTIP awards to PRA Code staff are subject to 75% vesting at the end of three and a half years and the final 25% at the end of four and a half years, and are then subject to a six-month retention period. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

Investec's share option and long-term incentive plans are summarised below and include our current long-term incentive plans and several plans that are no longer used. Some of these plans still have outstanding awards.

Summary of Investec's share option and long-term incentive plans

Plan	Eligibility	Date implemented	Option/ shares	Maximum award per individual[1]	Performance conditions[2]	Vesting period	Options granted during the year[3]	Total issued at 31 March 2014[4/5/6/7]
Long-term incentive plans								
Investec 1 Limited Share Incentive Plan[7] – Nil cost options – EVA share awards – Market strike options	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	16 March 2005	Investec plc	• Cumulative limit of 2 500 000 across all option plans • Excluding EVA awards • In any financial year: 1 x remuneration package	None	• Nil cost options: 75% end of year four and 25% end of year five and for PRA Code staff 75% at the end of three and a half years and 25% at the end of four and a half years plus a six-month retention • EVA share awards: up to three years from date of award • Market strike options: 25% end of year two, three, four and five	7 400 128 107 700	Number: 40 694 353 % of issued share capital of company: 6.7% Number: 106 950 % of issued share capital of company: 0.0%
Investec Limited Share Incentive Plan[7] • Nil cost options • EVA share awards	• New and existing full-time employees in SA, Botswana, Namibia and Mauritius • Excluding executive directors	6 March 2005	Investec Limited and Investec plc	• Cumulative limit of 2 500 000 across all option plans • Excluding EVA awards • In any financial year: 1 x remuneration package	None	• Nil cost options: 75% end of year four and 25% end of year five • EVA share awards: up to two years from date of award	13 549 614	Number: 44 475 185 % of issued share capital of company: 5.0%
Share plans not currently in use								
Investec plc Share Option Plan 2002 (unapproved plan) (expired August 2012)	• New and existing full-time employees • Excluding employees in SA, Botswana, Namibia and Mauritius • UK employees' grants exceeding £30 000	28 August 2002	Investec plc	• Cumulative limit of 2 500 000 across all option plans excluding EVA awards • In any financial year: 1 x remuneration package	Growth in headline EPS ≥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 29 May 2012	Number: 275 264 % of issued share capital of company: 0.8%

[1] 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.
[2] The Investec plc Share Option Plan 2002 (unapproved plan) is operated in jurisdictions where the application of the other schemes is less favourable to participants. This scheme provides for performance conditions to be applied to awards, which are determined by the committee at the time the awards are made.
[3] This represents the number of awards made to all participants. For further details, see the directors' report on page 6 in volume three. More details on the directors' shareholdings are also provided in tables accompanying this report.
[4] Dilution limits: Investec is committed to following the 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 10 year period. We have, since our listing date, complied with both the 10% in 10 years guideline for discretionary and non-discretionary awards in aggregate as well as the 5% in 10 years guideline for discretionary awards. 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 2014 was 608.8 million shares and 282.9 million shares, respectively.
[5] The market price of an Investec plc share at 31 March 2014 was £4.85 (2013: £4.59), ranging from a low of £3.66 to a high of £5.08 during the financial year.
[6] The market price of an Investec Limited share at 31 March 2014 was R84.84 (2013: R64.26), ranging from a low of R59.00 to a high of R85.04 during the financial year.
[7] The rules of these long-term incentive plans do not allow awards to be made to executive directors.
The table above excludes details of the Investec plc executive incentive plan on page 156.

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guarantee awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the group unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The remuneration committee at least annually reviews guaranteed variable remuneration payments and the number of guarantees awarded and approves any exceptions.

Retention awards

Investec only pays retention awards to serving staff in exceptional circumstances. In all such cases, human resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally for PRA Code staff, the remuneration committee shall review all proposed awards. Circumstances where the group will consider paying a retention award are in the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the PRA should be notified prior to the retention award being made to PRA Code staff, and should consider seeking guidance on the appropriateness of retention awards for certain individuals.

Severance awards

Severance payments by Investec plc or one of its subsidiary companies for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for PRA Code staff individuals shall be subject to approval by the DLC remuneration committee.

Discretionary extended pension benefits policy

All proposed extended pension payments made to employees upon reaching retirement should be reviewed by the remuneration committee for alignment with appropriate laws, policy and regulation.

Remuneration policy for executive directors

This section sets out our remuneration policy for executive directors.

Service contracts and terms of employment

Three out of our four executive directors (namely Stephen Koseff, Bernard Kantor and Glynn Burger) have indefinite contracts of employment, terminable by either party giving six months' written notice to the other. The contracts of employment do not contain provisions for compensation payable on early termination. Hendrik du Toit has an indefinite contract of employment, terminable by either party giving three months' written notice to the other. The contract of employment does not contain provisions for compensation payable on early termination.

Each executive director is entitled to receive annually gross remuneration comprising a salary and other benefits and is also eligible for an annual bonus, the amount of which will be determined by the remuneration committee based on the approved executive short-term incentive scheme. Furthermore, the executive directors may elect to sacrifice a portion of their annual gross remuneration to receive company benefits such as a travel allowance and medical aid. The full costs of these benefits are deducted from their gross remuneration with the residual then being in effect their basic salary.

Outstanding EVA shares arising from deferred bonuses would lapse if the executive director leaves by reason of resignation or termination for gross misconduct. However, in the case of death or if the director is considered to be a 'good leaver' (as determined by the remuneration committee but would, for example, include retirement with a minimum of 10 years' service, disability or ill health) the director would be entitled to these awards, either in full immediately or on the scheduled release date (dependent on circumstances arising at such time and as agreed by the remuneration committee). In the event of a takeover or other major corporate event, the remuneration committee has discretion to determine whether all outstanding awards would vest early or whether they should continue in the same or revised form following the corporate event.

Executive directors are permitted to accept outside appointments on external boards or committees, provided these are not deemed to interfere with the business of the company. Any fees earned by executives in this regard are forfeited to Investec.

There is no formal requirement for executive directors to hold shares. Our remuneration philosophy does, however, include long-term equity participation via share awards (refer to pages 143 and 144). The chief executive, managing director and group risk and finance director are among the founding members of the organisation and have built up significant shareholdings over time.

Copies of the service contracts and letters of appointment are available for inspection at the company's registered office.

Approach to recruitment of new executive directors

It is intended that the approach to the recruitment of new executive directors will be in line with the current remuneration policy for executive directors as outlined above and below. However, the remuneration committee will consider market factors and other relevant comparator trends that may apply at the time which may result in certain amendments being made.

A summary of the remuneration arrangements for executive directors as they apply to the 2014 financial year is shown in the table below[1]

Element of remuneration	Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Salary and benefits	• To provide an industry competitive package so that we are able to recruit and retain the people that we need to develop our business • Salaries and benefits reflect the relative skills and experience of, and contribution made by, the individual • Benefits include: pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices	• Salaries and benefits of executive directors are reviewed and set annually by the remuneration committee • Salaries and benefits are benchmarked against relevant comparator groups[2] • Executive directors participate in defined contribution pension schemes • Only salaries, not annual bonuses, are pensionable	• Targeted at median market levels when compared to relevant comparator groups[2] (in order to contain fixed costs) • Annual increases in salaries and benefits are referenced to the average increase awarded to other employees, unless the remuneration committee deems adjustments to be made relating to market factors	• None
Variable short-term incentive (annual bonus)	• Clear link between performance and remuneration • Embeds alignment with shareholder returns and rewards performance that meets stretch targets, but poor performance leads to reduced awards • Deferral structure provides further alignment with shareholders	• Not pensionable • Formulaic approach that includes a balanced set of financial and non-financial performance measures with achievement levels that correspond with our short-term objectives • Establishment of a short-term incentive pool amounting to 1.45% of the group's adjusted operating profit[3] • If target performance conditions achieved, distribution will be as follows: 0.5% to CEO; 0.5% to MD; and 0.45% to group risk and finance director[4] • Introduces an element of leverage (both up and down) based on actual performance • Achievement levels for each financial metric which determines threshold, target and stretch performance are set annually by the remuneration committee • Receive 20% in cash immediately; 20% deferred in shares which vest immediately, but subject to a six-month retention; the remaining 60% is deferred in shares over three years with a further six-month retention period for each vesting • Remuneration committee still retains discretion so that incentives truly reflect performance and are not distorted by an unintended formulaic outcome • Malus and clawback of deferred shares are applicable	• Subject to the following financial and non-financial targets: • *Financial metrics:* – 85% weighting – (including return on risk weighted assets, return on equity, tier 1 capital adequacy, liquidity coverage ratio and net stable funding ratio) • *Non-financial metrics:* – 15% weighting – (including culture and values; franchise development; governance and regulatory and shareholder relationships and employee relationship and development) • The total maximum pool for the CEO, MD and group risk and finance director if all financial and non-financial stretch levels are achieved would be 180% of (adjusted operating profit x 1.45%) • Further information is available on pages 141 to 143	• The arrangements discussed here were approved by shareholders at the July 2013 general meeting • This is the first year of operation of this incentive plan • Minor changes to be made for the 2015 financial year as a result of CRD IV (refer to pages 146 to 148)

Element of remuneration	Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Long-term incentive awards	• Clear link between performance and remuneration • Embeds alignment with shareholder returns and rewards performance that meets stretch targets, but poor performance leads to reduced awards	• Applies to the CEO, MD and group risk and finance director[5] • Formulaic approach that includes a balanced set of financial and non-financial performance measures with achievement levels that correspond with our long-term strategy • Introduces an element of leverage (both up and down) based on actual performance • Achievement levels for each financial metric which determines threshold, target and stretch performance are set annually by the remuneration committee • Long-term incentives vest 75% after four years and 25% after five years each subject to a further six-month retention period, provided performance conditions are met • Malus and clawback of unvested rewards are applicable • Remuneration committee still retains discretion so that incentives truly reflect performance and are not distorted by an unintended formulaic outcome	• At grant face value: approximately 230% of fixed gross remuneration (salary and benefits) other than in the first year of operation, with awards to be made annually • Subject to the following financial and non-financial targets: *Financial metrics:* – 75% weighting – (includes growth in tangible net asset value and return on risk weighted assets) *Non-financial metrics:* – 25% weighting – (includes culture and values; franchise development; governance and regulatory and shareholder relationships and employee relationship and development) • If stretch achievement levels for both the financial and non-financial metrics are achieved, the number of shares vesting will increase to a maximum of 135% of the number of shares awarded at the time of grant • Further information is available on pages 143 and 144	• The arrangements discussed here were approved at the July 2013 general meeting • This is the first year of operation of this incentive plan • In order to comply with CRD IV, this plan will be replaced by a fixed allowance payable in shares; effective for the 2015 financial year (refer to pages 146 to 148)

Notes to the table above:

1 *Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group-wide executive activities. Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of Investec Asset Management and not the remuneration policies, rules and regulations applicable to other entities within the Investec group.*

2 *Peer group companies include Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon.*

3 *Defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests.*

4 *Hendrik du Toit is not defined as UK PRA Code staff and is entitled to an annual bonus as determined with respect to the performance of Investec Asset Management only as explained in note 1 above.*

5 *Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the Investec Asset Management equity ownership scheme as explained on page 135.*

Performance measures: *The short-term and long-term incentives are subject to performance conditions. A detailed explanation of these performance measures is provided on pages 141 to 144. The performance measures have been selected taking into account:*

- *Key stakeholders requirements (including shareholders and regulators) which were assessed through extensive consultations on the matter*
- *The preference of the remuneration committee and the board for a range of financial metrics that ensure an appropriate balance between measures which drive profitability and prudential measures. In addition, the remuneration committee believes that it is right to include non-financial measures in determining levels of awards as directors should be incentivised to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns.*

Changes to the remuneration policy from that operating in 2013: *These changes are highlighted in the table above and largely relate to changes implemented post-extensive consultation with shareholders, who required greater transparency in our remuneration arrangements (as mentioned previously).*

Differences between the remuneration policy of the executive directors and the policy for all employees: *Our remuneration principles and philosophies as explained on pages 130 and 131 also apply when considering executive directors' remuneration.*
The quantum of salary and benefits paid to executive directors is benchmarked against appropriate comparator groups (as discussed on page 141), however, the annual increase in such remuneration is referenced to the average increase awarded to employees in South Africa and the UK, respectively. Although this has not been the case of late, the remuneration committee may under certain circumstances make adjustments outside of these parameters, particularly in cases when there have been large adjustments in the comparator group referenced. As is the case with other employees, the short-term incentive is performance based, however, there are a number of specific performance criteria that apply in the case of determining the annual bonus for the chief executive, managing director and group risk and finance director (as set out below). The annual bonus for Hendrik du Toit (head of Investec Asset Management and executive director of the Investec group) is referenced to the performance of Investec Asset Management only as explained in note 1 above. Short-term incentives for executive directors and the employees, defined as PRA Code staff, are subject to deferral and malus requirements (and for executive directors who are PRA Code staff clawback also applies). The requirements of CRD IV are only applicable to the chief executive, managing director and group risk and finance director and to a number of employees in the UK Specialist Bank.

Further details on the executive directors' short-term incentive plan in operation for the year ended 31 March 2014

The current short-term incentive pool available for the chief executive, managing director and group risk and finance director amounts to 1.45% of the group's adjusted operating profit, defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests. If the threshold performance conditions are achieved, distribution of the pool will be as follows: 0.5% to the chief executive, 0.5% to the managing director and 0.45% to the risk and finance director.

The short-term incentive allocated to the chief executive and pool was arrived at after extensive benchmarking over a five-year period against short-term incentives of: (i) chief executive officers, and (ii) groups of executive directors for a bespoke peer group (and sub-groups of South African and non-South African peers) comprising: Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon. The levels of chief executive profit share and the pool are more compatible with international reward levels than South African reward levels. The committee believes this is appropriate, given the complexity of Investec and the challenges involved in managing a group operating across three sectors in three core geographies. The pool is decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial performance measures described in the table below. The total maximum pool, if all financial and non-financial stretch levels are achieved, would be 180% of (adjusted operating profit x 1.45%).

Performance conditions	Weighting	Score range	Achievement levels
Financial metrics	85%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)
Non-financial metrics	15%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)

Each financial and non-financial metric has set threshold levels below which no short-term incentive will be earned and stretch levels whereby the pool for short-term incentives earned will be increased but to a level capped as a percentage of adjusted operating profit. The committee believes that these stretch levels are demanding and will result in a variable pool which will reflect actual performance and align the interests of the executive directors with the interests of shareholders. Achievement levels for the short-term incentive will be reviewed and set annually by the committee.

Executive short-term incentive – financial metrics and weightings

The weightings for each financial metric are as follows:

Financial metric	Weighting	
Aggregate	85%	
Return on risk-weighted assets[1]	35%	60% attributable to profitability measures
Return on equity[2]	25%	
Tier 1 capital adequacy[3]	12.5%	25% attributable to prudential measures
Liquidity cover ratio[4]	6.25%	
Net stable funding ratio[4]	6.25%	

1 *Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items.*
2 *Return on equity is defined as adjusted earnings/average ordinary shareholders' equity (excluding preference share capital).*
3 *Tier 1 capital adequacy condition is a blend of the underlying tier 1 capital adequacy ratios for Investec plc and Investec Limited (50% plc: 50% Limited).*
4 *The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (50% South Africa: 40% UK: 10% Australia).*

The financial metrics are designed to ensure an appropriate balance between measures which drive profitability (return on risk-weighted assets and return on equity) which comprise 60% of the total weighting of 85% and prudential measures (tier 1 capital adequacy ratios, liquidity cover ratios and the net stable funding ratio) which comprise 25% of the total weighting of 85%.

The committee considers it particularly important that the incentive scheme: (i) balances driving return on equity (25% weighting) with managing capital and liquidity (25% weighting); and (ii) sets achievement levels which are an objective reflection of risk appetite given the perceived economic and market conditions.

Executive short-term incentive – financial metrics: achievement levels for the year ended 31 March 2014

Achievement levels for each of the financial metrics, as described above, which determine threshold, target and stretch performance are set annually by the committee, following a careful and detailed review of relevant economic and market conditions. The threshold, target and stretch performance levels for the financial metrics set by the committee for the year ended 31 March 2014 are set out below. Achievement levels are shown on page 153.

	Weighting	Achievement levels		
Financial metric	85%	Threshold (0%)	Target (100%)	Stretch (200%)
Return on risk-weighted assets	35%	0.9%	1.2%	1.6%
Return on equity	25%	9%	12%	15%
Tier 1 capital adequacy	12.5%	9.5%	10.5%	12%
Liquidity cover ratio*	6.25%	115%	132.5%	162.5%
Net stable funding ratio*	6.25%	82%	89.5%	99.5%

* *The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (50% South Africa: 40% UK: 10% Australia) as set out below:*

Measure	South Africa	UK	Australia
Geographical weighting	50%	40%	10%
Liquidity cover ratio			
Threshold	55%	150%	150%
Target	65%	175%	175%
Stretch	75%	225%	225%
Net stable funding ratio			
Threshold	65%	95%	90%
Target	75%	100%	95%
Stretch	85%	110%	105%

Stretch achievement levels for return on risk-weighted assets and return on equity are considered to be demanding:

- The group's adjusted earnings for the year ended 31 March 2014 amounted to £328 million
- In order to achieve the stretch achievement level for the return on risk-weighted assets metric, the group's adjusted earnings for the year ended 31 March 2014 would have needed to be 42% larger at £466 million *ceteris paribus*
- In order to achieve the stretch achievement level for the return on equity metric, the group's adjusted earnings for the year ended 31 March 2014 would have needed to be 53% larger at £502 million *ceteris paribus.*

Executive short-term incentive – non-financial metrics: achievement levels for the year ended 31 March 2014

The committee believes that it is right to incentivise executive directors to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns. The executive directors have a low level of fixed gross remuneration relative to their peers. Therefore, without a meaningful weighting and target score for non-financial metrics the executives would not be rewarded in any significant way for activities which the committee and the board regard as essential to the reputation, risk profile, capability and overall long-term sustainability of the company. The committee considers that both the short- and long-term incentive schemes should properly reflect the board's view of the proper balance of responsibilities for the executive directors.

The areas of focus, weightings and objectives for the non-financial metrics will be set by the committee annually and assessed on a four-point scale. For the year ended 31 March 2014, these are as follows:

Performance conditions	Weighting	Achievement levels				
Non-financial metrics	15%	0%	50%	100%	150%	200%
Culture and values	3.75%	0	1	2	3	4
Franchise development	3.75%	0	1	2	3	4
Governance and regulatory and shareholder relationships	3.75%	0	1	2	3	4
Employee relationship and developments	3.75%	0	1	2	3	4

The committee set the following areas of focus in respect of the non-financial performance conditions for the year ended 31 March 2014:

- Culture and values
  – Management visible and proactive in demonstrating appropriate behaviour
  – Performance-driven, transparent and risk-conscious organisation
  – Delivering appropriate and sustainable products with high levels of service and responsiveness
  – Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders
  – Continual monitoring of the culture of the group
- Franchise development
  – Quality of brand, development of client base, commitment to the community and progress in building the firm
  – Environmental and other sustainability issues
- Governance and regulatory and shareholder relationships
  – Maintaining open and transparent relations with regulators
  – Regulators should have confidence that the firm is being properly governed and managed
  – Shareholders should have confidence that the firm is being properly managed
- Employee relationship and development
  – Succession and the development of next generation
  – Diversity and black economic empowerment initiatives and results
  – Continued development of people – both on the job and extramurally.

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances with the typical score range being 1 (50%), 2 (100%) or 3 (150%). Further information is provided on page 153.

Timing of payments

The executive directors will receive 20% of the short-term incentive immediately in cash and 20% of the incentive will be deferred in shares which vest immediately but are subject to a six-month retention period. The remaining 60% will be deferred in shares with 20% vesting after each of the first, second and third year, each subject to a six-month retention period. Malus and clawback of deferred shares are applicable.

Further details on the executive directors' long-term incentive plan in operation for the year ended 31 March 2014

The vesting of awards for the executive directors will be conditional on performance weighted as to financial and non-financial performance and measured against prescribed achievement levels.

The number of shares awarded will be decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial metrics, as follows:

Performance conditions	Weighting	Score range	Achievement levels
Financial metrics	75%	0 – 150%	Threshold (0%) Target (100%) Stretch (150%)
Non-financial metrics	25%	0 – 200%	Threshold (0%) Target (100%) Stretch (200%)

The number of shares which vest against both the financial and non-financial performance conditions depend on whether threshold (0%), target (100%) or stretch (150%) levels are achieved, with awards vesting on a linear basis between each level.

If the stretch achievement levels for both the financial and non-financial metrics are satisfied, the number of shares vesting will be increased to a maximum of 135% of the number of shares awarded at the time of grant.

Executive long-term incentive – financial metrics: achievement levels for the year ended 31 March 2014

The achievement levels for each financial metric which determine threshold, target and stretch performance for the three-year performance period applicable to each annual award will be set annually by the committee in advance of the award being made after a careful review of relevant economic and market conditions. The weightings for each of the financial metrics are expected to remain constant going forward.

Threshold, target and stretch achievement levels for the financial metrics confirmed by the committee for the September 2013 award were as follows:

Performance conditions	Weighting	Achievement levels		
Financial metrics	75%	Threshold (0%)	Target (100%)	Stretch (150%)
Growth in tangible net asset value[1]	40%	15%	30%	45%
Return on risk-weighted assets[2]	35%	0.7%	1.2%	1.6%

[1] *The growth in tangible net asset value is expressed per share based on neutral currency and after adding back dividends and will be measured over the three financial years preceding the first date of vesting.*

[2] *Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items, and will be measured over the three financial years preceding the first date of vesting by averaging the actual return on risk-weighted assets achieved for each of those three financial years.*

The awards will be tested over the three financial years preceding the first date of vesting against the achievement levels set on grant (as set out above for the 2013 award) and the number of shares to be received will be determined by reference to the combined total which has been achieved.

Executive long-term incentive – non-financial metrics: achievement levels for the year ended 31 March 2014

The non-financial metrics and associated objectives for the three-year performance period applicable to each annual award will be set annually by the committee in advance of the award being made taking into account the group's strategic and operational objectives.
The non-financial metrics in respect of the September 2013 award were as follows:

Performance conditions	Weighting	Achievement levels				
Non-financial metrics	25%	0%	50%	100%	150%	200%
Culture and values	4%	0	1	2	3	4
Franchise development	13%	0	1	2	3	4
Governance and regulatory and shareholder relationships	4%	0	1	2	3	4
Employee relationship and development	4%	0	1	2	3	4

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances with the typical score range being 1 (50%), 2 (100%) or 3 (150%).

The committee has set the same areas of focus in respect of the non-financial performance conditions for awards made during the year ended 31 March 2014 as per the short-term incentive plan. Refer to pages 142 and 143 for further detail.

To the extent that the performance conditions have been met, the number of shares awarded that will vest will be adjusted. These shares will vest 75% at the end of four years and 25% at the end of five years, subject in each case to a six-month retention period, except to the extent necessary to discharge tax liabilities arising on vesting.

Timing of payments

Vesting will be 75% after four years and 25% after five years, each subject to a six-month retention period. Malus and clawback of unvested awards are applicable.

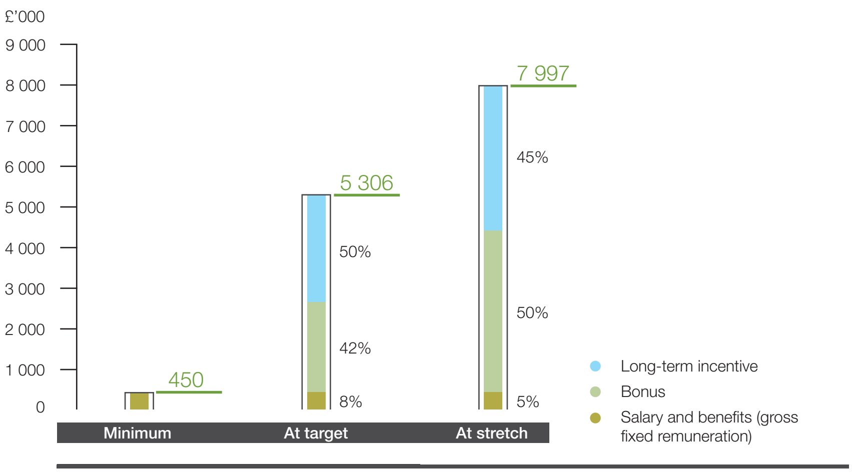
Illustrative scenarios for executive directors' remuneration

The charts on page 145 show the potential value of the executive directors' 2014 remuneration arrangements in three scenarios: 'Minimum' (i.e. fixed pay); 'At target' (i.e. fixed pay and the 'at target' variable pay and long-term incentives that may be awarded); and 'At stretch' (i.e. fixed pay and the 'stretch' achievement levels that may be awarded for variable pay and long-term incentives). The scenarios do not reflect share price movement between award and potential vesting. The majority of the potential remuneration of the executive directors is variable and subject to performance conditions being met.

As explained on pages 139 and 140 the current remuneration structure for the chief executive and managing director comprises:

- Fixed gross remuneration (comprising a base salary and benefits)
- A variable short-term annual incentive based on 0.5% of adjusted operating profit (defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests) moderated using both financial and non-financial metrics related to the holistic performance of the Investec group and shareholder value creation. The maximum pool for each of the chief executive and managing director if all financial and non-financial metrics are achieved would be 180% of (adjusted operating profit times by 0.5%). Financial and non-financial metrics are set out on pages 141 to 143. Adjusted operating profit used in the graphs below is based on £440.8 million as reported at 31 March 2014
- Long-term incentive awards moderated using both financial and non-financial metrics related to the holistic performance of the Investec group and shareholder value creation. If stretch achievement levels for both the financial and non-financial metrics are achieved, the number of shares vesting will increase to a maximum of 135% of the number of shares awarded at the time of grant. The value attributed to the long-term incentive in the graph opposite is based on the number of shares awarded (i.e. 600 000 shares to date) multiplied by the share price at the time of grant (i.e. £4.42). Financial and non-financial metrics are set out on pages 143 and 144.

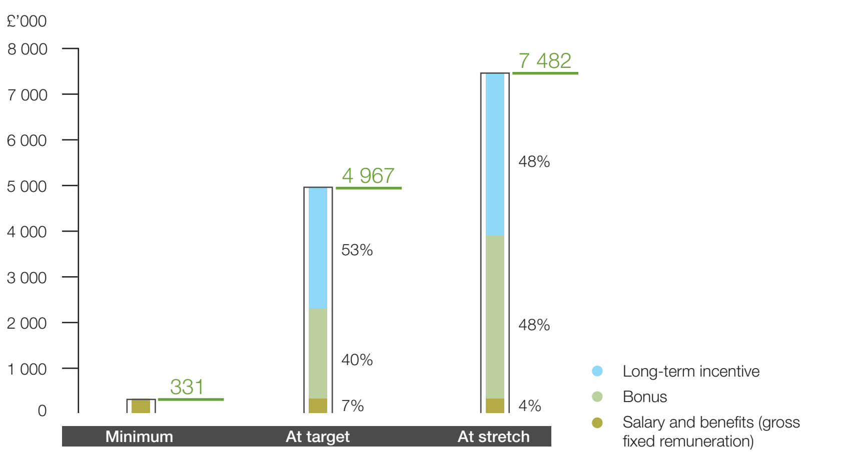
CEO and MD remuneration arrangements – illustrative scenario



As explained on pages 139 and 140 the current remuneration structure for the group risk and finance director comprises:

- Fixed gross remuneration (comprising a base salary and benefits)
- A variable short-term annual incentive based on 0.45% of adjusted operating profit (defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests) moderated using both financial and non-financial metrics related to the holistic performance of the Investec group and shareholder value creation. The maximum pool for each of the chief executive and managing director if all financial and non-financial metrics are achieved would be 180% of (adjusted operating profit times by 0.45%). Financial and non-financial metrics are set out on pages 141 to 143. Adjusted operating profit used in the graph below is based on £440.8 million as reported at 31 March 2014
- Long-term incentive awards moderated using both financial and non-financial metrics related to the holistic performance of the Investec group and shareholder value creation. If stretch achievement levels for both the financial and non-financial metrics are achieved, the number of shares vesting will increase to a maximum of 135% of the number of shares awarded at the time of grant. The value attributed to the long-term incentive in the graph below is based on the number of shares awarded (i.e. 600 000 shares to date) multiplied by the share price at the time of grant (i.e. £4.42). Financial and non-financial metrics are set out on pages 143 and 144.

Group risk and finance director remuneration arrangements – illustrative scenario



The remuneration structure for Hendrik du Toit:

Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited; he does not perform Investec group-wide executive activities. Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of Investec Asset Management and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. In this regard his remuneration structure comprises:

- Fixed gross remuneration (comprising a base salary and benefits)
- A variable short-term annual incentive based on the performance of Investec Asset Management only, which is discretionary, but uncapped
- Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the Investec Asset Management equity ownership scheme as explained on page 135.

Shareholder views in the consideration of executive directors' remuneration arrangements

We recognise that remuneration is an area of particular interest to shareholders and shareholder representative bodies and as such the remuneration committee and group chairmen have consulted on these issues each year for the past few years. As already mentioned, shareholders requested greater transparency in our remuneration arrangements which culminated in the development of a new short- and long-term incentive plan for the chief executive, managing director and group risk and finance director. These plans were approved at the July 2013 general meeting. In addition, we have consulted with shareholders and shareholder representative bodies regarding the impact of CRD IV on our remuneration arrangements. Shareholders are broadly supportive of our proposals to meet these regulations. The remuneration committee and the board believe in effective and transparent communication with key stakeholders and will continue to engage on matters that may arise and are of importance and/or concern to stakeholders.

Impact of CRD IV on remuneration arrangements

CRD IV is EU regulation that has been effective from 1 January 2014. As mentioned, CRD IV essentially focuses on the application of a cap on variable pay that can be paid to PRA Code staff including executive directors. The remuneration committee is seeking approval for the maximum CRD IV pay ratio of 2:1. The maximum ratio will apply to variable remuneration awarded in respect of the 2015 performance year awards. Investec currently has 39 PRA Code staff which represents a very small proportion of total employees. Approximately half of these employees (excluding non-executive and executive directors) are impacted by the two times cap on variable pay, but where they are we are introducing a fixed monthly cash Code staff allowance and a commensurate reduction in the levels of variable remuneration. Our approach for executive directors is highlighted below.

Impact of CRD IV on executive directors' remuneration arrangements for the financial year ending 2015

Background to our approach to CRD IV

In terms of CRD IV variable pay (performance bonus and discretionary LTIPs) is capped at one times fixed pay (salary and all benefits). This cap can be increased by shareholder resolution (66% approval required) up to two times fixed pay. Up to 25% of variable pay can be discounted if deferred over at least five years which effectively results in a maximum cap of 2.25 times proposed in the remuneration plan.

Our current incentive arrangements introduced for the chief executive, managing director and group risk and finance director for the 2014 financial year (as depicted on pages 139 and 140) essentially reflect a ratio of variable pay to fixed pay of approximately 6 times and as a result need to be amended as a result of CRD IV. The new proposals will apply to the 31 March 2015 financial year, subject to shareholder approval at the August 2014 annual general meeting.

The remuneration committee believed that the following principles were key in its restructuring of executive incentive arrangements for CRD IV:

- Variable pay should remain linked to performance and total compensation should remain competitive
- A rebalancing from historically variable pay to fixed pay under the new regime is required
- Total remuneration should be reduced to reflect greater certainty resulting from an increase in fixed pay
- Share exposure over five years should be retained to ensure shareholder alignment.

Proposed amendments to comply with CRD IV

The diagrams below illustrate the proposed amendments to the overall remuneration structure for the chief executive, managing director and group risk and finance director for the 2015 financial year. Hendrik du Toit's remuneration arrangements are not impacted by CRD IV as Investec Asset Management is exempt from these requirements.

The main changes to our existing remuneration arrangements are summarised as follows:

- To cap the ratio of variable pay to fixed pay at 2:1
- To introduce a fixed allowance payable in shares
- To decrease the short-term incentive sharing percentage of the profit pool
- To discontinue the current long-term incentive plan
- To increase the deferral period of the short-term incentive
- To reduce the overall quantum of total remuneration payable to the three executive directors.

Proposed amendments to the executive remuneration structure for the year ending 31 March 2015

Salary and short-term incentive	Deferral period	Long-term incentive	Total remuneration
Cash salary and related benefits are to be increased by an inflationary percentage No change in financial and non-financial metrics in determining the short-term incentive (as discussed on pages 141 to 143) Short-term incentive pool for CEO and MD reduced by 10% from 0.50% to 0.45% of adjusted operating profit[1] and the group risk and finance director incentive pool reduced from 0.45% to 0.40% of adjusted operating profit[1] In total the incentive pool is reduced from 1.45% of adjusted operating profit[1] to 1.3% of adjusted operating profit[1] The short-term incentive is still subject to deferral and malus and clawback arrangements	Extended from a maximum of three years to a maximum of five years The incentive pool is split as follows: • 75% short term of which 20% is paid in cash and the balance in shares deferred over three years and subject to a six-month retention period • 25% long term payable in shares deferred over four and five years (75% vesting in year four and 25% vesting in year five) and subject to a six-month retention period.	Previous 300 000 annual allowance of long-term incentive plan shares, which is currently leveraged both up and down and conditional on performance and service, is discontinued Replaced with a contractual annual fixed allowance of £1 million payable in shares[2] Value of this fixed allowance is substantially less than the value of the long-term incentive plan award it replaces	In exchange for increased fixed pay Total remuneration for the CEO and MD is reduced 8% at target and 18% at stretch Total remuneration for the group risk and finance director is reduced 9% at target and 18% at stretch

1 *Defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests, and is then still moderated using performance conditions (both financial and non-financial metrics) as described on pages 141 to 143.*

2 *No performance conditions apply and award vests on grant but subject to retention over five years (75% after four years and 25% after five years).*

Summary of proposed remuneration structure for the executive directors for the 2015 financial year pre- and post-CRD IV taking into account the proposals mentioned above

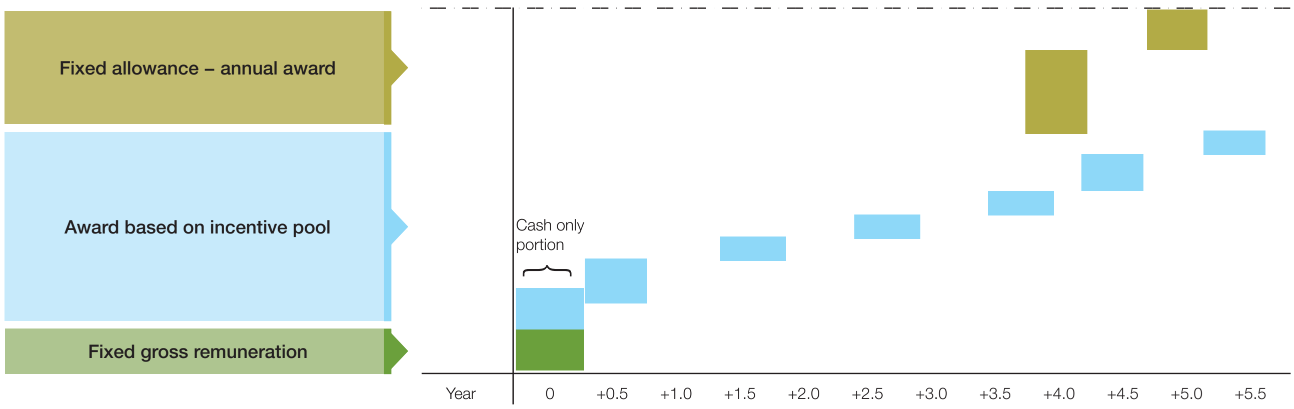
2015 – CEO and MD	Total remuneration pre-CRD IV	Total remuneration post-CRD IV	Reduction in total remuneration
At 'target' performance	£3 926 000*	£3 608 000^	8%
At 'stretch' performance	£5 826 000*	£4 777 500^	18%

2015 – group risk and finance director	Total remuneration pre-CRD IV	Total remuneration post-CRD IV	Reduction in total remuneration
At 'target' performance	£3 538 189*	£3 219 189^	9%
At 'stretch' performance	£5 248 189*	£4 287 364^	18%

* *Includes the value of the long-term incentive calculated as 230% of gross remuneration, i.e. new awards would generally be made on this basis. Gross remuneration is based on £470 000 for the CEO and MD and £320 000 for the group risk and finance director. The short-term incentive is based on analyst forecasts for 31 March 2015 of 41p, which translates into pre-tax adjusted operating profit of approximately £475 million, assuming a tax rate of 18% and 870 million shares in issue. Non-financial factor achievement levels are assumed at 100%.*

^ *Same assumptions as note (*) above except the long-term incentive award is discontinued and replaced with a fixed allowance (payable in shares) of £1 000 000. In addition, the cap on variable pay is applied.*

The graph below illustrates the timing of payments for each component of total executive remuneration taking into account our proposals for compliance with CRD IV.



Incentive pool summary

- 75% is short term
  - 20% in cash immediately
  - 20% deferred in shares vesting immediately, but subject to a six-month retention period
  - Balance deferred in shares over three years (plus six-month retention)
- 25% is long term, deferred over four and five years (75% vesting in year four and 25% vesting in year five)
- Malus/clawback of unvested awards applicable.

Fixed allowance awarded in shares summary

- Vests on award
- Retention period
  - 75% after four years
  - 25% after five years.

The remuneration committee is asking for shareholder support, at the August 2014 annual general meeting, in approving:

- The cap of variable pay to fixed pay of 2:1
- Our remuneration policy, as proposed above, that ensures we comply with current regulations, whereby we are:
  - Introducing a fixed allowance payable in shares
  - Decreasing the short-term incentive sharing percentage
  - Increasing the deferral period of the short-term incentive
  - Reducing the overall quantum of total remuneration payable to the three executive directors.

Remuneration policy for non-executive directors

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 increase in non-executive directors' fees for the forthcoming year reflects current market conditions (with the focus on controlling fixed remuneration) and additional time commitment required. Their 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 for the 2014 and 2015 financial years is shown below:

Non-executive directors' remuneration	2014 financial year	As approved by the board for the 2015 financial year
Chairman's total fee	£255 000 per year	£260 000 per year
Basic non-executive director fee	£67 000 per year	£68 000 per year
Senior independent director	£5 500 per year	£5 500 per year
Chairman of the DLC audit committee	£57 000 per year	£58 000 per year
Chairman of the DLC remuneration committee	£38 000 per year	£42 000 per year
Member of the DLC audit committee	£16 500 per year	£17 000 per year
Member of the DLC remuneration committee	£15 000 per year	£15 500 per year
Member of the DLC nominations and directors' affairs committee	£11 000 per year	£11 000 per year
Member of the DLC social and ethics committee	–	£11 000 per year
Member of the board risk and capital committee	£13 500 per year	£13 500 per year
Board member in attendance of the board risk and capital committee	£11 000 per year	£11 000 per year
Investec Bank Limited board member in attendance of the board risk and capital committee	R130 000 per year	R135 000 per year
Member of the Investec Bank plc board	£12 000 per year	£12 500 per year
Member of the Investec Bank Limited board	R260 000 per year	R275 000 per year
Member of the Investec Limited audit committee who is not a DLC audit committee member	R125 000 per year	R130 000 per year
Investec Bank Limited board member in attendance at the DLC nominations and directors' affairs committee	R70 000 per year	R73 500 per year
Per diem fee for additional work committed to the group	–	£2 000/R30 000

Fees are also payable for any additional time committed to the group including attendance at certain other meetings.

There is no requirement for non-executive directors to hold shares in a group company. The group has left this choice to the discretion of each non-executive director.

The policy as described above will be taken into account in the recruitment of new non-executive directors.

Copies of the service contracts are available for inspection at the company's registered office.

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects

Annual report on directors' remuneration

Compliance and governance statement

The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code 2012, the UK Companies Act 2006, the UK Financial Conduct Authority listing rules, the PRA Remuneration Code, the South African King III Code of Corporate Practice and Conduct, the South African Companies Act 2008 and the JSE Limited listings requirements.

Scope of our remuneration policy

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the group. This is relevant to Investec plc and its subsidiary companies that are subject to the PRA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to PRA Code staff. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec plc group entities are separately regulated by the FCA and as such maintain their own remuneration policies separate from the Investec group policy and in line with such entity's own risk profile and business activities:

- Investec Asset Management Limited
- Investec Wealth & Investment Limited
- Investec Bank plc
- Hargreave Hale Limited.

Under the PRA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Asset Management and Wealth Management businesses have been classified as level 3 entities under the proportionality rules of the FCA Remuneration Code.

Composition and role of the committee

Perry Crosthwaite is the chairman of the remuneration committee. The other members of the committee are Olivia Dickson, Bradley Fried, Sir David Prosser and Fani Titi.

Four of the current members of the committee are deemed to be independent as discussed on page 87.

Members of the committee are also members of the group's board risk and capital committee and/or audit committee (as discussed on pages 90 to 94 and page 97), thus bringing risk and control mechanisms into their deliberations.

The committee's principal responsibilities and objectives are to:

- Determine, develop 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)
- Commission and consider the results of an annual central and internal review of policy implementation
- Ensure that qualified and experienced management and executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the group and alignment with the corporate objectives and business strategy
- Review and approve the design of, and determine targets and objectives for, any performance-related pay schemes operated by the group and approve the aggregate annual payouts under such schemes
- Review and approve, 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
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of members of the internal audit, risk and compliance functions

- Oversee any major changes in our employee benefit structures
- Ensure that the comments, recommendations and rules within the UK and South Africa pertaining to remuneration are respected.

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 subject to annual review and are available on our website.

Meetings

The remuneration committee met 11 times during the financial year. An attendance schedule is provided on page 94.

The company secretary of Investec plc acts as the secretary. Executive directors do not attend meetings of the committee, unless invited or required to do so by the chairman of the committee. The chairman of the committee reports on the activities of the committee at each meeting of the full board.

Advisors to the committee and the company

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

During the financial year, the committee continued to use the services of its principal advisers, New Bridge Street, which among other things specifically reviewed and provided information on executive remuneration, the introduction of CRD IV, industry consultation papers, regulations and developments with respect to remuneration practices and our alignment to them. In addition, they continued to review and provide information on appropriate benchmarks, industry and comparable organisations' remuneration practices. Their recommendations are valued in the ongoing review of our remuneration practices. New Bridge Street is a signatory to the UK Remuneration Consultants Group's Code of Conduct and does not conduct any material work for the company other than for the committee and is part of Aon plc. The committee, on an annual basis, formally evaluates the advice received from New Bridge Street to ensure that it is both objective and independent and considers whether this service should be retained for the forthcoming year. Total fees paid to New Bridge Street for the year amounted to £71 000.

The company also retained the services of PricewaterhouseCoopers to assist with the development of executive director incentive arrangements in light of the introduction of CRD IV, to develop proposals for other PRA Code staff in respect of CRD IV and to understand industry remuneration developments. Certain of this information was also shared with the committee.

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

Certain specialist divisions within the group, for example, Human Resources and the Staff Share Schemes 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 variable remuneration pools are determined by our finance teams taking into account risk-adjusted capital requirements and after eliminating unrealised gains. The employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee.

Executive directors' single remuneration figure (audited)

The table below provides a single total remuneration figure for each executive director over the financial period.

Name	Salary £	Retirement benefits £	Total other taxable benefits £	Gross remuneration £	Annual bonus – cash component £	Annual bonus – deferred component £	Value of vested LTIPs £	Total remuneration £
Executive directors								
2014								
S Koseff (chief executive officer)								
– cash component	372 126	54 685	23 189	450 000	394 000		–	844 000
– deferred component						1 576 000	–	1 576 000
								2 420 000
B Kantor (managing director)								
– cash component	419 224	23 943	6 833	450 000	394 000		–	844 000
– deferred component						1 576 000	–	1 576 000
								2 420 000
GR Burger (group risk and finance director)								
– cash component	283 416	36 832	10 851	331 099	354 000		–	685 099
– deferred component						1 416 000	–	1 416 000
								2 101 099
HJ du Toit								
– cash component	391 378	50 000	9 563	450 941	4 360 000		798 705	5 609 646
– deferred component						–	–	–
								5 609 646
Total in Pounds Sterling	1 466 144	165 460	50 436	1 682 040	5 502 000	4 568 000	798 705	12 550 745
2013								
S Koseff (chief executive officer)								
– cash component	360 041	56 468	33 491	450 000	300 000		–	750 000
– deferred component						1 200 000	–	1 200 000
								1 950 000
B Kantor (managing director)								
– cash component	419 196	23 954	6 850	450 000	300 000		–	750 000
– deferred component						1 200 000	–	1 200 000
								1 950 000
GR Burger (group risk and finance director)								
– cash component	307 294	41 547	10 141	358 982	300 000		–	658 982
– deferred component						1 200 000	–	1 200 000
								1 858 982
HJ du Toit								
– cash component	391 378	50 000	9 535	450 913	2 180 000		342 188	2 973 101
– deferred component						2 180 000	–	2 180 000
								5 153 101
Total in Pounds Sterling	1 477 909	171 969	60 017	1 709 895	3 080 000	5 780 000	342 188	10 912 083

Notes to the single remuneration table:

Salary and benefits

- *Gross remuneration comprises base salary and other benefits.*
- *Gross remuneration of S Koseff, B Kantor and HJ du Toit remained the same as the prior year. The gross remuneration of GR Burger is largely determined in Rands and converted into Pounds Sterling. In Rand terms GR Burger's Rand-based gross remuneration increased by 5.1% from R3 733 333 in March 2013 to R3 923 834 in March 2014 and his Pound-based gross remuneration increased 2.5% from £83 000 to £85 000 in March 2014. Gross remuneration increases for other employees across the group have generally been in the range of 4.0% to 6.0%.*
- *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.*
- *Retirement benefits: None of the directors belong to a defined benefit pension scheme and all are members of one of our defined contribution pension or provident schemes. The amounts reflected in the table above represent the contribution to these schemes payable by the company.*

Annual bonus

- *Notwithstanding that HJ du Toit is currently a director of Investec plc and Investec Limited; he does not perform Investec group-wide executive activities. Accordingly, HJ du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of Investec Asset Management and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. Investec Asset Management reported an increase in adjusted operating profit before tax and non-controlling interests of 2.4% to £143.8 million. Assets under management amounted to £68.0 billion, with £2.6 billion in net inflows. HJ du Toit applied the after taxation proceeds of his bonus against the funding of his interest in the Investec Asset Management equity ownership scheme as explained on page 135.*
- *S Koseff, B Kantor and GR Burger are classified as PRA Code staff.*
- *The annual bonus for the year ended 31 March 2014 for S Koseff, B Kantor and GR Burger was determined with reference to performance against financial and non-financial metrics as set out below and described in detail on pages 141 to 143.*

- ***The determination of the bonus for S Koseff and B Kantor is shown below:***

Adjusted operating profit at 31 March 2014 (£'000)	440 787
CEO/MD 'incentive pool' at 0.5% (£'000)	2 204
Maximum leverage at 180%, i.e. maximum potential bonus (£'000)	3 967

Financial metrics

	Weighting	Actual achievement at 31 March 2014	Achievement levels Threshold 0%	Target 100%	Stretch 200%	Actual allocation achieved £'000	Actual weighting achieved %
Return on risk-weighted assets	35%	1.14%	0.9%	1.2%	1.6%	612	27.7%
Return on equity	25%	10.1%	9%	12%	15%	194	8.8%
Tier 1 capital adequacy	12.50%	10.7%	9.5%	10.5%	12.0%	312	14.2%
LCR	6.25%	255.7%	115%	132.5%	162.5%	275	12.5%
NSFR	6.25%	97.5%	82%	89.5%	99.5%	247	11.2%
Total	85.0%					1 640	74.4%

While the above approach was not applied in the calculation of the bonus in the 2013 financial year, if one had to use the same basis retrospectively, the portion of the 2013 bonus 'achieved' for financial metrics would have amounted to £1 248 000 (£403 000 for return on risk-weighted assets; £62 000 for return on equity; £337 000 for tier 1 capital adequacy; £266 000 for the LCR; and £180 000 for the NSFR). The increase in the portion of the bonus for the 2014 financial year attributable to performance against financial metrics is thus largely a result of the improvement in return on risk-weighted assets and return on equity.

Non-financial metrics

Following an assessment of these metrics (as described on pages 143 and 144) the remuneration committee decided to allocate an award of approximately £330 000 for performance against non-financial metrics which equated to an overall weighting achieved of 15%.

- ***The determination of the bonus for GR Burger is shown below:***

Adjusted operating profit at 31 March 2014 (£'000)	440 787
Group risk and finance director 'incentive pool' at 0.45% (£'000)	1 984
Maximum leverage at 180%, i.e. maximum potential bonus (£'000)	3 570

Financial metrics

	Weighting	Actual achievement at 31 March 2014	Achievement levels Threshold 0%	Target 100%	Stretch 200%	Actual allocation achieved £'000	Actual weighting achieved %
Return on risk-weighted assets	35%	1.14%	0.9%	1.2%	1.6%	550	27.7%
Return on equity	25%	10.1%	9%	12%	15%	174	8.8%
Tier 1 capital adequacy	12.50%	10.7%	9.5%	10.5%	12.0%	281	14.2%
LCR	6.25%	255.7%	115%	132.5%	162.5%	248	12.5%
NSFR	6.25%	97.5%	82%	89.5%	99.5%	222	11.2%
Total	85.0%					1 475	74.4%

While the above approach was not applied in the calculation of the bonus in the 2013 financial year, if one had to use the same basis retrospectively, the portion of the 2013 bonus 'achieved' for financial metrics would have amounted to £1 120 000 (£360 000 for return on risk-weighted assets; £56 000 for return on equity; £304 000 for tier 1 capital adequacy; £240 000 for the LCR; and £160 000 for the NSFR). The increase in the portion of the bonus for the 2014 financial year attributable to performance against financial metrics is thus largely a result of the improvement in return on risk-weighted assets and return on equity.

Non-financial metrics

Following an assessment of these metrics (as described on pages 143 and 144) the remuneration committee decided to allocate an award of approximately £295 000 for performance against non-financial metrics which equated to an overall weighting achieved of 15%.

- *Further information on the short-term incentives is set out on pages 141 to 143 and as discussed on page 143 a portion of bonuses are paid in cash and a portion is deferred. The portion deferred is deferred in shares.*

Long-term incentive plan (LTIP)

- *As shown on page 156, S Koseff, B Kantor and GR Burger were recently awarded with LTIPs. These LTIPs are subject to performance conditions (as explained on pages 143 and 144) and have not as yet vested.*
- *LTIPs for HJ du Toit have vested in 2014 and 2013. The values provided in the tables above represent the number of shares that vested multiplied by the market price of the shares at the date on which they vested. Further information is provided on page 156.*

Non-executive directors' single remuneration figure (audited)

The table below provides a single total remuneration figure for each non-executive director over the financial period.

Name	Total remuneration 2014 £	Total remuneration 2013 £
Non-executive directors		
Sir DJ Prosser (joint chairman)	255 000	250 000
F Titi (joint chairman)	255 000	250 000
SE Abrahams[1]	76 669	285 563
GFO Alford	145 000	168 408
CA Carolus	72 843	70 431
PKO Crosthwaite	154 049	143 998
OC Dickson	114 402	95 000
B Fried	165 500	148 000
D Friedland[2]	273 484	8 094
H Fukuda OBE	92 500	79 259
IR Kantor	73 984	76 500
MP Malungani	102 579	102 029
PRS Thomas	193 975	205 276
Total in Pounds Sterling	1 974 985	1 882 558

[1] *SE Abrahams resigned from the board on 8 August 2013.*

[2] *D Friedland was appointed to the board on 1 March 2013 and became chairman of the audit committee on 8 August 2013.*

Payments to past directors and payments for loss of office

No such payments have been made.

Directors' shareholdings, options and long-term incentive awards (audited)

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 2014.

Directors' shareholdings in Investec plc and Investec Limited shares at 31 March 2014

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[1]		Investec plc	Investec Limited[1]		Investec Limited
Name	1 April 2013	31 March 2014	31 March 2014	1 April 2013	31 March 2014	31 March 2014
Executive directors						
S Koseff	4 589 355	4 589 355	0.8%	1 809 399	1 809 399	0.6%
B Kantor	57 980	57 980	–	4 201 000	4 301 000	1.5%
GR Burger	2 402 135	2 402 135	0.4%	737 076	737 076	0.3%
HJ du Toit	–	–	–	604 740	604 740	0.2%
Total number	7 049 470	7 049 470	1.2%	7 352 215	7 452 215	2.6%
Non-executive directors						
Sir DJ Prosser (joint chairman)	10 000	10 000	–	–	–	–
F Titi (joint chairman)	–	–	–	–	–	–
SE Abrahams	–	–	–	–	–	–
GFO Alford	10 000	10 000	–	–	–	–
CA Carolus	–	–	–	–	–	–
PKO Crosthwaite	132 908	132 908	–	–	–	–
OC Dickson	–	–	–	–	–	–
B Fried	–	–	–	300 000	–	–
D Friedland	–	–	–	–	–	–
H Fukuda OBE	5 000	5 000	–	–	–	–
IR Kantor	3 509 545	3 509 545	0.6%	325	325	–
MP Malungani	–	–	–	–	–	–
PRS Thomas	195 800	–	–	–	–	–
Total number	3 863 253	3 667 453	0.6%	300 325	325	–
Total number	10 912 723	10 716 923	1.8%	7 652 540	7 452 540	2.6%

[1] *The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on page 157.*

There are no requirements for directors to hold shares in the group.

Directors' interest-in preference shares at 31 March 2014

	Investec plc		Investec Limited		Investec Bank Limited	
Name	1 April 2013	31 March 2014	1 April 2013	31 March 2014	1 April 2013	31 March 2014
Executive director						
S Koseff	101 198	101 198	3 000	3 000	4 000	4 000

- *The market price of an Investec plc preference share at 31 March 2014 was R87.99 (2013: R56.00).*
- *The market price of an Investec Limited preference share at 31 March 2014 was R84.01 (2013: R85.10).*
- *The market price of an Investec Bank Limited preference share at 31 March 2014 was R90.00 (2013: R91.90).*

Directors' interests in options at 31 March 2014

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interests in long-term incentive plans at 31 March 2014

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2013	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2014	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
HJ du Toit	25 June 2009	Nil	250 000	(187 500)	–	62 500	£4.26	£798 705	Balance on 25 June 2015
	1 July 2010	Nil	750 000	–	–	750 000			Balance on 75% is exercisable on 1 July 2014 and 25% on 1 July 2015

The group has made awards in respect of nil cost options in the capital of Investec plc for nil consideration pursuant to the Long-Term Incentive Plan (LTIP). The awards are in accordance with the determination of the remuneration committee and with the rules of the LTIP. These awards were made prior to HJ du Toit becoming an executive director. HJ du Toit exercised his options and sold 87 500 Investec plc shares on 8 July 2013, at an average share price of £4.20 per share. HJ du Toit exercised his options and sold 100 000 Investec plc shares on 11 July 2013, at an average share price of £4.31 per share. There were no performance conditions attached to these awards. None of the outstanding awards at 31 March 2014 have vested.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2014

Name	Date of grant	Exercise price	Conditional awards made during the year	Balance at 31 March 2014	Performance period	Period exercisable	Retention period
S Koseff	16 September 2013	Nil	600 000	600 000	1 April 2013 to 31 March 2016	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
						25% on 16 September 2018, subject to performance criteria being met.	16 September 2018 to 16 March 2019
B Kantor	16 September 2013	Nil	600 000	600 000	1 April 2013 to 31 March 2016	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
						25% on 16 September 2018, subject to performance criteria being met.	16 September 2018 to 16 March 2019
GR Burger	16 September 2013	Nil	600 000	600 000	1 April 2013 to 31 March 2016	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
						25% on 16 September 2018, subject to performance criteria being met.	16 September 2018 to 16 March 2019

The Executive Incentive Plan and the awards made on 16 September 2013 were approved at the July 2013 general meeting in terms of which 600 000 nil cost options each were awarded to S Koseff, B Kantor and GR Burger.

The performance criteria in respect of these awards are detailed on pages 143 and 144. None of these awards have as yet vested. The face value at grant for these awards, assuming 'at target' performance (as described on pages 143 and 144) amounts to £2 652 000 based on an actual share price for Investec plc of £4.42 on 16 September 2013 (date of grant), and 600 000 awards vesting.

Summary: total interest in Investec plc and Investec Limited ordinary shares, options and long-term incentive awards at 31 March 2014

Investec plc

Name	Beneficially and non-beneficially held	Long-term incentive plans	Investec plc Executive Incentive Plan 2013	Balance at 31 March 2014	Balance at 31 March 2013
Executive directors					
S Koseff	4 589 355	–	600 000	5 189 355	5 339 355
B Kantor	57 980	–	600 000	657 980	807 980
GR Burger	2 402 135	–	600 000	3 002 135	3 152 135
HJ du Toit	–	812 500	–	812 500	1 000 000
Total number	7 049 470	812 500	1 800 000	9 661 970	10 299 470

Investec Limited

Name	Beneficially and non-beneficially held	Balance at 31 March 2014	Balance at 31 March 2013
Executive directors			
S Koseff	1 809 399	1 809 399	1 809 399
B Kantor	4 301 000	4 301 000	4 201 000
GR Burger	737 076	737 076	737 076
HJ du Toit	604 740	604 740	604 740
Total number	7 452 215	7 452 215	7 352 215

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below.

Summary: Investec plc and Investec Limited share statistics

	31 March 2014	31 March 2013	High over the year	Low over the year
Investec plc share price	£4.85	£4.59	£5.08	£3.66
Investec Limited share price	R84.84	R64.26	R85.04	R59.00
Number of Investec plc shares in issue (million)	608.8	605.2	–	–
Number of Investec Limited shares in issue (million)	282.9	279.6	–	–

Directors' remuneration – alignment of interests with shareholders (unaudited)

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration it is important that we take their views into account. Accordingly, a series of meetings are held each year with our major shareholders and shareholder representative groups. The remuneration committee chairman attends these meetings, accompanied by senior Investec employees and some non-executive directors. This engagement is meaningful and helpful to the committee in its work and contributes directly to the decisions made by the committee.

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. We have been listed in South Africa since 1986.

Schedule 8 of the UK Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 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, to date this has been the most appropriate index against which to measure our performance on the LSE. Towards the end of our 2010 financial year, Investec plc was included as a new entrant into the FTSE 100 Index. Investec plc however, exited this index during December 2011 as it did not qualify for reinclusion based on its market capitalisation at that date. We have included the total shareholder return of that index for illustrative purposes.

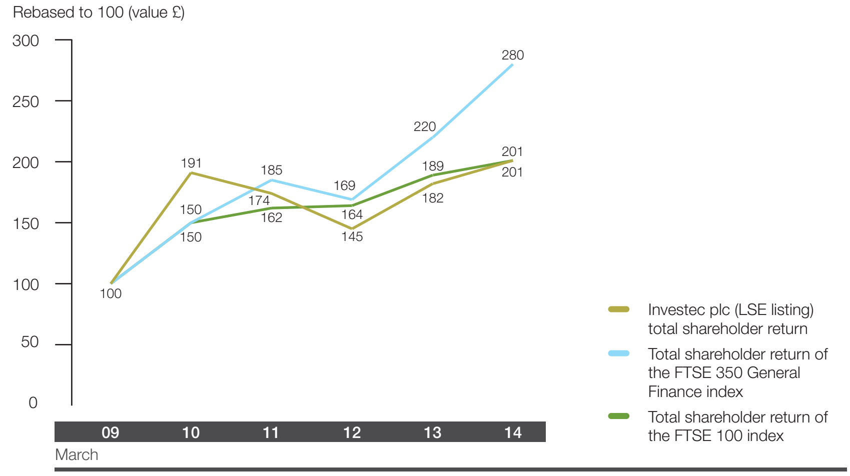
The graph on the following page shows the cumulative shareholder return for a holding of our shares (in gold) in Pounds Sterling on the LSE, compared with the average total shareholder return of other members of the FTSE 350 General Finance Index and the FTSE 100 Index. It shows that, at 31 March 2014, a hypothetical £100 invested in Investec plc at 31 March 2009 would have generated a total return of £101 compared with a return of £180 if invested in the FTSE 350 General Finance Index and a return of £101 if invested in the FTSE 100 Index. Investec plc has therefore underperformed the FTSE 350 General Finance Index over the period.

During the period from 1 April 2013 to 31 March 2014, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was 9.6% and 36.3%, respectively. This compares to a 27.4% return for the FTSE 350 General Finance Index, a return of 6.7% for the FTSE 100 Index and a return of 25.7% for the JSE Top 40 Index.

The market price of our shares on the LSE was £4.85 at 31 March 2014, ranging from a low of £3.66 to a high of £5.08 during the financial year. Furthermore, the market price of our shares on the JSE Limited was R84.84 at 31 March 2014, ranging from a low of R59.00 to a high of R85.04 during the financial year.

Performance graph and table of CEO remuneration

Total shareholder return



Source: Datastream

In addition, the table below provides a five-year summary of the total remuneration of the chief executive over the same period as the graph above. For the purpose of calculating the value of the remuneration of the chief executive, data has been collated on a basis consistent with the 'single remuneration figure' methodology as set out on page 152.

Year	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
CEO single figure of total remuneration (£'000)*	4 910	4 291	450	1 950	2 420
% of maximum of short-term incentive	n/a^	n/a^	n/a^	n/a^	61%

* *Historical long-term incentives did not vest as they did not meet performance conditions in the relevant periods. Current long-term incentives are only due to vest in 2017, subject to performance criteria.*

^ *Historically, annual bonuses were not determined in terms of a formulaic approach where maximum and minimum awards could be derived.*

Percentage change in the chief executive's remuneration

The table below shows how the percentage change in the chief executive's salary and benefits and annual bonus between 2013 and 2014 compares with the percentage change in the average of each of those components of pay for Investec plc employees and Investec Limited employees.

	Salary and benefits	Annual bonus
CEO (in Pounds Sterling)	0.0%	31.3%
Average based on Investec plc employees (in Pounds Sterling)	1.7%	16.4%
Average based on Investec Limited employees (in Rands)	9.8%	22.3%

Relative importance of spend on pay

Our value-added statement is provided on page 9. In summary, the relative importance of pay and distributions to shareholders is shown below:

£'000	31 March 2014	31 March 2013	% change
Group compensation costs	897 743	877 341	2.3%
– Fixed	592 192	602 884	(1.8%)
– Variable	305 551	274 457	11.3%
Dividends to shareholders	183 865	185 321	(0.8%)
– Ordinary shares	150 053	147 660	1.6%
– Preference shares	33 812	37 661	(10.2%)

Statement of voting at annual general meeting

At the last annual general meeting, the voting results on the three remuneration resolutions for the year ended 31 March 2013 were as follows:

	Number of votes cast 'for' resolution	% of votes 'for' resolution	Number of votes cast 'against' resolution	% of votes 'against' resolution	Number of abstentions
To approve directors' remuneration report	531 301 504	83.3%	106 669 315	16.7%	6 957 342
To approve directors' remuneration	537 905 353	83.6%	105 894 492	16.4%	770 979
To approve Executive Incentive Plan	381 284 296	72.7%	143 428 321	27.3%	93 755 358

Statement of implementation of remuneration policy for the year ending 31 March 2015

Executive directors

Pending approval at the August 2014 annual general meeting, the remuneration policy for the chief executive, managing director and group risk and finance director will be implemented as follows:

Base salary and benefits	• £470 000 for Stephen Koseff • £470 000 for Bernard Kantor • £320 000 (i.e. R4 240 000 Rand portion and £85 500 Pound portion) for Glynn Burger	• Inflationary increase
Fixed allowance	£1 000 000 for each of the three executive directors	• Payable in shares • Vests on award • Retention period: – 75% after four years – 25% after five years • Introduced to comply with CRD IV
Bonus	Incentive pool: • 0.45% each of adjusted operating profit for Stephen Koseff and Bernard Kantor • 0.40% of adjusted operating profit for Glynn Burger • Subject to a maximum of 2.25 times cap to fixed pay for each of the three executive directors (per CRD IV)	• Award subject to performance criteria as set out on pages 141 to 143 • No change in these criteria • Malus and clawback provisions apply (no change) • Deferral period extended from three years to five years
LTIP	Discontinued	As per adjustments for CRD IV as described on pages 146 to 148

Non-executive directors

Fees payable to non-executive directors for the 2015 financial year are set out on page 149.

Additional remuneration disclosures (unaudited)

South African Companies Act 2008 disclosures

Subsequent to regulatory developments in South Africa, Investec Limited is required to disclose the remuneration of those individuals that are defined by the South African Companies Act, No 71 of 2008, as amended, read together with the Companies Regulations 2011 (together the Act), as prescribed officers.

In keeping with the group's integrated global management structure as well as the three distinct business activities of the group, i.e. Asset Management, Wealth & Investment and Specialist Banking, the prescribed officers for Investec Limited, as per the Act are the following global heads of the group's three distinct business activities:

- Asset Management
  - Hendrik du Toit
- Wealth & Investment
  - Steve Elliott
- Specialist Banking
  - Stephen Koseff
  - Bernard Kantor
  - Glynn Burger.

Hendrik du Toit, Stephen Koseff, Bernard Kantor and Glynn Burger are also the four executive directors of Investec Limited and their remuneration is disclosed on page 152.

Steve Elliott is remunerated by Investec plc (a UK domiciled company) and is not required to disclose his remuneration under the South African Companies Act.

PRA Remuneration Code disclosures

In terms of the PRA's Chapter on Disclosure Requirements (BIPRU 11.5.18) the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to PRA Code staff. Code staff are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 39 individuals were PRA Code staff in 2014.

The bank's qualitative remuneration disclosures are provided on pages 127 to 149.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of PRA Code staff for the year ended 31 March 2014.

Aggregate remuneration by remuneration type

£'million	Senior management	Other Code staff	Total
Fixed remuneration	3.9	6.0	9.9
Variable remuneration*			
– Cash	2.4	3.6	6.0
– Deferred cash	0.1	1.9	2.0
– Deferred shares	3.8	5.6	9.4
– Deferred shares – long-term incentive awards	3.0	8.2	11.2
Other			
– Options – long-term incentive awards made in current year**	0.7	1.1	1.8
– Options – long-term incentive awards made in prior years**	2.1	1.2	3.3
Total aggregate remuneration and deferred incentives	16.0	27.6	43.6
Ratio between fixed and variable pay	1:3	1:3	1:3

* *Total number of employees receiving variable remuneration was 32.*

** *Information based on the IFRS 2 accounting charge that has been expensed by the company in its income statement during the financial year.*

Remuneration report

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Code staff received total remuneration in the following bands:

	Number of Code Staff
£800 000 – £1 200 000	3
>£1 200 001 – £1 600 000	1
>£1 600 001 – £2 000 000	5
>£2 000 001 – £2 400 000	1
>£2 400 001 – £2 800 000	–
>£2 800 001 – £3 200 000	1
>£3 200 001 – £3 600 000	–
>£3 600 001 – £4 000 000	1
>£4 000 001 – £4 400 000	1
>£4 400 001 – £4 800 000	2
>£4 800 001 – £5 200 000	–
>£5 200 001	–

Additional disclosure on deferred remuneration

£'million	Senior management	Other Code staff	Total
Deferred unvested remuneration outstanding at the beginning of the year	18.2	18.3	36.5
Deferred unvested remuneration adjustment – employees no longer Code staff	(7.8)	(2.5)	(10.3)
Deferred remuneration awarded in year	6.9	15.7	22.6
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration vested in year	(2.3)	(5.8)	(8.1)
Deferred unvested remuneration outstanding at the end of the year	15.0	25.7	40.7

£'million	Senior management	Other Code staff	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	10.4	18.6	29.0
– Cash	2.5	4.3	6.8
– Other	2.1	2.8	4.9
	15.0	25.7	40.7

£'million	Senior management	Other Code staff	Total
Deferred remuneration vested in year			
– For awards made in 2013 financial year	–	–	-
– For awards made in 2012 financial year	(0.9)	(1.3)	(2.2)
– For awards made in 2011 financial year	(1.4)	(4.5)	(5.9)
	(2.3)	(5.8)	(8.1)

Other remuneration disclosures

£'million	Senior management	Other Code staff	Total
Sign-on payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Severance payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

Pillar III remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar III Disclosure requirements.

The bank's qualitative remuneration disclosures are provided on pages 127 to 149.

The information contained in the tables on the following page sets out the bank's quantitative disclosures for the year ended 31 March 2014.

Aggregate remuneration by remuneration type

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Variable remuneration*				
– Cash	116.3	74.2	51.3	241.8
– Deferred shares	120.4	61.8	3.4	185.6
– Deferred shares – long-term incentive awards	145.4	88.2	51.3	284.9
Other				
– Options – long-term incentive awards made in current year**	16.2	9.9	5.6	31.7
– Options – long-term incentive awards made in prior years**	55.4	26.2	15.1	96.7
Total aggregate remuneration and deferred incentives	453.7	260.3	126.7	840.7

* *Total number of employees receiving variable remuneration was 227.*

** *Information based on the IFRS 2 accounting charge that has been expensed by the company in its income statement during the financial year.*

Additional disclosure on deferred remuneration

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the beginning of the year	280.4	105.1	36.2	421.7
Deferred unvested remuneration adjustment – employees that are no longer employed by the bank or reclassified	6.2	(19.4)	(13.3)	(26.5)
Deferred remuneration awarded in year	265.8	150.0	54.7	470.5
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration vested in year	(81.5)	(19.2)	(1.1)	(101.8)
Deferred unvested remuneration outstanding at the end of the year	470.9	216.5	76.5	763.9

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	470.9	216.5	76.5	763.9
– Cash	–	–	–	–
– Other	–	–	–	–
	470.9	216.5	76.5	763.9

^ *Senior management:* *all members of our South African general management forum, excluding executive directors.*
Risk takers: *includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.*
Financial and risk control staff: *includes everyone in central Group Finance and central Group Risk as well as employees responsible for risk and finance functions within the operating business units.*

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred remuneration vested in year				
– For awards made in 2013 financial year	–	–	–	–
– For awards made in 2012 financial year	59.3	9.3	0.7	69.3
– For awards made in 2011 financial year	22.2	9.9	0.4	32.5
	81.5	19.2	1.1	101.8

Other remuneration disclosures

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Sign-on payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Severance payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Guaranteed bonuses				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–

^ *Senior management: all members of our South African general management forum, excluding executive directors.*
Risk takers: includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.
Financial and risk control staff: includes everyone in central Group Finance and central Group Risk as well as employees responsible for risk and finance functions within the operating business units.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 49

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 31 in volume two

Dividend cover

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to page 51 in volume three

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 51 in volume three

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

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 48

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 52

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 49 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 49

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 93 in volume two

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 Wealth & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling 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 51 in volume three

Annual Report

Out of the Ordinary®

Investec

2014 | **VOLUME 2** Investec risk and Basel Pillar III disclosures report

Corporate information

Investec plc and Investec Limited

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Benita Coetsee
(Up to 30 June 2014)

Niki van Wyk
(with effect from 1 July 2014)
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Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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Ernst & Young Inc.

Registrars in the UK

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Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Sir David J Prosser (joint chairman)
Fani Titi (joint chairman)
George FO Alford (senior independent NED)
Cheryl A Carolus
Perry KO Crosthwaite
Olivia C Dickson
Bradley Fried
David Friedland
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Peter RS Thomas

Samuel E Abrahams retired with effect 8 August 2013.

For contact details for Investec offices internationally refer to pages 135 and 136 in volume three.

For queries regarding information in this document

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About this report

The 2014 integrated annual report covers the period 1 April 2013 to 31 March 2014 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

01

Investec strategic report incorporating governance, sustainability and the remuneration report

02

Investec risk and Basel Pillar III disclosures report

03

Investec financials

Get the most out of our report

Audited information

Denotes information in the risk and remuneration reports that form part of the group's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Definitions

Refers readers to the definitions on page 103

Page references

Refers readers to information elsewhere in this report

Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

Website

Indicates that additional information is available on our website: www.investec.com

Contents

1 Risk and Basel Pillar III disclosures

Risk and Basel Pillar III disclosures

Group Risk Management objectives are to:

- Be the custodian of our risk management culture
- Ensure the business operates within the board stated risk appetite
- Support the long-term sustainability of the group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk
- 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
- Coordinate 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
- Run appropriate risk committees, as mandated by the board.

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the integrated annual report

On pages 6 to 99 with further disclosures provided within the annual financial statements section in volume three.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed on are marked as audited.

Information provided in this section of the integrated annual report is prepared on an Investec DLC consolidated basis (i.e. incorporating the results of Investec plc and Investec Limited), unless otherwise stated.

The Risk disclosures comprise Investec Limited and Investec plc's Pillar III disclosures as required in terms of Regulation 43 of the regulations relating to banks in South Africa and under the Capital Requirements Regulation pertaining to banks in the UK.

The group also publishes Pillar III and other risk information for its 'silo' entity holding companies and its significant banking subsidiaries, on a consolidated basis. This information is contained in the respective annual financial statements for those respective entities.

Statement from the chairman of the board risk and capital committee

Philosophy and approach to risk management

Our comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of our businesses.

Risk awareness, control and compliance are embedded in all our day-to-day activities. Group Risk Management monitors, manages and reports on our risks to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee. Business units are ultimately responsible for 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 controlled 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, South Africa and Australia 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.

We believe that the risk management systems and processes we have in place are adequate to support the group's strategy (as explained on page 12 in volume one) and allow the group to operate within its risk appetite tolerance as set out on page 9.

This volume of our integrated annual report, explains in detail our approach to managing our business within our risk appetite tolerance, across all main aspects of risk.

A summary of the year in review from a risk perspective

The group remained within the majority of its risk appetite limits/targets across the various risk disciplines. Our risk appetite framework as set out on page 9 in volume one continues to be assessed in light of prevailing market conditions and group strategy.

Investec has continued to maintain a sound balance sheet with low gearing, and a diversified business model. This has been supported by the following key operating fundamentals during the year in review:

- Intimate involvement of executive management ensuring stringent management of risk, liquidity and capital

- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined largely by realised economic value-added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied within the group in excess of 15 years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying sound financial strength and integrity, a core competency and an established track record
- The group's core loan book has grown moderately in home currencies. Strong growth in private client residential mortgages across the board and good momentum in the corporate sector in South Africa, have been partially offset by redemptions in the corporate book in the UK and in the lending collateralised by property book in South Africa. The legacy portfolios (notably in the UK) continue to be managed down and we are starting to see some opportunities in exiting deals in this book. However, we remain cautiously optimistic in this regard and our view is that the legacy book (excluding Kensington, which we are looking to potentially sell) will still take three to five years to wind down as explained in detail in volume one on pages 76 and 77.
- Our core loan book remains diversified with commercial rent producing property loans comprising approximately 18% of the book, other lending collateralised by property 8%, HNW and private client lending 40% and corporate lending 34% (with most industry concentrations well below 5%). We anticipate that future growth in our core loan portfolios will largely come from professional mortgages, commercial rent producing property transactions, asset finance, fund finance and power and infrastructure finance. These asset classes have historically reported low default ratios and provide good gross asset margins
- Impairments on loans and advances decreased from £251.0 million to £166.2 million. Impairments in the UK and South Africa were much improved whilst Australia reported an increase. Since 31 March 2013 gross defaults have improved from £792.2 million to £658.7 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 2.30% (2013: 2.73%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.27 times (2013: 1.26 times)
- Limited exposure to structured credit; representing approximately 1.8% of total assets
- Limited private client and corporate client exposures to peripheral Europe amounting to approximately 0.6% of total assets. In addition the group has certain branch related and subsidiary activities in Ireland, with total assets representing 2.0% of group assets
- A low gearing ratio of 10.3 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting; with level 3 assets amounting to 4.4% of total assets
- Low equity and investment risk exposure with total investments comprising 3.6% of total assets. Our investment portfolios in the UK, Hong Kong and South Africa continue to perform well
- Modest proprietary market risk within our trading portfolio. Value at risk and stress testing scenarios remain at prudent levels
- Potential losses that could arise in our trading book portfolio when stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.2% of total operating income
- A high level of readily available, high quality liquid assets; cash and near cash of £9.1 billion, representing 33.0% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Continued increase in retail customer deposits and a sound retail franchise
- Healthy capital and leverage ratios; we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. All our banking subsidiaries meet current internal targets. Investec Limited and Investec plc should comfortably achieve a common equity tier 1 ratio above 10% by March 2016
- Geographical and operational diversity with a high level of recurring income (amounting to 70.7% of total operating income) which continues to support sustainability of operating profit
- We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. We need to assess the impact of cyber risk in greater detail, particularly given our focus on enhancing and expanding our digitilisation strategies. In the forthcoming year, we will also increase our focus on stress testing and have appointed an external adviser to assist in this regard. The key is to understand potential threats to our sustainability and profitability and thus a number of risk scenarios will be developed and assessed.

Conclusion

The current regulatory and economic environment continues to prove challenging to our business, however, we are comfortable that we have robust risk management processes and systems in place which provide a strong foundation to the board and the business to manage and mitigate risks within our risk appetite tolerance framework.

Signed on behalf of the board

Stephen Koseff

Chief executive officer and chairman of the board risk and capital committee

11 June 2014

The group maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year

Geographic summary of the year in review from a risk perspective

This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 28 to 31 in volume one.

Detailed information on key developments during the financial year in review is provided in the sections that follow:

Refer to pages 19 and 21, page 61 and page 76, with a high level geographic summary of the most salient aspects provided below.

UK and Other

Credit risk

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet. We have identified legacy and ongoing portfolios to differentiate current lending practices from pre-financial crisis transactions. The overall exposure to lending collateralised by property, as a proportion of our net core loan exposures, has reduced from 39% to 35%.

Non-property collateralised lending has increased in the year to 31 March 2014. Core loans and advances increased by 7.4% from £6.0 billion at 31 March 2013 to £6.5 billion at 31 March 2014, largely as a result of solid growth in our residential owner-occupied mortgage portfolios, and steady growth in our Asset Finance business.

Default loans (net of impairments) have decreased from 4.34% to 3.76% of core loans and advances. The credit loss ratio is at 0.95% (2013: 1.26%).

Traded market risk

In London, there has been ongoing growth in client activity across the Interest Rate and Foreign Exchange Corporate Sales desks. The Structured Equity desk's retail product sales have remained strong and they continue to develop both their product range and distribution capacity. Equity market making has continued to expand its coverage of stocks.

Balance sheet risk

The bank entered the year with a strong surplus liquidity position. This was reduced somewhat during the first half of the year, primarily through reductions in short-term retail deposits, prior to being built back up to opening levels with strategic longer-term secured funding activity. Funding rates continued to be driven down throughout the year as market liquidity and improved funding conditions persisted. This cost reduction was complemented by strategic initiatives including amendment to retail product terms. The overall impact led to a reduced funds transfer pricing rate for assets. Cash and near cash balances at 31 March 2014 amounted to £3.8 billion (2013: £3.9 billion) with total customer deposits remaining flat year-on-year at £9.4 billion. We continue to meet Basel liquidity requirements.

Southern Africa

Credit risk

Core loans and advances grew by 10.6% to R157 billion with residential owner-occupied and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances reduced from 1.89% to 1.46% with an improvement in both lending collateralised by property and the corporate client portfolio partly as some transactions have been settled and some written off.

The credit loss ratio improved to 0.42% from 0.61% as we saw stability in the level of new loans entering into current and default categories.

Our legacy default portfolio which largely relates to lending collateralised by property, notably residential developments, continues to be managed down.

Traded market risk

Market moves in South Africa have been largely driven by events in international markets. Uncertain markets as well as the drop in volumes of trade has caused traders to reduce risks in their trading books. In particular Equity Index derivatives trade saw a substantial drop in volumes causing traders to drastically cut the amount of risk taken in these instruments.

Balance sheet risk

Investec continued to build its structural liquidity cash resources over the course of the year as part of out drive to improve the Basel III LCR to be implemented from 1 January 2015.

Total customer deposits increased by 10.6% from 1 April 2013 to R204.9 billion at 31 March 2014 (Private Bank deposits amounted to R76 billion and other external deposits amount to R129 billion). Cash and near cash balances increased by 15.8% from 1 April 2013 to R84.5 billion at 31 March 2014.

Australia

Credit risk

Core loans and advances decreased by 3.3% from A$3.2 billion at 31 March 2013 to A$3.1 billion at 31 March 2014. Default loans (net of impairments) decreased from 2.13% to 1.12% of core loans and advances, with the credit loss ratio deteriorating slightly from 0.85% to 1.12% (largely as a result of two larger deals being written off).

Over the past financial year there have been continued reductions in the levels of Investec Australia's defaulted loans across the legacy property book and also in loans originated in the Growth and Acquisition Finance business.

Traded market risk

Australian trading activity remains modest, with limited appetite for traded market risk exposures. Client activity continues to increase on the back of improved deal activity and a broader product offering.

Balance sheet risk

Investec Australia maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year, with average cash and near cash balances amounting to A$1 billion. Total customer deposits grew by 11.6% from 1 April 2013 to A$2.7 billion at 31 March 2014, following the launch of various new banking products and services. The strategic changes announced in respect of the operation of Investec Australia have at present had no material impact on Investec Australia's funding ability or liquidity position relative to target levels.

Salient features

A summary of key risk indicators is provided in the table below.

	UK and Europe		Southern Africa		Australia		Investec group	
Year to 31 March	2014 £	2013 £	2014 R	2013 R	2014 A$	2013 A$	2014 £	2013^^ £
Net core loans and advances (million)	6 492	6 045	156 870	141 863	3 114	3 219	17 157	18 415
Gross defaults as a % of gross core loans and advances	6.39%	7.04%	2.24%	2.82%	1.76%	2.91%	3.78%	4.24%
Defaults (net of impairments) as a % of net core loans and advances	3.76%	4.34%	1.46%	1.89%	1.12%	2.13%	2.30%	2.73%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	–	–	–	–	–	–
Credit loss ratio*	0.95%	1.26%	0.42%	0.61%	1.12%	0.85%	0.68%	0.84%
Structured credit as a % of total assets	2.20%	2.44%	1.17%	1.24%	0.31%	0.46%	1.77%	1.72%
Banking book investment and equity risk exposures as a % of total assets	2.69%	2.52%	5.02%	4.96%	1.13%	2.56%	3.59%	3.65%
Traded market risk: one-day value at risk (million)	0.9	0.7	2.8	7.2	–	–	n/a	n/a
Cash and near cash (million)	3 791	3 930	84 476	72 974	959	978	9 135	9 828
Customer accounts (deposits) (million)	9 407	9 561	204 903	185 311	2 758	2 472	22 610	24 461
Core loans to equity ratio	3.6x^	3.7x^	5.0x	5.8x	5.6x	5.4x	4.3x	4.7x
Total gearing ratio**	10.0x^	10.9x^	10.5x	12.2x	8.2x	7.8x	10.3x	11.6x
Loans and advances to customers to customer deposits	71.0%^	69.3%^	72.9%	73.2%	83.7%	104.7%	72.0%	71.5%
Capital adequacy ratio	15.3%^	16.7%^	14.9%	15.5%	16.1%	15.8%	n/a	n/a
Tier 1 ratio	10.5%^	11.0%^	11.0%	10.8%	12.2%	11.8%	n/a	n/a
Common equity/core tier 1 ratio	8.8%^	8.8%^	9.4%	8.9%	12.2%	11.8%	n/a	n/a
Leverage ratio	7.4%^	n/a	7.2%	n/a	11.2%	n/a	n/a	n/a

* *Income statement impairment charge on core loans as a percentage of average advances.*
** *Total assets excluding assurance assets to total equity.*
^ *Ratios are reflected at an Investec plc level (including Australia).*
• *Certain information is denoted as n/a as these statistics are not applicable at a consolidated group level and are best reflected per banking entity or jurisdiction in line with regulatory and other requirements; or were not previously disclosed.*
^^ *Restated.*

Overall group risk appetite

The group has a number of board-approved risk appetite statements and policy documents covering our risk tolerance and approach to all aspects of risk. In addition, a number of committees and forums identify and manage risk at a group level. The table below provides a high level summary of the group's overall risk tolerance framework.

Risk appetite and tolerance metrics	Positioning at 31 March 2014
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally the split in revenue should be 50:50, dependent on prevailing market conditions	Capital light activities contributed 52% to total operating income and capital intensive activities contributed 48%
• We have a solid recurring income base supported by diversified revenue streams, and target a recurring income ratio in excess of 65%	Recurring income amounted to 70.7% of total operating income
• We seek to maintain a strict control over fixed costs and target a group cost to income ratio of below 65%	The cost to income ratio amounted to 67.5%. Refer to page 27 in volume one for further information
• We aim to build a sustainable business generating a sufficient return to shareholders over the longer-term, and target a long-term return on equity ratio range of between 12% and 16%, and a return on risk-weighted assets in excess of 1.2%	The return on equity amounted to 10.1% and our return on risk-weighted assets amounted to 1.14%. Refer to pages 48 and 49 in volume one for further information
• We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target, refer to page 49 in volume one for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 10.5% (11.0% by March 2016) and a common equity tier 1 ratio above 10.0% (by March 2016)	We meet current capital targets, refer to page 49 in volume one for further information
• We target a diversified loan portfolio lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 5% of tier 1 capital (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
• There is a preference for primary exposure in the group's three main operating geographies (i.e. South Africa, UK and Australia). The group will accept exposures where we have a branch/banking business. The group will also tolerate exposures to other countries where it has core capabilities	Refer to page 22 for further information
• The level of defaults and impairments continues to improve and we target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/ stressed scenario)	The credit loss charge on core loans amounted to 0.68% and defaults net of impairments amounted to 2.3% of total core loans. Refer to page 31 for further information
• We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 20.0%	Total cash and near cash balances amounted to £9.1 billion, representing 33.0% of our liability base
• We have very modest market risk as our trading activities primarily focus on supporting client activity. Appetite for proprietary trading is limited and we set a tolerance level of a 1 day 95% VaR of less than R15 million for Investec Limited and less than £5 million for Investec plc	We meet these internal limits, refer to page 56 for further information
• We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of tier 1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio is £757 million, representing 25.4% of total tier 1 capital. Refer to page 47 for further information
• Our Operational Risk Management team focuses on improving business performance and compliance with regulatory requirements, through review, challenge and escalation	Refer to pages 78 to 81 for further information
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks.	Refer to pages 82 and 83 for further information

An overview of key risks

In our ordinary course of business we face a number of risks that could affect our business operations.

These risks have been highlighted on page 34 in volume one.

The sections that follow provide information on a number of these risk areas.

Additional risks and uncertainties not presently identified by us or that we currently deem immaterial may in the future also negatively impact our business operations.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at group level, as described more fully below. These committees and forums operate together with Group Risk Management and are mandated by the board.

A diagram of our governance and risk framework is provided on page 84 in volume one.

The group committees and forums listed below have mandated certain committees and forums within the jurisdictions in which the group operates to support them in their objectives:

Committee	Function
Audit committees Members: Non-executive directors Chairman: David Friedland (non-executive director) Frequency: • DLC audit committee – four times a year • Investec Limited and group audit committee – four times a year • Investec plc audit committee – four times a year	• See pages 90 and 94 in volume one • The Internal Audit, Compliance and Operational Risk departments report to the audit committees
Board risk and capital committee (BRCC) Members: Executive and non-executive directors (senior management by invitation) Chairman: Stephen Koseff (CEO) Frequency: Six times a year	• See page 97 in volume one
DLC capital committee Members: Executive and non-executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: At least quarterly	• See page 98 in volume one
Executive risk review forum (ERRF) Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Weekly	• See page 98 in volume one
Global credit committee Members: Executive directors and senior management Non-executive directors have a level of oversight which is exercised within the applicable committee Chairman: Glynn Burger (group risk and finance director) Frequency: Twice a week	• 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 • Considers the level of acceptable counterparty and geographical exposures within the board-approved risk appetite framework • Reviews and approves changes to credit policies and methodologies.
Group investment committee Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Weekly	• Is responsible for reviewing and approving: – acquisitions or disposals of strategic investments in which we act as principal and retain an equity interest (above pre-determined thresholds) – capital expenditure or disposals (above pre-determined thresholds).

Committee	Function
Group deal forum Members: Executive directors and senior management. Non-executive directors have a level of oversight which is exercised within the applicable committee Chairman: Glynn Burger (group risk and finance director) Frequency: Weekly	• Considers, approves and mitigates the risks inherent in any 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	• Reviews and recommends limit adjustments in all existing products and markets across all desks in the group • Recommends limits for new products and new markets • Recommends methodology as to how risks are measured.
Global compliance forum Members: Compliance representatives of the Investec Limited and Investec plc businesses Chairman: Bradley Tapnack; Alternate: Kathryn Farndell and Richard Brearley Frequency: Bi-annually and on *ad hoc* request	• Review and approval of all group compliance policies across Investec Limited and Investec plc businesses • Establishing and standardising of group standards where applicable • Escalation of policies to ERRF and the board for approval as required.
Asset and liability committee (ALCO) Members: Executive directors, senior management, economist, treasurer, business heads and head of asset and liability management Chairmen: Glynn Burger (SA), Ian Wohlman (UK), Peter Binetter (AUS) and Craig McKenzie (MAU) Frequency: Monthly (or *ad hoc* if required)	• Recommends and monitors 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 for liquidity and interest rate risk management • Reviews the structure of our balance sheet and business strategies, taking into account market conditions, including stress tests • Maintains liquidity contingency plans • The responsibilities of the liability product and pricing forum (a sub-committee of ALCO) are: – to coordinate and approve pricing of all liabilities issued and other group funding entities so as to achieve the most appropriate funding mix at the best possible cost within the balance sheet targets as set by ALCO; – to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance; – to monitor existing products, terms and rates; – to reprice or close products where appropriate; and – to evaluate continuously the external rates environment including competitor analysis.
Global operational risk committee Members: Heads of operational risk, heads of risk, specialist banking, asset management and wealth and investment senior management Chairman: Bradley Tapnack (global head of compliance and internal audit) Frequency: At a minimum half-yearly	• Provides support to BRCC and ERRF in the management of operational risk • Approval of strategy for the management of operational risk within Investec plc and Investec Limited • Recommends and approves the operational risk management framework, policies and appetite.
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.

In the sections that follow the following abbreviations are used on numerous occasions:

ALCO	Asset and liability committee
APRA	Australian Prudential Regulation Authority
BoE	Bank of England
BRCC	Board risk and capital committee
ECB	European Central Bank
ERRF	Executive risk review forum
FCA	Financial Conduct Authority
FSB	Financial Services Board
PACC	Prudential audit and conduct committee
PRA	Prudential Regulation Authority
RBA	Reserve Bank of Australia
SARB	South African Reserve Bank

Integrated global risk management structure

Group risk and finance director	Glynn Burger
Head of risk South Africa	Kevin Kerr
Head of risk UK	Ian Wohlman/Ruth Leas
Head of risk Australia	Peter Binetter

Divisional and geographic roles	Global	UK and Other	South Africa	Australia
Credit Risk	Ian Wohlman/ Kevin Kerr	Ian Wohlman/ Gary Laughton	Justin Cowley	Peter Binetter/ Simon Schwarz
Market Risk	Mark Trollip	Nick Sheppard	Adrienne Betts	Adam Rapeport
Balance Sheet Risk Management	Cyril Daleski	Wendy Robinson	Cyril Daleski	Adam Rapeport
Operational Risk	Chandre Griesel	Brian Johnson	Chandre Griesel	Shirley Snoyman
Legal Risk	David Nurek	Richard Brearley	David Nurek	Marie-lyse Eliatamby
Internal Audit	Bradley Tapnack	Noel Sumner	Stuart Mansfield	Aik Leow
Compliance	Bradley Tapnack	Richard Brearley	Kathryn Farndell	Chris Fintan

Credit and counterparty risk management

Credit and counterparty risk description

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to us or otherwise to perform as agreed. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled. In terms of our definition, settlement debtors receivable in the short term (i.e. less than three days) are excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

Credit and counterparty risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

Credit and counterparty risk governance structure

To manage, measure and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. There is a high level of executive involvement and non-executive review and oversight in the credit decision-making forums. It is our policy that all centralised credit committees have a majority of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the group credit committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate watch forum, which reviews 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
- Arrears, default and recoveries forum which specifically reviews and manages distressed loans and potentially distressed loans for private clients.

Whilst we do not have a separate country risk committee, the local and global credit committees will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee is responsible for approving country limits not within the mandate of local group credit committees.

Credit and counterparty risk appetite

There is a preference for primary exposure in the group's three main operating geographies (i.e. South Africa, UK and Australia). The group will accept exposures where we have a branch/banking business. The group will also tolerate exposures to other countries where it has core capabilities.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk.

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations.

Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 43 for further information).

Target clients include high net worth individuals, certain professionally qualified individuals, high-income earning individuals, corporate institutions, state-owned enterprises and banks. Corporates must have scale, experienced management, able board members and strong earnings/cash flow. Interbank lending is largely reserved for those banks and institutions in the group's core geographies of activity which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures are generally avoided.

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a 'hands-on' and longstanding relationship with our clients.

In certain instances we have elected to sell certain assets down and/or securitise them (refer to pages 48 to 51 for further information).

Concentration risk

Credit risk concentration exists when large exposures exist to a particular counterparty or group of connected counterparties, or to a particular geography, asset class or industry. Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and transaction basis by Group Risk and the various business units. Concentration risk can also exist where a number of counterparties are engaged in similar activities and have similar economic characteristics that could cause their ability to meet contractual obligations to be similarly affected by changes in economic, legal, regulatory or other conditions. The board sets a group risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to ERRF and BRCC on a regular basis. Should there be any breaches to limits or where exposures are nearing limits these exceptions are specifically highlighted for attention.

Sustainability considerations

Overview

Investec has a broad based approach to sustainability, which runs beyond recognising our own footprint on the environment, our many CSI activities and our funding and investing activities. This is not merely for business reasons, but based on a broader responsibility to our environment and society. Accordingly, sustainable risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

- Environmental considerations (including animal welfare)
- Social considerations
- Economic considerations.

Refer to our sustainability report on our website.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

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

Despite strict adherence to the above principles, increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility and weak economic conditions.

The relevant credit committees within Investec will also consider wrong-way risk at the time of granting credit for specific products to each counterparty. Specific wrong-way risk occurs where exposure to a counterparty is positively correlated with the counterparty's probability of default due to the nature of transactions with the counterparty. In other words, the mark-to-market value of a transaction and the likelihood of the counterparty defaulting increase at the same time.

Investec completes scenario tests on its loan portfolio with regard to the capital held. These tests stress the existing portfolio to allow the bank to identify underlying risks and manage them accordingly. These stresses include (but are not limited to) residential and commercial property prices, foreign exchange rates, default rates, impairments and capital usage. The credit risk stress tests also play an integral part in the bank's capital planning process.

A large proportion of the portfolio is not rated by external rating agencies. We mainly place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available as support. Within the credit approval process internal and external ratings are included in the assessment of the client quality.

Exposures are classified to reflect the bank's risk appetite and strategy. At a high level the exposures are classified according to the Basel asset classes which include sovereign, bank, corporate, retail, equity, securitisation and specialised lending (which is further categorised into project finance; commodities finance; high volatility commercial real estate; and income-producing commercial real estate). Internal credit rating models are developed to cover all these asset classes. The internal ratings are incorporated in the risk management and decision-making process and are used in credit assessment, monitoring and approval as well as pricing.

Fitch, S&P, Moody's and DBRS have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns and securitisations, Fitch, Moody's, S&P and DBRS have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch, Moody's and S&P are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

The group applies the standardised approach for capital requirements in the assessment of its credit and counterparty exposures. The group's banking subsidiaries conduct their mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the Central Bank Registrar, in the respective geographies in which the group operates.

Credit and counterparty risk – nature of lending activities

Credit and counterparty risk is assumed mainly through lending collateralised by property and lending activities by private and corporate clients, although some credit and counterparty risk does arise in other businesses.

Lending collateralised by property

We provide senior debt and other funding for property transactions. Income producing assets account for the majority of exposure to lending collateralised by property. The portfolio is predominantly made up of commercial property collateral.

Client quality and expertise are at the core of our credit philosophy. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan to security value ratios.

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 38 to 41.

Private Client activities

We target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high-income earning potential, self-employed entrepreneurs, owner managers in mid-cap companies and sophisticated investors.

Lending products are targeted to meet the requirements 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 grouped and 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 the stage in the economic cycle.

Credit risk arises from the following activities:

- Personal Banking delivers products to enable target clients to create and manage their wealth, private client mortgages, transactional banking, high net worth lending, trust and fiduciary, offshore banking and foreign exchange
- Residential Mortgages provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs as well as vanilla mortgage products for professional target market clients
- Specialised Lending provides structured credit facilities to high net worth individuals and their controlled entities
- The Professional Finance team creates innovative products specifically designed to meet the personal and professional finance needs of predominantly medical, dental and accounting professionals. This enables these clients to maximise their personal wealth through cash management and investment opportunities.

An analysis of the private client loan portfolio and asset quality information is provided on pages 38 to 41.

Corporate Client activities

We focus on traditional bank lending activities, as well as treasury and trading execution services that are customer flow related.

The treasury function, as part of the daily management of liquidity, places funds with central banks and other commercial banks and financial institutions. These market counterparties are highly rated, investment grade entities with credit risk of a systemic nature in Southern Africa, the UK, Europe, Australia and the US. A rigorous internal assessment process, supported by rating agency information, is undertaken to analyse each counterparty to which we may be potentially exposed to ascertain their credit worthiness.

Our trading portfolio consists of positions in interest rates, foreign exchange, commodities and equities. 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 corporate lending businesses, credit risk can arise from asset finance, power and infrastructure finance, resource finance, corporate loans, growth and acquisition finance, asset-based lending, fund finance, debt origination, credit investments and securitisation activities. There are approved limits specifying the maximum exposure to each individual counterparty and industry limits, to minimise concentration risk. Facilities are secured on the assets of the underlying entity. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying cash flow and security. Political risk insurance is taken where deemed appropriate. There is also strong adherence to prudent country risk limits to manage concentration risk on an ongoing basis.

Assets we are involved in are diverse and centre around our areas of expertise including, resources, aircraft, equipment leasing corporate credit, power and infrastructure finance. Any assets originated are required to be of very strong credit quality that we are comfortable to hold on balance sheet to maturity, or purchased at sufficiently low distressed prices that we are happy to hold these assets on balance sheet to maturity because of low imputed loan to value ratios and strong cash flows.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within our corporate lending business is provided below:

- Small Ticket Asset Finance: provides lending to corporates to support asset purchases and other business requirements
- Large Ticket Asset Finance: provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior loans with a combination of corporate and asset-backed collateral against the exposure
- Project and Infrastructure Finance (PIF): arranges and provides typically long-term financing for infrastructure assets, such as power, transport, social infrastructure (PIF/private-public partnerships) and telecommunications against projected future cash flows of an individual project (or multiple) as well as the balance sheet of a corporate
- Resource Finance: debt arranging and underwriting, together with structured hedging solutions within the mining and oil and gas sectors. The underlying commodities are mainly precious and base metals, coal as well as oil and gas. The borrower in most cases is an established mining company or a subsidiary thereof. Any debt exposure is secured by the borrower's assets and repaid from mining cash flows which are subject to the volatility of the market prices for the underlying commodity as well as the successful extraction of resources
- Corporate Loans: provides senior loans to mid-cap companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business based on historic and forecast information. These loans are predominantly in the UK and we act as transaction leader or arranger. We have a close relationship with management and the sponsor, as well as having negotiation influence over legal documentation and a meaningful voting percentage in the company
- Growth and Acquisition Finance: provides debt funding to proven management teams, running small to mid-cap sized companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation of the business. This will be based on historic and forecast information
- Asset Based Lending: provides working capital and business loans secured on collateral or assets used in the conduct of the business, for example, accounts receivable, inventory, plant and machinery. We also provide advances against cash flow or other assets such as committed income or rights
- Fund Finance: provides bespoke credit facilities to segregated funds to facilitate investment opportunities prior to institutional cash calls which the fund has on irrevocable commitments. Fund Finance will also support management companies in their coinvestment requirements
- Structured Credit Exposure: in the primary markets where we retain portions of the securities of our own securitisations and secondary market exposures mostly for accrual and to a lesser extent arbitrage purposes, generating annuity margin income and investment income
- Securitisation: structuring and sale of financial assets, mostly in the form of sale to special purpose entities which issue securities to investors.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 38 to 41.

Corporate Advisory and Investment Banking Activities

Counterparty risk in this area is modest. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits.

Settlement trades are all on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security.

Wealth & Investment

Investec Wealth & Investment provides investment management services to private clients, charities, intermediaries, pension schemes and trusts. Wealth & Investment is entirely an agency business that takes no principal risk. Its core business is discretionary and non-discretionary investment management services.

Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, are monitored daily, and trades are usually settled within two days.

Asset Management

Investec Asset Management regularly transacts with well known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a movement in the value of the underlying security in the unlikely event a counterparty fails. Direct cash placements follow our policy, as outlined above, of only being exposed to systemic banks of investment grade quality in Southern Africa, the UK, Europe and the US.

Asset quality analysis – credit risk classification and provisioning policy

It is a policy requirement overseen by Central Credit Management that each operating division makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established group guidelines and in conjunction with the watchlist committee process. In the annual financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogeneous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil its credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons: • Covenant breaches • There is a slowdown in the counterparty's business activity • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Any restructured credit exposures until appropriate watchlist committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Supplementary reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default (non-performing assets)	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable • The bank is relying, to a large extent, on available collateral, or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	The counterparty is placed in doubtful when the credit exposure is considered to be impaired, but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted, or • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets are remote.

Investec has limited appetite for unsecured debt, preferring to mitigate risk through good quality tangible collateral

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Risk mitigants include any collateral item, netting and margining agreement, covenant or term and condition imposed on a transaction with the aim of reducing the credit risk inherent to that transaction.

As Investec has a low appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, primarily over tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued.

An analysis of collateral is provided on page 43.

Where a transaction is supported by a bond or charge over property, the primary credit risk is still taken on the borrower. When applications for facilities to be secured by property are submitted to the relevant committee, the following characteristics of the property are considered: type of property; location of property; and the ease with which the property could be re-let and/or re-sold. Where the property is secured by lease agreements, the credit committee will attempt to lend for a maximum of the period of the lease.

The bulk of collateral provided by private clients is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares.

The majority of credit mitigation techniques linked to trading activity 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 netting agreements have been signed and 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 should be stated net of any liabilities owing by Investec to the agreement counterparty for those product categories.

Set-off has been applied between assets subject to credit risk and related liabilities in the annual financial statements where:

- A legally enforceable right to set-off exists
- There is the ability to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

Investec places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the bank in the UK will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of credit derivatives outstanding at 31 March 2014 amounts to £7.5 million, of which £1.9 million is used for credit mitigation purposes and the balance for trading and investment. Total protection bought amounts to £13.5 million (£6.6 million relating to credit derivatives used in credit mitigation) and total protection sold amounts to £6 million (£4.7 million relating to credit derivatives used in credit mitigation).

Further information on credit derivatives is provided on page 62.

Investec endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The independent legal risk function in Investec ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which Investec operates. When assessing the potential concentration risk in its credit portfolio, cognisance is taken of the types of collateral and credit protection that form part of the portfolio.

For regulatory reporting purposes, exposures may be reduced by eligible collateral. Under the standardised approach credit risk mitigation can be achieved through either funded or unfunded credit protection. Where unfunded credit protection is relied upon for mitigation purposes, the exposure to the borrower will be substituted with an exposure to the protection provider, after applying a 'haircut' to the value of the collateral due to currency and/or maturity mismatches between the original exposure and the collateral provided. Unfunded credit protection includes eligible guarantees and credit derivatives. Where we rely on funded protection in the form of financial collateral, the value of collateral is adjusted using the financial collateral comprehensive method. This method applies supervisory volatility adjustments to the value of the collateral, and includes the currency and/maturity haircuts discussed above.

Please refer to the credit quality step table disclosed on pages 97 and 98 for a breakdown of regulatory exposure values before and after credit risk mitigation has been applied.

Credit and counterparty risk year in review

UK and Other

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet. We have identified legacy and ongoing portfolios to differentiate current lending practices from pre-financial crisis transactions. The overall exposure to property collateralised assets, as a proportion of our total loan exposures has reduced, in line with our risk appetite statement. In particular, it is pleasing to report that exposure to higher risk property collateralised assets in the planning and development category has reduced by 41% from 2010 to 31 March 2014.

With respect to our lending activity in our structured property finance business, we continued to actively manage this portfolio down and replace legacy assets with higher quality lower loan to value transactions supported by good quality clients with unblemished track records through the financial crisis. Lending supported by proven cash flows rather than asset value propositions continues to be favoured. Most property collateralised assets are located in the UK. Our exposure to Irish domiciled property has been under intensive management for the past five years and the non-performing assets have been substantially impaired (with a coverage ratio of 47% at 31 March 2014 which we consider to be prudent and adequate). Non-property collateralised lending as a percentage of gross credit exposures has increased from 59.6% in March 2013 to 63.5% in March 2014. The economic position in Ireland is improving and Ireland successfully exited the 2010 £85 billion bailout plan in February 2014.

Further information is provided in the economic section on pages 28 to 31 in volume one.

Core loans and advances increased by 7.4% from £6.0 billion at 31 March 2013 to £6.5 billion at 31 March 2014, largely as a result of solid growth in our residential owner-occupied mortgage portfolios, and steady growth in our Asset Finance business. Default loans (net of impairments) have decreased from 4.34% to 3.76% of core loans and advances. The credit loss ratio is at 0.95% (2013: 1.26%).

Private Client (lending collateralised by property) gross default loans (before collateral and impairments) increased marginally year-on-year largely due to a handful of clients experiencing financial difficulty with no other major changes in general trends reflected in the private client portfolio. The assets affected by adverse financial conditions are predominantly pre-2009 transactions. Assets written post-2009 are of a far better quality both in loan to value terms and underlying cash flows.

Defaults in corporate loans were lower for the year end 2014. Due to an improved economic and market outlook, the Private Equity, Bond and IPO markets have reopened leading to a greater frequency of repayments. Activity and corporate leverage, however, still remain below pre-recession levels. Restructuring of legacy loans is still ongoing in volatile markets such as directories and retail. Investec's legacy loan book has been managed down through secondary sales and repayments. New corporate loans written in recent years are performing well to date.

There was a significant decrease in the Kensington impairment charge. The overall Kensington arrears position showed slow steady improvement and the legacy book continued to decrease in size. The Irish mortgage book, whilst remaining weak, saw signs of stabilisation as house prices have started to recover.

The group risk division has continued to work closely with the business units to manage the impact of the increased risks in the market and resultant pressure on our lending portfolios. The key focus of the group risk division has been on proactive book management (together with the business units), repositioning some of our portfolio's asset mixes as well as taking advantage of opportunities that have arisen as a result of dislocated markets. Ongoing and increasing regulation remains a key focus of the group risk division as resources are channelled into ensuring compliance with new and changing rules is adopted throughout the group.

Southern Africa

The financial year in review has seen a combination of trends and factors impacting on the credit quality and assessment of credit and counterparty risk.

Credit and counterparty exposures decreased by 6.8% to £37.6 billion largely as a result of the depreciation of the Rand and Australian Dollar against Pounds Sterling

Further information is provided in the financial review on pages 22 to 53 in volume one.

Against this backdrop, core loans and advances grew by 10.6% to R157 billion with residential owner-occupied and corporate portfolios representing the majority of the growth for the financial year in review.

There has been continuing adherence to conservative lending, while still facing greater competitive pressure on margins.

Default loans (net of impairments) as a percentage of core loans and advances improved from 1.89% to 1.46% with an improvement in both lending collateralised by property and the corporate client portfolio partly as some transactions have been settled and some written off.

The credit loss ratio improved to 0.42% from 0.61% as we saw stability in the level of new loans entering into current and default categories.

Our legacy default portfolio which largely relates to lending collateralised by property transactions, in certain areas, notably residential developments, continues to be managed down. However, this process does take time as we continue to focus on maximising recoveries.

Australia

Core loans and advances decreased by 3.3% from A$3.2 billion at 31 March 2013 to A$3.1 billion at 31 March 2014. Default loans (net of impairments) decreased from 2.13% to 1.12% of core loans and advances, with the credit loss ratio deteriorating slightly from 0.85% to 1.12% (largely as a result of two larger deals being written off).

Over the past financial year there have been continued reductions in the levels of Investec Australia's defaulted loans across the legacy property book and also in loans originated in the Growth and Acquisition Finance business.

Our Professional Finance business continued to show consistent growth as the largest segment of the Investec Australia loan book, and has maintained historically low levels of arrears and defaults.

Investec Australia's Asset Finance business continued to show strong growth. This granular asset finance book is well diversified and continues to show relatively low levels of defaults.

Counterparty credit risk has been incorporated into the fair valuation of derivative financial instruments through the use of Credit Valuation Adjustments (CVA).

Credit risk regulatory considerations

Southern Africa

The regulatory environment in South Africa witnessed few changes in 2014 with increased clarity being provided to the banking industry by the regulator in the form of third tier legislation.

Investec Limited's capital holding in South Africa continues to comply with Basel III and the South African Banks Act, including the transitional arrangements in place as the full implementation of Basel III is phased in. While Basel III has had far-reaching impact in terms of liquidity and capital supply, the impact on credit risk capital is limited to relatively small, specific portfolios of assets, specifically over-the-counter (OTC) derivatives and securitisation exposure.

Investec, together with other major banks, continues to engage with SARB through the Banking Association of South Africa (BASA) and bilaterally on matters of interpretation, particularly in light of the delay in the implementation of Basel III in the US and Europe. We are also actively engaged in formulating our recovery and resolution plan in line with requirements being drafted under the proposed recovery and resolution regime (RRR). The market eagerly awaits the first iteration of the RRR in order to ascertain what potential impacts there could be as a result of this new legislation.

In addition, we continue to actively participate in the bi-annual Basel III implementation quantitative impact study. This assessment performed by the major banks in the country is then fed back to the Bank for International Settlements (BIS) in order for them to gauge the extent and success of the implementation of the Basel III regulations across the globe.

The regulatory landscape continues to evolve. The BIS has issued a number of consultative documents for comment during the past year, many revisiting at various sections of the capital framework in an effort to eliminate opportunities for capital arbitrage. Examples include the fundamental review of the trading book, which closely examines the market risk framework and capital charge, proposed amendments to the securitisation framework and a revised standardised approach to calculating counterparty credit risk. In line with Investec's prudent risk management and governance frameworks, we will continue to engage with the regulator and industry bodies as we seek to adopt market best practice in accordance with these and any other regulatory amendments.

UK and Other

The UK regulatory environment has continued to evolve during the year, notably with the adoption of the Capital Requirements Directive IV (CRD IV) by the European Commission in June 2013. The CRD IV rules took effect in the UK on 1 January 2014 with changes to credit and counterparty risk capital requirements applying immediately. Increases in credit and counterparty risk are primarily attributable to an increase in the risk weight applied to deferred tax assets that rely on future profitability of a bank to be realised and which arise from temporary differences, due to the application of the threshold exemption approach and due to the expansion of the definition of the 'high risk' exposure category. The increases are partly offset by the ability to reduce the capital requirements applied to small and medium enterprise (SME) lending and the CRD IV approach to allocating portfolio impairments to underlying exposures, where they meet the definition of specific credit risk adjustments. Although not impacting credit and counterparty risk requirements, CRD IV introduced a new capital requirement for credit valuation adjustment (CVA) risk, which applies to all OTC derivative instruments and is used to capture the risk of default or variation in the credit quality of counterparties. The impact of the new capital requirements on Investec plc and Investec Bank plc, can be found on page 84.

In the UK, we continue to monitor regulatory changes proposed by the PRA and the BIS. Furthermore, we expect a significant number of technical standards to be issued by the European Banking Authority during 2014. These standards will need to be adopted by the European Commission before they are binding on the UK banks.

Credit and counterparty risk information

Pages 6 to 21 describe where and how credit risk is assumed in our operations.

The tables that follow provide an analysis of the credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 6.8% to £37.5 billion largely as a result of the depreciation of the Rand and Australian Dollar against Pounds Sterling. Cash and near cash balances amount to £9.1 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, and sovereign debt securities.

At 31 March £'000	2014	2013**	% change	Average*
Cash and balances at central banks	2 072 987	1 779 576	16.5%	1 926 282
Loans and advances to banks	3 280 179	3 136 051	4.6%	3 208 115
Non-sovereign and non-bank cash placements	515 189	420 960	22.4%	468 075
Reverse repurchase agreements and cash collateral on securities borrowed	1 388 980	2 358 672	(41.1%)	1 873 826
Sovereign debt securities	3 215 432	4 077 217	(21.1%)	3 646 325
Bank debt securities	1 568 097	1 879 105	(16.6%)	1 723 601
Other debt securities	594 353	443 753	33.9%	519 053
Derivative financial instruments	1 202 278	1 531 187	(21.5%)	1 366 733
Securities arising from trading activities	461 390	552 504	(16.5%)	506 947
Loans and advances to customers (gross)	16 545 335	17 773 761	(6.9%)	17 159 548
Own originated loans and advances to customers securitised (gross)	876 595	931 406	(5.9%)	904 001
Other loans and advances (gross)	1 745 329	1 729 008	0.9%	1 737 169
Other securitised assets (gross)	197 630	49 988	>100%	123 809
Other assets	171 582	137 647	24.7%	154 615
Property and equipment	–	4 726	(>100.0%)	2 363
Total on-balance sheet exposures	33 835 356	36 805 561	(8.1%)	35 320 459
Guarantees^	664 626	580 971	14.4%	622 798
Contingent liabilities, committed facilities and other	3 041 499	2 904 681	4.7%	2 973 090
Total off-balance sheet exposures	3 706 125	3 485 652	6.3%	3 595 888
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	37 541 481	40 291 213	(6.8%)	38 916 347

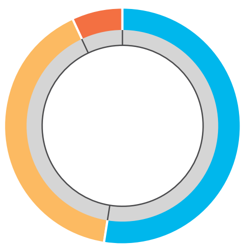
* *Where the average is based on a straight-line average.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*
** *Restated.*

An analysis of gross credit and counterparty exposures by geography

At 31 March £'000	UK and Other 2014	UK and Other 2013	Southern Africa 2014	Southern Africa 2013	Australia 2014	Australia 2013	Total 2014	Total 2013**
Cash and balances at central banks	1 706 372	1 228 289	337 565	406 764	29 050	144 523	2 072 987	1 779 576
Loans and advances to banks	1 213 531	1 232 606	2 003 156	1 818 269	63 492	85 176	3 280 179	3 136 051
Non-sovereign and non-bank cash placements	–	–	515 189	420 960	–	–	515 189	420 960
Reverse repurchase agreements and cash collateral on securities borrowed	909 437	1 223 251	479 543	1 135 421	–	–	1 388 980	2 358 672
Sovereign debt securities	946 004	1 365 464	1 983 017	2 416 839	286 411	294 914	3 215 432	4 077 217
Bank debt securities	234 728	275 173	1 196 915	1 423 904	136 454	180 028	1 568 097	1 879 105
Other debt securities	210 038	162 558	376 150	258 689	8 165	22 506	594 353	443 753
Derivative financial instruments	475 296	618 462	676 752	838 512	50 230	74 213	1 202 278	1 531 187
Securities arising from trading activities	419 408	459 732	41 982	84 503	–	8 269	461 390	552 504
Loans and advances to customers (gross)	6 674 401	6 220 626	8 578 023	9 822 215	1 292 911	1 730 920	16 545 335	17 773 761
Own originated loans and advances to customers (gross)	–	–	428 340	439 653	448 255	491 753	876 595	931 406
Other loans and advances (gross)	1 451 925	1 425 064	293 404	303 944	–	–	1 745 329	1 729 008
Other securitised assets (gross)	184 483	49 988	13 147	–	–	–	197 630	49 988
Other assets	137 665	78 141	33 917	59 506	–	–	171 582	137 647
Property and equipment	–	4 726	–	–	–	–	–	4 726
Total on-balance sheet credit and counterparty exposures	14 563 288	14 344 080	16 957 100	19 429 179	2 314 968	3 032 302	33 835 356	36 805 561
Guarantees	14 960	22 521	617 704	519 376	31 962	39 075	664 626	580 971
Contingent liabilities, committed facilities and other	661 743	491 112	2 157 160	2 250 810	222 596	162 761	3 041 499	2 904 681
Total off-balance sheet exposures	676 703	513 633	2 774 864	2 770 186	254 558	201 836	3 706 125	3 485 652
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	15 239 991	14 857 713	19 731 964	22 199 365	2 569 526	3 234 138	37 541 481	40 291 213

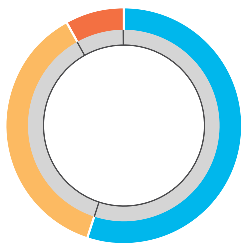
** *Restated.*

An analysis of gross credit and counterparty exposures by geography



31 March 2014
£37 542 million

Southern Africa	52.6%
UK and Other	40.6%
Australia	6.8%



31 March 2013
£40 291 million

Southern Africa	55.1%
UK and Other	36.9%
Australia	8.0%

A further analysis of our on-balance sheet credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) our on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2014				
Cash and balances at central banks	2 072 987	7 203		2 080 190
Loans and advances to banks	3 280 179	–		3 280 179
Non-sovereign and non-bank cash placements	515 189	–		515 189
Reverse repurchase agreements and cash collateral on securities borrowed	1 388 980	–		1 388 980
Sovereign debt securities	3 215 432	–		3 215 432
Bank debt securities	1 568 097	–		1 568 097
Other debt securities	594 353	11 025		605 378
Derivative financial instruments	1 202 278	417 137		1 619 415
Securities arising from trading activities	461 390	408 698		870 088
Investment portfolio	–	825 745	1	825 745
Loans and advances to customers	16 545 335	(263 723)	2	16 281 612
Own originated loans and advances to customers securitised	876 595	(840)	2	875 755
Other loans and advances	1 745 329	(51 760)	3	1 693 569
Other securitised assets	197 630	3 378 896	4	3 576 526
Interest in associated undertakings	–	24 316		24 316
Deferred taxation assets	–	131 142		131 142
Other assets	171 582	1 303 410	5	1 474 992
Property and equipment	–	108 738		108 738
Investment properties	–	509 228		509 228
Goodwill	–	433 571		433 571
Intangible assets	–	159 169		159 169
Non-current assets classified as held for sale	–	41 637		41 637
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 862 959		5 862 959
Total on-balance sheet exposures	33 835 356	13 306 551		47 141 907

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 44 to 47.*
2. *Largely relates to impairments and the impact of hedge accounting.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 52 to 55. Also includes liquidity facilities provided to third party corporate securitisation vehicles in South Africa. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposure of the bank.*
5. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
At 31 March 2013**				
Cash and balances at central banks	1 779 576	2 871		1 782 447
Loans and advances to banks	3 136 051	–		3 136 051
Non-sovereign and non-bank cash placements	420 960	–		420 960
Reverse repurchase agreements and cash collateral on securities borrowed	2 358 672	–		2 358 672
Sovereign debt securities	4 077 217	–		4 077 217
Bank debt securities	1 879 105	–		1 879 105
Other debt securities	443 753	5 463		449 216
Derivative financial instruments	1 531 187	451 945		1 983 132
Securities arising from trading activities	552 504	379 099		931 603
Investment portfolio	–	928 893	1	928 893
Loans and advances to customers	17 773 761	(289 237)	2	17 484 524
Own originated loans and advances to customers securitised	931 406	(957)	2	930 449
Other loans and advances	1 729 008	304 965	3	2 033 973
Other securitised assets	49 988	3 953 220	4	4 003 208
Interest in associated undertakings	–	27 950		27 950
Deferred taxation assets	–	165 457		165 457
Other assets	137 647	1 821 903	5	1 959 550
Property and equipment	4 726^	129 375		134 101
Investment properties	–	451 975		451 975
Goodwill	–	466 906		466 906
Intangible assets	–	178 567		178 567
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	6 226 142		6 226 142
Total on-balance sheet exposures	36 805 561	15 204 537		52 010 098

^ *Reflects future receivables in respect of assets subject to operating lease contracts.*
** *Restated.*
1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 44 to 47.*
2. *Largely relates to impairments and the impact of hedge accounting.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 52 to 55. Also includes liquidity facilities provided to third party corporate securitisation vehicles in South Africa. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposure of the bank.*
5. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit and counterparty exposures by residual contractual maturity at 31 March 2014

£'000	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	2 072 987	–	–	–	–	–	2 072 987
Loans and advances to banks	3 179 314	1 000	16 314	83 551	–	–	3 280 179
Non-sovereign and non-bank cash placements	515 189	–	–	–	–	–	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	1 225 993	2 019	24 386	61 760	44 215	30 607	1 388 980
Sovereign debt securities	1 094 394	463 214	542 080	124 213	515 245	476 286	3 215 432
Bank debt securities	79 868	257 225	267 463	696 540	220 471	46 530	1 568 097
Other debt securities	13	–	–	35 580	363 775	194 985	594 353
Derivative financial instruments	342 333	71 698	113 353	419 133	133 103	122 658	1 202 278
Securities arising from trading activities	353 699	–	2 666	51 385	32 556	21 084	461 390
Loans and advances to customers (gross)	2 433 185	1 161 804	1 454 404	7 353 228	1 484 428	2 658 286	16 545 335
Own originated loans and advances to customers securitised	20 175	15 137	36 273	349 747	50 850	404 413	876 595
Other loans and advances (gross)	4 233	54	131	268 290	8 919	1 463 702	1 745 329
Other securitised assets (gross)	4 188	–	–	–	–	193 442	197 630
Other assets	171 422	160	–	–	–	–	171 582
Total on-balance sheet exposures	11 496 993	1 972 311	2 457 070	9 443 427	2 853 562	5 611 993	33 835 356
Guarantees	124 395	41 228	19 041	296 186	41 893	141 883	664 626
Contingent liabilities, committed facilities and other	648 111	64 543	269 892	927 327	98 347	1 033 279	3 041 499
Total off-balance sheet exposures	772 506	105 771	288 933	1 223 513	140 240	1 175 162	3 706 125
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	12 269 499	2 078 082	2 746 003	10 666 940	2 993 802	6 787 155	37 541 481

Detailed analysis of gross credit and counterparty exposures by industry at 31 March 2014

£'000	HNW and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	2 072 987	–	–
Loans and advances to banks	–	–	–	–	–	–	3 280 179
Non-sovereign and non-bank cash placements	–	–	–	1 391	969	27 588	113 844
Reverse repurchase agreements and cash collateral on securities borrowed	27 643	–	–	1 129	–	–	1 298 322
Sovereign debt securities	–	–	–	–	3 215 432	–	–
Bank debt securities	–	–	–	–	–	–	1 568 097
Other debt securities	–	–	–	17 311	–	–	261 713
Derivative financial instruments	9 094	–	528	15 130	4 863	17 574	998 421
Securities arising from trading activities	–	–	–	241	384 436	–	65 898
Loans and advances to customers (gross)	5 957 256	4 561 536	68 191	527 034	238 738	547 296	770 278
Own originated loans and advances to customers securitised (gross)	876 562	33	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	330 500
Other securitised assets (gross)	–	–	–	–	8 958	–	4 189
Other assets	4	–	–	37	17 076	18 080	120 494
Total on-balance sheet exposures	6 870 559	4 561 569	68 719	562 273	5 943 459	610 538	8 811 935
Guarantees	148 850	86 814	–	8 996	48 011	2 534	148 074
Contingent liabilities, committed facilities and other	1 650 438	505 192	36 023	230 055	7 174	69 729	68 884
Total off-balance sheet exposures	1 799 288	592 006	36 023	239 051	55 185	72 263	216 958
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	8 669 847	5 153 575	104 742	801 324	5 998 644	682 801	9 028 893

^ *Historically legacy positions (largely in the Kensington portfolio) to non-target market clients.*

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages^	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
–	–	–	–	–	–	–	–	–	2 072 987
–	–	–	–	–	–	–	–	–	3 280 179
95 828	117 513	13 648	–	–	30 827	–	102 685	10 896	515 189
–	57 392	–	–	–	–	–	4 494	–	1 388 980
–	–	–	–	–	–	–	–	–	3 215 432
									1 568 097
–	–	–	–	32 451	126 778	–	88 096	68 004	594 353
38 584	33 691	14 090	35 737	–	9 014	11 584	11 905	2 063	1 202 278
–	8 495	–	–	–	–	–	2 320	–	461 390
530 053	864 694	218 045	457 258	16 074	468 848	206 394	760 473	353 167	16 545 335
–	–	–	–	–	–	–	–	–	876 595
–	–	–	–	1 414 829	–	–	–	–	1 745 329
–	–	–	–	184 483	–	–	–	–	197 630
1 572	9 456	–	–	137	–	–	–	4 726	171 582
666 037	1 091 241	245 783	492 995	1 647 974	635 467	217 978	969 973	438 856	33 835 356
79 067	7 833	56	64	456	120 930	11 288	1 138	515	664 626
84 401	85 623	25 018	8 585	5 293	109 498	55 873	86 097	13 616	3 041 499
163 468	93 456	25 074	8 649	5 749	230 428	67 161	87 235	14 131	3 706 125
829 505	1 184 697	270 857	501 644	1 653 723	865 895	285 139	1 057 208	452 987	37 541 481

Detailed analysis of gross credit and counterparty exposures by industry at 31 March 2013

£'000	HNW and professional individuals	Lending collaterised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	1 779 576	–	–
Loans and advances to banks	–	–	–	–	–	–	3 136 051
Non-sovereign and non-bank cash placements	–	–	7 178	–	–	24 141	131 814
Reverse repurchase agreements and cash collateral on securities borrowed	29 613	–	–	8 532	–	–	2 275 552
Sovereign debt securities	–	–	–	–	4 077 217	–	–
Bank debt securities	–	–	–	–	–	–	1 879 105
Other debt securities	–	–	–	10 579	–	–	307 335
Derivative financial instruments	9 402	–	107	22 582	4 674	10 500	1 314 171
Securities arising from trading activities	–	–	–	260	480 506	–	50 212
Loans and advances to customers (gross)	5 655 781	5 683 283	84 674	495 769	251 737	819 896	897 390
Own originated loans and advances to customers securitised (gross)	931 371	35	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	176 366
Other securitised assets (gross)	–	–	–	–	–	–	27 544
Other assets	62	–	–	24	–	–	115 944
Property and equipment	–	–	–	8	32	2 192	809
Total on-balance sheet exposures	6 626 229	5 683 318	91 959	537 754	6 593 742	856 729	10 312 293
Guarantees	180 356	105 996	–	11 851	42	1 690	4 672
Contingent liabilities, committed facilities and other	1 491 009	517 176	14 320	46 244	5 878	99 721	58 400
Total off-balance sheet exposures	1 671 365	623 172	14 320	58 095	5 920	101 411	63 072
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	8 297 594	6 306 490	106 279	595 849	6 599 662	958 140	10 375 365

^ *Historically legacy positions (largely in the Kensington portfolio) to non-target market clients.*

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages^	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
–	–	–	–	–	–	–	–	–	1 779 576
–	–	–	–	–	–	–	–	–	3 136 051
90 180	94 750	2 380	–	–	41 520	–	18 921	10 076	420 960
–	40 073	–	–	–	–	–	4 902	–	2 358 672
–	–	–	–	–	–	–	–	–	4 077 217
–	–	–	–	–	–	–	–	–	1 879 105
12 554	–	7 270	47 387	–	42 786	–	15 842	–	443 753
15 396	21 005	24 268	90 357	–	6 826	3 498	8 197	204	1 531 187
6 858	–	–	–	–	8 500	–	6 168	–	552 504
529 823	973 981	101 724	425 588	–	379 151	228 761	533 667	712 536	17 773 761
–	–	–	–	–	–	–	–	–	931 406
–	–	–	–	1 552 586	–	–	56	–	1 729 008
–	–	–	22 444	–	–	–	–	–	49 988
–	187	–	20 558	–	697	–	–	175	137 647
528	426	65	248	–	11	1	406	–	4 726
655 339	1 130 422	135 707	606 582	1 552 586	479 491	232 260	588 159	722 991	36 805 561
36 241	17 918	79 556	994	–	127 394	13 131	1 130	–	580 971
54 763	77 531	4 971	57 008	–	189 066	25 331	190 307	72 956	2 904 681
91 004	95 449	84 527	58 002	1 552 586	316 460	38 462	191 437	72 956	3 485 652
746 343	1 225 871	220 234	664 584	1 552 586	795 951	270 722	779 596	795 947	40 291 213

Private client loans account for 39.2% of total gross core loans and advances, as represented by the industry classification 'HNW and professional individuals'

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of private client lending we undertake is provided on page 14, and a more detailed analysis of the private client loan portfolio is provided on pages 38 to 41.

The remainder of core loans and advances largely relate to corporate client lending and are evenly spread across industry sectors.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and professional individual clients.

A description of the type of corporate client lending we undertake, is provided on pages 14 and 15, and a more detailed analysis of the corporate client loan portfolio is provided on pages 38 to 41.

At 31 March £'000	Gross core loans and advances 2014	Gross core loans and advances 2013	Other credit and counterparty exposures 2014	Other credit and counterparty exposures 2013	Total 2014	Total 2013
HNW and professional individuals	6 833 818	6 587 152	1 836 029	1 710 442	8 669 847	8 297 594
Lending collateralised by property – largely to private clients	4 561 569	5 683 318	592 006	623 172	5 153 575	6 306 490
Agriculture	68 191	84 674	36 551	21 605	104 742	106 279
Electricity, gas and water (utility services)	527 034	495 769	274 290	100 080	801 324	595 849
Public and non-business services	238 738	251 737	5 759 906	6 347 925	5 998 644	6 599 662
Business services	547 296	819 896	135 505	138 244	682 801	958 140
Finance and insurance	770 278	897 390	8 258 615	9 477 975	9 028 893	10 375 365
Retailers and wholesalers	530 053	529 823	299 452	216 520	829 505	746 343
Manufacturing and commerce	864 694	973 981	320 003	251 890	1 184 697	1 225 871
Construction	218 045	101 724	52 812	118 510	270 857	220 234
Corporate commercial real estate	457 258	425 588	44 386	238 996	501 644	664 584
Other residential mortgages	16 074	–	1 637 649	1 552 586	1 653 723	1 552 586
Mining and resources	468 848	379 151	397 047	416 800	865 895	795 951
Leisure, entertainment and tourism	206 394	228 761	78 745	41 961	285 139	270 722
Transport	760 473	533 667	296 735	245 929	1 057 208	779 596
Communication	353 167	712 536	99 820	83 411	452 987	795 947
Total	17 421 930	18 705 167	20 119 551	21 586 046	37 541 481	40 291 213

An analysis of our core loans and advances, asset quality and impairments

Core loans and advances comprise:

- Loans and advances to customers as per the balance sheet
- Own originated loans and advances to customers securitised as per the balance sheet.

At 31 March £'000	2014	2013
Loans and advances to customers as per the balance sheet	16 281 612	17 484 524
Add: own originated loans and advances securitised as per the balance sheet	875 755	930 449
Net core loans and advances to customers	17 157 367	18 414 973

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers.

An overview of developments during the financial year is provided on pages 19 to 21.

£'000	31 March 2014	31 March 2013
Gross core loans and advances to customers	17 421 930	18 705 167
Total impairments	(264 563)	(290 194)
Portfolio impairments	(26 337)	(15 531)
Specific impairments	(238 226)	(274 663)
Net core loans and advances to customers	17 157 367	18 414 973
Average gross core loans and advances to customers	18 063 549	18 601 373
Current loans and advances to customers	16 543 731	17 646 205
Past due loans and advances to customers (1 – 60 days)	166 537	177 080
Special mention loans and advances to customers	52 983	89 691
Default loans and advances to customers	658 679	792 191
Gross core loans and advances to customers	17 421 930	18 705 167
Current loans and advances to customers	16 543 731	17 646 205
Default loans that are current and not impaired	52 729	12 398
Gross core loans and advances to customers that are past due but not impaired	273 171	359 034
Gross core loans and advances to customers that are impaired	552 299	687 530
Gross core loans and advances to customers	17 421 930	18 705 167
Total income statement charge for core loans and advances	(122 473)	(156 727)
Gross default loans and advances to customers	658 679	792 191
Specific impairments	(238 226)	(274 663)
Portfolio impairments	(26 337)	(15 531)
Defaults net of impairments	394 116	501 997
Collateral and other credit enhancements	499 267	634 309
Net default loans and advances to customers (limited to zero)	–	–
Ratios		
Total impairments as a % of gross core loans and advances to customers	1.52%	1.55%
Total impairments as a % of gross default loans	40.17%	36.63%
Gross defaults as a % of gross core loans and advances to customers	3.78%	4.24%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.30%	2.73%
Net defaults as a % of gross core loans and advances to customers	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.68%	0.84%

An analysis of core loans and advances to customers and asset quality by geography

£'000	UK and Other		Southern Africa		Australia		Total group	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Gross core loans and advances to customers	**6 674 401**	**6 220 626**	**9 006 363**	**10 261 868**	**1 741 166**	**2 222 673**	**17 421 930**	**18 705 167**
Total impairments	**(182 066)**	**(175 563)**	**(71 260)**	**(97 004)**	**(11 237)**	**(17 627)**	**(264 563)**	**(290 194)**
Portfolio impairments	(15 045)	(5 000)	(9 900)	(8 835)	(1 392)	(1 696)	(26 337)	(15 531)
Specific impairments	(167 021)	(170 563)	(61 360)	(88 169)	(9 845)	(15 931)	(238 226)	(274 663)
Net core loans and advances to customers	**6 492 335**	**6 045 063**	**8 935 103**	**10 164 864**	**1 729 929**	**2 205 046**	**17 157 367**	**18 414 973**
% of total	37.8%	32.8%	52.1%	55.2%	10.1%	12.0%	100.0%	100.0%
% change since 31 March 2013	7.4%	–	(12.1%)*	–	(21.5%)*	–	(6.8%)	–
Average gross core loans and advances to customers	**6 447 514**	**6 080 420**	**9 634 116**	**10 429 335**	**1 981 920**	**2 091 618**	**18 063 549**	**18 601 373**
Current loans and advances to customers	6 127 663	5 641 901	8 724 114	9 864 944	1 691 954	2 139 360	16 543 731	17 646 205
Past due loans and advances to customers (1 – 60 days)	106 417	113 724	42 504	45 731	17 616	17 625	166 537	177 080
Special mention loans and advances to customers	14 011	26 972	38 042	61 724	930	995	52 983	89 691
Default loans and advances to customers	426 310	438 029	201 703	289 469	30 666	64 693	658 679	792 191
Gross core loans and advances to customers	**6 674 401**	**6 220 626**	**9 006 363**	**10 261 868**	**1 741 166**	**2 222 673**	**17 421 930**	**18 705 167**
Current core loans and advances to customers	6 127 663	5 641 901	8 724 114	9 864 944	1 691 954	2 139 360	16 543 731	17 646 205
Default loans that are current and not impaired	43 508	8 006	9 221	4 392	–	–	52 729	12 398
Gross core loans and advances to customers that are past due but not impaired	121 402	146 038	125 955	181 101	25 814	31 895	273 171	359 034
Gross core loans and advances to customers that are impaired	381 828	424 681	147 073	211 431	23 398	51 418	552 299	687 530
Gross core loans and advances to customers	**6 674 401**	**6 220 626**	**9 006 363**	**10 261 868**	**1 741 166**	**2 222 673**	**17 421 930**	**18 705 167**
Total income statement charge for core loans and advances	**(61 113)**	**(76 902)**	**(39 241)**	**(61 976)**	**(22 119)**	**(17 849)**	**(122 473)**	**(156 727)**
Gross default loans and advances to customers	426 310	438 029	201 703	289 469	30 666	64 693	658 679	792 191
Specific impairments	(167 021)	(170 563)	(61 360)	(88 170)	(9 845)	(15 931)	(238 226)	(274 663)
Portfolio impairments	(15 045)	(5 000)	(9 900)	(8 834)	(1 392)	(1 696)	(26 337)	(15 531)
Defaults net of impairments	**244 244**	**262 466**	**130 443**	**192 465**	**19 429**	**47 066**	**394 116**	**501 997**
Collateral and other credit enhancements	262 862	306 490	202 153	277 988	34 252	49 831	499 267	634 309
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–	–	–

* *Impacted by the depreciation of the Rand and Australian Dollar against Pounds Sterling. Neutral currency book growth for South Africa of 10.6% and the Australian book declined by 3.3%.*

	UK and Other		Southern Africa		Australia		Total group	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Ratios								
Total impairments as a % of gross core loans and advances to customers	2.73%	2.82%	0.79%	0.95%	0.65%	0.79%	1.52%	1.55%
Total impairments as a % of gross default loans	42.71%	40.08%	35.33%	33.51%	36.64%	27.25%	40.17%	36.63%
Gross defaults as a % of gross core loans and advances to customers	6.39%	7.04%	2.24%	2.82%	1.76%	2.91%	3.78%	4.24%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.76%	4.34%	1.46%	1.89%	1.12%	2.13%	2.30%	2.73%
Net defaults as a % of core loans and advances to customers	–	–	–	–	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.95%	1.26%	0.42%	0.61%	1.12%	0.85%	0.68%	0.84%

An age analysis of past due and default core loans and advances to customers

At 31 March £'000	2014	2013
Default loans that are current	461 248	471 582
1 – 60 days	194 023	232 980
61 – 90 days	29 164	50 153
91 – 180 days	34 657	34 868
181 – 365 days	42 344	50 339
>365 days	116 763	219 040
Past due and default core loans and advances to customers (actual capital exposure)	878 199	1 058 962
1 – 60 days	18 388	61 830
61 – 90 days	2 158	5 087
91 – 180 days	9 222	6 910
181 – 365 days	34 683	30 215
>365 days	93 917	178 083
Past due and default core loans and advances to customers (actual amount in arrears)	158 368	282 125

A further age analysis of past due and default core loans and advances to customers

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
At 31 March 2014							
Watchlist loans neither past due nor impaired							
Total capital exposure	52 729	–	–	–	–	–	52 729
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	182 161	24 434	22 205	19 678	24 693	273 171
Amount in arrears	–	15 019	1 227	4 342	14 510	17 667	52 765
Gross core loans and advances to customers that are impaired							
Total capital exposure	408 519	11 862	4 730	12 452	22 666	92 070	552 299
Amount in arrears	–	3 369	931	4 880	20 173	76 250	105 603
At 31 March 2013							
Watchlist loans neither past due nor impaired							
Total capital exposure	12 398	–	–	–	–	–	12 398
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	225 029	48 424	26 251	15 987	43 343	359 034
Amount in arrears	–	58 419	4 768	5 161	9 184	32 262	109 794
Gross core loans and advances to customers that are impaired							
Total capital exposure	459 184	7 951	1 729	8 617	34 352	175 697	687 530
Amount in arrears	–	3 411	319	1 749	21 031	145 821	172 331

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	166 537	–	–	–	–	166 537
Special mention	–	14 136	23 101	188	12 175	3 383	52 983
Special mention (1 – 90 days)	–	14 136	1 307	188*	12 175*	3 383*	31 189
Special mention (61 – 90 days and item well secured)	–	–	21 794	–	–	–	21 794
Default	461 248	13 350	6 063	34 469	30 169	113 380	658 679
Sub-standard	200 040	1 635	1 431	22 039	7 503	21 311	253 959
Doubtful	120 898	11 648	4 630	12 362	22 559	90 221	262 318
Loss	140 310	67	2	68	107	1 848	142 402
Total	461 248	194 023	29 164	34 657	42 344	116 763	878 199

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	8 560	–	–	–	–	8 560
Special mention		6 439	1 176	28	10 637	601	18 881
Special mention (1 – 90 days)	–	6 439	147	28*	10 637*	601*	17 852
Special mention (61 – 90 days and item well secured)	–	–	1 029	–	–	–	1 029
Default	–	3 389	982	9 194	24 046	93 316	130 927
Sub-standard	–	45	58	4 325	3 873	17 067	25 368
Doubtful	–	3 277	922	4 801	20 066	74 401	103 467
Loss	–	67	2	68	107	1 848	2 092
Total	–	18 388	2 158	9 222	34 683	93 917	158 368

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	177 080	–	–	–	–	177 080
Special mention	–	38 473	41 644	1 459	5 648	2 467	89 691
Special mention (1 – 90 days)	–	38 473	5 699	1 459*	5 648*	2 467*	53 746
Special mention (61 – 90 days and item well secured)	–	–	35 945	–	–	–	35 945
Default	471 582	17 427	8 509	33 409	44 691	216 573	792 191
Sub-standard	147 164	9 488	6 781	24 986	10 339	54 251	253 009
Doubtful	159 365	7 730	1 728	8 330	34 326	160 463	371 942
Loss	165 053	209	–	93	26	1 859	167 240
Total	471 582	232 980	50 153	34 868	50 339	219 040	1 058 962

An age analysis of past due and default core loans and advances to customers at 31 March 2013 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	21 627	–	–	–	–	21 627
Special mention	–	35 131	3 223	73	5 198	473	44 098
Special mention (1 – 90 days)	–	35 131	1 360	73*	5 198*	473*	42 235
Special mention (61 – 90 days and item well secured)	–	–	1 863	–	–	–	1 863
Default	–	5 072	1 864	6 837	25 017	177 610	216 400
Sub-standard	–	1 657	1 546	5 191	3 986	33 915	46 295
Doubtful	–	3 298	318	1 623	21 005	141 836	168 080
Loss	–	117	–	23	26	1 859	2 025
Total	–	61 830	5 087	6 910	30 215	178 083	282 125

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

£'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2014								
Current core loans and advances	16 543 731	–	–	16 543 731	–	(25 562)	16 518 169	–
Past due (1 – 60 days)	–	166 537	–	166 537	–	(221)	166 316	8 560
Special mention	–	52 983	–	52 983	–	(544)	52 439	18 881
Special mention (1 – 90 days)	–	31 189	–	31 189	–	(487)	30 702	17 852
Special mention (61 – 90 days and item well secured)	–	21 794	–	21 794	–	(57)	21 737	1 029
Default	52 729	53 651	552 299	658 679	(238 226)	(10)	420 443	130 927
Sub-standard	52 529	53 651	147 779	253 959	(36 846)	(10)	217 103	25 368
Doubtful	–	–	262 318	262 318	(119 951)	–	142 367	103 467
Loss	200	–	142 202	142 402	(81 429)	–	60 973	2 092
Total	16 596 460	273 171	552 299	17 421 930	(238 226)	(26 337)	17 157 367	158 368
At 31 March 2013								
Current core loans and advances	17 646 205	–	–	17 646 205	–	(14 620)	17 631 585	–
Past due (1 – 60 days)	–	177 080	–	177 080	–	(181)	176 899	21 629
Special mention	–	89 691	–	89 691	–	(715)	88 976	44 096
Special mention (1 – 90 days)	–	53 746	–	53 746	–	(635)	53 111	42 233
Special mention (61 – 90 days and item well secured)	–	35 945	–	35 945	–	(80)	35 865	1 863
Default	12 398	92 263	687 530	792 191	(274 663)	(15)	517 513	216 400
Sub-standard	10 398	92 263	150 348	253 009	(32 542)	(10)	220 457	46 295
Doubtful	2 000	–	369 942	371 942	(157 530)	(5)	214 407	168 080
Loss	–	–	167 240	167 240	(84 591)	–	82 649	2 025
Total	17 658 603	359 034	687 530	18 705 167	(274 663)	(15 531)	18 414 973	282 125

An analysis of core loans and advances to customers and impairments by counterparty type

£'000	Private Banking professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 31 March 2014						
Current core loans and advances	10 625 842	4 734 226	759 941	238 084	185 638	16 543 731
Past due (1 – 60 days)	142 662	20 412	–	–	3 463	166 537
Special mention	52 101	802	–	–	80	52 983
Special mention (1 – 90 days)	30 917	272	–	–	–	31 189
Special mention (61 – 90 days and item well secured)	21 184	530	–	–	80	21 794
Default	574 781	66 611	10 594	654	6 039	658 679
Sub-standard	224 309	18 968	10 414	–	268	253 959
Doubtful	209 755	46 018	149	625	5 771	262 318
Loss	140 717	1 625	31	29	–	142 402
Total gross core loans and advances to customers	11 395 386	4 822 051	770 535	238 738	195 220	17 421 930
Total impairments	(224 304)	(35 168)	(207)	(337)	(4 547)	(264 563)
Specific impairments	(201 092)	(32 231)	(94)	(262)	(4 547)	(238 226)
Portfolio impairments	(23 212)	(2 937)	(113)	(75)	–	(26 337)
Net core loans and advances to customers	11 171 082	4 786 883	770 328	238 401	190 673	17 157 367
At 31 March 2013						
Current core loans and advances	10 754 920	5 583 880	877 141	251 223	179 041	17 646 205
Past due (1 – 60 days)	119 379	50 214	–	–	7 487	177 080
Special mention	68 067	20 940	–	–	684	89 691
Special mention (1 – 90 days)	50 607	3 139	–	–	–	53 746
Special mention (61 – 90 days and item well secured)	17 460	17 801	–	–	684	35 945
Default	616 833	147 388	20 249	514	7 207	792 191
Sub-standard	216 676	36 126	–	–	207	253 009
Doubtful	234 908	109 271	20 249	514	7 000	371 942
Loss	165 249	1 991	–	–	–	167 240
Total gross core loans and advances to customers	11 559 199	5 802 422	897 390	251 737	194 419	18 705 167
Total impairments	(231 326)	(53 309)	(375)	(327)	(4 857)	(290 194)
Specific impairments	(222 654)	(46 761)	(64)	(327)	(4 857)	(274 663)
Portfolio impairments	(8 672)	(6 548)	(311)	–	–	(15 531)
Net core loans and advances to customers	11 327 873	5 749 113	897 015	251 410	189 562	18 414 973

An analysis of core loans and advances by risk category at 31 March 2014

£'000	UK and Other					Southern Africa				
	Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Income statement impairments	Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Income statement impairments
Lending collateralised by property	2 438 703	366 798	229 846	(138 354)	(39 720)	2 022 944	105 079	97 690	(35 640)	(12 161)
Commercial real estate	1 623 173	128 026	76 647	(52 087)	(23 907)	1 855 220	42 658	51 175	(9 875)	(4 135)
Commercial real estate – investment	1 396 537	62 723	47 562	(13 684)	(14 549)	1 648 914	29 379	36 219	(6 278)	(1 965)
Commercial real estate – development	92 787	21 016	11 243	(10 466)	(3 182)	105 130	–	–	–	(1 021)
Commercial vacant land and planning	133 849	44 287	17 842	(27 937)	(6 176)	101 176	13 279	14 956	(3 597)	(1 149)
Residential real estate	815 530	238 772	153 199	(86 267)	(15 813)	167 724	62 421	46 515	(25 765)	(8 026)
Residential real estate – investment	327 607	39 344	29 945	(6 765)	(3 350)	–	–	–	–	–
Residential real estate – development	382 862	134 762	80 103	(56 463)	(8 765)	70 129	18 711	18 455	(2 767)	(2 828)
Residential vacant land and planning	105 061	64 666	43 151	(23 039)	(3 698)	97 595	43 710	28 060	(22 998)	(5 198)
High net worth and other private client lending	1 497 909	21 144	17 605	(5 706)	(10 238)	4 057 849	57 964	68 875	(13 879)	(21 957)
Mortgages	1 143 043	4 786	6 115	(900)	(678)	2 455 188	35 247	46 649	(5 218)	(5 581)
High net worth and specialised lending	280 874	15 023	10 921	(4 041)	(9 529)	1 602 661	22 717	22 226	(8 661)	(16 376)
Professional finance	73 992	1 335	569	(765)	(31)	–	–	–	–	–
Corporate and other lending	2 737 789	38 368	15 411	(22 961)	(11 155)	2 925 570	38 660	35 588	(11 841)	(5 123)
Acquisition finance	666 069	11 603	4 133	(7 471)	(1 865)	694 168	30 014	31 703	(5 452)	515
Asset based lending	165 569	–	–	–	98	173 738	6 039	3 121	(4 547)	(2 193)
Fund finance	277 771	–	–	–	–	–	–	–	–	–
Other corporates and financial institutions and governments	327 983	4 241	2 821	(1 421)	(1 740)	1 636 858	2 607	764	(1 842)	2 446
Asset finance	878 937	9 832	5 455	(4 378)	(3 344)	200 466	–	–	–	(560)
Small ticket asset finance	665 264	7 849	1 983	(4 378)	(4 567)	57 380	–	–	–	–
Large ticket asset finance	213 673	1 983	3 472	–	1 223	143 086	–	–	–	(560)
Project finance	410 135	12 692	3 002	(9 691)	(4 304)	183 409	–	–	–	(5 331)
Resource finance	11 325	–	–	–	–	36 931	–	–	–	–
Portfolio impairments	–	–	–	(15 045)	–	–	–	–	(9 900)	–
Total	6 674 401	426 310	262 862	(182 066)	(61 113)	9 006 363	201 703	202 153	(71 260)	(39 241)

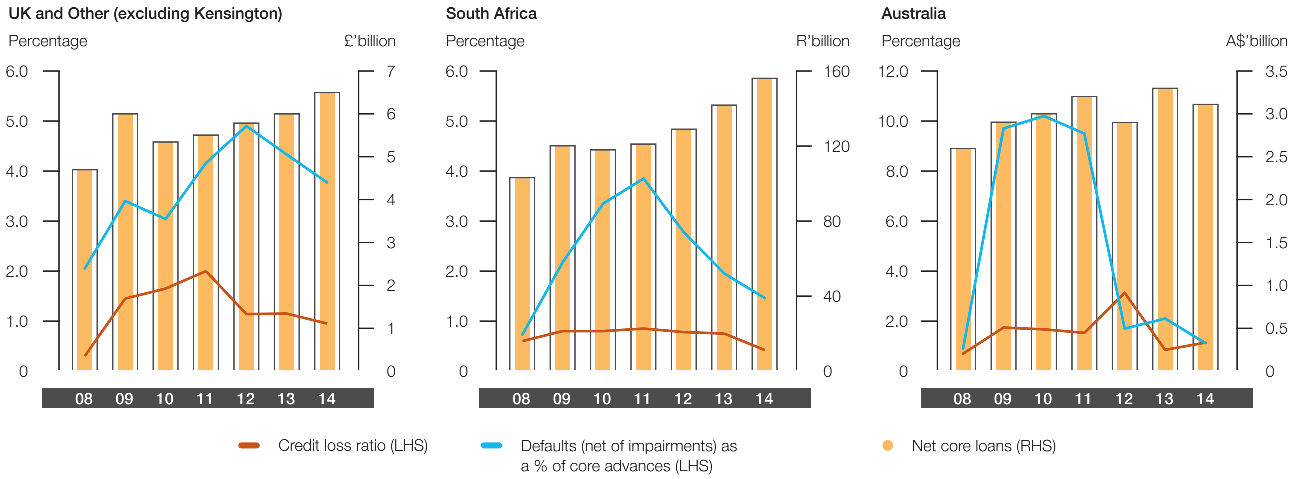
Australia					Total group				
Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Income statement impairments	Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Income statement impairments
99 922	14 458	10 587	(5 535)	(9 153)	4 561 569	486 335	338 123	(179 529)	(61 034)
39 545	5 196	3 195	(2 002)	(3 395)	3 517 938	175 880	131 017	(63 964)	(31 437)
33 188	5 196	3 195	(2 002)	(3 395)	3 078 639	97 298	86 976	(21 964)	(19 909)
3 285	–	–	–	–	201 202	21 016	11 243	(10 466)	(4 203)
3 072	–	–	–	–	238 097	57 566	32 798	(31 534)	(7 325)
60 377	9 262	7 392	(3 533)	(5 758)	1 043 631	310 455	207 106	(115 565)	(29 597)
330	193	78	(115)	(120)	327 937	39 537	30 023	(6 880)	(3 470)
46 149	–	–	–	(690)	499 140	153 473	98 558	(59 230)	(12 283)
13 898	9 069	7 314	(3 418)	(4 948)	216 554	117 445	78 525	(49 455)	(13 844)
1 278 060	9 339	19 128	(1 978)	(3 692)	6 833 818	88 447	105 608	(21 563)	(35 887)
16 964	–	–	–	–	3 615 195	40 033	52 764	(6 118)	(6 259)
60 591	4 391	15 581	(576)	(455)	1 944 126	42 131	48 728	(13 278)	(26 360)
1 200 505	4 948	3 547	(1 402)	(3 237)	1 274 497	6 283	4 116	(2 167)	(3 268)
363 184	6 869	4 537	(2 332)	(9 274)	6 026 543	83 897	55 536	(37 134)	(25 552)
78 358	6 024	3 800	(2 224)	(8 728)	1 438 595	47 641	39 636	(15 147)	(10 078)
–	–	–	–	–	339 307	6 039	3 121	(4 547)	(2 095)
–	–	–	–	–	277 771	–	–	–	–
92 629	–	–	–	–	2 057 470	6 848	3 585	(3 263)	706
103 872	845	737	(108)	(556)	1 183 275	10 677	6 192	(4 486)	(4 460)
85 086	845	737	(108)	(556)	807 730	8 694	2 720	(4 486)	(5123)
18 786	–	–	–	–	375 545	1 983	3 472	–	663
28 506	–	–	–	10	622 050	12 692	3 002	(9 691)	(9 625)
59 819	–	–	–	–	108 075	–	–	–	–
–	–	–	(1 392)	–	–	–	–	(26 337)	–
1 741 166	30 666	34 252	(11 237)	(22 119)	17 421 930	658 679	499 267	(264 563)	(122 473)

An analysis of core loans and advances by risk category at 31 March 2013

	UK and Other				Southern Africa			
£'000	Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Gross core loans	Gross defaults	Collateral	Balance sheet impairments
Lending collateralised by property	2 510 740	346 863	229 758	(144 949)	2 949 453	162 938	153 158	(54 784)
Commercial real estate	1 580 412	106 142	68 565	(51 624)	2 725 310	78 410	87 230	(22 213)
Commercial real estate – investment	1 360 655	41 903	36 911	(8 761)	2 420 481	66 980	77 354	(16 328)
Commercial real estate – development	86 692	14 805	8 276	(8 189)	154 615	971	537	(635)
Commercial vacant land and planning	133 065	49 434	23 378	(34 674)	150 214	10 459	9 339	(5 250)
Residential real estate	930 328	240 721	161 193	(93 325)	224 143	84 528	65 928	(32 571)
Residential real estate – investment	398 610	35 842	34 489	(8 529)	–	–	–	–
Residential real estate – development	399 586	134 205	82 452	(57 309)	80 999	7 166	5 722	(2 590)
Residential vacant land and planning	132 132	70 674	44 252	(27 487)	143 144	77 362	60 206	(29 981)
High net worth and other private client lending	1 032 619	31 748	44 993	(6 629)	4 148 836	69 264	83 071	(18 938)
Mortgages	598 644	1 587	945	(499)	2 693 085	49 326	58 439	(11 916)
High net worth and specialised lending	353 909	28 554	43 427	(5 144)	1 455 356	19 938	24 632	(7 022)
Professional finance	80 066	1 607	621	(986)	395	–	–	–
Corporate and other lending	2 677 267	59 418	31 738	(23 985)	3 163 578	57 267	41 759	(23 281)
Acquisition finance	757 001	21 098	9 166	(11 932)	1 087 778	29 228	22 678	(9 761)
Asset based lending	169 610	–	–	–	168 438	7 207	2 590	(4 857)
Fund finance	293 321	–	–	–	–	–	–	–
Other corporates and financial institutions and governments	240 727	6 006	–	(1 043)	1 329 096	12 361	7 157	(7 508)
Asset finance	772 902	21 120	15 809	(5 311)	237 846	–	–	(439)
Small ticket asset finance	504 458	7 745	3 093	(4 652)	72 374	–	–	–
Large ticket asset finance	268 444	13 375	12 716	(659)	165 472	–	–	(439)
Project finance	407 920	11 194	6 764	(5 699)	188 905	8 471	9 334	(717)
Resource finance	35 786	–	–	–	151 516	–	–	–
Total	6 220 626	438 029	306 490	(175 563)	10 261 868	289 469	277 988	(97 004)

Australia				Total group			
Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Gross core loans	Gross defaults	Collateral	Balance sheet impairments
223 125	39 692	27 765	(12 851)	5 683 318	549 493	410 681	(212 584)
137 053	17 831	10 264	(8 491)	4 442 775	202 383	166 059	(82 328)
133 049	17 831	10 264	(8 491)	3 914 185	126 714	124 529	(33 580)
212	–	–	–	241 519	15 776	8 813	(8 824)
3 792	–	–	–	287 071	59 893	32 717	(39 924)
86 072	21 861	17 501	(4 360)	1 240 543	347 110	244 622	(130 256)
1 888	1 350	1 350	–	400 498	37 192	35 839	(8 529)
49 645	–	–	–	530 230	141 371	88 174	(59 899)
34 539	20 511	16 151	(4 360)	309 815	168 547	120 609	(61 828)
1 405 697	7 835	6 259	(3 403)	6 587 152	108 847	134 323	(28 970)
9 262	–	–	–	3 300 991	50 913	59 384	(12 415)
77 101	3 542	3 022	(651)	1 886 366	52 034	71 081	(12 817)
1 319 334	4 293	3 237	(2 752)	1 399 795	5 900	3 858	(3 738)
593 851	17 166	15 807	(1 373)	6 434 696	133 851	89 304	(48 639)
203 945	17 083	15 710	(1 373)	2 048 724	67 409	47 554	(23 066)
–	–	–	–	338 048	7 207	2 590	(4 857)
49 578	–	–	–	342 899	–	–	–
150 323	–	–	–	1 720 146	18 367	7 157	(8 551)
56 221	58	58	–	1 066 969	21 178	15 867	(5 750)
34 609	58	58	–	611 441	7 803	3 151	(4 652)
21 612	–	–	–	455 528	13 375	12 716	(1 098)
85 369	–	–	–	682 194	19 665	16 098	(6 416)
48 415	25	39	–	235 717	25	39	–
2 222 673	64 693	49 831	(17 627)	18 705 167	792 191	634 309	(290 194)

Asset quality trends



Additional information

An analysis of gross core loans and advances to customers by country of exposure

31 March 2014
£17 422 million

Africa (excluding RSA)	1.3%
Asia	1.4%
Australia	12.3%
Europe (excluding UK)	6.7%
Europe (Non-EU)	2.6%
North America	2.4%
Other	0.5%
South Africa	46.7%
United Kingdom	26.1%

31 March 2013
£18 705 million

Africa (excluding RSA)	1.0%
Asia	1.2%
Australia	13.0%
Europe (excluding UK)	7.7%
Europe (Non-EU)	2.7%
North America	2.8%
Other	0.6%
South Africa	50.0%
United Kingdom	21.0%

Collateral

A summary of total collateral

£'000	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 31 March 2014			
Eligible financial collateral	1 885 055	1 633 349	3 518 404
Listed shares	1 704 372	867 147	2 571 519
Cash	180 683	379 391	560 074
Debt securities issued by sovereigns	–	386 811	386 811
Mortgage bonds	16 805 005	1 009 478	17 814 483
Residential mortgages	8 180 568	1 004 817	9 185 385
Residential development	636 555	184	636 739
Commercial property development	542 438	4 477	546 915
Commercial property investments	7 445 444	–	7 445 444
Other collateral	8 437 858	390 200	8 828 058
Unlisted shares	1 891 585	44 524	1 936 109
Bonds other than mortgage bonds	514 790	304 512	819 302
Debtors, stock and other corporate assets	3 387 248	–	3 387 248
Guarantees	1 184 016	8 958	1 192 974
Other	1 460 219	32 206	1 492 425
Total collateral	27 127 918	3 033 027	30 160 945
At 31 March 2013			
Eligible financial collateral	2 624 867	1 962 016	4 586 883
Listed shares	2 404 170	801 920	3 206 090
Cash	220 697	826 467	1 047 164
Debt securities issued by sovereigns	–	333 629	333 629
Mortgage bonds	17 057 263	1 256 547	18 313 810
Residential mortgages	7 354 156	1 254 825	8 608 981
Residential development	727 057	–	727 057
Commercial property development	935 353	1 722	937 075
Commercial property investments	8 040 697	–	8 040 697
Other collateral	9 623 664	115 057	9 738 721
Unlisted shares	1 315 037	–	1 315 037
Bonds other than mortgage bonds	536 544	33 782	570 326
Debtors, stock and other corporate assets	2 794 513	–	2 794 513
Guarantees	1 348 085	51 400	1 399 485
Credit derivatives	–	4 050	4 050
Other	3 629 485	25 825	3 655 310
Total collateral	29 305 794	3 333 620	32 639 414

* *A large percentage of these exposures (for example bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

Equity and investment risk in the banking book represents a moderate percentage of our total assets and is managed within appropriate risk limits

Equity and investment risk in the banking book

Equity and investment risk description

Equity and investment risk in the banking book arises primarily from the following activities conducted within the group:

- Principal Investments (Private Equity and Direct Investments): investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio with the intention to stimulate corporate activity. In South Africa, we also continue to pursue opportunities to help create and grow black-owned and controlled companies
- Lending transactions: the manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- Property Activities: we source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters
- Central Funding: in South Africa Central Funding is the custodian of certain equity and property investments, which have largely arisen from corporate acquisitions made, notably in the early 2000s.

Management of equity and investment risk

As equity and investment risk arise from a variety of activities conducted by us, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of equity and investment risk	Management of risk
Listed equities	Investment committee, market risk management and ERRF
Investment Banking Principal Finance investments	Investment committee, the Investec Bank Limited Direct Investments division investment committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees and ERRF
Investment and trading properties	Investment committee, Investec Property group investment committee in South Africa and ERRF
Central Funding investments	Investment committee and ERRF

Stress testing scenario analyses are performed regularly and reported to ERRF, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 27 and 28 in volume three and pages 60 to 66 in volume three for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 4.4% of total assets.

Refer to page 62 in volume three for further information.

The table below provides an analysis of income and revaluations recorded with respect to these investments.

For the year to 31 March 2014 £'000 Country/category	Income (pre-funding costs)				Fair value through equity
	Unrealised	Realised	Dividends	Total	
Unlisted investments	383	35 657	47 658	83 698	10 996
UK and Other	2 130	30 310	9 114	41 554	10 975
South Africa	(1 747)	5 421	38 538	42 212	–
Australia	–	(74)	6	(68)	21
Listed equities	2 724	7 432	1 603	11 759	(498)
UK and Other	(3 612)	6 504	395	3 287	(1 116)
South Africa	4 757	(354)	31	4 434	390
Australia	1 579	1 282	1 177	4 038	228
Investments and trading properties^	11 869	17 428	–	29 297	–
UK and Other	(1 084)	10 979	–	9 895	–
South Africa	16 129	6 928	–	23 057	–
Australia	(3 176)	(479)	–	(3 655)	–
Warrants, profit shares and other embedded derivatives	50 698	7 340	–	58 038	–
UK and Other	51 962	(200)	–	51 762	–
South Africa	(1 264)	7 540	–	6 276	–
Total	65 674	67 857	49 261	182 792	10 498

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 44.3%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

For the year to 31 March 2013* £'000 Country/category	Income (pre-funding costs) Unrealised	 Realised	 Dividends	 Total	Fair value through equity
Unlisted investments	13 603	36 901	13 747	64 251	(695)
UK and Europe	5 064	1 113	2 177	8 354	(2 620)
Southern Africa	9 043	35 771	11 570	56 384	1 925
Australia	(504)	17	–	(487)	–
Listed equities	(36 517)	13 256	1 064	(22 197)	(3 534)
UK and Europe	(6 639)	(196)	822	(6 013)	(4 774)
Southern Africa	(27 666)	13 405	2	(14 259)	–
Australia	(2 212)	47	240	(1 925)	1 240
Investment and trading properties^	(10 688)	59 888	–	49 200	–
UK and Europe	–	202	–	202	–
Southern Africa	(9 599)	59 438	–	49 839	–
Australia	(1 089)	248	–	(841)	–
Warrants, profit shares and other embedded derivatives	32 968	2 762	–	35 730	–
UK and Europe	29 821	–	–	29 821	–
Southern Africa	3 147	2 762	–	5 909	–
Australia	–	–	–	–	–
Total	(634)	112 807	14 811	126 984	(4 229)

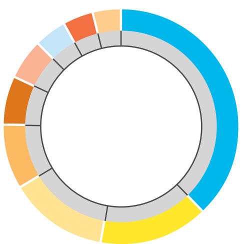
^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 50.0%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

* *Restated.*

Unrealised revaluation gains through profit and loss are included in tier 1 capital. In line with the Capital Requirements Regulation, for the period ended 31 March 2014, Investec plc will not be allowed to recognise equity revaluation gains that are posted directly to equity in regulatory capital. The 2013 comparatives have not been restated, and include revaluation gains of £7 million in tier 2 capital. Investec Limited continues to exclude revaluation gains posted directly to equity from their capital position.

Additional information

An analysis of the principal investment portfolio by industry of exposure



31 March 2014 (£1 003 million)

Manufacturing and commerce	37.9%
Finance and insurance	15.0%
Mining and resources	13.6%
Retailers and wholesalers	8.9%
Communication	6.7%
Real estate	5.5%
Agriculture	4.5%
Business services	4.1%
Other	3.8%

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

£'000 Country/category	On-balance sheet value of investments 2014	Valuation change stress test 2014*	On-balance sheet value of investments 2013^^	Valuation change stress test 2013*^^
Unlisted investments**	756 534	113 481	840 628	126 095
UK and Europe	273 937	41 091	297 191	44 579
Southern Africa	477 806	71 672	536 699	80 505
Australia	4 791	719	6 738	1 011
Listed equities**	110 848	27 711	88 265	22 066
UK and Europe	62 212	15 553	48 433	12 108
Southern Africa	46 979	11 744	35 040	8 760
Australia	1 657	414	4 792	1 198
Investment and trading properties^	477 711	55 181	571 067	82 563
UK and Europe	79 528	3 563	59 438	10 738
Southern Africa	375 652	47 112	440 028	57 505
Australia	22 531	4 506	71 601	14 320
Warrants, profit shares and other embedded derivatives	135 341	47 369	105 076	36 776
UK and Europe	111 573	39 051	72 187	25 265
Southern Africa	23 768	8 318	32 889	11 511
Total	1 480 434	243 742	1 605 036	267 500

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 44.3% in 2014 and 50.01% in 2013.*
^^ *Restated.*
** *Includes the investment portfolio and non-current assets classified as held for sale lines as per the balance sheet.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:*

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information at 31 March 2014, as reflected above we could have a £244 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel III capital requirements for Investec Limited unlisted and listed equities within the banking book are represented under the category of 'equity risk' and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. In terms of CRD IV capital requirements for Investec plc, unlisted and listed equities within the banking book are considered in the calculation of capital required for credit risk.

Refer to page 92 for further detail.

Securitisation/structured credit activities exposures

Overview

The group's definition of securitisation/credit investment activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Refer to page 23 for the balance sheet and credit risk classification.

The group applies the standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures at 31 March 2014 are not regarded as material, and therefore no further information is disclosed for these exposures.

The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been curtailed given the current economic climate.

UK and Other

The bank plays an originator role in the securitisation of assets it has originated. To date these have largely been traditional securitisations of residential mortgages. For regulatory purposes, special purpose entities (SPEs) are not consolidated where significant risk in the SPEs has been transferred to third parties. The positions we continue to hold in the securitisation will be either risk-weighted and/or deducted from capital. Historically, we also assisted in and, on occasion, acted as sponsor in the development of select securitisation platforms with external third party originating intermediaries, providing limited warehouse funding lines to these intermediaries.

The bank has a portfolio of residential mortgages amounting to approximately £303 million, which could be earmarked for securitisation and are included in the numbers as presented on page 50.

The bank has no securitisations backed by revolving exposures.

Fitch Ratings, Moody's, S&P and DBRS have been involved in rating these abovementioned transactions.

During the year we undertook two securitisation transactions. Temese Funding 1 Plc, a £270 million securitisation of finance lease receivables closed in November 2013; 95% of the £228 million A note (AAA rated by S&P/Fitch (sf)), the £16 million B note (AAsf) and £11 million C note (Asf) were sold externally with 5% retained. The whole of the BBB Rated D note (£9 million) and the unrated residual interest (£6 million) was retained. RMS27 is a £398 million securitisation of seasoned UK non-conforming residential mortgages which closed in October 2013. There were A notes issued of £272 million (AAA by S&P and Fitch), B notes of £110 million (unrated) and C notes £17 million (unrated), all of which were retained by Investec Bank plc. For regulatory purposes, the group continues to recognise these assets in the consolidated regulatory balance sheet. The group therefore does not apply the securitisation rules to the above originated transactions when calculating risk-weighted assets.

We have also purchased rated structured credit instruments (including resecuritisation exposures). These exposures are largely in the UK and amount to £348 million at 31 March 2014 (31 March 2013: £422 million). This is intended as a hold to maturity profile rather than a trading portfolio. Therefore, since our commercial intention is to hold the assets to maturity, the portfolio will be valued on an amortised cost basis. These investments are risk-weighted for regulatory capital purposes.

We retain residual net exposures amounting to £927 million to the assets originated, warehoused and securitised by Kensington.

Further information is provided on pages 52 to 55.

This portfolio is risk-weighted for regulatory purposes.

South Africa

In South Africa, our securitisation business was established over 10 years ago. Over this time, we have arranged a number of residential and commercial mortgage-backed programmes, asset-backed commercial paper conduits (ABCP), and third party securitisations.

Historically, we have also assisted in the development of select securitisation platforms with external third party originating intermediaries. Our exposure to these platforms has reduced and been sold down over the last few years and at present we have a single limited warehouse funding line to one platform.

Furthermore, we are sponsor to and provide a standby liquidity facility to Grayston Conduit 1 (RF) Limited Series 1, Series 2 and Private Mortgages 1. These facilities, which totalled R1.3 billion at 31 March 2014 (31 March 2013: R1.1 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis.

Refer to pages 50 and 51.

These exposures are risk-weighted for regulatory capital purposes. The liquidity risk associated with these facilities is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also sought out select opportunities in the credit/debt markets and traded and purchased in structured credit. These have largely been rated instruments within the UK and Europe, totalling R3.5 billion at 31 March 2014 (31 March 2013: R3.3 billion). These investments are risk-weighted for regulatory capital purposes.

In addition, we have own originated, securitised assets in our Private Client business in South Africa. The primary motivations for the securitisation of assets within our Private Client division are to:

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

Total assets that have been originated and securitised by the Private Client division amount to R7.5 billion at 31 March 2014 (31 March 2013: R6.1 billion) and consist of residential mortgages (R7.5 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R20.6 million and loans less than 90 days in arrears amounted to R5.7 million. During June 2013, Private Residential Mortgages (RF) Limited – Series 2 (PRM2) refinanced for approximately R0.83 billion with the full R3.46 billion having a scheduled maturity date in June 2014. Private Residential Mortgages (PRF) Limited – Series 1 (PRM1) was refinanced internally for R2.0 billion in February 2014.

During the year we arranged two new Investec Private Client originated residential mortgage securitisation transactions, namely, Fox Street 1 (RF) Limited (FS1 for R1.47 billion), and Fox Street 2 (RF) Limited (FS2 for R1.47 billion). These two RMBS transactions were structured as amortising transactions. We wound down series 4 of our ABCP Grayston Conduit 1 (RF) Limited (GC4).

The PRM2 securitisation structure is rated by Moody's. FS1 and FS2 are rated by Fitch. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for regulatory capital purposes. The group has retained an investment in all of these transactions. In terms of current securitisation rules, the group cannot act as liquidity provider to these transactions, and thus the liquidity provider role is fulfilled by other local banks, or as is the case with FS1 and FS2, the special purpose entity has an internal liquidity reserve that has been funded. Credit mitigants have not been used in these transactions. An exemption notice in terms of securitisation rules has been applied for in relation to all the transactions.

For regulatory capital purposes, the majority of these transactions are treated as deductions against capital. The group has no resecuritisation exposures in South Africa.

Australia

As is the case in the South African Private Client division, assets originated by the professional finance business in Australia have been securitised. These amount to A$805 million (31 March 2013: A$715 million). Within these securitisation vehicles loans greater than 90 days in arrears amounted to A$0.7 million and loans less than 90 days in arrears amounted to A$1.5 million.

During the year the Impala Trust No 1 (Sub series 2013-1), an A$278 million asset-backed securitisation was launched in September 2013. The loans securitised were mainly motor vehicles, equipment finance leases, commercial hire purchase agreements, and practice loans offered to medical and accounting professionals. All notes on offer were sold and oversubscribed.

Where applicable these securitisation structures have been rated by S&P. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for local regulatory capital purposes. The group has retained an investment in all of these transactions. For local regulatory capital purposes, the majority of the positions retained in the securitisation will be treated as capital deductions. The group has no resecuritisation exposures in Australia.

The bank has also purchased in select rated instruments in Australia residential mortgage-backed transactions, totalling A$15 million at 31 March 2014 (31 March 2013: A$22 million). These investments are risk-weighted for regulatory capital purposes.

Accounting policies

Refer to page 27 in Volume 3.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with final approval typically required from the group's global credit committee. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes, since the bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the group's appetite for such exposures, and each exposure is considered relative to the group's overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the group prefers to address and manage these risks by only approving exposures to which the group has explicit appetite through the constant and consistent application of the risk appetite policy.

In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 48.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.
In addition, assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities.

At 31 March Nature of exposure/activity	Exposure 2014 £'million	Exposure 2013 £'million	Internal balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit*	656	773	Other debt securities and other loans and advances	
Rated	556	675		
Unrated	100	98		
Kensington – mortgage assets: (net exposure)	927	848	Other securitised assets and other loans and advances. We are required to fully consolidate assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under 'no credit exposures'	Refer to pages 52 to 55.
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised)	334	452	Other loans and advances	
Private Client division assets which have been securitised	876	930	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 31.
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	74	80	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank	

* *Analysed further on page 51.*

*Analysis of rated and unrated structured credit

At 31 March £'million	2014			2013		
	Rated**	Unrated	Total	Rated	Unrated	Total
US corporate loans	16	–	16	20	2	22
UK and European ABS	3	7	10	3	7	10
UK and European RMBS	419	73	492	522	57	579
UK and European CMBS	7	4	11	21	4	25
UK and European corporate loans	68	16	84	66	28	94
South African RMBS	4	–	4	–	–	–
South African CMBS	9	–	9	–	–	–
Australian RMBS	30	–	30	43	–	43
Total	556	100	656	675	98	773
Investec plc	356	84	440	438	69	507
Investec Limited	200	16	216	237	29	266

**Further analysis of rated structured credit at 31 March 2014

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–	11	5	–	–	16
UK and European ABS	–	–	–	3	–	–	–	3
UK and European RMBS	92	85	80	107	32	2	21	419
UK and European CMBS	–	–	–	7	–	–	–	7
UK and European corporate loans	25	24	14	5	–	–	–	68
South African RMBS	–	4	–	–	–	–	–	4
South African CMBS	–	9	–	–	–	–	–	9
Australian RMBS	8	13	–	9	–	–	–	30
Total at 31 March 2014	125	135	94	142	37	2	21	556
Investec plc	125	79	46	61	22	2	21	356
Investec Limited	–	56	48	81	15	–	–	200
Total at 31 March 2013	160	120	154	120	67	30	24	675

Kensington – salient features

At 31 March 2014	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 188	1 811	2 999	
IFRS adjustments and cash in securitised vehicles (£'million)	(103)	361	258	
Mortgage assets under management (£'million)	1 291	1 450	2 741	
First charge % of total mortgage assets under management	95.0%	94.1%	94.5%	
Second charge % of total mortgage assets under management	5.0%	5.9%	5.5%	
Number of accounts	11 406	17 566	28 972	
Average loan balance (first charge) (£)	143 321	101 990	118 102	
Largest loan balance (£)	1 165 878	1 116 362	1 165 878	
Weighted average loan mature margin (%)	4.2%	5.0%	4.6%	
Product mix (pre-IFRS adjustments) (£'million)	1 291	1 450	2 741	100.0%
Prime	4	–	4	0.1%
Near prime	389	312	701	25.6%
Prime buy to let	1	–	1	0.0%
Adverse	271	1 055	1 326	48.4%
Adverse buy to let and right to buy	48	83	131	4.8%
Start – Irish operations	578	–	578	21.1%
Geographic distribution (£'million)	1 291	1 450	2 741	100.0%
UK – North	214	470	684	25.0%
UK – South West	53	100	153	5.6%
UK – South East	157	302	459	16.7%
Outer London	116	185	301	11.0%
Inner London	54	98	152	5.5%
Midlands	119	295	414	15.1%
Start – Irish operations	578	–	578	21.1%
Spread of value of properties (%)	100.0%	100.0%	100.0%	
>£500 000	3.2%	0.9%	1.8%	
>£250 000 <=£500 000	23.6%	9.9%	15.3%	
>£200 000 <=£250 000	17.5%	11.7%	14.0%	
>£150 000 <=£200 000	20.3%	20.0%	20.1%	
>£100 000 <=£150 000	22.6%	30.8%	27.6%	
>£70 000 <=£100 000	10.8%	20.6%	16.8%	
>£50 000 <=£70 000	1.6%	5.0%	3.7%	
<£50 000	0.4%	1.1%	0.7%	
Asset quality statistics				
Weighted average current LTV of portfolio (adjusted for house price*)	104.9%	74.0%	88.5%	

* *Impairment provision is based on house price index assumptions of:*
UK: impairment assumes zero house price increase over the next five years and a -20% haircut for forced sale discount when repossessed properties are sold.
Ireland: Peak to trough decline of 53%, including calendar year: house price decline assumption of 6% for 2013, and house price decline/growth assumption of -10.3%, 2%, 3%, 3% per annum respectively for the period 2014 – 2017, and an additional forced sale discount of -5%.

Kensington – salient features (continued)

At 31 March 2014	Warehouse book	Securitised portfolio	Total	% of total
LTV spread - % of book	100.0%	100.0%	100.0%	
<= 65%	14.6%	30.4%	24.1%	
>65% – <70%	3.7%	8.4%	6.5%	
>70% – <75%	4.5%	9.4%	7.4%	
>75% – <80%	5.6%	11.0%	8.9%	
>80% – <85%	6.1%	11.0%	9.1%	
>85% – <90%	8.1%	8.3%	8.2%	
>90% – <95%	7.5%	6.8%	7.1%	
>95% – <100%	6.1%	5.4%	5.7%	
> 100%	43.8%	9.3%	23.0%	
% of accounts > 90 days in arrears	31.0%	21.2%	25.1%	
Number of accounts > 90 in arrears	3 539	3 723	7 262	
Total capital lent in arrears (£'million)	634	551	1 185	100.0%
Arrears 1 – 60 days	58	116	174	14.6%
Arrears 61 – 90 days	40	76	116	9.8%
Arrears >90 days	499	342	841	71.0%
Possession	37	17	54	4.6%
Debt to income ratio of clients (%)	19.5%	18.4%	18.9%	
Investec investment/exposure to assets reflected above (£'million)	1 081	26	1 107	
On balance sheet provision (£'million)			(180)	
Investec net investment/exposure to assets reflected above (£'million)			927	

Kensington – salient features

At 31 March 2013	Warehouse book	Securitised portfolio	Total	% of total
Assets and business activity statistics				
Mortgage assets under management (£'million)	1 306	2 028	3 334	
IFRS adjustments and cash in securitised vehicles (£'million)	(88)	382	294	
Mortgage assets under management (£'million)	1 394	1 646	3 040	
First charge % of total mortgage assets under management	94.6%	93.8%	94.2%	
Second charge % of total mortgage assets under management	5.4%	6.2%	5.8%	
Number of accounts	12 303	19 491	31 794	
Average loan balance (first charge) (£)	144 116	104 685	119 778	
Largest loan balance (£)	1 150 440	1 250 370	1 250 370	
Weighted average loan mature margin (%)	4.3%	5.0%	4.7%	
Product mix (pre-IFRS adjustments) (£'million)	1 394	1 646	3 040	100.0%
Prime	4	–	4	0.1%
Near prime	434	342	776	25.5%
Prime buy to let	1	–	1	0.0%
Adverse	313	1 211	1 524	50.2%
Adverse buy to let and right to buy	53	93	146	4.8%
Start – Irish operations	589	–	589	19.4%
Geographic distribution (£'million)	1 394	1 646	3 040	100.0%
UK – North	242	535	777	25.5%
UK – South West	60	112	172	5.6%
UK – South East	177	339	516	17.0%
Outer London	131	209	340	11.2%
Inner London	63	113	176	5.8%
Midlands	132	338	470	15.5%
Start – Irish operations	589	–	589	19.4%
Spread of value of properties (%)	100.0%	100.0%	100.0%	
>£500 000	3.6%	1.0%	2.0%	
>£250 000 <=£500 000	24.0%	10.0%	15.4%	
>£200 000 <=£250 000	16.6%	11.6%	13.5%	
>£150 000 <=£200 000	20.3%	20.0%	20.1%	
>£100 000 <=£150 000	22.7%	30.8%	27.6%	
>£70 000 <=£100 000	10.8%	20.5%	16.8%	
>£50 000 <=£70 000	1.6%	5.1%	3.8%	
<£50 000	0.4%	1.0%	0.8%	
Asset quality statistics				
Weighted average current LTV of portfolio (adjusted for house price*)	108.9%	77.9%	92.1%	

* *Impairment provision is based on house price index assumptions of:*
UK: impairment assumes zero house price increase over the next five years and a -20% haircut for forced sale discount when repossessed properties are sold.
Ireland: Peak to trough decline of 53%, including calendar year: house price decline assumption of -4.2% for 2012, and house price decline/growth assumption of -4.9%, 0%, 2%, 3% per annum respectively for the period 2013 – 2016, and an additional forced sale discount of -5%. In addition to the modelled impairment, management have provided a further impairment amount, reflecting management judgement around uncertainties in the local market and positioning relative to peers.

Kensington – salient features (continued)

At 31 March 2013	Warehouse book	Securitised portfolio	Total	% of total
LTV spread – % of book	100.0%	100.0%	100.0%	
<= 65%	11.9%	24.6%	19.6%	
>65% – <70%	3.2%	6.9%	5.4%	
>70% – <75%	3.7%	8.8%	6.8%	
>75% – <80%	4.4%	9.5%	7.5%	
>80% – <85%	5.9%	11.6%	9.4%	
>85% – <90%	6.6%	11.0%	9.3%	
>90% – <95%	8.5%	8.3%	8.4%	
>95% – <100%	8.1%	6.7%	7.1%	
> 100%	47.7%	12.6%	26.5%	
% of accounts > 90 days in arrears	35.8%	25.8%	29.7%	
Number of accounts > 90 days in arrears	4 406	5 024	9 430	
Total capital lent in arrears (£'million)	753	694	1 447	100.0%
Arrears 1 – 60 days	71	123	194	13.4%
Arrears 61 – 90 days	45	89	134	9.3%
Arrears >90 days	595	447	1 042	72.0%
Possession	42	35	77	5.3%
Debt to income ratio of clients (%)	19.7%	18.5%	19.1%	
Investec investment/exposure to assets reflected above (£'million)	1 008	22	1 030	
On-balance sheet provision (£'million)			(182)	
Investec net investment/exposure to assets reflected above (£'million)			848	

Market risk in the trading book

Traded market risk description

Traded 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 from 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 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 primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded 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 ERRF in accordance with the risk appetite defined by the board. Limits are reviewed at least annually or in the event of a significant market event (e.g. 11 September 2001) or at the discretion of senior management.

Management and measurement of traded market risk

Market Risk Management teams review the market risks on our books. 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 a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. New instruments or products are independently validated before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. 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 Management 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 market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR, expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily 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. Included in our scenario analysis are for example the following October 1987 (Black Monday), 11 September 2001 and the December Rand crisis in 2001. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

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 hypothetical (clean) 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.

In South Africa, we have internal model approval from the SARB and so trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day stressed VaR (sVaR). Backtesting results and a detailed stress-testing pack are submitted to the regulator on a monthly basis. In the UK, the market risk capital requirement is measured using an internal risk management model, approved by the PRA, for netting certain parts of the portfolio, whilst the capital requirements of the whole portfolio are calculated using standard rules.

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

VaR

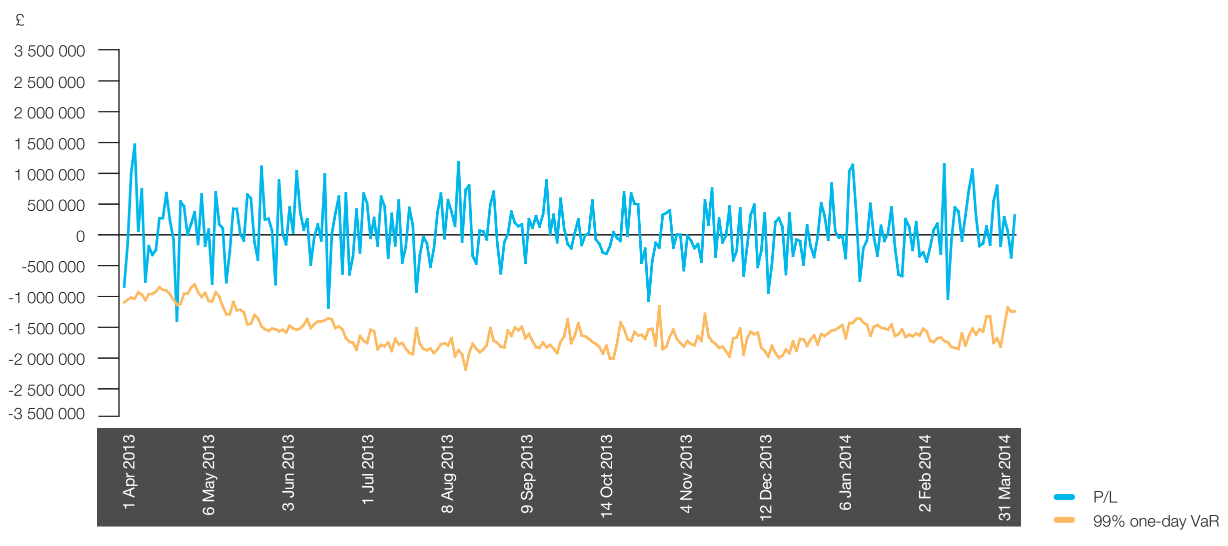
	31 March 2014				31 March 2013			
	Year end	Average	High	Low	Year end	Average	High	Low
UK and Other (using 95% VaR)								
Equities (£'000)	751	908	1 596	467	663	793	1 557	391
Foreign exchange (£'000)	9	15	73	2	11	25	82	5
Interest rates (£'000)	299	412	602	204	426	386	513	265
Consolidated (£'000)*	852	1 055	1 496	522	720	855	1 548	455
South Africa – Limited (using 95% VaR)								
Commodities (R'million)	0.5	0.1	0.5	–	–	0.1	0.6	–
Equities (R'million)	1.7	4.3	8.9	0.5	6.1	3.1	7.5	1.0
Foreign exchange (R'million)	1.9	2.5	7.2	1.1	3.4	2.1	6.0	0.4
Interest rates (R'million)	1.3	2.2	6.0	0.7	1.1	2.4	7.2	0.9
Consolidated (R'million)*	2.8	5.3	9.3	1.7	7.2	4.9	10.9	2.3
Australia (using 95% VaR)								
Commodities (A$'000)	–	–	–	–	0.4	–	2.9	–
Foreign exchange (A$'000)	6.8	64.3	279.3	1.2	21.4	34.0	135.5	1.2
Interest rates (A$'000)	46.8	46.6	161.0	13.0	90.4	34.4	130.4	12.0
Consolidated (A$'000)*	45.6	83.5	277.1	16.5	96.9	52.6	149.3	12.2

* *The consolidated VaR for each desk and each entity at year end is lower than the sum of the individual VaRs. This arises from the consolidation offset between various asset classes (diversification).*

UK and Other

The average VaR utilisation was higher than in 2013, as a result of a slight increase in trading activity across all trading businesses. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception over the year at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is less than expected at the 99% level and is largely due to a reduction in market volatility over the past year.

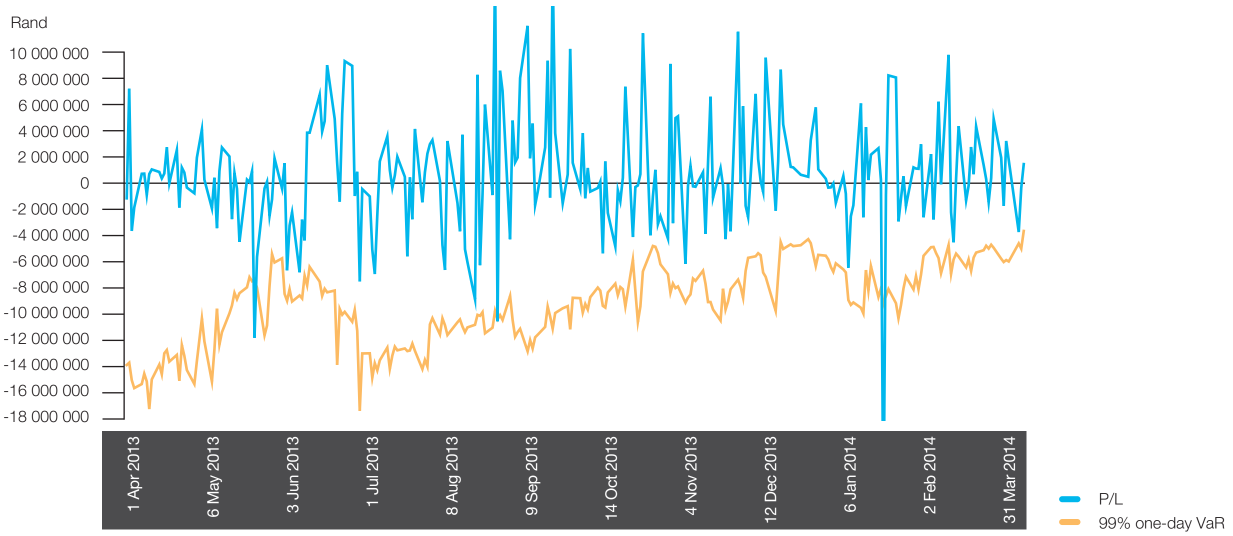
99% one-day VaR backtesting



South Africa

VaR for 2014 in the South African trading book was lower than for 2013, this was due to reducing the risk profile in uncertain markets. Using hypothetical (clean) profit and loss data for backtesting resulted in three exceptions (as shown in the graph below), which is in line with the number of exceptions that a 99% VaR implies. The exceptions were due to normal trading losses, the loss in January was due to a surprise rate hike. Using actual profit and loss resulted in two exceptions which is in line with expectations.

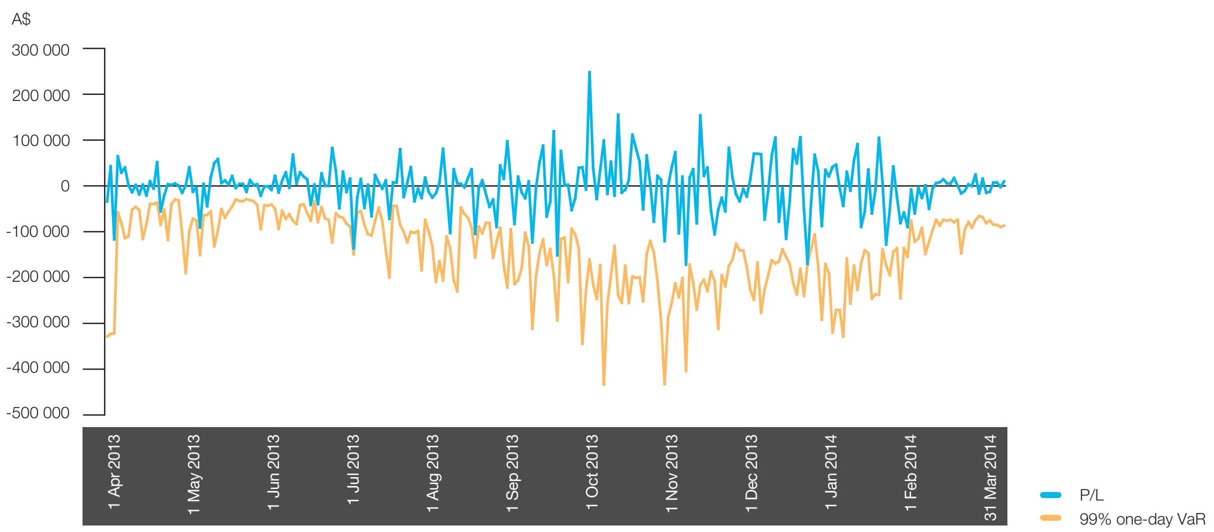
99% one-day VaR backtesting



Australia

Average VaR utilisation for 2014 was higher than levels experienced in 2013 as a result of increased trading activity, but remains modest relative to risk appetite. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception over the year, i.e. where the loss was greater than the 99% one-day VaR. This is less than the expected number of exceptions at the 99% level. The exception was a result of a daily loss in foreign exchange positions, primarily due to a large movement in the AUD/USD exchange rate.

99% one-day VaR backtesting



Risk and Basel Pillar III disclosures
01

ETL

	UK and Other 95% (one-day) £'000	Australia 95% (one-day) A$'000	South Africa 95% (one-day) R'million
31 March 2014			
Commodities	–	–	0.5
Equities	1 108	–	2.7
Foreign exchange	13	8.4	2.7
Interest rates	481	72.7	1.9
Consolidated*	1 202	72.6	4.0
31 March 2013			
Commodities	–	1.1	–
Equities	877	–	9.3
Foreign exchange	20	29.2	4.6
Interest rates	635	202.3	2.6
Consolidated*	976	207.7	10.5

* *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 various asset classes.*

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.

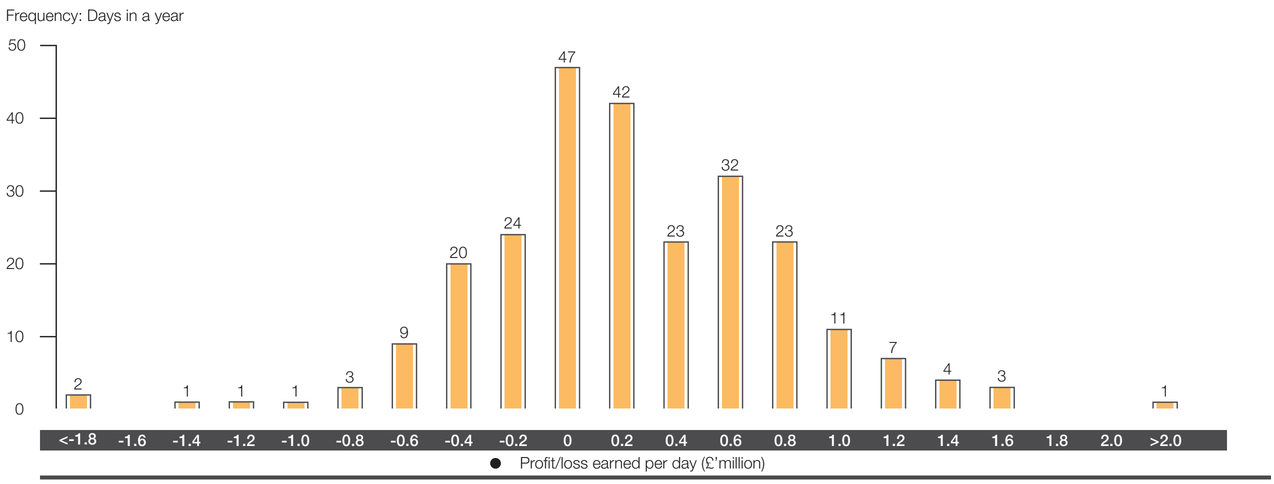
	31 March 2014				31 March 2013
	Year end	Average	High	Low	Year end
UK and Other (using 99% EVT)					
Equities (£'000)	3 844	2 330	4 390	1 454	1 554
Foreign exchange (£'000)	24	30	140	6	45
Interest rates (£'000)	1 457	1 420	2 126	958	1 820
Consolidated (£'000)	3 439	2 557	4 318	1 668	1 813
South Africa – Limited (using 99% EVT)					
Commodities (R'million)	1.6	0.6	2.9	–	–
Equities (R'million)	6.8	20.4	46.0	3.7	41.2
Foreign exchange (R'million)	12.9	10.7	22.6	5.3	13.7
Interest rates (R'million)	6.6	27.7	74.1	5.4	23.9
Consolidated (R'million)	16.0	29.8	65.0	9.0	45.4
Australia (using 99% EVT)					
Commodities (A$'000)	–	–	–	–	4.0
Foreign exchange (A$'000)	12.4	167.9	692.7	3.3	75.0
Interest rates (A$'000)	140.3	171.5	908.1	40.6	455.9
Consolidated (A$'000)	137.7	232.4	682.2	58.3	434.8

Profit and loss histograms

UK and Other

The histogram below illustrates the distribution of revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 146 days out of a total of 254 days in the trading business. The average daily trading revenue generated for the year to 31 March 2014 was £132 949 (2013: £102 733).

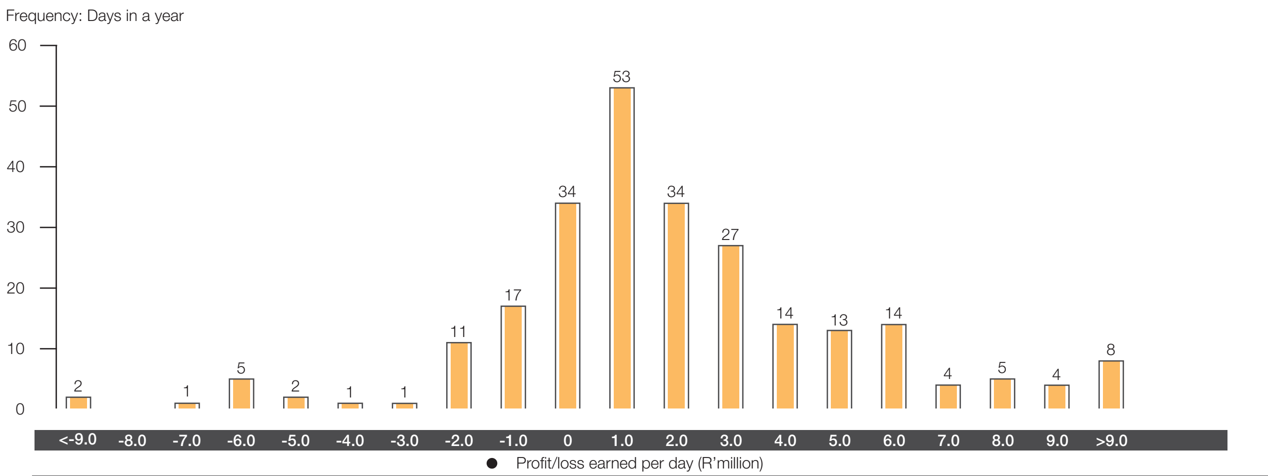
Profit and loss



South Africa

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 176 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year to 31 March 2014 was R1.4 million (2013: R1.3 million).

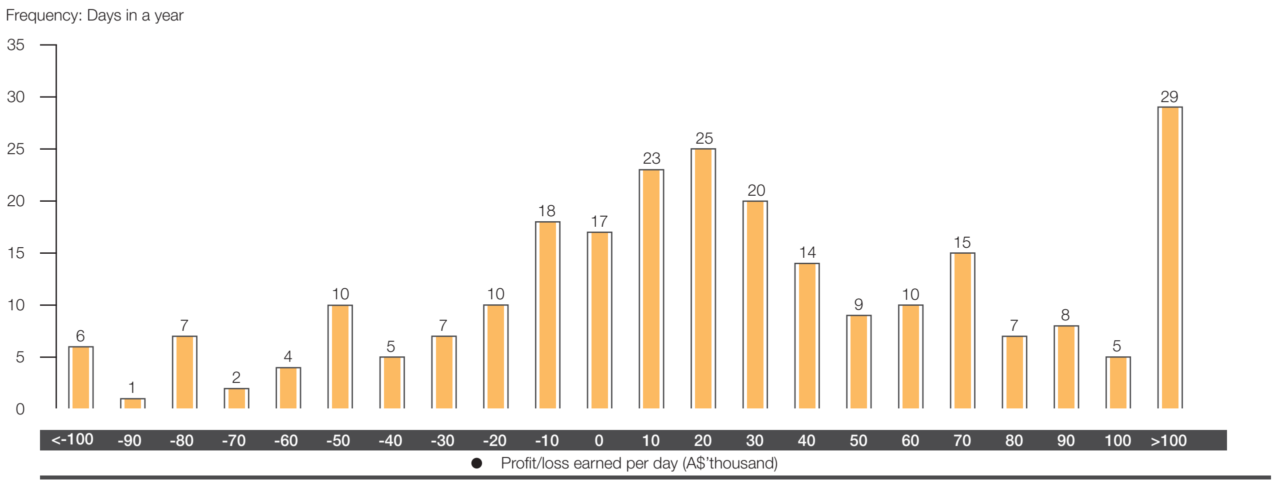
Profit and loss



Australia

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The graph shows that positive trading revenue was realised on 165 days out of a total of 252 days in the trading business. The average daily trading revenue generated for the year to 31 March 2014 was A$43 715 (2013: profit of A$17 157).

Profit and loss



Traded market risk mitigation

The market risk management team has a reporting line that is separate from the trading function, 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 reconciled 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 our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 510 days of unweighted data), where every 'risk factor' is exposed to daily moves over the past two years. 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.

It is risk policy that any significant open position in a foreign currency is held in the trading book. These positions are managed within approved limits and monitored within VaR models.

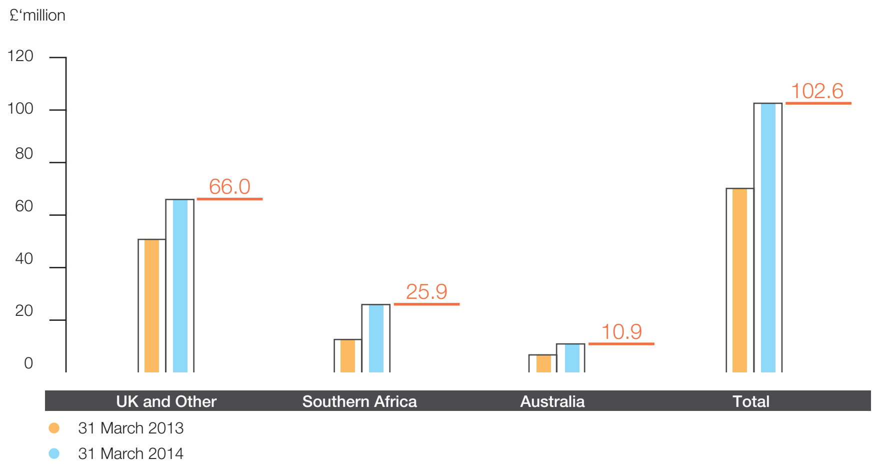
Traded market risk year in review

Market moves in South Africa have been largely driven by events in international markets. Uncertain markets as well as the drop in volumes of trade has caused traders to reduce risks in their trading books. In particular Equity Index derivatives trade saw a substantial drop in volumes causing traders to drastically cut the amount of risk taken in these instruments.

In London, there has been ongoing growth in client activity across the Interest Rate and Foreign Exchange Corporate Sales desks. The Structured Equity desk's retail product sales have remained strong and they continue to develop both their product range and distribution capacity. Equity market making has continued to expand its coverage of stocks.

Australian trading activity remains modest, with limited appetite for traded market risk exposures. Client activity continues to increase on the back of improved deal activity and a broader product offering.

Revenue arising from customer flow trading activities within our Specialist Banking division



Market risk – derivatives

We enter into 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 60 to 70 in volume three.

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 independent monitoring and prudential management of the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, non-trading interest rate and foreign exchange risks on balance sheet.

Balance sheet risk governance structure and risk mitigation

Under delegated authority of the board, the group has established asset and liability management committees (ALCOs) within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within a board-approved risk appetite.

The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

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. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

The group's liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities. Geographic entities have no responsibility for contributing to group liquidity.

The ALCOs typically comprise the managing director, the head of risk, the head of corporate and institutional banking activities, economists, divisional heads, the Balance Sheet Risk Management team, the treasurer, business heads, and any appropriate coopted personnel. The ALCOs formally meet on a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The central treasury function within each region is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis. The treasurers are required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The central treasury, by core geography, directs pricing for all deposit products (including deposit products offered to the private clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing for a controlled and flexible response to volatile market conditions. The central treasury functions are the sole interface to the wholesale market for both cash and derivative transactions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of short-term and long-term liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management, thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

The Balance Sheet Risk Management team, based within Group Risk Management, independently identifies, quantifies and monitors risks, providing daily independent governance and oversight of the treasury activities and the execution of the bank's policy, continuously assessing the risks whilst taking changes in market conditions into account. In carrying out its duties the Balance Sheet Risk Management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting, and further performs scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework. The Balance Sheet Risk Management team proactively identifies proposed regulatory developments, best risk practice, and measures adopted in the broader market, and implements changes to the bank's risk management and governance framework where relevant.

Scenario modelling and rigorous daily liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios. These assume the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted.

The parameters used in the scenarios are reviewed regularly, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of economic event risk on cash flows, liquidity, profitability and solvency position, so as to maintain sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite.

The integrated balance sheet risk management framework is based on similar methodologies to those contemplated under the Basel Committee on Banking Supervision's (BCBS) 'liquidity risk measurement standards and monitoring'. It is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk in the banking book'. The BCBS announced that they propose to both strengthen and harmonise global liquidity standards and plan to introduce two new liquidity standards. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are due to be implemented by 2015 and 2018, respectively. The BCBS published the final calibration of the LCR in January 2013 to be phased in from 2015 and a second consultation paper, the NSFR was published in January 2014.

Each banking entity within the group maintains a contingency funding plan designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions and pave the way for the group to emerge from a potential funding crisis with the best possible reputation and financial condition for continuing operations. The liquidity contingency plans outline extensive early warning indicators, clear lines of communication, and decisive crisis response strategies.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by the independent audit committees.

The group operates an industry-recognised third party risk modeling system in addition to custom-built MIS systems designed to identify, measure, manage and monitor liquidity risk on both a current and forward-looking basis. The system is reconciled to the bank's general ledger and audited by Internal Audit thereby ensuring integrity of the process.

Daily, weekly and monthly reports are independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the central treasury function, ERRF, BRCC and the board.

Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate.

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected adverse movements 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:

- Repricing risk: arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- Yield curve risk: repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk: arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Embedded option risk: we are not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk
- Endowment risk: refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services. The group considers the management of banking margin of vital importance, and our core non-trading interest rate risk philosophy is reflected in day-to-day practices which encompass the following:

- The group complies with the BCBS framework for assessing banking book (non-trading) interest rate risk
- The management of interest rate risk in the banking book is centralised within the central treasury function and treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios
- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- The non-trading interest rate risk appetite has been set based on the loss under a worst-case 200bp parallel shock as a percentage of capital. This level applies to both earnings risk and economic value risk
- Internal capital is allocated for non-trading interest rate risk
- The non-trading interest rate risk policy dictates that long-term non-trading interest rate risk is materially eliminated. In accordance with the policy the bank swaps its fixed deposits and loans into variable rate in the wholesale market via interest rate swaps
- Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and ALCO
- It is the responsibility of the liability product and pricing forum, a sub-committee of ALCO, to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance, ensuring that both standard and non-standard deposit products, particularly those designed for the Private Banking customers, both match market curves and can be hedged if necessary
- Pricing for all deposit products (including deposit products offered to the private clients) is set centrally, in so doing we manage access to funding at cost-effective levels, considering also the stressed liquidity value of the liabilities
- Balance Sheet Risk Management independently measures and analyses both traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent ALCO review
- Treasury is the primary interface to the wholesale market
- We carry out technical interest rate analysis and economic review of fundamental developments by geography and global trends.

Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors. We detail the sources of interest rate exposure, whether repricing risk, yield curve risk, basis risk or embedded option risk. This is performed for a variety of interest rate scenarios, covering:

- Interest rate expectations and perceived risks to the central view (house views)
- Standard shocks to levels and shapes of interest rates and yield curves
- Historically-based yield curve changes.

This is consistent with the standardised interest rate measurement recommended by the Basel framework for assessing interest rate risk in the banking book (non-trading interest rate risk).

The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk appetite and ensure a high degree of net interest margin stability over an interest rate cycle. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings to changes to interest rates calculated off the repricing gap. This allows for the detection of interest rate risk by concentration of repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, whilst economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape, after taking global trends into account.

These combinations of measures provide senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value.

Our risk appetite policy requires that interest rate risk arising from fixed interest loans risk is transferred from the originating business to the central treasury function by match-funding. In turn, Treasury hedges material fixed rate assets with a term of more than one year on a deal-by-deal basis with the use of variable versus fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury also hedges all fixed rate deposits with a term of more than one year to variable rate. These derivative hedging trades are executed with the bank's Interest Rate trading desk. Limits exist to ensure there is no undesired risk retained within any business or product area.

Operationally, non-trading interest rate risk is transferred within pre-defined guidelines from the originating business to the central treasury function and aggregated or netted providing central treasury with a holistic view of the exposure. Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions which transfer the risk into the trading books within the Corporate and Institutional Banking division to be traded with the external market. The treasury mandate allows for a tactical response to market opportunities which may arise during changing interest rate cycles. Any resultant interest rate position is managed under the market risk limits.

Investec has a relatively small endowment risk due to paying market rates on all deposits, compared to banks with significant low or non-interest-bearing current and cheque accounts. Endowment risk due to free funding, comprising mainly ordinary share capital and reserves, is managed passively, with the focus on measuring and monitoring. The endowment risk is included within our non-trading interest rate risk measures.

The Basel Financial Market Committee has indicated that after completing and embedding the current reforms (covering capital, leverage and liquidity), the capital framework for interest rate risk on the banking book will be revisited. In part this is due to the increase in the quantum of high quality liquid assets (HQLA) banks will need to hold in meeting the new liquidity ratios and the potential increase in interest rate risk thereon.

The expectation is that Basel will produce consultation documents in the next year on minimum standards for interest rate risk measurement in the banking book. The December 2013 Basel QIS document has called for information used to measure interest rate exposure.

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

UK and Other – interest rate sensitivity at 31 March 2014

£'million	Not > three months	> three months but < six months	> six months but < one year	> one Year but < five years	> five years	Non-rate	Total non-trading
Cash and short-term funds – banks	3 294	–	–	–	–	147	3 441
Investment/trading assets	1 235	55	54	325	593	600	2 862
Securitised assets	2 655	141	2	–	–	–	2 798
Advances	5 979	552	527	941	164	1	8 164
Other assets	11	4	3	1	–	1 843	1 862
Assets	13 174	752	586	1 267	757	2 591	19 127
Deposits – banks	(1 484)	(73)	(22)	(13)	–	(12)	(1 604)
Deposits – retail	(7 714)	(702)	(571)	(418)	(2)	–	(9 407)
Negotiable paper	(1 072)	–	(35)	(120)	(35)	–	(1 262)
Securitised liabilities	(2 017)	(171)	(43)	(112)	–	(32)	(2 375)
Investment/trading liabilities	(464)	(26)	(25)	(35)	(38)	(92)	(680)
Subordinated liabilities	(65)	–	–	(72)	(566)	–	(703)
Non-rate liabilities	–	–	–	–	–	(1 333)	(1 333)
Liabilities	(12 816)	(972)	(696)	(770)	(641)	(1 469)	(17 364)
Intercompany	(265)	(20)	41	481	(16)	(30)	191
Shareholders' funds	–	–	–	–	–	(1 954)	(1 954)
Balance sheet	93	(240)	(69)	978	100	(862)	–
Off-balance sheet	755	69	585	(771)	(638)	–	–
Repricing gap	848	(171)	516	207	(538)	(862)	–
Cumulative repricing gap	848	677	1 193	1 400	862	–	

Southern Africa – interest rate sensitivity at 31 March 2014

R'million	Not > three months	> three months but < six months	> six months but < one year	> one year but < five years	> five years	Non-rate	Total non-trading
Cash and short-term funds – banks	33 367	–	–	29	–	5 273	38 669
Cash and short-term funds – non-banks	9 016	–	–	–	–	2	9 018
Investment/trading assets and statutory liquids	32 255	10 034	9 427	10 406	9 418	18 986	90 526
Securitised assets	8 956	–	–	–	–	528	9 484
Advances	132 005	1 533	1 499	8 244	4 499	2 126	149 906
Other assets	1 267	–	–	–	–	5 813	7 080
Assets	216 866	11 567	10 926	18 679	13 917	32 728	304 683
Deposits – banks	(22 333)	(224)	(181)	(80)	–	(84)	(22 902)
Deposits – non-banks	(169 752)	(12 686)	(10 877)	(7 415)	(1 714)	(997)	(203 441)
Negotiable paper	(3 354)	(274)	(329)	(4 599)	–	–	(8 556)
Securitised liabilities	(4 241)	–	–	–	–	(839)	(5 080)
Investment/trading liabilities	(11 934)	(2 494)	–	–	–	(7 039)	(21 467)
Subordinated liabilities	(7 452)	–	–	(325)	(2 684)	(37)	(10 498)
Other liabilities	(119)	–	–	–	–	(8 113)	(8 232)
Liabilities	(219 185)	(15 678)	(11 387)	(12 419)	(4 398)	(17 109)	(280 176)
Intercompany loans	6 900	369	(422)	2 876	(38)	2 384	12 069
Shareholders' funds	(3 264)	–	–	(410)	(871)	(26 582)	(31 127)
Balance sheet	1 317	(3 742)	(883)	8 726	8 610	(8 579)	5 449
Off-balance sheet	17 617	1 959	(3 815)	(12 862)	(8 297)	(51)	(5 449)
Repricing gap	18 934	(1 783)	(4 698)	(4 136)	313	(8 630)	–
Cumulative repricing gap	18 934	17 151	12 453	8 317	8 630	–	

Australia – interest rate sensitivity at 31 March 2014

A$'million	Not > three months	> three months but < six months	> six months but < one year	> one year but < five years	> five years	Non-rate	Total non-trading
Cash and short–term funds – banks	179	–	–	–	–	–	179
Investment/trading assets	738	16	11	5	–	108	878
Securitised assets	211	62	116	410	6	–	805
Advances	1 515	88	97	536	10	60	2 306
Other assets	–	–	–	–	–	246	246
Assets	2 643	166	224	951	16	414	4 414
Deposits – non-banks	(1 808)	(560)	(131)	(211)	(12)	(33)	(2 755)
Negotiable paper	(153)	(2)	(34)	–	–	–	(189)
Securitised liabilities	(808)	–	–	–	–	–	(808)
Subordinated loans	(130)	–	–	–	–	(1)	(131)
Other liabilities	–	–	–	–	–	(143)	(143)
Liabilities	(2 899)	(562)	(165)	(211)	(12)	(177)	(4 026)
Intercompany loans	175	–	–	–	–	(3)	172
Shareholders' funds	–	–	–	–	–	(560)	(560)
Balance sheet	(81)	(396)	59	740	4	(326)	–
Off-balance sheet	571	106	(97)	(579)	4	(5)	–
Repricing gap	490	(290)	(38)	161	8	(331)	–
Cumulative repricing gap	490	200	162	323	331	–	

Economic value sensitivity at 31 March 2014

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

UK and Other

	Sensitivity to the following interest rates (expressed in original currencies)					
million	GBP	USD	EUR	ZAR	Other (GBP)	All (GBP)
200bps down	(60.9)	0.3	(6.8)	(0.3)	1.0	(65.4)
200bps up	60.9	(0.3)	6.8	0.3	(1.0)	65.4

Southern Africa

	Sensitivity to the following interest rates (expressed in original currencies)					
million	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bps down	(252.1)	4.9	1.1	(0.9)	(2.1)	(188.5)
200bps up	220.0	(4.2)	(0.5)	0.7	1.6	167.9

Australia

million	AUD
200bps down	2.13
200bps up	(2.13)

Liquidity risk

Liquidity risk description

Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss
- Unpredicted customer non-payment of loan obligations
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

Maturity transformation performed by banks is a crucial part of financial intermediation that contributes to efficient resource allocation and credit creation.

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost effective sources of funding. Inadequate liquidity can bring about the untimely demise of any financial institution. As such, the group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk:

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the PRA, SARB, APRA, and the Bank of Mauritius
- The group complies with the BCBS Principles for Sound Liquidity Risk Management and Supervision
- The group has committed itself to implementation of the updated BCBS guidelines for liquidity risk measurement, standards and monitoring to be phased in from 2015
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- Each geographic entity must be self-sufficient from a funding and liquidity standpoint so that there is no reliance on intergroup lines either from or to other group entities
- Geographic entities have no responsibility for contributing to group liquidity

- We maintain a liquidity buffer in the form of unencumbered, cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite
- Our liquidity risk parameters reflect a collection of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis
- The Balance Sheet Risk Management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators to potential normal market disruption
- The group centrally manages access to funds in both domestic and offshore markets through the Corporate and Institutional Banking division
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The treasury function charges out the price of long- and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment. Liquidity risk management encompasses the ongoing management of structural, tactical day-to-day and contingent stress liquidity.

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates and projected balance sheet growth, to estimate future funding and liquidity needs whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital, thus maintaining an appropriate mix of structural and term funding, resulting in strong balance sheet liquidity ratios.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. Metrics and ratios include:

- Local regulatory requirements
- Contractual run-off based actual cash flows with no modelling adjustment
- 'Business as usual' normal environment where we apply rollover and reinvestment assumptions under benign market conditions
- Stress conditions based on statistical historical analysis, documented experience and prudent judgement
- Basel standards for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Quantification of a 'survival horizon' under stress conditions. The survival horizon is the number of business days it takes before the bank's cash position turns negative based on statistical historical analysis, documented experience and prudent judgement
- Other key funding and balance sheet ratios
- Monitoring and analysing market trends and the external environment.

This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions in the event of either a firm-specific or general market contingent event.

We maintain a funding structure with stable private client deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This validates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source so as to ensure a satisfactory overall funding mix.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for Investec's risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many Private Bank customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. We continued to successfully raise private client deposits despite competitive pressures with total deposits increasing by 3.6% on a currency neutral basis to £13.3 billion at 31 March 2014. The growth in retail deposits benefited from the wider macro-economic trend of expanded money supply, customer deleveraging and below trend loan growth. We also have a number of innovative retail deposit initiatives within our Private Banking division and these continued to experience strong inflows during the financial year. On average our fixed and notice customer deposits have amounted to approximately 70% and 84% of total deposits since April 2006 for Investec Limited and Investec plc, respectively, thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business. 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. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate. 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.

The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors including, business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows, this puts us in a favourable position to meet the Basel III liquidity requirements. These portfolios are managed within board-approved targets, and apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on interbank deposits to fund term lending. From 1 April 2013 to 31 March 2014 average cash and near cash balances over the period amounted to £9.2 billion (£3.8 billion in UK and Other; R78.0 billion in South Africa and A$1.0 billion in Australia).

The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

The liquidity contingency plans outline extensive early warning indicators, clear lines of communication and decisive crisis response strategies. Early warning indicators span bank-specific and systemic crises. Rapid response strategies address action plans, roles and responsibilities, composition of decision-making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements required to manage liquidity during such an event. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business.

Asset encumbrance

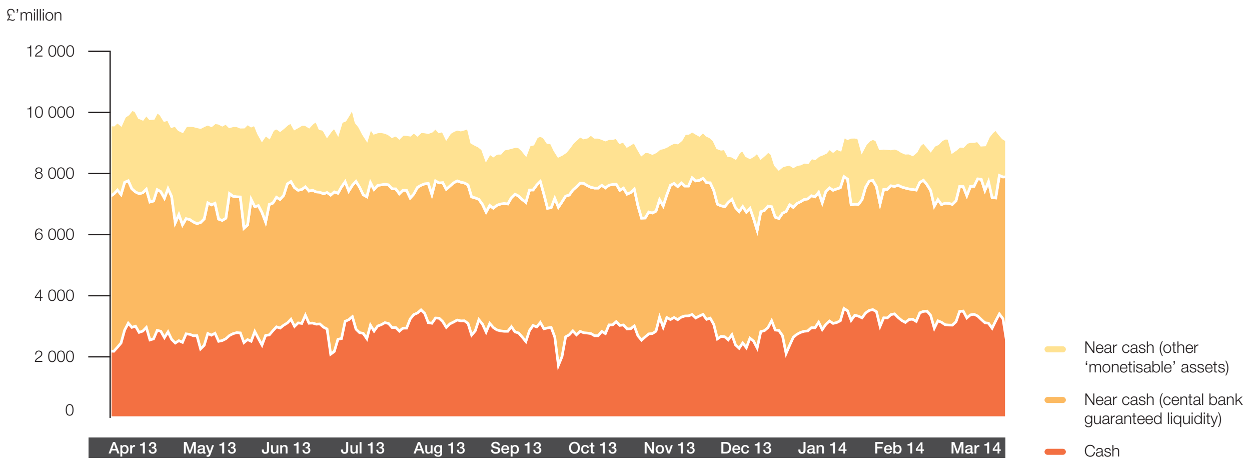
An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it has not been pledged against an existing liability. Risk Management monitor and manage total balance sheet encumbrance via a board-approved risk appetite framework. The group holds a liquidity buffer in the form of unencumbered, readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central banks in the respective jurisdictions.

During the year the group in the UK raised external term funding of £242 million from securitisations and raised R2.9 billion in South Africa. The table on page 115 in volume three reflects the assets encumbered and external liabilities issued under securitisation transactions. Securitisation notes are also retained by the group, most of which are held to provide a pool of collateral eligible to support central bank liquidity facilities. At 31 March 2014, in addition to the liquidity buffer, the group held £557 million of unencumbered securitisation notes in the UK that could be used to support potential future funding and collateral needs.

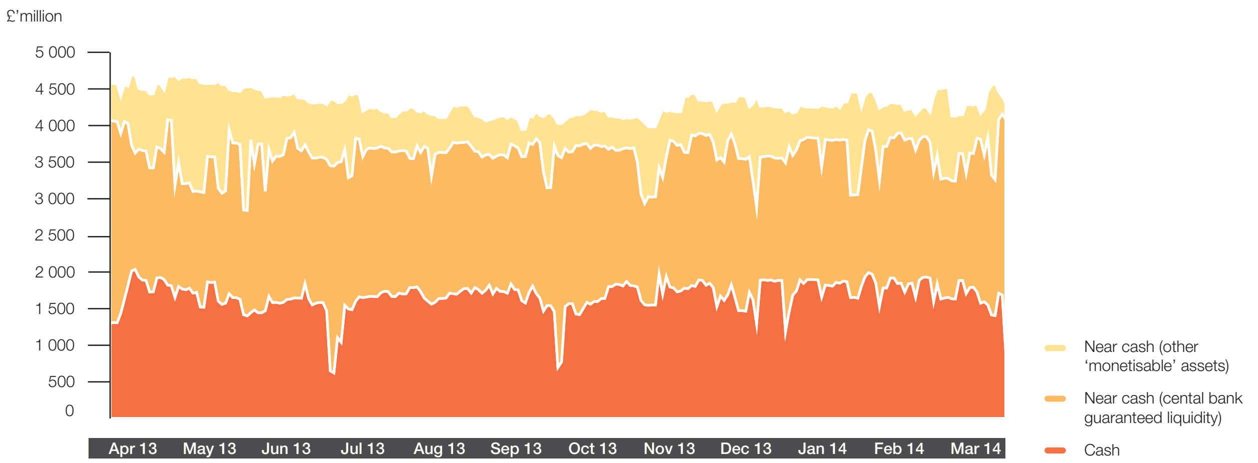
The group uses secured transactions to manage short-term cash and collateral needs. Details of assets pledged through repurchase activity and collateral pledges are reported, by line item of the balance sheet on which they are reflected on page 50 in volume three. Related liabilities are also reported.

On page 50 in volume three we disclose further details of assets that have been received as collateral under reserve repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

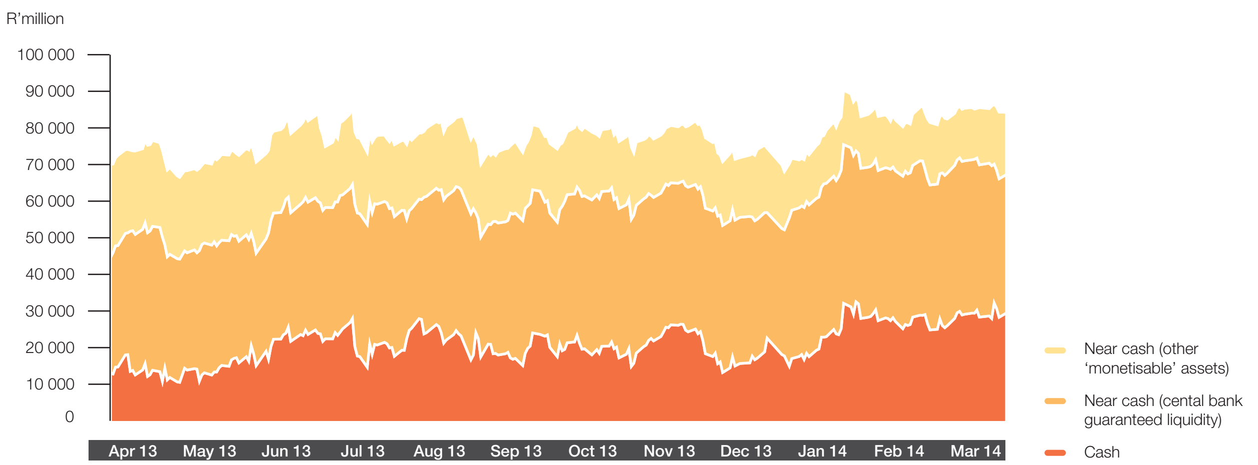
Total Investec group cash and near cash trend



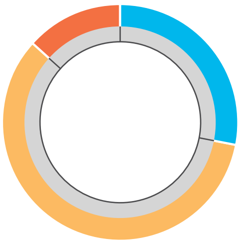
Investec plc cash and near cash trend



Investec Limited cash and near cash trend

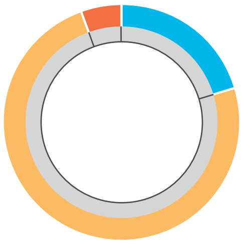


An analysis of cash and near cash at 31 March 2014



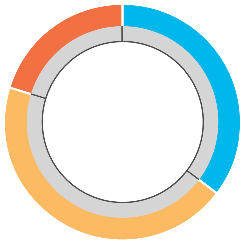
Total group
£9 135 million

Cash	28.2%
Near cash (central bank guaranteed liquidity)	58.7%
Near cash (other 'monetisable' assets)	13.1%



Investec plc
£4 324 million

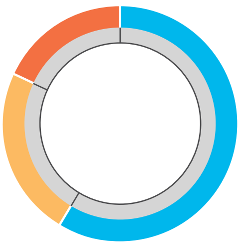
Cash	20.3%
Near cash (central bank guaranteed liquidity)	74.4%
Near cash (other 'monetisable' assets)	5.3%



Investec Limited
R84 476 million

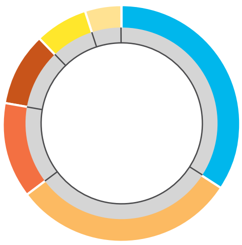
Cash	35.3%
Near cash (central bank guaranteed liquidity)	44.6%
Near cash (other 'monetisable' assets)	20.1%

Bank and non-bank depositor concentration by type at 31 March 2014



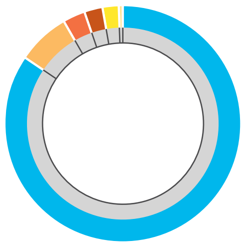
UK and Other
£11 438 million

Private client	58.7%
Corporate	23.5%
Financial institutions/banks	17.8%



Southern Africa
R227 805 million

Private client	34.3%
Fund managers	30.5%
Corporate	13.2%
Banks	10.0%
Financial institutions	7.0%
Public sector	5.0%



Australia
A$2 755 million

Private client	84.7%
Public sector	7.2%
Financial institutions/banks	3.0%
Corporate	2.6%
Other	2.3%
Fund managers	0.2%

The liquidity position of the group remained sound with total cash and near cash balances amounting to £9.1 billion

Liquidity mismatch

The tables that follow show our contractual liquidity mismatch across our core geographies.

The tables will not agree directly to the balances disclosed in the respective balance sheets since the tables incorporate cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

The liquidity position of the group remained sound with total cash and near cash balances amounting to £9.1 billion. We continued to enjoy strong inflows of customer deposits whilst maintaining good access to wholesale markets despite the underlying market environment. Our liquidity and funding profile reflects our strategy, risk appetite and business activities. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government, or rated securities and near cash as a buffer against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities, we have:
  - set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank
  - set the time horizon to one month to monetise our cash and near cash portfolio of 'available-for-sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class
  - reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

UK and Other

Contractual liquidity at 31 March 2014

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks	2 611	1 057	148	–	–	–	–	3 816
Cash and short-term funds – non-banks	–	13	–	–	–	–	–	13
Investment/trading assets	122	572	164	100	202	320	1 731	3 211
Securitised assets	395	3	2	7	10	158	2 223	2 798
Advances	14	205	1 081	709	700	2 552	2 903	8 164
Other assets	206	768	110	8	10	87	673	1 862
Assets	3 348	2 618	1 505	824	922	3 117	7 530	19 864
Deposits – banks	(694)	(448)	(113)	(8)	(61)	(588)	(119)	(2 031)
Deposits – retail	(2 000)^	(1 152)	(1 889)	(2 555)	(542)	(1 106)	(163)	(9 407)
Negotiable paper	–	–	(1)	–	(58)	(590)	(613)	(1 262)
Securitised liabilities	–	–	(2)	(23)	(42)	(127)	(2 181)	(2 375)
Investment/trading liabilities	(143)	(150)	(130)	(14)	(49)	(211)	(293)	(990)
Subordinated liabilities	–	–	(1)	–	–	(105)	(597)	(703)
Other liabilities	(178)	(702)	(84)	(33)	(190)	(76)	(70)	(1 333)
Liabilities	(3 015)	(2 452)	(2 220)	(2 633)	(942)	(2 803)	(4 036)	(18 101)
Intercompany	(91)	(15)	1	(4)	289	24	(13)	191
Shareholders' funds	–	–	–	–	–	–	(1 954)	(1 954)
Contractual liquidity gap	242	151	(714)	(1 813)	269	338	1 527	–
Cumulative liquidity gap	242	393	(321)	(2 134)	(1 865)	(1 527)	–	

Behavioural liquidity

As discussed on page 72.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	1 917	25	321	(109)	269	(3 606)	1 183	–
Cumulative	1 917	1 942	2 263	2 154	2 423	(1 183)	–	

^ *The deposits shown in the demand column at 31 March 2014 reflect cash margin deposits held.*

Risk management (continued)

Southern Africa

Contractual liquidity at 31 March 2014

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks*	32 305	5 791	1 807	–	43	1 150	–	41 096
Cash and short-term funds – non-banks	8 906	86	53	–	–	–	–	9 045
Investment/trading assets and statutory liquids**	30 218	17 358	3 207	835	4 729	21 708	32 217	110 272
Securitised assets	1 852	19	63	109	180	849	6 412	9 484
Advances	2 788	5 849	10 576	10 064	15 189	63 840	41 600	149 906
Other assets	2 627	321	123	134	–	2 399	1 750	7 354
Assets	**78 696**	**29 424**	**15 829**	**11 142**	**20 141**	**89 946**	**81 979**	**327 157**
Deposits – banks	(1 006)	(1 636)	(2 048)	(203)	(398)	(17 611)	–	(22 902)
Deposits – non-banks	(77 691)^	(28 084)	(31 016)	(20 038)	(21 695)	(24 381)	(1 998)	(204 903)
Negotiable paper	–	(33)	(57)	(460)	(658)	(7 348)	–	(8 556)
Securitised liabilities	(6)	(169)	(4 288)	–	–	–	(617)	(5 080)
Investment/trading liabilities	(134)	(14 888)	(1 493)	(1 320)	(7 070)	(8 915)	(1 372)	(35 192)
Subordinated liabilities	–	(34)	–	–	(254)	(525)	(9 685)	(10 498)
Other liabilities	(1 197)	(712)	(669)	(293)	(1 055)	(595)	(4 378)	(8 899)
Liabilities	**(80 034)**	**(45 556)**	**(39 571)**	**(22 314)**	**(31 130)**	**(59 375)**	**(18 050)**	**(296 030)**
Shareholders' funds	–	–	–	–	–	–	(31 127)	(31 127)
Contractual liquidity gap	**(1 338)**	**(16 132)**	**(23 742)**	**(11 172)**	**(10 989)**	**30 571**	**32 802**	**–**
Cumulative liquidity gap	(1 338)	(17 470)	(41 212)	(52 384)	(63 373)	(32 802)	–	

Note: Contractual liquidity adjustments

As discussed on page 72.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
*Cash and short-term funds – banks	27 008	5 791	1 807	–	43	1 150	5 297	41 096
**Investment/trading assets and statutory liquids	1 573	12 672	8 690	13 870	13 979	23 456	36 032	110 272

Behavioural liquidity

As discussed on page 72.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	45 758	(8 320)	286	4 052	1 636	(85 316)	41 904	–
Cumulative	45 758	37 438	37 724	41 776	43 412	(41 904)	–	

^ *Includes call deposits of R76 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Australia

Contractual liquidity at 31 March 2014

A$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks	179	–	–	–	–	–	–	179
Investment/trading assets*	747	8	26	7	20	37	33	878
Securitised assets	1	26	67	79	150	475	7	805
Advances**	62	59	181	173	326	1 395	110	2 306
Other assets	–	–	–	–	–	–	246	246
Assets	989	93	274	259	496	1 907	396	4 414
Deposits – non banks	(360)^	(367)	(1 094)	(565)	(135)	(223)	(11)	(2 755)
Negotiable paper	–	(1)	(6)	(2)	(180)	–	–	(189)
Securitised liabilities	(1)	(26)	(67)	(79)	(276)	(357)	(2)	(808)
Investment/trading liabilities	–	(5)	(10)	(6)	(14)	(29)	(15)	(79)
Subordinated liabilities	–	–	–	–	(20)	(111)	–	(131)
Other liabilities	–	–	–	–	–	–	(64)	(64)
Liabilities	(361)	(399)	(1 177)	(652)	(625)	(720)	(92)	(4 026)
Intercompany loans	(4)	51	–	–	50	75	–	172
Shareholders' funds	–	–	–	–	–	–	(560)	(560)
Contractual liquidity gap	624	(255)	(903)	(393)	(79)	1 262	(256)	–
Cumulative liquidity gap	624	369	(534)	(927)	(1 006)	256	–	

Note: contractual liquidity adjustments

As discussed on page 72.

A$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
* Investment/trading assets	50	233	143	33	132	231	56	878
**Advances	105	58	179	167	314	1 373	110	2 306

Behavioural liquidity

As discussed on page 72.

A$'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	932	(306)	(865)	(564)	(197)	1 254	(254)	–
Cumulative	932	626	(239)	(803)	(1 000)	254	–	

^ *Includes call deposits of A$342 million and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established

Balance sheet risk year in review

- Investec maintained and improved its strong liquidity position ahead of Basel III and continued to hold high levels of surplus liquid assets
- We sustained strong term funding in demanding market conditions whilst focusing on lowering the weighted average cost of funding
- Our liquidity risk management process remains robust and comprehensive.

UK and Other

The bank entered the year with a strong surplus liquidity position. This was reduced somewhat during the first half of the year, primarily through reductions in short-term retail deposits, prior to being built back up to opening levels with strategic longer-term secured funding activity.

The bank utilised a range of secured funding options to diversify funding by tapping wholesale demand and to increase the maturity profile of the liability book. Transactions included a £270 million UK equipment lease securitisation, a retained £398 million UK residential mortgage securitisation and signing up to the BoE's Funding for Lending scheme.

Funding rates continued to be driven down throughout the year as market liquidity and improved funding conditions persisted. This cost reduction was complemented by strategic initiatives including amendment to retail product terms. The overall impact led to a reduced funds transfer pricing rate for assets.

Cash and near cash balances at 31 March 2014 amounted to £3.8 billion (2013: £3.9 billion) with total customer deposits remaining flat year-on-year at £9.4 billion. We continue to meet Basel liquidity requirements.

During the year the bank upgraded the measurement of non-traded interest rate risk in the banking book, and refined and augmented the risk metrics, allowing a more integrated and holistic risk management across the balance sheet.

South Africa

Investec's balance sheet was positioned for the unexpected 50bps repo rate hike in January 2014 and the net contribution to income was positive. Investec continued to build its structural liquidity cash resources over the course of the year as part of our drive to improve the Basel III LCR to be implemented from 1 January 2015. The bank continues to benefit from a growing retail franchise with total customer deposits increasing by 10.6% from 1 April 2013 to R204.9 billion at 31 March 2014 (Private Bank deposits amounted to R76 billion and other external deposits amount to R129 billion). Cash and near cash balances increased by 15.8% from 1 April 2013 to R84.5 billion at 31 March 2014. Our liquidity was further boosted by several successful medium-term senior and subordinated notes issues totalling R9.5 billion and the sale of securitisation notes totalling R3 billion. Syndicated loan deals raised about US$1.25 billion two, three-year and five-year funds. The softening of some of the Basel III guidelines on liquidity risk has placed Investec in a very favourable position to meet the new criteria with less of a negative impact on margins.

Australia

Investec Australia maintained a strong liquidity position well in excess of regulatory and internal policy requirements throughout the year, with average cash and near cash balances amounting to A$1 billion. Total customer deposits grew by 11.6% from 1 April 2013 to A$2.7 billion at 31 March 2014, following the launch of various new banking products and services. The strategic changes announced in respect of the operation of Investec Australia have at present had no material impact on Investec Australia's funding ability or liquidity position relative to target levels.

During the year Australia undertook a further term securitisation of A$278.2 million Professional Finance Assets from the Impala securitisation vehicle.

In addition we bought back $412.6 million of previously issued government guaranteed term debt and redeemed A$57.3 million of government guaranteed term debt at contractual maturity.

Regulatory considerations – balance sheet risk

The banking industry, continued to experience elevated levels of prospective changes to laws and regulations from national and supranational regulators.

Regulators propose to both strengthen and harmonise global liquidity standards and to ensure a strong financial sector and global economy. We believe that we are well positioned for the proposed regulatory reform as we have maintained strong capital, funding and liquidity positions.

The BCBS published the final calibration of the LCR in January 2013. The main changes to the LCR were to introduce level 2b qualifying assets and recalibrate run-off factors for non-financial commercial depositors and committed facilities. The LCR ratio will be phased in from 2015 to 2019.

The BCBS published the second consultation document on the NSFR early January 2014 with a number of positive changes, and expect to publish the final calibration of the NSFR later in 2014.

We expect that all the jurisdictions where Investec has a banking licence will implement the BCBS guidelines on liquidity. In most jurisdictions there is still some uncertainty on the items for national discretion and this can have an impact on the final interpretation of the ratio.

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks whilst the regulatory developments could result in additional costs.

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. In most jurisdictions Investec already exceeds minimum requirements of these standards. We continue to reshape our liquidity and funding profile where necessary, as we move towards the compliance timeline.

We have been an active participant in regulatory and industry forums to promote best practice standards on liquidity management.

The BCBS guidelines were followed by an observation period during which bi-annual quantitative impact studies are carried out to assess the impact of the new proposals on banks and the broader economy. Investec participated in the QIS study and believes it will be adequately funded and capitalised to meet the new requirements.

UK and Other

In June 2013, the European Union published legislation to implement within the EU Basel III, the international regulatory framework for banks via CRD IV. This requires the reporting of the LCR and the NSFR from March 2014. The LCR will be introduced on 1 January 2015 with a minimum requirement of 60% increasing to 100% by January 2018 as stated in the regulation document. However, individual member states can require a higher standard. We anticipate that the PRA will set the initial requirement at 80% from January 2015.

Investec Bank plc currently comfortably meets its regulatory liquidity requirements and will progress to implement the forthcoming liquidity proposals included in the CRD IV (Basel III) package. Investec Bank plc is currently shadowing and comfortably meeting the draft LCR and NSFR liquidity ratios. We will continue to monitor these rules until final implementation.

South Africa

South Africa is committed to implementing the BCBS guidelines for 'liquidity risk measurement standards and monitoring' published in December 2010 and January 2013, by the due dates of 2015 to 2019.

Investec is involved in the process in the following ways:

- Collectively via the Banking Association of South Africa (BASA) and their task groups
- Direct bilateral consultation with SARB and SARB task teams
- As part of the Quantitative Impact Study by BCBS via SARB
- As part of National Treasury Structural Funding and Liquidity Risk task team.

South Africa is a region with insufficient liquid assets; to address this systemic challenge, the SARB announced the introduction of a committed liquidity facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF will be limited to 40% of Net Outflows under the LCR.

SARB is in the process of finalising the items for national discretion. With the changes announced by BCBS in January 2013, Investec South Africa already meets the requirement for the LCR in 2015.

The South African banking industry, however, will find it difficult to meet the NSFR ratio, as currently defined, as a result of the shortcomings and constraints in the South African environment. The banking sector in South Africa is characterised by certain structural features such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. The proposed liquidity measures have the potential to impact growth and job creation in the economy. In recognition thereof, the Finance Minister instituted a Structural Funding and Liquidity task team to investigate the constraints in the South African market and make recommendations to address these limitations.

BCBS has committed to finalise calibration of the NSFR ratio in 2014.

Notwithstanding the above constraints, Investec in South Africa is committed to meet the ratios.

Since 2008, the twin peaks model has gained wider acceptance globally. Whereas currently the micro-prudential role of the SARB is limited to banks, the twin peaks reform in South Africa will see the consolidation of prudential regulation and supervision of banks and insurers within the Prudential Regulator in the SARB. The regulation and supervision of market conduct of the financial sector will be consolidated within the FSB.

The Prudential Regulator's objective will be to maintain and enhance the safety and soundness of regulated financial institutions. This means being concerned with risks in each individual entity and ensuring the continued financial health of regulated institutions. The Market Conduct Regulator's objective will be to protect consumers of financial services and promote confidence in the South African financial system. This entails ensuring that consumers of financial services are treated fairly. Coordination between the two regulators will be crucial as market conduct issues can result in prudential problems.

Australia

The Australian Prudential Regulation Authority (APRA) introduced its Basel III Capital reforms effective 1 January 2013, While a number of the measures involve a progressive transition of standards to 1 January 2015, APRA remains conservative in both its limited usage of the national discretion provided under the Basel III framework and in terms of the timelines it has adopted for its local implementation.

During the year APRA finalised its reforms to meet Basel III Liquidity standards, with the new requirements coming into effect from 1 January 2014. As per the Capital reforms, APRA remains conservative in its interpretation and implementation of the

Basel III reforms. However, it is notable that in response to the limited availability of High Quality Liquid Assets in Australia, APRA will allow banks to have access to a secured committed liquidity facility with the RBA (subject to certain requirements).

During the year APRA also introduced a cross-industry Prudential Standard for Risk Management and enhanced its standard on governance covering authorised deposit-taking institutions, life insurers and general insurers. The reforms have the aim of ensuring the consistent application of APRA's risk management and governance requirements across its regulated industries and reflecting APRA's heightened expectations in this area, with APRA much more focused on the quality of an institution's risk governance and its risk culture. These reforms will come into effect from 1 January 2015.

Investec Australia remains committed and on track to continue to meet these evolving regulatory requirements.

Operational risk

Operational risk definition

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or external events. Operational risk has both financial and non-financial impacts.

We recognise that there is significant operational risk inherent in the operations of a bank. Our objective is therefore to manage and mitigate risk exposures and events by adopting sound operational risk management practices.

Operational risk management framework

The bank continues to operate under the Standardised Approach (TSA) to operational risk which forms the basis of the operational risk management framework. The framework is embedded at all levels of the organisation and is continually reviewed to ensure appropriate and effective management of operational risk.

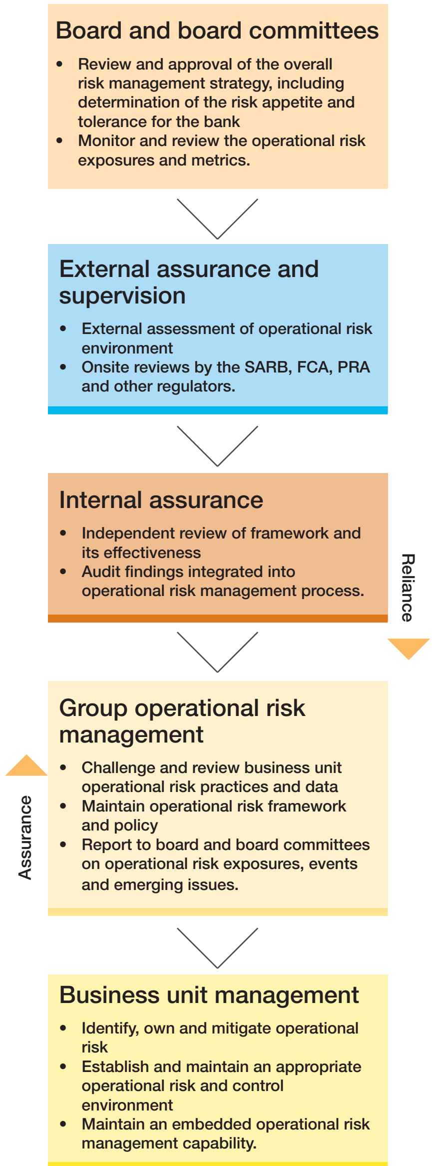
During the year under review, enhancement of all the components of the operational risk management framework remained an area of focus.

The process of advancing practices and understanding regulatory requirements is supported by regular interaction with the regulator and with industry counterparts at formal industry forums.

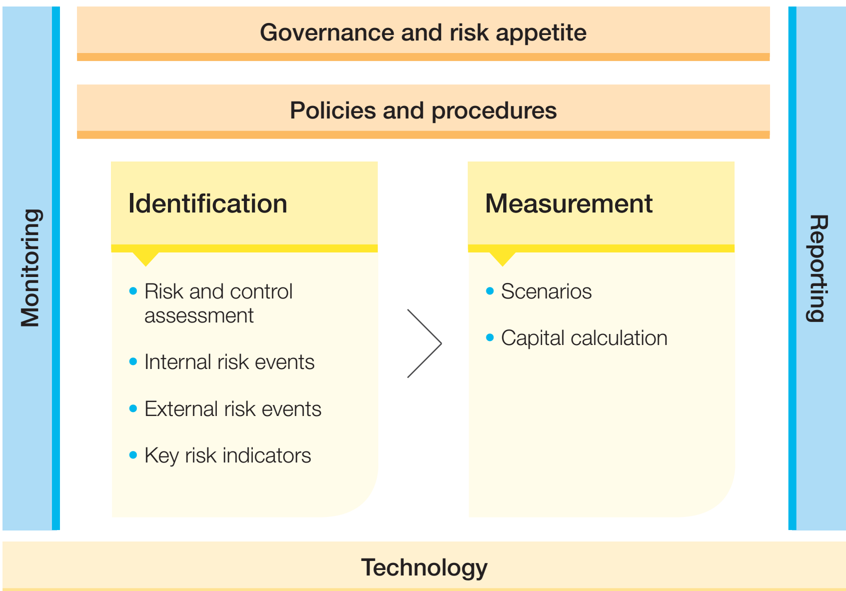
An independent group operational risk management function, mandated by the board risk and capital committee, ensures that operational risk policies and procedures are developed and applied consistently and effectively throughout the bank. Business unit management, supported by operational risk managers (ORMs) who operate at a business unit level, are responsible for embedding and implementing operational risk practices and policies. All personnel are adequately skilled at both a business unit and a group level.

Governance

The governance structure adopted to manage operational risk is enforced in terms of a levels of defence model and supports the principle of combined assurance in the following manner:



The diagram below depicts how the components of operational risk are integrated.



Risk appetite and tolerance

The Operational Risk Tolerance policy defines the amount of operational risk exposure, or potential adverse impact from a risk event, that the bank is willing to accept or retain. The objective of the policy is to encourage action and mitigation of risk exposures and provides management guidance to respond appropriately. Additionally, the policy defines capturing and reporting thresholds for risk events and guidance to respond to key risk indicators appropriately.

Operational risk practices

The following practices are used for the management of operational risk as illustrated in the diagram below:

Enhancement of all the components of the operational risk management framework remained an area of focus

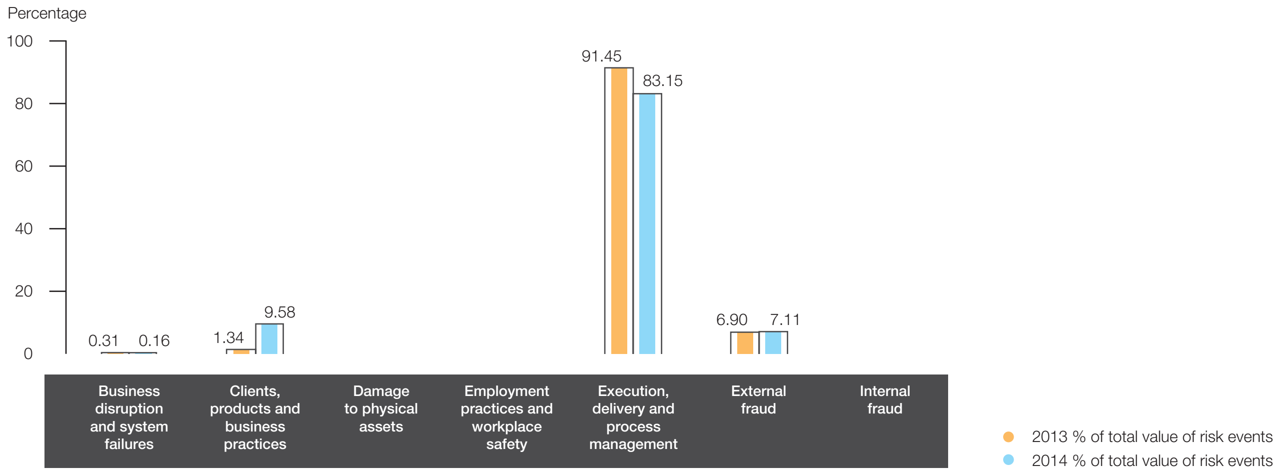
Risk and control assessment	Internal risk events	External risk events	Key risk indicators	Scenarios and capital calculation	Reporting and monitoring	Technology
Qualitative assessments that identify key operational risks and controls Identifies ineffective controls and improves decision-making through an understanding of the operational risk profile	Incidents resulting from failed systems, processes, people or external events A causal analysis is performed Enables business to identify trends in risk events and address control weaknesses	Access to data from an external data consortium Events are analysed to inform potential control failures within the bank The output of this analysis is used as input into the operational risk assessment process	Metrics are used to monitor risk exposures against identified thresholds Assists in predictive capability	Extreme, yet plausible scenarios are evaluated for financial and non-financial impacts Used to measure exposure arising from key risks, which is considered in determining internal operational risk capital requirements	A reporting process is in place to ensure that risk exposures are identified and that key risks are appropriately escalated and managed Monitoring compliance with operational risk policies and practices ensure the framework is embedded in day to day business activities	An operational risk system is in place to support operational risk practices and processes

Operational risk year under review and looking forward

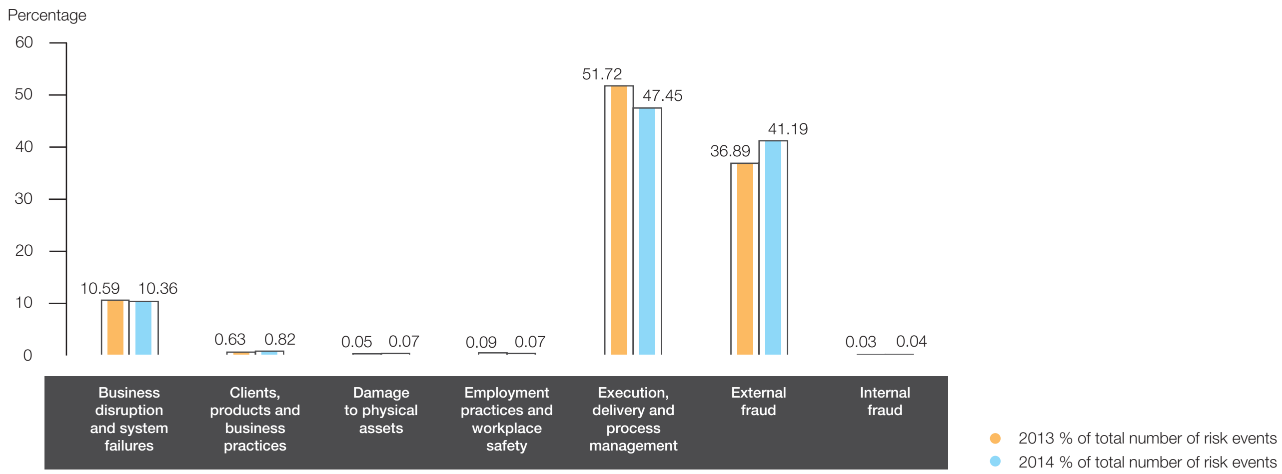
Risk event experience

The graphs and figures below represent the distribution of the value and number of risk events across the Basel risk event categories for the period April 2013 to March 2014 with comparative values.

Operational risk events by risk category – % of total value of risk events



Operational risk events by risk category — % of total number of risk events



Notes to graphs above:

- The loss event category business disruption and system failures comprise largely of non-financial risk events
- Clients, products and business practices are driven by a few large losses
- The majority of losses are experienced in the execution, delivery and process management risk event category. The total loss value is predominately driven by a few large losses which are mainly as a result of process failure risk. Trend and causal analysis are performed to improve the control environment
- The external fraud risk event category includes credit card fraud and relates to financial crime risk. In 2014 the number of risk events in this category has increased however, the value of risk events remains low. Financial crime initiatives will continue to focus on effective mitigation strategies.

Key operational risk considerations

The following key risks may result in loss of value should they materialise.

Definition of risk	Approach to mitigation	Priority for 2014
Financial crime		
Risk associated with fraud, forgery, theft and corruption.	• Proactive strategy which includes fraud risk assessments • Review external and industry events by engaging with external partners such as South African Banking Risk Information Centre (SABRIC), SAPS and agency banks • Understanding and proactively managing the emerging threat of cybercrime across the industry.	• Financial crime awareness for internal and external stakeholders, including awareness relating to the Investec Integrity Line.
Information security		
Risks associated with the confidentiality, availability or integrity of our information assets, irrespective of location or media.	• Identification of threats and associated risks to our information assets including legal and regulatory requirements • Development and monitoring of policies, processes and technical controls designed to mitigate the risks to our information • Evaluation of risks introduced by our information supply chain • Maintenance and testing of our security incident and breach response processes.	• Raising awareness with internal and external stakeholders of the threats, controls and policies relating to information security and their responsibility in protecting our information.
Process failure		
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations.	• Weaknesses in controls are identified through the causal analysis process following the occurrence of risk events • Thematic reviews are performed to monitor the effectiveness of controls across business units • Effective management of change remains a focus area for the year ahead.	• Enhancement of processes to identify risks related to new products and projects.
Regulatory and compliance		
Risk associated with identification, implementation and monitoring of compliance with regulations.	• Group Compliance and Group Legal Risk assist in the management of regulatory and compliance risk • Identification and adherence to legal and regulatory requirements • Review practices and policies as regulatory requirements change.	• Alignment of regulatory and compliance approach to reflect new regulatory landscapes (particularly change of regulatory structures in UK and SA) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Ensuring existing monitoring remains focused appropriately as areas of conduct and regulatory risk develop.
Technology		
Risk associated with the reliance on technology to support business processes and client services. This relates to the operations, usage, ownership and responsibility of IT systems across the business.	• Establishment and maintenance of an IT risk assessment framework to consistently and effectively assess IT exposures across the business • Monitoring risk exposures related to adoption of new technologies • Identification and remediation of vulnerabilities identified in IT systems, applications, and processes • Establishing appropriate IT recovery capabilities to safeguard against business disruptions resulting from systems failures and IT service outages.	• Identifying, monitoring and reducing risks in our digital channel, following the introduction of mobile applications and our increased online presence.

Insurance

The group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the group insurance risk manager. Regular interaction between Group Operational Risk Management and Group Insurance Risk Management ensures that there is an exchange of information in order to enhance the mitigation of operational risks.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced

Business continuity management

The group maintains a global business continuity management capability which incorporates an appropriate level of resilience into the bank's operations to minimise the risk of severe operational disruptions occurring.

In the event of a major disruption, an incident management framework will be used to manage the disruption. Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site. Dedicated resources ensure all governance processes are in place with business and technology teams responsible for activating and managing the recovery process.

The group conducts regular exercises and testing of recovery procedures to ensure that its recovery capability remains appropriate.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

We have various policies and practices to mitigate reputational risk, including strong values that are 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 aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Pension risk

Pension risk arises from obligations arising from defined benefit pension schemes, where Investec plc is required to fund any deficit in the schemes.

There are two defined benefit schemes within Investec plc and both are closed to new business. Pension risk arises if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary sources at risk include:

- A mismatch in the duration of the assets relative to the liabilities
- Market-driven asset price volatility
- Increased life expectancy of individuals leading to increased liabilities.

Investec plc monitors the position of the funds closely and regularly assesses potential adverse movements in the schemes in close conjunction with external, independent advisers.

Further information is provided on pages 88 to 91 in volume three.

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
- 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
- Establishing minimum standards for mitigating and controlling each risk. This is the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing 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.

Conduct risk

UK and Europe

As part of the regulatory restructure, the new Financial Conduct Authority (FCA) in the UK has outlined its approach to managing firms' conduct.

By conduct risk we mean the risk that detriment is caused to the bank, its customers, its counterparties or the market, as a result of inappropriate execution of business activities.

The focus on conduct risk is intended to go beyond the current compliance monitoring frameworks in order to move away from the culture of 'tick box' compliance. As a result, firms are expected to look across their business models and strategies and assess how to balance the pursuit of profits with good outcomes for clients and proper standards of markets conduct. All firms will be expected to take a holistic approach to assessing their key conduct risks and to ensure that these are being managed in accordance with FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition.

The group's work on conduct risk, particularly in the UK, includes assessing key risks across the business, identifying key controls and ensuring that the board is receiving the right information to enable it to challenge effectively the management of risks by the business. This work is set to continue for the coming year and will aim to build on the existing controls such as the compliance monitoring, Treating Customers Fairly (TCF) and operational risk frameworks.

South Africa

The South African financial sector regulatory landscape has been under review for the last few years. A new regulatory structure is developing, and existing legislation is also being amended. The conduct of financial institutions is currently regulated under various pieces of legislation, and by various regulators.

The National Credit Act (NCA) regulates the credit industry, ensuring that credit providers guard against reckless lending and over-indebting customers. Amendments to the NCA will grant greater enforcement and rule-making powers to the National Credit regulator. The Financial Advisory and Intermediary Services Act (FAIS) regulates advice and intermediary services in relation to specific financial products. Risk and controls have been identified across the business, and these are reviewed and monitored regularly. Annual reports are also submitted to the regulators. FAIS is also being amended to include regulation of activities in relation to professional clients. The FSB has also introduced the Treating Customers Fairly (TCF) framework, which considers fairness outcomes for customers throughout the product lifecycle. A gap analysis is under way to assess the level of compliance with TCF, and to guide business on implementation and management reporting.

The draft Financial Sector Regulation Bill (Twin Peaks) proposes two new regulatory structures, the Prudential Authority and the Market Conduct Authority, incorporating portions of the Reserve Bank and the entire FSB structure. Financial institutions will be mono or dual regulated, depending on the activities they engage in.

Capital management and allocation

Capital measurement

Investec Limited (and its subsidiaries) and Investec plc (and its subsidiaries) are managed independently and have their respective capital bases ring-fenced, however, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital adequacy of both Investec Limited and Investec plc.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single unified enterprise.

Investec Limited and Investec plc are separately regulated entities. Operating with different regulatory capital regimes, it is difficult to directly compare regulatory capital adequacy of the two entities. The following provides a brief outline of the regulatory environment relevant to the group's capital management framework.

Regulatory capital – Investec Limited

Investec Limited is supervised for capital purposes by the SARB, on a consolidated basis.

On 1 January 2013, the SARB implemented its local version of the Basel III rules as composed by the Bank for International Settlements. Basel III builds upon the Basel II framework to strengthen minimum capital (and liquidity) requirements imposed on banks following the global financial crisis. The SARB adaptation of the Basel III proposals within its local rules brings about a number of changes for the assessment of capital adequacy.

In calculating capital adequacy, the most material effect of the new SARB regulatory framework relates to the eligibility of capital to support minimum capital requirements. In particular, the rules impose tighter restrictions on the type of capital that qualifies as tier 1 capital and increase the regulatory minima of capital that must be held. Internal targets remain in excess of these increased minimum requirements.

Investec Limited uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. The market risk capital requirement is measured using an internal risk management model, approved by the SARB.

Various subsidiaries of Investec Limited are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec Limited group that are monitored most closely. Nevertheless, where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. Management of each regulated entity, with the support of the group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Regulatory capital – Investec plc

Current regulatory framework

Since 1 April 2013 Investec plc has been authorised by the PRA and is regulated by the FCA and the PRA. In June 2013, the European Commission adopted the final Capital Requirements Directive IV (CRD IV) package which transposed the Basel III rules into EU law. The CRD IV rules came into effect on 1 January 2014. The package is split into a regulation and a directive. The regulation is directly binding on Investec plc, whilst the directive and various other national discretions had to be transposed into UK law to take effect.

The PRA issued its final rules and discretions in December 2013, with the decision to introduce the final definition of common equity tier 1 (CET1) capital from 1 January 2014 and did not adopt most of the transitional provisions available in CRD IV. Despite the acceleration of the CET1 definition and the restriction on the types of capital that qualify as tier 1 and tier 2 capital having an effect on the capital available to support the increased minimum capital requirements, we continue to hold capital in excess of the new minimum requirements.

Investec plc uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. The mark-to-market method is used to calculate the counterparty credit risk exposure amount. The market risk capital requirement is measured using an internal risk management model, approved by the UK regulators, for netting certain parts of the portfolio, whilst the capital requirements of the whole portfolio are calculated using standard rules.

Various subsidiaries of Investec plc are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec plc group that are monitored closely. Nevertheless, where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. Management of each regulated entity, with the support of the group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Capital targets

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec Limited and Investec plc have always held capital in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, the group is targeting a minimum CET1 capital ratio of above 10% by March 2016, a tier 1 capital ratio of above 11% by March 2016 and a total capital adequacy ratio target range of 14% to 17%. These targets are continuously assessed for appropriateness.

The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood and prepared for. To allow the committee to carry out this function, the group's Regulatory and Capital Management teams closely monitor regulatory developments and regularly present to the committee on latest developments. As part of any assessment the committee is provided with analysis showing the group's capital adequacy taking into account the most up-to-date interpretation of those changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored.

Management of leverage

At present Investec Limited calculates and reports its leverage ratio based on the latest SARB regulations. The leverage ratio is a non-risk based measure intended to prevent excessive build up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of 4% from 1 January 2018. At present the SARB treatment of off-balance sheet items is more punitive than that of the most recent document released by the Basel Committee in January however, Investec Limited is still well above the minimum levels specified.

In the UK, the leverage ratio is a non-risk based measure, with public disclosure applicable from 1 January 2015. The leverage ratio is subject to a monitoring period from 1 January 2014 to 30 June 2016, at which point the European Banking Authority (EBA) will report to the European Commission suggesting adequate calibration and appropriate adjustments to the capital and total exposure measure.

In January the Basel Committee issued its final Basel III leverage ratio framework and public disclosure requirements which are applicable from 1 January 2015. The CRD IV rules will require amendment, in order for the UK to comply with the finalised Basel III framework. Timeframes for the adoption of the finalised requirements in the EU are not yet clear.

Leverage ratio target

Investec is currently targeting a leverage ratio above 6%, but will continue to reassess this target for appropriateness pending the outcome of the EBA's report.

As with the governance of capital management, the DLC capital committee is responsible for ensuring that the impact of any regulatory changes on the leverage ratio are calculated, analysed and understood at all reporting levels.

Capital management

Philosophy and approach

Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital, as appropriate to that jurisdiction, and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate for the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

Our internal capital framework is designed to manage and achieve this balance. The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the Supervisory Review and Evaluation Process (SREP).

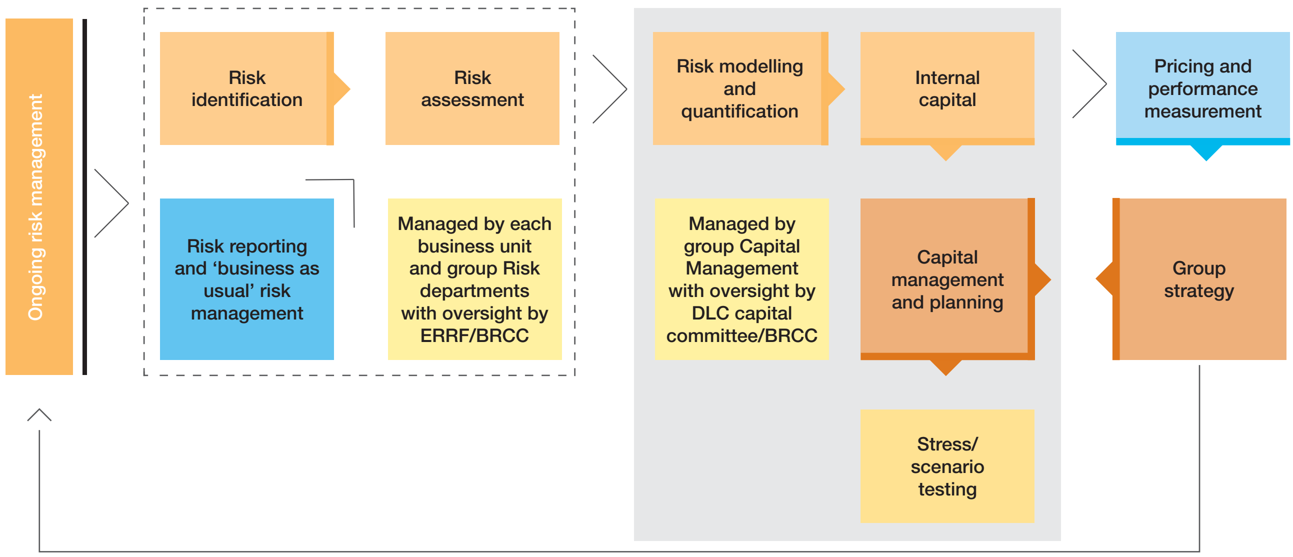
The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

- Investment decision-making and pricing that is commensurate with the risk being taken
- Allocating capital according to the greatest expected marginal risk-based return, and tracking performance on this basis
- Determining transactional risk-based returns on capital
- Rewarding performance taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence the basis for discretionary variable remuneration
- Comparing risk-based performance across business areas.

The framework has been approved by the board and is managed by the DLC capital committee, which is responsible for oversight of the management of capital on a regulatory and an internal basis.

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

The (simplified) integration of risk and capital management



Risk assessment and reporting

We review the business continuously to maintain a close understanding of our universe of risks, which are analysed through the risk management governance framework under stewardship of BRCC. Key risks are reviewed and debated by senior management on a continuous basis. Assessment of the materiality of risks is directly linked to the board's stated risk appetite and approved risk management policies covering all key risks.

Key identified risks are monitored by Group Risk Management and by Internal Audit to ensure that each risk is managed to an acceptable level. Detailed performance and control metrics of these risks are reported to each ERRF and BRCC meeting, including, where appropriate, the results of scenario testing. Key risk types that are considered fall within the following:

- Credit and counterparty risk
- Market risk
- Equity and investment risk in the banking book
- Balance sheet liquidity and non-trading interest rate risk
- Operational, conduct and reputational risk
- Legal risk (considered within operational risk for capital purposes).

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed by ERRF and BRCC.

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above. Quantification of all risks is based on analysis of internal data, management expertise and judgement, and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Market risk
- Equity and investment risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Banking book interest rate risk
- Strategic and reputational risks
- Pension risk (UK only)
- Operational risk, which is considered as an umbrella term and covers a range of independent risks including, but not limited to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

Capital planning and stress/scenario testing

A group capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed on the basis of both regulatory and internal capital, with regulatory capital being the key driver of decision-making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after consultation with relevant internal and external experts and research. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet its targets against regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis, the DLC capital committee and the BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

The use of internal capital as an allocation tool means that all transactions are considered in the context of their contribution to return on risk-adjusted capital. This ensures that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key decisions at both a group and a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

For an assessment of return on equity and our return on internal capital utilised refer to pages 49 to 51 in volume one.

Accounting and regulatory treatment of group subsidiaries

Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank plc and Investec Bank Limited are the main banking subsidiaries of Investec plc and Investec Limited, respectively. Investec Bank (Australia) Limited is a subsidiary of Investec Bank plc.

Basis of consolidation

The regulatory basis of consolidation differs from the basis of consolidation used for financial reporting purposes. The financial accounting position of the DLC group are reported under International Financial Reporting Standards (IFRS) and are described on page 24 of the annual financial statements.

The regulatory consolidation includes all financial sector subsidiaries, the majority of which are wholly-owned by the relevant parent company. Investments in financial sector associates are equity accounted in the financial accounting consolidation, whereas their exposures are proportionally consolidated for regulatory purposes. Subsidiaries and associates engaged in non-financial activities are excluded from the regulatory consolidation. In addition special purpose entities (SPEs) are not consolidated for regulatory purposes, where significant credit risk has been transferred to third parties. The positions the firm continues to hold in these securitisation SPEs will either be risk-weighted and/or deducted from CET1 capital.

Investec Bank plc, a regulated subsidiary of Investec plc, applies the provisions laid down in article 9 of the Capital Requirements Regulation (solo-consolidation waiver) and reports to the PRA on a solo-consolidation basis. Investec Bank plc has two solo-consolidation subsidiaries namely Investec Finance plc and Investec Investments (UK) Limited.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

Regulatory capital requirements are driven by the regulatory balance sheet and not the financial accounting balance sheet.

Regulatory capital and requirements

For regulatory capital purposes, our total regulatory capital is divided into three main categories, namely CET1, tier 1 and tier 2 capital as follows:

- CET 1 capital comprises shareholders' equity and related eligible non-controlling interests after giving effect to deductions for disallowed items (for example, goodwill and intangible assets) and other adjustments;
- Other tier 1 capital includes qualifying capital instruments, which are capable of being fully and permanently written down or converted fully into CET1 capital at the point of non-viability of the firm and other additional tier 1 instruments, which no longer qualify as additional tier 1 capital and are subject to grandfathering provisions; and
- Tier 2 capital comprises qualifying subordinated debt and related eligible non-controlling interests and other tier 2 instruments, which no longer qualify as tier 2 capital and are subject to grandfathering provisions.

Capital disclosures

The composition of our regulatory capital under a Basel III/CRD IV basis is provided in the table below. The 2013 capital information for Investec plc and Investec Bank plc are based on Basel II capital requirements applicable in the UK in 2013. The 2013 capital information for Investec Limited, Investec Bank Limited and Investec Bank (Australia) Limited are already reported on a Basel III basis.

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 92 to 100 in volume 3.

Capital structure and capital adequacy

At 31 March 2014	Investec plc*^o £'million	IBP*^o £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
Tier 1 capital					
Shareholders' equity	1 840	1 883	539	22 641	24 067
Shareholders' equity per balance sheet	2 089	1 912	539	26 490	25 601
Perpetual preference share capital and share premium	(150)	–	–	(3 183)	(1 534)
Equity holding in deconsolidated entities	–	–	–	(666)	–
Deconsolidation of special purpose entities	(99)	(29)	–	–	–
Non-controlling interests	4	(3)	–	470	–
Non-controlling interests per balance sheet	177	(3)	–	3 102	–
Non-controlling interests excluded for regulatory purposes	–	–	–	(2 632)	–
Non-controlling interests transferred to tier 1	(165)	–	–	–	–
Surplus non-controlling interest disallowed in CET1	(8)	–	–	–	–
Regulatory adjustments to the accounting basis	(32)	(11)	–	521	522
Defined benefit pension fund adjustment	(20)	–	–	–	–
Unrealised gains on available-for-sale equities	(7)	(7)	–	–	–
Additional value adjustments	(12)	(11)	–	–	–
Cash flow hedging reserve	7	7	–	521	522
Deductions	(608)	(480)	(152)	(221)	(102)
Goodwill and intangible assets net of deferred tax	(558)	(431)	(73)	(221)	(102)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(38)	(38)	–	–	–
Unconsolidated investments	–	–	(18)	–	–
Securitisation positions	(4)	(3)	(42)	–	–
Connected funding of a capital nature	(8)	(8)	–	–	–
Excess of deductions from additional tier 1	–	–	(19)	–	–
Common equity tier 1 capital	1 204	1 389	387	23 411	24 487
Additional tier 1 capital	234	–	–	3 764	1 227
Additional tier 1 instruments	295	–	–	4 717	1 534
Phase out of non-qualifying additional tier 1 instruments	(61)	–	–	(943)	(307)
Non-qualifying surplus capital attributable to non-controlling interests	–	–	–	(10)	–
Tier 1 capital	1 438	1 389	387	27 175	25 714

* *Where: IBP is Investec Bank plc consolidated. IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for IBP includes IBAL. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia.*

o *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £61 million for Investec plc and £32 million for IBP would be around 50bps and 30bps, respectively.*

Capital structure and capital adequacy (continued)

At 31 March 2014	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
Tier 2 capital	662	637	125	9 846	10 670
Collective impairment allowances	–	–	–	172	172
Tier 2 instruments	686	642	27	10 498	10 498
Phase out of non-qualifying tier 2 instruments	–	(3)	98	–	–
Non-qualifying surplus capital attributable to non-controlling interests	(24)	(2)	–	(824)	–
Total regulatory capital	2 100	2 026	512	37 021	36 384
Risk-weighted assets	13 711	12 668	3 185	248 040	238 396
Capital ratios					
Common equity tier 1 ratio	8.8%	11.0%	12.2%	9.4%	10.3%
Tier 1 ratio	10.5%	11.0%	12.2%	11.0%	10.8%
Total capital ratio	15.3%	16.0%	16.1%	14.9%	15.3%

* *Where: IBP is Investec Bank plc consolidated. IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for IBP includes IBAL. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia, respectively.*

Capital structure and capital adequacy (continued)

At 31 March 2013	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
Tier 1 capital					
Shareholders' equity	1 842	1 889	596	19 819	21 975
Shareholders' equity per balance sheet	2 060	1 884	596	23 002	23 509
Perpetual preference share capital and share premium	(150)	–	–	(3 183)	(1 534)
Deconsolidation of special purpose entities	(68)	5	–	–	–
Non-controlling interests	(5)	(5)	–	–	–
Non-controlling interests per balance sheet	165	(5)	–	10	–
Non-controlling interests excluded for regulatory purposes	–	–	–	(10)	–
Non-controlling interests transferred to tier 1	(169)	–	–	–	–
Non-controlling interests in deconsolidated subsidiaries	(1)	–	–	–	–
Regulatory adjustments to the accounting basis	(31)	(10)	2	446	446
Unrealised losses on available-for-sale debt securities	2	2	–	–	–
Defined benefit pension fund adjustment	(22)	–	–	–	–
Unrealised gains on available-for-sale equities	(7)	(8)	2	–	–
Additional value adjustments	(16)	(16)	–	–	–
Cash flow hedging reserve	12	12	–	446	446
Deductions	(600)	(476)	(193)	(235)	(90)
Goodwill and intangible assets net of deferred tax	(598)	(472)	(105)	(235)	(90)
Unconsolidated investments	–	–	(23)	–	–
Securitisation positions	(2)	(2)	(55)	–	–
Excess of deductions from additional tier 1	–	(2)	(10)	–	–
Core tier 1/common equity tier 1 capital	1 206	1 398	405	20 030	22 331
Additional tier 1 capital	299	–	–	4 222	1 381
Additional tier 1 instruments	299	–	–	4 717	1 534
Phase out of non-qualifying additional tier 1 instruments	–	–	–	(472)	(153)
Non-qualifying surplus capital attributable to non-controlling interests	–	–	–	(23)	–
Deductions	(4)	–	–	–	–
Unconsolidated investments	(4)	–	–	–	–
Tier 1 capital	1 501	1 398	405	24 252	23 712

* *Where: IBP is Investec Bank plc consolidated. IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for IBP includes IBAL. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia, respectively.*

Capital structure and capital adequacy (continued)

	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
At 31 March 2013					
Tier 2 capital					
Total qualifying tier 2 capital before deductions	840	685	135	10 961	11 493
Unrealised gains on available-for-sale equities	7	8	–	–	–
Collective impairment allowances	120	20	–	122	122
Tier 2 instruments	713	657	25	12 496	12 496
Phase out of non-qualifying tier 2 instruments	–	–	110	(1 125)	(1 125)
Non qualifying surplus capital attributable to non-controlling interests	–	–	–	(532)	–
Deductions	(6)	(4)	–	(435)	–
Unconsolidated investments	(4)	(2)	–	–	–
Investments that are not material holdings or qualifying holdings	–	–	–	(435)	–
Securitisation positions	(2)	(2)	–	–	–
Total tier 2 capital	834	681	135	10 526	11 493
Total capital deductions	(57)	(54)	–	–	–
Investments that are not material holdings or qualifying holdings	(51)	(48)	–	–	–
Connected lending of a capital nature	(6)	(6)	–	–	–
Total regulatory capital	2 278	2 025	540	34 778	35 205
Risk-weighted assets	13 705	12 606	3 421	223 865	217 715
Capital ratios					
Core tier 1 ratio/common equity tier 1 ratio	8.8%	11.1%	11.8%	8.9%	10.3%
Tier 1 ratio	11.0%	11.1%	11.8%	10.8%	10.9%
Total capital ratio	16.7%	16.1%	15.8%	15.5%	16.2%

* *Where: IBP is Investec Bank plc consolidated. IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for IBP includes IBAL. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia, respectively.*

Capital requirements

At 31 March 2014	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
Capital requirements	1 097	1 014	412	24 804	23 840
Credit risk – prescribed standardised exposure classes	830	787	344	18 308	17 611
Corporates	298	294	95	11 082	10 418
Secured on real estate property	161	154	12	1 601	1 601
Short-term claims on institutions and corporates	–	–	3	2 732	2 722
Retail	102	102	194	544	544
Institutions	41	38	15	1 064	1 064
Other exposure classes	218	189	25	199	176
Securitisation exposures	10	10	–	1 086	1 086
Equity risk – standardised approach	21	21	–	3 325	3 865
Listed equities	5	5	–	217	757
Unlisted equities	16	16	–	3 108	3 108
Counterparty credit risk	22	22	9	648	648
Credit valuation adjustment risk	16	16	–	–	–
Market risk	55	52	7	473	395
Interest rate	21	21	7	117	117
Foreign exchange	8	5	–	98	98
Securities underwriting	1	1	–	–	–
Commodities	–	–	–	5	5
Equities	22	22	–	253	175
Options	3	3	–	–	–
Operational risk – standardised approach	153	116	52	2 050	1 321
At 31 March 2013					
Capital requirements	1 096	1 007	446	21 268	20 681
Credit risk – prescribed standardised exposure classes	842	795	380	15 360	14 798
Corporates	277	279	142	9 498	9 023
Secured on real estate property	232	224	16	1 513	1 513
Short-term claims on institutions and corporates	–**	–**	3	2 223	2 155
Retail	102	102	154	326	325
Institutions	33	31	9	1 058	1 058
Other exposure classes	184	145	55	91	73
Securitisation exposures	14	14	1	651	651
Equity risk – standardised approach	29	28	–	2 845	3 472
Listed equities	4	4	–	145	789
Unlisted equities	25	24	–	2 700	2 683
Counterparty credit risk	26	26	9	716	716
Market risk	61	61	6	449	426
Interest rate	23	22	6	117	117
Foreign exchange	12	13	–	74	74
Commodities	–	–	–	2	2
Equities	24	24	–	256	233
Options	2	2	–	–	–
Operational risk – standardised approach	138	97	51	1 898	1 269

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^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia, respectively.*

** *Short-term claims on institutions and corporates reclassified to exposure classes corporates and institutions as we have no short-term credit assessment available for these claims.*

Risk-weighted assets

At 31 March 2014	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
Risk-weighted assets (banking and trading)	13 711	12 668	3 185	248 040	238 396
Credit risk – prescribed standardised exposure classes	10 374	9 844	2 659	183 080	176 112
Corporates	3 728	3 683	729	110 817	104 181
Secured on real estate property	2 007	1 923	94	16 011	16 011
Short term claims on institutions and corporates	–	–	25	27 319	27 215
Retail	1 281	1 278	1 496	5 441	5 441
Institutions	506	473	118	10 644	10 644
Other exposure classes	2 729	2 364	194	1 987	1 759
Securitisation exposures	123	123	3	10 861	10 861
Equity risk – standardised approach	267	267	–	33 250	38 653
Listed equities	62	62	–	2 167	7 570
Unlisted equities	205	205	–	31 083	31 083
Counterparty credit risk	271	271	70	6 479	6 479
Credit valuation adjustment risk	194	194	–	–	–
Market risk	689	648	54	4 731	3 947
Interest rate	262	262	52	1 174	1 174
Foreign exchange	98	57	2	978	978
Securities underwriting	13	13	–	–	–
Commodities	–	–	–	50	50
Equities	276	276	–	2 529	1 745
Options	40	40	–	–	–
Operational risk – standardised approach	1 916	1 444	402	20 500	13 205
At 31 March 2013					
Risk-weighted assets (banking and trading)	13 705	12 606	3 421	223 865	217 715
Credit risk – prescribed standardised exposure classes	10 532	9 952	2 914	161 678	155 781
Corporates	3 466	3 489	1 092	99 975	94 983
Secured on real estate property	2 904	2 799	122	15 925	15 925
Short-term claims on institutions and corporates	–**	–**	20	23 397	22 685
Retail	1 276	1 276	1 184	3 428	3 426
Institutions	409	393	69	11 141	11 141
Other exposure classes	2 296	1 814	423	959	768
Securitisation exposures	181	181	4	6 853	6 853
Equity risk – standardised approach	352	349	–	29 948	36 548
Listed equities	47	47	–	1 531	8 306
Unlisted equities	305	302	–	28 417	28 242
Counterparty credit risk	328	330	68	7 537	7 537
Market risk	762	767	46	4 728	4 488
Interest rate	286	275	43	1 229	1 229
Foreign exchange	150	166	3	783	783
Commodities	–	–	–	20	20
Equities	296	296	–	2 696	2 456
Options	30	30	–	–	–
Operational risk – standardised approach	1 731	1 208	393	19 974	13 361

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^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia, respectively.*

** *Short-term claims on institutions and corporates reclassified to exposure classes corporates and institutions as we have no short-term credit assessment available for these claims.*

Investec plc

Movement in risk-weighted assets

Total risk-weighted assets (RWAs) have remained relatively flat over the period, however, there are movements within the underlying risk categories.

Credit risk RWAs

For Investec plc consolidated reporting, we have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs, which include equity risk, decreased by £243 million. The decrease is attributable to exchange rate differences, primarily reflecting the depreciation of the Australian dollar against the Pounds Sterling and reductions in securitisation positions, reflecting sales, restructuring and amortisation of assets. This decrease was partly offset by growth in lending and a net increase in RWAs of £61 million, arising on the implementation of CRD IV. The key CRD IV changes impacting our business include:

- The high risk exposure category was expanded to include investments in private equity firms and speculative immovable property financing. These transactions attract a risk weight of 150%
- Deferred tax assets that rely on future profitability of the bank to be realised and which arise from temporary differences are subject to the threshold exemption approach. Amounts which individually and in aggregate fall below 10% and 15% of our CET1 capital thresholds are now risk-weighted at 250%, whilst under Basel II these assets attracted a risk weight of 100%
- Portfolio impairments meet the definition of specific credit risk adjustments and have been allocated to single exposures within the portfolio proportionally to the risk-weighted exposure amounts. No portfolio impairments have been recognised in tier 2 capital
- SME lending is subject to a reduced capital requirement due to the application of the reduction factor of 0.7691, provided the total exposure owed by the enterprise does not exceed €1.5 million.

Counterparty credit risk RWAs and Credit Valuation Risk

Counterparty credit risk RWAs, reduced by £57 million primarily due to a decrease in securities financing transactions. CRD IV introduced a new capital requirement for credit valuation adjustment (CVA) risk, which increases RWAs by £194 million. This charge applies to all OTC derivative instruments and is used to capture the risk of default or variation in the credit qualify of counterparties. We have applied the standardised approach to calculate the CVA capital requirement. Transactions with non-financial counterparties have been exempted from our CVA charge, on the basis that those transactions do not exceed the clearing thresholds mandated by EU regulations governing OTC derivatives, central counterparties and trade repositories.

Market risk RWAs

Market risk RWA, calculated using the standardised approach, decreased by £73 million and is primarily attributable to a decrease in capital held for foreign exchange risk.

Operational risk RWAs

Operational risk RWAs are calculated using the standardised approach and increased by £185 million. The increase is due to a higher three-year average operating income.

Investec Limited

Movement in risk weighted assets

Total risk-weighted assets (RWAs) grew by 11% over the period, predominantly within Credit Risk.

Credit Risk RWAs

For Investec Limited consolidated reporting we have adopted the standardised approach for calculating credit risk RWAs. Credit RWA grew by R21 billion (13.5%) with strong growth in corporate and private client lending activity. A large proportion of this movement is driven by currency movements on foreign denominated assets, while the remainder is associated with book growth within the corporate (mainly associated with renewable energy related transactions and short-term corporate funding) and private client lending businesses. The impact of Basel III and the associated enhancements to the Banks Act by the South African Reserve Bank were implemented in 2013 and there has been minimal change in the methodology governing the calculation of required capital during the 2014 financial year.

Counterparty credit risk RWAs and Credit Valuation Risk

Counterparty credit risk RWAs reduced by R1.85 billion primarily due to lower trading volumes, while CVA over the period grew by R688 million. CVA risk was implemented as part of Basel III in South Africa, and captures the risk of default or variation in the credit quality of counterparties. We apply the standardised approach to the calculation of the CVA capital requirement.

Equity Risk RWAs

Equity risk grew by approximately R4 billion over the period. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% risk weight and unlisted equities 424%. This results in a proportionally much larger increase in RWA than the associated on balance sheet equity values.

Market Risk RWAs

Market Risk RWA is calculated using the Value at Risk (VaR) approach and remained relatively flat over the period.

Operational Risk RWAs

Operational Risk is calculated using the standardised and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

Movement in total regulatory capital

The table below analyses the movement in common equity tier 1, additional tier 1 and tier 2 capital during the year.

Total regulatory capital flow statement

At 31 March 2014	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
Opening core tier 1/common equity tier 1 capital	1 206	1 398	405	20 030	22 331
New capital issues	16	20	20	275	–
Dividends	(70)	–	–	(2 002)	(183)
Profit after tax	94	53	(72)	4 094	2 150
Treasury shares	(58)	–	–	(770)	–
Gain on transfer of non-controlling interests	73	–	–	1 449	–
Share-based payment adjustments	37	–	–	485	–
Movement in other comprehensive income	(51)	(42)	3	428	125
Goodwill and intangible assets (deduction net of related tax liability)	40	41	24	14	(12)
Deferred tax that relies on future profitability (excluding those arising from temporary differences	(38)	(38)	–	–	–
Deconsolidation of special purpose entities	(31)	(34)	–	–	–
Other, including regulatory adjustments and transitional arrangements	(14)	(9)	7	(592)	76
Closing common equity tier 1 capital	1 204	1 389	387	23 411	24 487
Opening additional tier 1 capital	295	–	–	4 222	1 381
Other, including regulatory adjustments and transitional arrangements	(61)	–	–	(458)	(154)
Closing additional tier 1 capital	234	–	–	3 764	1 223
Closing tier 1 capital	1 438	1 389	387	27 175	25 714
Opening tier 2 capital	834	681	135	10 526	11 493
New tier 2 capital issues	–	–	–	1 005	1 005
Amortisation adjustments	(27)	(15)	–	–	–
Redeemed capital	–	–	–	(3 003)	(3 003)
Collective impairment allowances	(120)	(20)	–	50	50
Other, including regulatory adjustments and transitional arrangements	(25)	(9)	(10)	1 268	1 125
Closing tier 2 capital	662	637	125	9 846	10 670
Opening other deductions from total capital	(57)	(54)	–	–	–
Connected funding of a capital nature	6	6	–	–	–
Investments that are not material holdings or qualifying holdings	51	48	–	–	–
Closing other deductions from total capital	–	–	–	–	–
Closing total regulatory capital	2 100	2 026	512	37 021	36 384

* *Where: IBP is Investec Bank plc consolidated. IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for IBP includes IBAL. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia, respectively.*

Total regulatory capital flow statement (continued)

At 31 March 2013	Investec plc*^ £'million	IBP*^ £'million	IBAL*^ A$'million	Investec Limited*^ R'million	IBL*^ R'million
Restated opening core tier 1/common equity tier 1 capital	1 197	1 319	434	17 809	19 492
New capital issues	22	159	–	159	1 361
Dividends	(60)	(13)	–	(1 711)	(957)
Profit after tax	55	30	7	3 240	1 878
Treasury shares	(32)	–	–	(401)	–
Acquistion of non-controlling interest	(4)	(4)	–	–	–
Share-based payment adjustments	34	–	–	388	–
Movement in other comprehensive income	(2)	6	–	326	294
Goodwill and intangible assets (deduction net of related tax liability)	7	(93)	(4)	31	6
Deconsolidation of special purpose entities	(17)	(15)	–	–	–
Other, including regulatory adjustments and transitional arrangements	6	9	(32)	189	257
Closing core tier 1/common equity tier 1 capital	1 206	1 398	405	20 030	22 331
Opening additional tier 1 capital	296	–	–	4 414	1 534
New additional tier 1 capital issues	–	–	–	303	–
Other, including regulatory adjustments and transitional arrangements	(1)	–	–	(495)	(153)
Closing additional tier 1 capital	295	–	–	–	–
Closing tier 1 capital	1 501	1 398	405	24 252	23 712
Opening tier 2 capital	786	627	91	8 667	8 667
New tier 2 capital issues	35	35	50	5 295	5 295
Amortisation adjustments	(17)	(6)	–	–	–
Redeemed capital	–	–	–	(1 508)	(1 508)
Collective impairment allowances	19	13	–	(84)	(84)
Other, including regulatory adjustments and transitional arrangements	11	12	(6)	(1 844)	(877)
Closing tier 2 capital	834	681	135	10 526	11 493
Restated opening other deductions from total capital	(58)	(53)	–	–	–
Connected funding of a capital nature	4	4	–	–	–
Investments that are not material holdings or qualifying holdings	(3)	(5)	–	–	–
Closing other deductions from total capital	(57)	(54)	–	–	–
Closing total regulatory capital	2 278	2 025	540	34 778	35 205

A summary of capital adequacy and leverage ratios

At 31 March 2014	Investec plc*^°	IBP*^°	IBAL*^	Investec Limited*^	IBL*^
Common equity tier 1 (as reported)	8.8%	11.0%	12.2%	9.4%	10.3%
Common equity tier 1 ('fully loaded')^^	8.8%	11.0%	12.2%	9.3%	10.2%
Tier 1 (as reported)	10.5%	11.0%	12.2%	11.0%	10.8%
Total capital adequacy ratio (as reported)	15.3%	16.0%	16.1%	14.9%	15.3%
Leverage ratio** – permanent capital	7.7%	7.4%	11.2%	7.4%	7.2%
Leverage ratio** – current	7.4%	7.4%	11.2%	7.2%	7.2%
Leverage ratio** – 'fully loaded'^^	6.2%	7.4%	11.2%	6.2%	6.8%

* *Where: IBP is Investec Bank plc consolidated. IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for IBP includes IBAL. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

^ *The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia, respectively.*

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £61 million for Investec plc and £32 million for IBP would be around 50bps and 30bps, respectively.*

^^ *Based on the group's understanding of current and draft regulations. 'Fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*

** *The leverage ratios are calculated on an end-quarter basis so as to show a consistent basis of calculation across the jurisdictions in which the group operates.*

Analysis of rated counterparties in each standardised credit risk exposure class

Investec plc

The table below shows the breakdown of rated credit risk exposures by credit quality step.

Credit quality step	31 March 2014 Exposure £'million	31 March 2014 Exposure after credit risk mitigation £'million	31 March 2013 Exposure £'million	31 March 2013 Exposure after credit risk mitigation £'million
Central banks and sovereigns	3 187	2 950	3 068	3 068
1	–	–	–	–
2	–	–	–	–
3	–	–	–	–
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Institutions*				
1	281	281	289	289
2	990	903	926	716
3	131	131	67	67
4	35	35	32	32
5	2	2	–	–
6	–	–	–	–
Corporates				
1	5	5	–	–
2	15	15	12	12
3	2	1	173	173
4	7	7	–	–
5	19	19	15	15
6	–	–	–	–
Securitisation positions				
1	171	171	163	163
2	20	20	51	51
3	34	26	25	25
4	5	1	16	16
5	–	–	4	4
Re-securitisation positions				
1	15	15	36	36
2	9	9	9	9
3	4	4	4	4
4	–	–	–	–
5	–	–	–	–
Total rated counterparty exposure	4 932	4 595	4 890	4 680

* The institutions exposure class includes exposures to institutions with an original effective maturity of more than and less than three months.

Analysis of rated counterparties in each standardised credit exposure class

Investec Limited

The capital requirement disclosed as held against credit risk at 31 March 2014 includes a small amount of capital held for counterparty credit risk, mainly within the group's trading businesses. On the basis of materiality, no detail has been provided on this risk in the following analysis.

The table below shows the exposure amounts associated with the credit quality steps and the relevant risk weightings.

	31 March 2014		31 March 2013	
Credit quality step	Exposure R'million	Exposure after credit risk mitigation R'million	Exposure R'million	Exposure after credit risk mitigation R'million
Central banks and sovereigns				
1	40 716	40 716	39 475	39 475
2	–	–	–	–
3	176	176	42	42
4	–	–	–	–
5	105	105	–	–
6	–	–	–	–
Institutions original effective maturity of more than three months				
1	–	–	627	466
2	12 531	11 818	10 180	10 180
3	7 430	7 167	12 665	12 664
4	527	527	–	–
5	–	–	–	–
6	–	–	–	–
Short-term claims on institutions				
1	1 480	1 480	1 083	1 083
2	11 753	11 753	9 111	9 111
3	15 210	15 210	6 646	6 646
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Corporates				
1	2 387	2 074	444	367
2	3 652	2 678	1 315	822
3	5 885	4 350	3 050	1 223
4	451	418	672	264
5	–	–	–	–
6	–	–	–	–
Securitisation positions				
1	793	793	788	788
2	5 353	4 540	4 124	4 124
3	2 756	1 437	1 357	1 357
4	267	267	369	369
5	1 668	1 668	62	62
Total rated counterparty exposure	113 140	107 177	92 010	89 043

Credit ratings

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 plc, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings at 31 March 2014 are as follows:

Rating agency	Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited	Investec plc	Investec Bank plc – a subsidiary of Investec plc	Investec Bank (Australia) Limited – a subsidiary of Investec Bank plc
Fitch					
Long-term ratings					
Foreign currency	BBB-	BBB-		BBB-	BBB-
National		A+(zaf)			
Short-term ratings					
Foreign currency	F3	F3		F3	F3
National		F1 (zaf)			
Viability rating	bbb-	bbb-		bbb-	
Support rating	5	3		5	3
Moody's					
Long-term deposit ratings					
Foreign currency		Baa1	Ba1	Baa3	Ba1
National		Aa3 (za)			
Short-term deposit ratings					
Foreign currency		Prime-2	Non-prime	Prime-3	Non-prime
National		P1 (za)			
Bank financial strength rating		C-		D+	D
S&P					
Long-term deposit ratings					
Foreign currency		BBB			
National		za.AA			
Short-term deposit ratings					
Foreign currency		A-2			
National		za.A-1			
Global Credit Ratings					
Local currency					
Short-term rating		A1+(za)		A2	
Long-term rating		AA-(za)		BBB+	

Internal audit

Internal Audit activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function

Internal Audit activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function.

As a result of the regulatory responsibilities arising from the DLC structure, there are two group Internal Audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. Investec Bank (Australia) Limited and Investec Bank plc (Irish branch) have their own internal audit functions reporting into Investec plc Internal Audit. In combination, the functions cover all the geographies in which Investec operates. These functions use a global risk-based methodology and cooperate technically and operationally.

The heads of internal audit report at each audit committee meeting and have a direct reporting line to the chairman of the audit committee. They operate independently of executive management but have regular access to their local chief executive officer and to BU executives. The heads of internal audit are responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged to maximise efficiency. For administrative purposes the heads of internal audit also report to the global head of corporate governance and compliance. The functions comply with the International Standards for the Professional Practice of Internal Auditing, and are subject to an independent Quality Assurance Review (QAR) at appropriate intervals. The recent QAR benchmarked the functions against the July 2013 publication by the Chartered Institute for Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector', the results of which were communicated to the audit committees in March 2014 and will be communicated to the respective regulators.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. High risk businesses and processes are audited at least every 18 months, 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 Investec's dependence on IT systems. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of combined assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the local assurance forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committee receives a report on significant issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by Internal Audit to each audit committee. If there are concerns in relation to overdue issues, these will be escalated to the executive risk review forum to expedite resolution.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness to meet our increasingly demanding corporate governance and regulatory environment, including the requirements of King III in South Africa. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec's diverse requirements. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal Audit resources are subject to review by the respective audit committees.

Compliance

Over the last year, the pace of regulatory change in the financial sector has shown little signs of abating, and the pressure the industry has faced to implement various regulatory initiatives has continued to be resource intensive. Regulators, globally, have continued to endeavour to promote stability and resilience in financial markets, with the focus shifting from strategic reforms such as recovery and resolution plans and structural reform to conduct related issues, with the focus on consumer protection and transparency within markets.

In particular, some of the changes have come from proposals, which aim to promote transparency within the over-the-counter (OTC) markets. Regulations such as European Market Infrastructure Regulation (EMIR) in the EU and the Dodd Frank Act in the US have imposed clearing and reporting requirements on both regulated and non-regulated counterparties in respect of their derivative trades as well as requiring counterparties to agree risk mitigation processes and procedures for all OTC derivative trades.

In addition to a number of international proposals aiming for an internationally accepted single global tax reporting standard and automatic information exchange, The Foreign Account Tax Compliance Act (FATCA) is also having a global impact on firms. To combat tax evasion by US tax residents using foreign accounts, FATCA requires firms outside of the US to pass information about their US customers to the US tax authorities, Internal Revenue Service (IRS). Failure to meet the new reporting obligations under FATCA would result in a 30% withholding tax on financial institutions. The UK, along with a number of other countries, has entered into an intergovernmental disclosure agreement with the US. South Africa has agreed the wording of an intergovernmental agreement with the IRS and the parliamentary ratification process is in progress. This allows South Africa to be treated as a participating country and thus avoid withholding on South Africa financial institutions. Investec is engaged in projects to ensure that operationally we are able to identify our US clients, and that we have processes in place to exchange relevant information with the IRS.

Financial crime continues to be a regulatory focus with regulators globally encouraging firms to increase efforts around having systems and controls to combat bribery and corruption. In order to strengthen the anti-money laundering regime, regulators are holding discussions with the legal community on changes required to rules on identifying beneficial ownership. This, together with other proposals in relation to financial crime, will become a focus for Investec Limited as a result of embedding the 4th Money Laundering Directive.

Investec continues to strive to comply with the highest professional standards of integrity and behaviour, always keeping the interests of our customers and shareholders at the forefront of the corporate agenda. We also seek to bring high standards of compliance practice to all our jurisdictions in order to build trust and promote the quality of service to our colleagues and clients.

Investec plc – year in review

Conduct Risk

As of 1 April 2013 the UK Regulator was split into two organisations focusing primarily on prudential and conduct matters. The Prudential Regulation Authority (PRA) is now responsible for prudentially supervising large banks and insurance firms, whilst the Financial Conduct Authority (FCA) supervises all firms on conduct matters, as well as being prudentially responsible for firms not supervised by the PRA.

Since the official split, the conduct regulator (FCA) has been focussing on outlining its conduct risk agenda and the expectation that firms should have a conduct risk framework in place. The FCA's objective of consumer protection is a continuing theme throughout all regulatory initiatives such as; reviews into suitability of advice and firms' conflict management arrangements, as well as the way firms incentivise front line sales staff and protect client assets.

The FCA aim is to ensure that clients' interests are at the forefront of firms' agendas and that their needs are placed at the heart of the firms' strategy. Firms are also expected to behave appropriately in the wholesale markets in which they operate. UK firms have been asked to respond to this agenda and Investec has enhanced existing controls and governance arrangements in order to better demonstrate how seriously we take our commitment to the needs of all our clients and markets.

Notwithstanding the heavy regulatory focus on outcomes for retail clients, the FCA has a markedly differing approach to consumer protection to its predecessor, the FSA. This has become apparent in FCA's more pronounced focus on the wholesale markets and outcomes for clients irrespective of their categorisation as either retail or professional. For example, the investigations into the LIBOR and FX rates fixing scandals, with which we are not involved, ensures that the FCA will continue to look at wholesale markets with the same vigour as it has done at the retail markets, for the foreseeable future.

Banking Standards and reforms to approved person's regime

Specific focus and attention is being given to improving cultural and ethical standards within the banking sector. Sir Richard Lambert has been given a mandate to create an independent body that will promote high standards of competence and behaviour across the UK banking industry. Currently consulting on the structure and objectives of this new body, the regime is certain to complement the approved person's regime and the reforms currently being proposed jointly by the PRA and the FCA on responsibilities of significant influence functions.

Structural Banking Reform

The Financial Services (Banking Reform) Act 2013 (Banking Reform Act) received Royal Assent on 18 December 2013. The Act will ultimately give the UK authorities the powers to implement key recommendations of the Independent Commission on Banking (ICB) on banking reform, including:

- Retail ring-fence: this involves the ring-fencing of UK retail banking activities of a universal bank into a legally distinct, operationally separate and economically independent entity within the same group
- Higher capital and loss absorbency requirements
- Introduction of retail depositor preference in the UK
- A bail-in stabilisation option for the UK Special Resolution Regime
- A new regime for key individuals in the banking sector, replacing the existing approved persons regime
- Criminal offence for reckless misconduct for senior bankers

- Competition-related reforms to the FCA and the PRA
- A new Payment Systems Regulator
- A special administration regime for systemically important inter-bank and securities settlement systems.

The Act contains a *de minimis* exemption from the requirement to ring-fence, which is relevant to all but the largest UK deposit takers. Investec falls within this *de minimis* exemption and is therefore out of scope from the ring-fencing requirement.

Regulatory landscape in the coming year

Going forward, the Regulator has announced an intention to develop its links with the international regulators and to work in a more collegiate fashion towards ensuring regulatory standards are harmonised globally. The first of these initiatives is focused on harmonised practices within Europe and the review of the Markets in Financial Instruments Directive (MIFID), know as MIFID 2. The market abuse regime is also being reviewed with Market Abuse Regulation (MAR) due to be implemented late 2015 and early 2016. Investec Plc will need to begin work on assessing the impact of these new regulations in order to ensure timely implementation.

On the domestic front, the FCA is taking over the consumer credit regime, which means that from 1 April 2014 unregulated lending will be subject to the FCA supervision. Firms, including Investec Plc, will need to apply for authorisation and ensure that all regulatory requirements under the FCA regime are implemented in respect of its lending businesses going forward.

Investec Limited – year in review

There have been numerous regulatory developments in the past year, most notably the publication of the Draft Financial Sector Regulation Bill which outlines the proposed Twin Peaks model of regulation (Twin Peaks model). The first phase of the Twin Peaks will create the two new regulatory structures, the Prudential Authority and the Market Conduct Authority. This will see structural changes within the South African Reserve Bank (SARB) and the Financial Services Board (FSB).

The second phase will entail amending existing South African legislation and creating new legislation, where applicable, to give effect to the new regulatory structures. The Twin Peaks model will also allow for the Treating Customers Fairly (TCF) programme to be applicable across the financial services sector.

The Financial Markets Act (FMA), which replaces the Securities Services Act, was promulgated in 2013. The main impact of the FMA is the regulation of Over-the-counter (OTC) derivatives, and the introduction of trade repositories. The regulations, which will give operational effect to the FMA, are being drafted by National Treasury.

Other significant developments include the Solvency Asset Management in the insurance industry, amendments to the Long Term Insurance Act, Basel III and further regulation of hedge funds and collective investment schemes. Investec continues to participate in the relevant industry work-streams. Investec further continues to review and provide feedback to industry bodies and regulators regarding proposals for new or enhanced regulation.

Mauritius has brought amendments to the main anti-money laundering legislation, namely to the Financial Intelligence and Anti-Money Laundering Act. The details of the amendments are as follows:

- Governance, accounting and reporting requirements to the Financial Intelligence Unit
- Submission by reporting institutions of Suspicious Transactions Reports (STRs) solely to the Financial Intelligence Unit
- STRs submitted to the Financial Intelligence Unit cannot be used as evidence in Court
- Financial institutions have 15 days to file STRs and to submit information requested by the Financial Intelligence Unit.

Conduct Risk (consumer protection)

Consumer protection regulation remains a key focus into 2014 with continued emphasis on aligning existing processes with the TCF Roadmap published by the FSB. Some of the key developments in 2013 are highlighted below.

As required by FAIS, the fit and proper status of representatives and key individuals of all licensed Investec financial services providers (FSPs) are monitored on an ongoing basis and the requisite reports are made to the FSB.

The Department of Trade and Industry (dti) issued regulations at the end of February 2014 for the removal of adverse credit information, in respect of paid up judgments, from the records of credit bureaus. The regulations also prohibit credit providers from utilising the deleted information for purposes of credit assessments/scoring. The dti also introduced the National Credit Amendment Bill (NCAB) to Parliament at the end of 2013. The NCAB is a result of the policy review undertaken for the National Credit Regulator (NCR) by the University of Pretoria. Some of the key amendments proposed in the NCAB include the permanent removal of adverse credit information in respect of paid up judgments, greater powers of enforcement and rule-making powers being granted to the NCR, new and enhanced regulation of debt counsellors and payment distribution agencies. The NCAB is at an advanced stage in the Parliamentary process, and the changes are expected to be effective this year.

The FSB is reviewing the definition of 'intermediary services' in the Financial Advisory and Intermediary Services Act (FAIS), and the draft Category V Code relating to professional clients (and which will impact FSPs currently subject to the merchant banking exemption).

The Protection of Personal Information Act (POPI) was enacted in November 2013. Section 1, Part A of Chapter 5 and sections 112 and 113 are in effect. The commencement of these sections allows for the establishment of an information regulator and for the drafting of regulations, which will provide further guidance in respect of implementation. Once the regulations have been drafted they will be published for comment. POPI has a material impact on all aspects of Investec's business that concern the processing of personal information in respect of Investec's clients and employees, as well as information relating to the Investec group and subsidiaries.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 49 in volume one

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 31

Dividend cover

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to page 51 in volume three

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 51 in volume three

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

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 48 in volume one

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 52 in volume one

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 49 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 49 in volume one

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 93

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 Wealth & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling 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 51 in volume three

Notes

Annual Report

Out of the Ordinary®

Investec

2014 | **VOLUME 3** Investec financials

Corporate information

Investec plc and Investec Limited

Secretary and registered office

Investec plc

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Investec Limited

Benita Coetsee
(Up to 30 June 2014)

Niki van Wyk
(with effect from 1 July 2014)
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Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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Ernst & Young Inc.

Registrars in the UK

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Marshalltown 2107
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Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Sir David J Prosser (joint chairman)
Fani Titi (joint chairman)
George FO Alford (senior independent NED)
Cheryl A Carolus
Perry KO Crosthwaite
Olivia C Dickson
Bradley Fried
David Friedland
Haruko Fukuda OBE
Ian R Kantor
M Peter Malungani
Peter RS Thomas

Samuel E Abrahams retired with effect 8 August 2013.

For contact details for Investec offices internationally refer to pages 135 and 136 in volume three.

For queries regarding information in this document

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About this report

The 2014 integrated annual report covers the period 1 April 2013 to 31 March 2014 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback, invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

01	02	03
Investec strategic report incorporating governance, sustainability and the remuneration report	Investec risk and Basel Pillar III disclosures report	Investec financials

Get the most out of our report

Cross-referencing tools:

Audited information

Denotes information in the risk and remuneration reports that form part of the group's audited annual financial statements

Reporting standard

Denotes our consideration of a reporting standard

Definitions

Refers readers to the definitions on the inside back cover

Page references

Refers readers to information elsewhere in this report

Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

Website

Indicates that additional information is available on our website: www.investec.com

Contents

1 Financial statements

Section one
Financial statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on pages 12 to 15, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the external auditors in relation to the combined consolidated annual financial statements.

The directors are responsible for the preparation, integrity and objectivity of the combined consolidated annual financial statements that fairly present the state of affairs of 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
- The group audit committees, together with Internal Audit, 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 International Financial Reporting Standards (IFRS) 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 annual financial statements of the companies and the group have been prepared in accordance with the respective Companies Acts of the United Kingdom and South Africa and comply with IFRS and Article 4
of the IAS regulation and comply with UK GAAP in respect of Investec plc parent company accounts.

The directors are of the opinion, based on their knowledge of the companies, key processes in operation and enquiries, that adequate resources exist to support the companies on a going concern basis over the next year. These annual financial statements have been prepared on that basis.

It is the responsibility of the external auditors to report on the combined consolidated annual financial statements. Their reports to the members of the companies are set out on pages 12 to 15. As far as the directors are aware, there is no relevant audit information of which the external auditors are unaware.

Approval of annual financial statements

The Directors' Report and the annual financial statements of the companies and the group, which appear on pages 5 to 11 and pages 16 to 134, were approved by the board of directors on 11 June 2014.

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 annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board

Stephen Koseff	Bernard Kantor
Chief executive officer	Managing director

11 June 2014

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act, No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2014, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Benita Coetsee
Company secretary, Investec Limited

11 June 2014

Directors' report

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the United Kingdom, South Africa and Australia as well as certain other countries. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

The strategic report on pages 18 to 21 in volume one provides an overview of our strategic position, performance during the financial year and outlook for the business.

It should be read in conjunction with the sections on pages 22 to 163 in volume one and pages 1 to 102 in volume two 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 43 to the annual financial statements.

Investec plc

During the year, the following shares were issued:

- 3 559 572 ordinary shares on 28 June 2013 at 459.00 pence per share
- 3 295 365 special converting shares on 28 June 2013 of £0.0002 each at par.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2014.

Investec Limited

During the year, the following shares were issued:

- 3 295 365 ordinary shares on 28 June 2013 at R70.00 (R0.0002 par and premium of R69.9998 per share)
- 3 559 572 special convertible redeemable preference shares on 28 June 2013 of R0.0002 each at par
- 217 112 Class ILRP1 redeemable, non-participating preference shares on 19 September 2013 at R1 000.00 (R0.01 par and premium of R999.99 per share)
- 28 842 Class ILRP1 redeemable, non-participating preference shares on 21 October 2013 at R1 002.74 (R0.01 par and premium of R1 002.73 per share)
- 27 236 Class ILRP1 redeemable, non-participating preference shares on 4 December 2013 at R1 008.48 (R0.01 par and premium of R1 008.47 per share)
- 135 129 Class ILRP1 redeemable, non-participating preference shares on 17 March 2014 at R1 010.27 (R0.01 par and premium of R1 010.26 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2014.

At 31 March 2014, Investec Limited held 19.0 million shares in treasury (2013: 19.7 million). Investec plc held 10.6 million shares in treasury (2013: 10.3 million). The maximum number of shares held in treasury by Investec Limited during the period under review was 19.7 million.

Financial results

The combined results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2014. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

Investec plc

An interim dividend was declared to shareholders as follows:

- 8.0 pence per ordinary share to non-South African resident shareholders (2013: 8.0 pence) registered on 13 December 2013
- To South African resident shareholders registered on 13 December 2013, a dividend paid by Investec Limited on the SA DAS share, equivalent to 8.0 pence (2013: 7.0 pence and 1.0 pence per ordinary share paid by Investec plc) per ordinary share.

The dividends were paid on 27 December 2013.

The directors have proposed a final dividend to shareholders registered on 1 August 2014, of 11.0 pence (2013: 10.0 pence) per ordinary share, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 7 August 2014 and, if approved, will be paid on 15 August 2014, as follows:

- 11.0 pence per ordinary share to non-South African resident shareholders (2013: 10.0 pence) registered on 1 August 2014
- To South African resident shareholders registered on 1 August 2014, through a dividend paid by Investec Limited on the SA DAS share, of 7.0 pence per ordinary share and 4.0 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 131.0 cents per ordinary share (2013: 112.0 cents) was declared to shareholders registered on 13 December 2013 and was paid on 27 December 2013.

The directors have proposed a final dividend of 196.0 cents per ordinary share (2013: 144.0 cents) to shareholders registered on 1 August 2014 to be paid on 15 August 2014. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled for 7 August 2014.

Preference dividends

Investec plc

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 15 for the period 1 April 2013 to 30 September 2013, amounting to 7.52055 pence per share, was declared to members holding preference shares registered on 6 December 2013 and was paid on 17 December 2013.

Preference dividend number 16 for the period 1 October 2013 to 31 March 2014, amounting to 7.47945 pence per share, was declared to members holding preference shares registered on 13 June 2014 and will be paid on 24 June 2014.

Rand denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 5 for the period 1 April 2013 to 30 September 2013, amounting to 404.85616 cents per share, was declared to members holding Rand denominated non-redeemable, non-cumulative, non-participating preference shares registered on 6 December 2013 and was paid on 17 December 2013.

Preference dividend number 6 for the period 1 October 2013 to 31 March 2014, amounting to 410.58218 cents per share, was declared to members holding preference shares registered on 13 June 2014 and will be paid on 24 June 2014.

Preferred securities

The seventh annual distribution, fixed at 7.075%, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005, is due and will be paid on 24 June 2014.

Investec Limited

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 18 for the period 1 April 2013 to 30 September 2013, amounting to 331.42804 cents per share, was declared to shareholders holding preference shares registered on 6 December 2013 and was paid on 17 December 2013.

Preference dividend number 19 for the period 1 October 2013 to 31 March 2014, amounting to 336.11555 cents per share, was declared to shareholders holding preference shares registered on 13 June 2014 and will be paid on 24 June 2014.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 1 for the period 19 September 2013 to 30 September 2013, amounting to 156.47275 cents per share, was declared to shareholders holding preference shares on 25 October 2013 and was paid on 28 October 2013.

Preference dividend number 2 for the period 1 October 2013 to 31 December 2013, amounting to 1199.62442 cents per share, was declared to shareholders holding preference shares on 24 January 2014 and was paid on 27 January 2014.

Preference dividend number 3 for the period 1 January 2014 to 31 March 2014, amounting to 1220.33405 cents per share, was declared to shareholders holding preference shares on 25 April 2014 and was paid on 29 April 2014.

Redeemable cumulative preference shares

Dividends amounting to R23 731 999.98 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 101 and 102 in volume one.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2014 annual general meeting, other than GFO Alford, OC Dickson and MP Malungani who will not offer themselves for re-election.

SE Abrahams retired from the board on 8 August 2013.

The company secretary of Investec plc is David Miller.

As from 1 July 2014, the company secretary of Investec Limited is Niki van Wyk. Benita Coetsee resigned with effect from 30 June 2014.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 155 to 157 in volume one.

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

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 82 to 85 in volume one.

Share incentives

Details regarding options granted during the year are set out on page 48.

Audit committees

The audit committees comprising non-executive directors meet regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems.

Further details on the role and responsibility of the audit committee are set out on pages 90 to 94 in volume one.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc and Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

A resolution to re-appoint them as auditors will be proposed at the annual general meeting scheduled to take place on 7 August 2014.

Contracts

Refer to pages 155 to 157 in volume one for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 112 to 118.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 104 in volume one.

Special resolutions

Investec plc

At the annual general meeting held on 8 August 2013, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to allot shares wholly for cash within the terms of the authority in Article 12.2 and to sell treasury shares wholly for cash, in connection with a rights issue and otherwise than in connection with a rights issue, up to an aggregate nominal amount equal to the section 571 of the Companies Act 2006 amount, being £6 052 (six thousand and fifty-two Pounds Sterling)
- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of section 701 of the Companies Act 2006
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of section 701 of the Companies Act 2006
- Investec plc was authorised in accordance with the Companies Act 2006 to send, convey or supply all types of notices, documents or information to shareholders by electronic means, including by making such notices, documents or information available on a website, and the relevant provisions of the Articles of Association of Investec plc were amended accordingly.

Investec Limited

At the general meeting held on 9 July 2013, the following special resolutions were passed in terms of which:

- The authorised share capital of Investec Limited was reduced by the cancellation of the authorised, but unissued 40 000 000 class 'A' variable rate, compulsorily convertible, non-cumulative preference shares
- The Memorandum of Incorporation (MOI) was amended to remove all references to the class 'A' variable rate, compulsorily convertible, non-cumulative preference shares
- The authorised share capital of Investec Limited was increased by the creation of 50 000 000 redeemable, non-participating preference shares with a par value of R0.01 each
- Annexure A to the MOI was amended so as to include the newly created 50 000 000 redeemable, non-participating preference shares
- The MOI was amended so as to incorporate the Programme Preference Share terms and conditions as Annexure B to the MOI, to codify the interpretation rules between the MOI and Annexure B and to clarify the power of the directors to amend the provisions of the MOI as required in terms of section 36(4) of the Companies Act 2008.

At the annual general meeting held on 8 August 2013, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act, No 71 of 2008
- Clause 2 of the MOI was amended by the insertion of a new unnumbered clause
- Deletion of clause 3.2 of the MOI
- Articles 34.2, 153.1(g) and 155.2(j) of the MOI of Investec Limited was amended by the deletion of certain paragraphs and the replacement thereof by new paragraphs
- The authorised share capital of Investec Limited was increased by the creation of 20 000 000 non-redeemable, non-cumulative, non-participating preference shares
- Annexure A to the MOI was amended so as to include the new created 20 000 000 non-redeemable, non-cumulative, non-participating preference shares
- The MOI was amended so as to incorporate the Programme Preference Share terms and conditions as Annexure B to the MOI, to codify the interpretation rules between the MOI and Annexure B and to clarify the power of the directors to amend the provisions of the MOI as required in terms of section 36(4) of the Companies Act 2008.

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.

The parent company accounts of Investec plc continue to be drawn up under UK Generally Accepted Accounting Practice (UK GAAP).

These policies are set out on pages 24 to 32.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 4 to 99 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 29 and in notes 24 and 53.

Employees

Our 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. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices. This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate the appointment of individuals responsible for various areas of health and safety is made.

Further information is provided on pages 112 to 115 in volume one.

Political donations and expenditure

Investec plc did not make any donations for political purposes in the UK or the rest of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year.

Invested Limited made political donations totalling R2.5 million in 2014 (2013: Rnil).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information can be found on pages 109 to 125 in volume one.

Going concern

Refer to pages 84 and 85 in volume one for the directors' statement in relation to going concern.

Research and development

In the ordinary course of business Investec develops new products and services in each of its business divisions.

Post-balance sheet events

As announced on the 11 of April 2014, the board of directors of Investec have entered into a definitive contract with the Bank of Queensland Limited (BOQ) to purchase Investec Bank Australia Limited's (IBAL) Professional Finance and Asset Finance and Leasing businesses and its deposit book. The transaction is structured as a sale of IBAL. A total team of over 310 people will be transferring to BOQ. The consideration price has been agreed at an A$210 million premium to tangible net asset value (NAV), for the shares in IBAL. Upon conclusion of the transaction, IBAL will repatriate its entire NAV to Investec Holdings Australia Limited. The consideration price for the sale assets is prior to transaction costs and any costs that may arise following the restructure. Furthermore, it is a requirement of the transaction to transfer all non-sale assets and liabilities and contractual agreements out of IBAL prior to conclusion of the sale. The transaction is subject to regulatory approval.

Additional information for shareholders

Schedule A to the Directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act 2006).

The board considers that this integrated annual report and annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

On behalf of the boards of Investec plc and Investec Limited

Sir David J Prosser
Joint chairman

Fani Titi
Joint chairman

Stephen Koseff
Chief executive officer

11 June 2014

Schedule A to the directors' report

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act 2006). This is a summary only and the relevant provisions of the Articles or the Companies Act 2006 should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2014 consists of 608 756 343 ordinary shares of £0.0002 each, 15 081 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 2 275 940 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 282 934 529 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 2006, the uncertificated securities regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the Companies Act 2006, Investec plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act 2006.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the Companies Act 2006 members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require.

Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- To receive a non-cumulative preferential dividend out of the profits of Investec plc in priority to the plc ordinary shares but *pari passu* with the perpetual preference shares, on such dates in respect of such periods and on such other terms and conditions as may be determined by the directors prior to the allotment thereof
- The plc preference shares will rank as regards participation in profits *pari passu* inter se and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with the perpetual preference shares
- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with any other shares of Investec plc that are expressed to rank *pari passu* therewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards dividends and a repayment of capital on the winding-up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference shares and equal basis, the right on a return of capital on the winding-up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with Article 150.2(e)(ii) after six months from the due date thereof; and/or
  - A resolution of Investec plc is proposed which resolution directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding-up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

Investec plc has 2 275 940 ZAR preference shares in issue. The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling perpetual preference shares, as outlined above, save that they are denominated in South African Rand.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the: (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

Powers of directors

Subject to the Articles, the Companies Act 2006, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Association of both Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Independent auditor's report to members of Investec plc

Opinion on financial statements

In our opinion:

- The combined consolidated financial statements give a true and fair view of the state of the group's affairs at 31 March 2014 and of its profit for the year then ended
- The group annual financial statements have been appropriately prepared in accordance with IFRSs as adopted by the European Union
- The parent company annual financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- The annual financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Investec plc for the year ended 31 March 2014, which comprise:

- The combined consolidated income statement
- The combined consolidated statement of comprehensive income
- The combined consolidated balance sheet
- The combined consolidated statement of cash flows
- The combined consolidated statement of changes in equity
- The group accounting policies and the related notes set out on pages 24 to 126
- The parent company balance sheet
- The parent company accounting policies and related notes set out on pages 128 and 129.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibility Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group annual financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Investec plc combined consolidated and separate parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the integrated annual report to identify material inconsistencies with the audited annual financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks that have had the greatest effect on the overall audit strategy; on the allocation of resources on the audit; and on directing the efforts of the engagement team:

- Monitoring of credit quality and the appropriateness of the allowance for credit losses
- Impairment assessments for goodwill and intangibles
- Risk of inappropriate revenue recognition – valuation of financial instruments, unlisted investments and embedded derivatives including the impact of implementation of IFRS 13
- Quality of financial reporting – inaccurate or improper accounting and financial reporting of large or complex transactions and the impact of implementation of IFRS 10, 11 and 12
- IT security and change controls.

Our application of materiality

We apply the concept of materiality in both planning and performing the audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the group to be £22.0 million, which is approximately 5% of adjusted operating profit before tax. We use adjusted profit before tax to exclude the effect of non-recurring items (i.e. impairment of goodwill, non-operational costs arising from the acquisition of a subsidiary and costs arising from integration of acquired subsidiaries) from our determination. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timings and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the group should be 50% of materiality, namely £11.0 million. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £1.1 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Certain disclosures required by the financial reporting framework have been presented in the risk report in volume two of the integrated annual report, rather than in the notes to the annual financial statements and have been identified as audited.

An overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements.

Following our assessment of the risk of material misstatement to the group annual financial statements, our audit scope focused on selecting 24 components which represent the principal business units within the group and account for 96% of the group's total assets and 94% of the group's adjusted operating profit before goodwill, intangibles and tax. Of these, 23 were subject to a full scope audit, whilst the remaining one was subject to a specific scope audit where the extent of audit work was based on our assessment of the risks of material misstatement and of the materiality of the group's business operations at that location. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. For the remaining 15 out-of-scope components, which account for 4% of the group's total assets and 6% of the group's adjusted operating profit before goodwill, intangibles and tax, we primarily performed analytical procedures to confirm there were no significant risks of material misstatement in the group annual financial statements.

The group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits or participates in meetings at each of the key locations where the group audit scope was focused at least once every year. In addition to the location visit, the group audit team reviewed key working papers supporting conclusions on significant risk areas and participated in the component team's planning including the component team's discussion of fraud and error.

Our principal responses to the risks identified above included the following:

1. The monitoring of credit quality and the appropriateness of the allowance for credit losses:

   We documented and tested the process and controls for assessing and booking loans and receivables impairment provisions, including the over-arching governance, review and approval procedures. In particular, we tested loan exposures on a sample basis to ensure all loans which had suffered an incurred loss event had been included in the specific provisioning process.

   Certain portfolios in the Private Banking and Kensington businesses are subject to collective provisioning approaches. In these portfolios, we critically assessed the appropriateness of the methodologies underlying the provisioning models and the assumptions and data input into such models. In examining the models and assumptions, we back tested the historic performance of the models to ensure all relevant risks and drivers were reflected in the calculations or whether model overlays were required. In specific cases such as the Irish portfolios, where observability of key model inputs is poor, we reviewed management's benchmarking analysis of its provisioning levels compared to local market participant banks and performed our own independent assessments.

   Loan exposures in the Private and Corporate and Institutional Bank are relatively large and display unique characteristics. Management assess these loans for impairment provisioning on an individual basis. In these cases we reviewed an extensive sample of such exposures to understand latest developments which influence performance and recoverability and critically assessed the basis of determining any impairment provisions held. This is an inherently judgemental process and particularly important where management are pursuing bespoke workout strategies in the legacy portfolios in Private Bank. We reviewed and challenged assumptions around future cash flow projections and the valuation of collateral held. Where workout strategies require additional funding to execute we obtained representations from management as to their intent and ability to make such funds available.

2. The impairment assessments for goodwill and intangibles:

   We examined management's methodology and models for assessing the valuation of significant goodwill and intangible asset balances. In particular, we critically assessed the forecasts of the cash flows for the respective cash-generating units and the appropriateness of other key assumptions such as discount rates. We also performed sensitivity analyses by stressing key assumptions in the models to assess the level of headroom in place based on reasonably expected movements in such assumptions.

3. Risk of inappropriate revenue recognition – valuation of financial instruments, unlisted investments and embedded derivatives including the impact of implementation of IFRS 13:

We tested the design and operating effectiveness of controls for the valuation of financial instruments, unlisted investments and embedded derivatives. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of the model inputs and key assumptions. Where such inputs and assumptions were not observable in the market we engaged our valuation experts to critically assess whether they fell within an acceptable range based on relevant knowledge and experience of the market.

The adoption of IFRS 13 has not seen a significant change in the way management fair values financial instruments, but the additional guidance has resulted in changes to disclosures regarding the fair value hierarchy. We assessed management's impact analysis of IFRS 13 and reviewed the financial statement disclosures as well as performing an assessment of the classification of financial instruments between levels 2 and 3 as required by the standard.

4. The quality of financial reporting – inaccurate or improper accounting and financial reporting of large or complex transactions and the impact of implementation of IFRS 10, 11 and 12:

   We have examined a number of new and legacy large or complex transactions such as the Investec Asset Management minority sale to management during the year and we separately examined management's assessment for not classifying the assets and liabilities of Investec Bank (Australia) Limited and Kensington Group plc as held for sale at year end.

   In addition to these transactions, we have examined management's impact analysis of IFRS 10, 11 and 12 and reviewed compliance was met with the principles of these new accounting standards. We performed a thorough review of the recognition, measurement and disclosure requirements of each standard and considered specifically the completeness of management's assessment. We performed a detailed assessment of complex transactions and challenged management's judgements where necessary to determine whether the group was exposed to, or had rights to, variable returns from its relationship with the investee and had the ability to affect those returns through its power over the investee.

5. IT security and change controls:

   As part of our audit procedures we tested on IT security and change controls due to the group's heavy reliance on IT systems and embedded application controls, and changes expected during the year, particularly from the One Bank initiative and implementation of new automated tools to support IT access control. We engaged the IT audit specialists on our audit team to perform sufficient audit procedures to enable us to place reliance on the IT applications and relevant controls identified as having a material impact on the financial reporting process.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Investec strategic report incorporating governance, sustainability and the remuneration report, and the Directors' report for the financial year for which the group annual financial statements are prepared is consistent with the combined consolidated annual financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the integrated annual report is:

- Materially inconsistent with the information in the audited financial statements, or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit, or
- Is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the integrated annual report is fair, balanced and understandable and whether the integrated annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 8, in relation to going concern, and
- The disclosures made in the Corporate Governance report relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Ernst & Young LLP

Angus Grant
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP
Statutory Auditor

London
11 June 2014

Notes:

1. *The maintenance and integrity of the Investec website 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 auditor's report to members of Investec Limited

We have audited the accompanying group annual financial statements of Investec Limited, which comprise the Directors' report, the combined consolidated balance sheet at 31 March 2014, the combined consolidated income statement, the combined consolidated statement of comprehensive income, the combined consolidated statement of changes in equity and combined consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 126 within volume three, the separate Investec Limited parent company accounts, which comprise the balance sheet at 31 March 2014, the income statement and statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 130 to 134 within volume three, and the information in the risk management section within volume two and the Remuneration report within volume one that is marked audited.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated and separate 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 about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate 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 management, as well as evaluating the overall presentation of the consolidated and separate 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, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate balance sheets of Investec Limited at 31 March 2014, and its consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2014, we have read the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst + Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Ernest van Rooyen
Chartered Accountant (SA)
Registered Auditor
Director

102 Rivonia Road
Sandton
Private Bag X14
Sandton 2146
Johannesburg

11 June 2014

Combined consolidated income statement

For the year to 31 March £'000	Notes	2014	2013*
Interest income	2	1 905 383	2 132 715
Interest expense	2	(1 253 704)	(1 429 108)
Net interest income		651 679	703 607
Fee and commission income	3	1 136 902	1 110 398
Fee and commission expense	3	(147 481)	(143 578)
Investment income	4	166 809	181 992
Trading income arising from:			
– customer flow		103 914	70 859
– balance sheet management and other trading activities		10 587	34 038
Other operating income	5	18 554	42 153
Total operating income before impairment losses on loans and advances		1 940 964	1 999 469
Impairment losses on loans and advances	27	(166 152)	(251 012)
Operating income		1 774 812	1 748 457
Operating costs	6	(1 306 102)	(1 303 033)
Depreciation on operating leased assets	32	(6 044)	(16 072)
Operating profit before goodwill and acquired intangibles		462 666	429 352
Impairment of goodwill	34	(12 797)	(15 175)
Amortisation of acquired intangibles	35	(13 393)	(13 313)
Operating cost arising from integration, restructuring and partial disposals of subsidiaries		(20 890)	(13 119)
Operating profit		415 586	387 745
Net gain on disposal of subsidiaries	36	9 821	–
Non-operational costs arising from acquisition of subsidiary		–	(1 249)
Profit before taxation		425 407	386 496
Taxation on operating profit before goodwill and acquired intangibles	8	(79 150)	(79 064)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	7 289	5 977
Profit after taxation		353 546	313 409
Profit attributable to Asset Management non-controlling interests		(11 031)	(243)
Profit attributable to other non-controlling interests		(10 849)	(3 074)
Earnings attributable to shareholders		331 666	310 092
Earnings per share (pence)			
– Basic	9	34.4	31.7
– Diluted	9	32.4	29.8

* *As restated for restatements detailed in note 59.*

Combined consolidated statement of comprehensive income

For the year to 31 March £'000	Note	2014	2013*
Profit after taxation		353 546	313 409
Other comprehensive (loss)/income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(3 582)	(16 202)
Gains on realisation of available-for-sale assets recycled through the income statement	8	(2 972)	(1 713)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	347	4 387
Foreign currency adjustments on translating foreign operations		(407 479)	(182 532)
Items that will not be reclassified to the income statement			
Re-measurement of net defined benefit pension asset	8	(5 870)	(7 078)
Total comprehensive (loss)/income		(66 010)	110 271
Total comprehensive loss attributable to non-controlling interests		(12 724)	(15 815)
Total comprehensive (loss)/income attributable to ordinary shareholders		(88 554)	86 982
Total comprehensive income attributable to perpetual preferred securities		35 268	39 104
Total comprehensive (loss)/income		(66 010)	110 271

* *As restated for restatements detailed in note 59.*

Financial statements

01

Combined consolidated balance sheet

At 31 March £'000	Notes	2014	2013*	2012*
Assets				
Cash and balances at central banks	18	2 080 190	1 782 447	2 593 851
Loans and advances to banks	19	3 280 179	3 136 051	2 725 471
Non-sovereign and non-bank cash placements		515 189	420 960	642 480
Reverse repurchase agreements and cash collateral on securities borrowed	20	1 388 980	2 358 672	975 992
Sovereign debt securities	21	3 215 432	4 077 217	4 067 093
Bank debt securities	22	1 568 097	1 879 105	3 081 061
Other debt securities	23	605 378	449 216	377 832
Derivative financial instruments	24	1 619 415	1 983 132	1 913 650
Securities arising from trading activities	25	870 088	931 603	640 146
Investment portfolio	26	825 745	928 893	863 664
Loans and advances to customers	27	16 281 612	17 484 524	17 192 208
Own originated loans and advances to customers securitised	28	875 755	930 449	1 034 174
Other loans and advances	27	1 693 569	2 033 973	2 789 489
Other securitised assets	28	3 576 526	4 003 208	4 021 378
Interests in associated undertakings	29	24 316	27 950	27 506
Deferred taxation assets	30	131 142	165 457	150 381
Other assets	31	1 474 992	1 959 550	1 798 687
Property and equipment	32	108 738	134 101	175 773
Investment properties	33	509 228	451 975	407 295
Goodwill	34	433 571	466 906	468 320
Intangible assets	35	159 169	178 567	192 099
Non-current assets classified as held for sale	13	41 637	–	–
		41 278 948	45 783 956	46 138 550
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	37	5 862 959	6 226 142	6 265 846
		47 141 907	52 010 098	52 404 396
Liabilities				
Deposits by banks		2 721 170	3 047 636	3 035 323
Derivative financial instruments	24	1 170 232	1 443 325	1 421 130
Other trading liabilities	38	861 412	851 939	612 884
Repurchase agreements and cash collateral on securities lent	20	1 316 087	1 940 158	1 864 137
Customer accounts (deposits)		22 609 784	24 460 666	25 275 876
Debt securities in issue	39	1 596 630	1 901 776	2 243 948
Liabilities arising on securitisation of own originated loans and advances	28	729 534	926 335	1 036 674
Liabilities arising on securitisation of other assets	28	3 041 435	3 303 606	3 314 737
Current taxation liabilities		208 041	210 475	209 609
Deferred taxation liabilities	30	96 362	109 628	102 478
Other liabilities	40	1 576 468	1 895 091	1 570 853
		35 927 155	40 090 635	40 687 649
Liabilities to customers under investment contracts	37	5 861 389	6 224 062	6 263 913
Insurance liabilities, including unit-linked liabilities	37	1 570	2 080	1 933
		41 790 114	46 316 777	46 953 495
Subordinated liabilities	42	1 338 752	1 751 806	1 492 776
		43 128 866	48 068 583	48 446 271
Equity				
Ordinary share capital	43	224	223	221
Perpetual preference share capital	44	153	153	153
Share premium	45	2 473 131	2 494 618	2 457 019
Treasury shares	46	(85 981)	(89 545)	(72 820)
Other reserves		(467 247)	(93 537)	82 327
Retained income		1 649 179	1 349 560	1 195 118
Shareholders' equity excluding non-controlling interests		3 569 459	3 661 472	3 662 018
Non-controlling interests	47	443 582	280 043	296 107
– Perpetual preferred securities issued by subsidiaries		252 713	279 041	291 769
– Non-controlling interests in partially held subsidiaries		190 869	1 002	4 338
Total equity		4 013 041	3 941 515	3 958 125
Total liabilities and equity		47 141 907	52 010 098	52 404 396

* *As restated for restatements detailed in note 59.*

Combined consolidated cash flow statement

For the year to 31 March £'000	Notes	2014	2013*
Operating profit adjusted for non-cash items	49	705 374	772 605
Taxation paid		(35 508)	(61 469)
Increase in operating assets	49	(979 947)	(4 263 520)
Increase in operating liabilities	49	1 289 032	2 151 009
Net cash inflow/(outflow) from operating activities		978 951	(1 401 375)
Cash flow on acquisition of group operations		(270)	(20 834)
Cash flow on disposal/(acquisition) of group operations		38 232	(3 594)
Cash flow on net disposal of associates		6 231	3 323
Cash flow on acquisition of property, equipment and intangible assets		(42 487)	(48 821)
Cash flow on disposal of property, equipment and intangible assets		22 607	44 193
Net cash inflow/(outflow) from investing activities		24 313	(25 733)
Dividends paid to ordinary shareholders		(150 053)	(147 660)
Dividends paid to other equity holders		(43 319)	(39 334)
Proceeds on issue of shares, net of related costs		31 650	34 685
Proceeds on issue of perpetual preference shares		–	24 263
Cash flow on acquisition of treasury shares, net of related costs		(98 688)	(58 395)
Proceeds on issue of other equity instruments**		35 477	–
Proceeds from partial disposal of subsidiaries	36	122 716	–
Proceeds from subordinated debt raised		82 930	494 829
Repayment of subordinated debt		(215 314)	(120 494)
Net cash (outflow)/inflow from financing activities		(234 601)	187 894
Effects of exchange rates on cash and cash equivalents		(281 225)	(142 019)
Net increase/(decrease) in cash and cash equivalents		487 438	(1 381 233)
Cash and cash equivalents at the beginning of the year		3 561 573	4 942 806
Cash and cash equivalents at the end of the year		4 049 011	3 561 573
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		2 080 190	1 782 447
On demand loans and advances to banks		1 453 632	1 358 166
Non-sovereign and non-bank cash placements		515 189	420 960
Cash and cash equivalents at the end of the year		4 049 011	3 561 573

* *As restated for restatements detailed in note 59.*

** *Includes equity instruments issued by subsidiaries.*

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

Combined consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2012 – as previously reported	221	153	2 457 019	(72 820)
Restatements on adoption of IFRS 10	–	–	–	–
Restatements on adoption of IAS 19	–	–	–	–
At 1 April 2012 – restated	221	153	2 457 019	(72 820)
Movement in reserves 1 April 2012 – 31 March 2013				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on realisation of available-for-sale assets recycled through the income statement	–	–	–	–
Fair value movements on available-for-sale assets	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Re-measurement of net defined pension asset	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	34 683	–
Issue of perpetual preference shares	–	–	24 263	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to disposal of subsidiaries	–	–	–	–
Movement of treasury shares	–	–	(21 347)	(37 048)
Transfer from capital reserve account	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	20 323
At 31 March 2013	223	153	2 494 618	(89 545)

Other reserves								
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total equity
11 127	9 113	34 596	(31 632)	59 123	1 249 515	3 716 415	296 107	4 012 522
–	–	–	–	–	(54 397)	(54 397)	–	(54 397)
–	–	–	–	–	–	–	–	–
11 127	9 113	34 596	(31 632)	59 123	1 195 118	3 662 018	296 107	3 958 125
–	–	–	–	–	310 092	310 092	3 317	313 409
–	–	–	(16 202)	–	–	(16 202)	–	(16 202)
–	(1 713)	–	–	–	–	(1 713)	–	(1 713)
–	4 387	–	–	–	–	4 387	–	4 387
–	(1 033)	849	(550)	(163 320)	654	(163 400)	(19 132)	(182 532)
–	–	–	–	–	(7 078)	(7 078)	–	(7 078)
–	1 641	849	(16 752)	(163 320)	303 668	126 086	(15 815)	110 271
–	–	–	–	–	63 154	63 154	–	63 154
–	–	–	–	–	(147 660)	(147 660)	–	(147 660)
–	–	–	–	–	(39 104)	(39 104)	19 435	(19 669)
–	–	–	–	–	–	–	(19 435)	(19 435)
–	–	–	–	–	–	–	(230)	(230)
–	–	–	–	–	–	34 685	–	34 685
–	–	–	–	–	–	24 263	–	24 263
–	–	–	–	–	(3 575)	(3 575)	(239)	(3 814)
–	–	–	–	–	–	–	220	220
–	–	–	–	–	–	(58 395)	–	(58 395)
(159)	–	–	–	–	159	–	–	–
–	–	1 877	–	–	(1 877)	–	–	–
–	–	–	–	–	(20 323)	–	–	–
10 968	10 754	37 322	(48 384)	(104 197)	1 349 560	3 661 472	280 043	3 941 515

Combined consolidated statement of changes in equity (continued)

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 31 March 2013	223	153	2 494 618	(89 545)
Movement in reserves 1 April 2013 – 31 March 2014				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Gains on realisation of available-for-sale assets recycled through the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Pension fund actuarial losses	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	1	–	31 649	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to partial disposal of subsidiaries	–	–	–	–
Capital conversion of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(53 136)	(45 552)
Transfer to capital reserve account	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	49 116
At 31 March 2014	224	153	2 473 131	(85 981)

Other reserves								
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Share-holders' equity excluding non-controlling interests	Non-controlling interests	Total equity
10 968	10 754	37 322	(48 384)	(104 197)	1 349 560	3 661 472	280 043	3 941 515
–	–	–	–	–	331 666	331 666	21 880	353 546
–	–	–	(3 582)	–	–	(3 582)	–	(3 582)
–	(2 972)	–	–	–	–	(2 972)	–	(2 972)
–	347	–	–	–	–	347	–	347
–	(271)	(3 254)	2 190	(371 096)	(444)	(372 875)	(34 604)	(407 479)
–	–	–	–	–	(5 870)	(5 870)	–	(5 870)
–	(2 896)	(3 254)	(1 392)	(371 096)	325 352	(53 286)	(12 724)	(66 010)
–	–	–	–	–	66 905	66 905	–	66 905
–	–	–	–	–	(150 053)	(150 053)	–	(150 053)
–	–	–	–	–	(35 268)	(35 268)	18 702	(16 566)
–	–	–	–	–	–	–	(18 702)	(18 702)
–	–	–	–	–	–	–	(5 838)	(5 838)
–	–	–	–	–	–	31 650	–	31 650
–	–	–	–	–	–	–	35 477	35 477
–	–	–	–	–	–	–	(270)	(270)
–	–	–	–	–	146 727	146 727	20 213	166 940
–	–	–	–	–	–	–	126 681	126 681
–	–	–	–	–	–	(98 688)	–	(98 688)
5	–	–	–	–	(5)	–	–	–
–	–	4 923	–	–	(4 923)	–	–	–
–	–	–	–	–	(49 116)	–	–	–
10 973	7 858	38 991	(49 776)	(475 293)	1 649 179	3 569 459	443 582	4 013 041

Accounting policies

Basis of presentation

The group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2014, IFRS as endorsed by the EU are identical in all material respects to current IFRS applicable to the group. With differences only in the effective dates of certain standards, however the group has early adopted these relevant standards to ensure compliance with both frameworks.

The group annual financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting and liabilities for pension fund surpluses and deficits that have been measured at fair value.

Presentation of information

Disclosure under IFRS 7 – Financial Instruments: Disclosures and IAS 1 – Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 83 to 96 in volume two.

Certain disclosures required under IAS 24 – Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 152 to 157 in volume one.

Restatements and presentation of information

The group has adopted the following new or revised standards from 1 April 2013:

IAS 1 – Presentation of Financial Statements (Revised)

The amendments require entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The amendments further require tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items.

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The revisions to the standard came into effect from 1 April 2013 and require additional disclosures which are provided in note 57.

IFRS 10 – Consolidated Financial Statements

The revised standard on consolidation has been applied retrospectively, with the impact to prior reported periods disclosed in the restatement note on pages 122 to 126. The application of the single definition of control contained in the standard has resulted in the consolidation of certain special purpose vehicles in which the group has exposure to variable returns (not necessarily the majority thereof) and has the ability to affect such returns by exercising control over the activities of the entity.

IFRS 11 – Joint Arrangements

The new accounting standard came into effect from 1 April 2013 and has not had any impact on the group.

IFRS 12 – Disclosure of Interests in Other Entities

The new disclosure standard has been applied retrospectively and requires disclosure of the significant judgements and assumptions made in determining the nature of interests in subsidiaries, joint ventures and interest in associated undertakings and the interest that non-controlling interests have in the group's activities and cash flows. The standard further provides disclosure requirements relating to consolidated and unconsolidated structured entities with which the group is associated. The disclosures relating to unconsolidated structured entities are not required to include comparative information in the first year of application. The impact of the standard is further disclosed on pages 113 to 118, with no changes to measurement or recognition requirements.

IFRS 13 – Fair Value Measurement

The new accounting standard has been applied prospectively from 1 April 2013. The standard defines fair value as being a market-based measurement and sets out in a single IFRS a framework for the measurement of fair value. Application of the standard has not had a material impact on the recognition and measurement of assets and liabilities of the group.

IAS 19 – Employee Benefits

The revisions to the standard have been applied retrospectively. For the group the standard has revised the basis on which the return on assets is determined, with a relatively immaterial impact. The impact to prior reported periods has been disclosed in the restatement note 59 on page 126.

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 or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

Investec performs a reassessment of consolidation whenever there is a change in the substance of the relationship between Investec and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Investec also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings 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 or loss.

For equity accounted associates, the combined consolidated annual 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 cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains and losses within the group that do not reflect an impairment to the asset, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions namely, Asset Management, Wealth & Investment and Specialist Banking.

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

For further detail on the group's segmental reporting basis refer to pages 56 to 80 in volume one of the divisional review section of the integrated annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at each acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is re-measured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-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, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

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.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

Foreign operations are subsidiaries, interests in associated undertakings 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.

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 the income statement
- 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.

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 other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue related to provision of services is recognised when the related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

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 rate yield, but exclude 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.

Fee and commission income includes fees earned from providing advisory services as well as portfolio management and includes rental income from investment properties.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains and losses arising from balance sheet management.

Trading profits 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 investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings, income from assurance activities and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in the valuation method.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial fair value. All other transaction costs are recorded in the income statement immediately.

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 or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss.

Financial instruments classified as held-for-trading or designated as held at fair value through profit or 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 or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

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

- It eliminates or significantly reduces a measurement or recognition inconsistency 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
- 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 or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

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

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line 'impairment losses on loans and advances'.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages. The group also trades in structured credit investments.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. The group's exposure to the structured entities are the reserves provided as credit enhancement to the holders of the structured entities debt securities, with the first loss position treated as a long-term interest-bearing borrowing to the structured entities.

The structured entities are consolidated under IFRS 10 – Consolidated Financial Statements when the group has exposure to or rights to, variable returns from its involvement with the investee and have the ability to affect those returns through its power over the investee.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain loans and receivables that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets.

Financial assets classified as available-for-sale are measured at fair value with unrealised gains and losses recognised directly in other comprehensive income in the available-for-sale reserve. When the asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial assets are recognised in the income statement when the right of payment has been established.

If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income 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.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously 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 or 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 or loss are measured at fair value.

All changes in fair value of financial liabilities are recognised in the income statement.

Day-one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

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 impairment at each balance sheet date and when an indicator of impairment is identified.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level (within the Specialist Banking business segment) that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group.

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.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

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 risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either: (a) the group has transferred substantially all the risk and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group may reclassify, in certain rare circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively.

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 in the hedge accounting section below).

Derivative instruments transacted as economic hedges 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.

Credit derivatives are entered into for trading purposes. Credit derivatives of the group are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit and loss, based on the current market price or re-measured price.

Hedge accounting

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations 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. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- 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.

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, relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income from balance sheet management and other trading activities.

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 other comprehensive income and is released to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

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

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid 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 stand-alone 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 currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. 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 non-controlling interests on the 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, at a fixed price or a selling price plus a lender's return, 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'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

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.

The cash collateral from agency-based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation 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 the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the group is the lessor and included in liabilities where the group 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 income statement on a straight-line basis over the lease term. Contingent rentals are accrued to the income statement when incurred

Property and equipment

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

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected 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 and comparative 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 property and 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. Leasehold property depreciation rates are determined by reference 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 an indication of impairment exists.

Routine maintenance and service costs for group 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 at fair value, with fair value gains and losses recognised in the income statement in investment income.

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.

Dealing properties

Dealing properties are carried at the lower of cost and net realisable value.

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 expected useful life of the asset (currently three to twenty 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.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets, other than investment property, for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal 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. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

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

As these are not assets of the group, they are not recognised 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 the amount expected to be payable on taxable profits at rates that are enacted or substantively enacted and applicable to the relevant period.

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

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, 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 deferred tax asset can be utilised.

Items recognised directly in other comprehensive income are net of related current 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 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.

Insurance income is included in other operating income.

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 (to the extent that it is considered recoverable) or deficit in the balance sheet.

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income.

The group has no liabilities for other post-retirement benefits.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop for sale are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations issued but not yet effective

The following significant 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 annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments will replace certain key elements of IAS 39 when finally issued. The two key elements that would impact the group's accounting policies include:

- Classification and measurement of financial assets and financial liabilities: the standard requires that all financial assets be classified as either held at fair value or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest. The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk is taken directly to other comprehensive income without recycling. These are current deliberations which may result in limited modifications to IFRS 9 relating to classification and measurement
- Impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology. Revisions to the methodology are subject to deliberation, with the section of the standard on impairment currently expected to be published in 2014.

The amendments made to IFRS 9 in February 2014 provide that the mandatory effective date for IFRS 9 is from 2018. However, entities may still choose to apply IFRS 9 immediately.

There are additional disclosures and consequential amendments in IFRS 7 resulting from the introduction of the hedge accounting chapter in IFRS 9, these will become effective when IFRS 9 is applied.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions

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

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility

Details of unlisted investments can be found in note 26 with further analysis contained in the risk management section on pages 45 to 47 in volume two.

- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature

Refer to pages 31 to 43 in volume two in the risk management section for further analysis on impairments.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows
- In order to meet the objectives of IFRS 12, management performs an assessment of the value of each associate in relation to the value of total assets, as well as any qualitative considerations that may exist, in order to determine materiality to the reporting entity for disclosure purposes.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
1. Combined consolidated segmental analysis				
2014				
Segmental business analysis – income statement				
Net interest income	3 918	7 857	639 904	651 679
Fee and commission income	504 695	279 613	352 594	1 136 902
Fee and commission expense	(95 354)	(4 236)	(47 891)	(147 481)
Investment income	28	2 183	164 598	166 809
Trading income arising from:				
– customer flow	–	1 324	102 590	103 914
– balance sheet management and other trading activities	(1 982)	58	12 511	10 587
Other operating income	2 875	1 234	14 445	18 554
Total operating income before impairment losses on loans and advances	414 180	288 033	1 238 751	1 940 964
Impairment losses on loans and advances	–	–	(166 152)	(166 152)
Operating income	414 180	288 033	1 072 599	1 774 812
Operating costs	(270 361)	(221 934)	(813 807)	(1 306 102)
Depreciation on operating leased assets	–	–	(6 044)	(6 044)
Operating profit before goodwill and acquired intangibles	143 819	66 099	252 748	462 666
Profit attributable to other non-controlling interests	–	–	(10 849)	(10 849)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	143 819	66 099	241 899	451 817
Profit attributable to Asset Management non-controlling interests	(11 031)	–	–	(11 031)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	132 788	66 099	241 899	440 786
Selected returns and key statistics				
ROE (pre-tax)*	96.7%	18.2%	8.7%	12.5%
Return on tangible equity (pre-tax)*	305.1%	130.0%	9.1%	15.3%
Cost to income ratio	65.3%	77.1%	66.0%	67.5%
Staff compensation to operating income	47.7%	56.1%	43.5%	46.3%
Operating profit per employee	105.1	48.7	44.2	55.1
Total assets (£'million)	555	1 919	44 668	47 142

* *Refer to calculation on page 51 in volume one.*

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
1. Combined consolidated segmental analysis (continued)				
2013				
Segmental business analysis – income statement				
Net interest income	4 501	9 049	690 057	703 607
Fee and commission income	485 783	250 315	374 300	1 110 398
Fee and commission expense	(92 667)	(12 755)	(38 156)	(143 578)
Investment income	36	555	181 401	181 992
Trading income arising from:				
– customer flow	–	687	70 172	70 859
– balance sheet management and other trading activities	(45)	360	33 723	34 038
Other operating income	9 583	777	31 793	42 153
Total operating income before impairment on losses and advances	407 191	248 988	1 343 290	1 999 469
Impairment losses on loans and advances	–	–	(251 012)	(251 012)
Operating income	407 191	248 988	1 092 278	1 748 457
Operating costs	(266 784)	(198 321)	(837 928)	(1 303 033)
Depreciation on operating leased assets	–	–	(16 072)	(16 072)
Operating profit before goodwill and acquired intangibles	140 407	50 667	238 278	429 352
Profits attributable to other non-controlling interests	–	–	(3 074)	(3 074)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	140 407	50 667	235 204	426 278
Profit attributable to Asset Management non-controlling interests	(243)	–	–	(243)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	140 164	50 667	235 204	426 035
Selected returns and key statistics				
ROE (pre-tax)*	95.1%	15.8%	7.9%	11.8%
Return on tangible equity (pre-tax)*	336.1%	104.9%	8.4%	14.7%
Cost to income ratio	65.5%	79.7%	63.1%	65.7%
Staff compensation to operating income	46.1%	55.6%	41.0%	43.9%
Operating profit per employee	115.1	38.2	43.4	53.5
Total assets (£'million)	630	2 587	48 793	52 010

* *Refer to calculation on page 51 in volume one.*

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
2014				
Segmental geographic analysis – income statement				
Net interest income	285 219	294 945	71 515	651 679
Fee and commission income	732 338	370 228	34 336	1 136 902
Fee and commission expense	(125 019)	(15 377)	(7 085)	(147 481)
Investment income	99 540	67 710	(441)	166 809
Trading income arising from:				
– customer flow	66 378	26 870	10 666	103 914
– balance sheet management and other trading activities	(6 529)	19 895	(2 779)	10 587
Other operating income	15 745	2 541	268	18 554
Total operating income before impairment on loans and advances	1 067 672	766 812	106 480	1 940 964
Impairment losses on loans and advances	(104 792)	(39 241)	(22 119)	(166 152)
Operating income	962 880	727 571	84 361	1 774 812
Operating costs	(791 304)	(416 581)	(98 217)	(1 306 102)
Depreciation on operating leased assets	(6 044)	–	–	(6 044)
Operating profit before goodwill and acquired intangibles	165 532	310 990	(13 856)	462 666
Loss/(profit) attributable to other non-controlling interests	2 720	(13 569)	–	(10 849)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	168 252	297 421	(13 856)	451 817
Profit attributable to Asset Management non-controlling interests	(5 535)	(5 496)	–	(11 031)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	162 717	291 925	(13 856)	440 786
Impairment of goodwill	–	(1 564)	(11 233)	(12 797)
Amortisation of acquired intangibles	(13 393)	–	–	(13 393)
Operating costs arising from integration, restructuring and partial disposal of subsidiaries	(3 241)	(1 971)	(15 678)	(20 890)
Net gain on disposal of subsidiaries	9 653	168	–	9 821
Earnings attributable to shareholders before taxation	155 736	288 558	(40 767)	403 527
Taxation on operating profit before goodwill	(31 164)	(48 140)	154	(79 150)
Taxation on acquired intangibles and acquisition/disposal/ integration of subsidiaries	7 289	–	–	7 289
Earnings attributable to shareholders	131 861	240 418	(40 613)	331 666
Selected returns and key statistics				
ROE (post-tax)*	7.6%	16.5%	(3.8%)	10.1%
Return on tangible equity (post-tax)*	11.7%	16.7%	(4.4%)	12.3%
Cost to income ratio	74.5%	54.3%	92.2%	67.5%
Staff compensation to operating income	51.5%	36.6%	63.2%	46.3%
Operating profit per employee	48.8	69.4	(29.6)	55.1
Effective operational tax rate	18.8%	15.5%	(1.1%)	17.1%
Total assets (£'million)	19 618	25 081	2 443	47 142

* *Refer to calculation on page 50 in volume one.*

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
2013				
Segmental geographic analysis – income statement				
Net interest income	291 726	342 793	69 088	703 607
Fee and commission income	694 467	356 500	59 431	1 110 398
Fee and commission expense	(125 872)	(13 180)	(4 526)	(143 578)
Investment income	95 250	86 204	538	181 992
Trading income arising from:				
– customer flow	51 158	12 755	6 946	70 859
– balance sheet management and other trading activities	18 579	16 023	(564)	34 038
Other operating income	34 782	5 562	1 809	42 153
Total operating income before impairment on loans and advances	1 060 090	806 657	132 722	1 999 469
Impairment losses on loans and advances	(171 187)	(61 976)	(17 849)	(251 012)
Operating income	888 903	744 681	114 873	1 748 457
Operating costs	(737 134)	(454 427)	(111 472)	(1 303 033)
Depreciation on operating leased assets	(16 072)	–	–	(16 072)
Operating profit before goodwill and acquired intangibles	135 697	290 254	3 401	429 352
Profits attributable to other non-controlling interests	(397)	(2 677)	–	(3 074)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	135 300	287 577	3 401	426 278
Profit attributable to Asset Management non-controlling interests	–	(243)	–	(243)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	135 300	287 334	3 401	426 035
Impairment of goodwill	(13 402)	(1 773)	–	(15 175)
Amortisation of acquired intangibles	(13 313)	–	–	(13 313)
Operating costs arising from integration, restructuring and partial disposal of subsidiaries	(13 119)	–	–	(13 119)
Non-operational costs arising from acquisition of subsidiary	(1 249)	–	–	(1 249)
Earnings attributable to shareholders before taxation	94 217	285 561	3 401	383 179
Taxation on operating profit before goodwill	(31 801)	(48 693)	1 430	(79 064)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	5 977	–	–	5 977
Earnings attributable to shareholders	68 393	236 868	4 831	310 092
Selected returns and key statistics				
ROE (post-tax)*	6.0%	15.5%	1.2%	9.4%
Return on tangible equity (post-tax)*	9.6%	15.6%	1.4%	11.7%
Cost to income ratio	70.6%	56.3%	84.0%	65.7%
Staff compensation to operating income	47.7%	36.9%	56.5%	43.9%
Operating profit per employee	39.9	69.8	7.5	53.5
Effective operational tax rate	23.4%	16.8%	(42.0%)	18.4%
Total assets (£'million)	20 473	28 291	3 246	52 010

* *Refer to calculation on page 50 in volume one.*

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests				
2014				
Asset Management	67 585	76 234	–	143 819
Wealth & Investment	46 065	20 034	–	66 099
Specialist Banking	54 602	201 153	(13 856)	241 899
Total group	168 252	297 421	(13 856)	451 817
Other non-controlling interest – equity				10 849
Operating profit				462 666
2013				
Asset Management	59 341	81 066	–	140 407
Wealth & Investment	33 910	16 757	–	50 667
Specialist Banking	42 049	189 754	3 401	235 204
Total group	135 300	287 577	3 401	426 278
Other non-controlling interest – equity				3 074
Operating profit				429 352

At 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
2014				
Segmental geographic analysis – balance sheet assets and liabilities				
Assets				
Cash and balances at central banks	1 706 423	337 572	36 195	2 080 190
Loans and advances to banks	1 213 531	2 003 156	63 492	3 280 179
Non-sovereign and non-bank cash placements	–	515 189	–	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	909 437	479 543	–	1 388 980
Sovereign debt securities	946 004	1 983 017	286 411	3 215 432
Bank debt securities	234 728	1 196 915	136 454	1 568 097
Other debt securities	221 063	376 150	8 165	605 378
Derivative financial instruments	868 270	700 545	50 600	1 619 415
Securities arising from trading activities	586 706	283 382	–	870 088
Investment portfolio	336 148	483 148	6 449	825 745
Loans and advances to customers	6 492 335	8 506 986	1 282 291	16 281 612
Own originated loans and advances to customers securitised	–	428 117	447 638	875 755
Other loans and advances	1 413 630	279 939	–	1 693 569
Other securitised assets	2 798 158	778 368	–	3 576 526
Interests in associated undertakings	17 947	2 950	3 419	24 316
Deferred taxation assets	65 971	26 033	39 138	131 142
Other assets	1 140 024	292 204	42 764	1 474 992
Property and equipment	59 377	42 815	6 546	108 738
Investment properties	61 715	447 513	–	509 228
Goodwill	397 756	6 560	29 255	433 571
Intangible assets	149 121	5 821	4 227	159 169
Non-current assets classified as held for sale	–	41 637	–	41 637
	19 618 344	19 217 560	2 443 044	41 278 948
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 862 959	–	5 862 959
	19 618 344	25 080 519	2 443 044	47 141 907
Liabilities				
Deposits by banks	1 416 696	1 304 474	–	2 721 170
Derivative financial instruments	598 218	527 362	44 652	1 170 232
Other trading liabilities	391 650	469 762	–	861 412
Repurchase agreements and cash collateral on securities lent	614 733	701 354	–	1 316 087
Customer accounts (deposits)	9 406 909	11 670 995	1 531 880	22 609 784
Debt securities in issue	1 003 759	487 254	105 617	1 596 630
Liabilities arising on securitisation of own originated loans and advances	–	280 450	449 084	729 534
Liabilities arising on securitisation of other assets	2 374 599	666 836	–	3 041 435
Current taxation liabilities	107 142	100 770	129	208 041
Deferred taxation liabilities	68 501	27 861	–	96 362
Other liabilities	1 157 189	384 062	35 217	1 576 468
	17 139 396	16 621 180	2 166 579	35 927 155
Liabilities to customers under investment contracts	–	5 861 389	–	5 861 389
Insurance liabilities, including unit-linked liabilities	–	1 570	–	1 570
	17 139 396	22 484 139	2 166 579	41 790 114
Subordinated liabilities	668 007	597 803	72 942	1 338 752
	17 807 403	23 081 942	2 239 521	43 128 866

At 31 March £'000	UK and Other	Southern Africa	Australia	Total group
1. Combined consolidated segmental analysis (continued)				
2013				
Segmental geographic analysis – balance sheet assets and liabilities				
Assets				
Cash and balances at central banks	1 228 390	406 777	147 280	1 782 447
Loans and advances to banks	1 232 606	1 818 269	85 176	3 136 051
Non-sovereign and non-bank cash placements	–	420 960	–	420 960
Reverse repurchase agreements and cash collateral on securities borrowed	1 223 251	1 135 421	–	2 358 672
Sovereign debt securities	1 365 464	2 416 839	294 914	4 077 217
Bank debt securities	275 173	1 423 904	180 028	1 879 105
Other debt securities	168 004	258 706	22 506	449 216
Derivative financial instruments	1 037 004	871 460	74 668	1 983 132
Securities arising from trading activities	665 494	257 840	8 269	931 603
Investment portfolio	345 623	571 740	11 530	928 893
Loans and advances to customers	6 045 063	9 725 609	1 713 852	17 484 524
Own originated loans and advances to customers securitised	–	439 255	491 194	930 449
Other loans and advances	1 730 891	303 082	–	2 033 973
Other securitised assets	3 106 741	896 467	–	4 003 208
Interests in associated undertakings	20 828	3 243	3 879	27 950
Deferred taxation assets	78 490	38 635	48 332	165 457
Other assets	1 257 627	605 406	96 517	1 959 550
Property and equipment	78 182	46 108	9 811	134 101
Investment properties	11 500	440 475	–	451 975
Goodwill	406 389	10 260	50 257	466 906
Intangible assets	164 330	6 436	7 801	178 567
	20 441 050	22 096 892	3 246 014	45 783 956
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	6 226 142	–	6 226 142
	20 441 050	28 323 034	3 246 014	52 010 098
Liabilities				
Deposits by banks	1 767 854	1 279 782	–	3 047 636
Derivative financial instruments	723 236	661 888	58 201	1 443 325
Other trading liabilities	372 762	479 177	–	851 939
Repurchase agreements and cash collateral on securities lent	942 396	997 762	–	1 940 158
Customer accounts (deposits)	9 489 748	13 278 098	1 692 820	24 460 666
Debt securities in issue	990 744	440 343	470 689	1 901 776
Liabilities arising on securitisation of own originated loans and advances	77	448 355	477 903	926 335
Liabilities arising on securitisation of other assets	2 486 076	817 530	–	3 303 606
Current taxation liabilities	87 470	123 005	–	210 475
Deferred taxation liabilities	77 851	31 777	–	109 628
Other liabilities	1 319 114	520 977	55 000	1 895 091
	18 257 328	19 078 694	2 754 613	40 090 635
Liabilities to customers under investment contracts	–	6 224 062	–	6 224 062
Insurance liabilities, including unit-linked liabilities	–	2 080	–	2 080
	18 257 328	25 304 836	2 754 613	46 316 777
Subordinated liabilities	664 624	1 004 562	82 620	1 751 806
	18 921 952	26 309 398	2 837 233	48 068 583

For the year to 31 March £'000	Asset Management UK and Other	Asset Management Southern Africa	Total
1. Combined consolidated segmental analysis (continued)			
Segmental business and geographic analysis – income statement			
2014			
Net interest income	277	3 641	3 918
Fee and commission income	340 316	164 379	504 695
Fee and commission expense	(95 354)	–	(95 354)
Investment income	–	28	28
Trading income arising from:			
– customer flow	–	–	–
– balance sheet management and other trading activities	(2 314)	332	(1 982)
Other operating income	(129)	3 004	2 875
Total operating income before impairment losses on loans and advances	242 796	171 384	414 180
Impairment losses on loans and advances	–	–	–
Operating income	242 796	171 384	414 180
Operating costs	(175 211)	(95 150)	(270 361)
Depreciation on operating leased assets	–	–	–
Operating profit before goodwill and acquired intangibles	67 585	76 234	143 819
(Profit)/loss attributable to other non-controlling interests	–	–	–
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	67 585	76 234	143 819
Profit attributable to Asset Management non-controlling interests	(5 535)	(5 496)	(11 031)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	62 050	70 738	132 788
Selected returns and key statistics			
Cost to income ratio	72.2%	55.5%	65.3%
Staff compensation to operating income	54.7%	37.8%	47.7%
2013			
Net interest income	492	4 009	4 501
Fee and commission income	309 933	175 850	485 783
Fee and commission expense	(92 667)	–	(92 667)
Investment income	–	36	36
Trading income arising from:			
– customer flow	–	–	–
– balance sheet management and other trading activities	(199)	154	(45)
Other operating income	4 476	5 107	9 583
Total operating income before impairment losses on loans and advances	222 035	185 156	407 191
Impairment losses on loans and advances	–	–	–
Operating income	222 035	185 156	407 191
Operating costs	(162 694)	(104 090)	(266 784)
Depreciation on operating leased assets	–	–	–
Operating profit before goodwill and acquired intangibles	59 341	81 066	140 407
Profit attributable to other non-controlling interests	–	–	–
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	59 341	81 066	140 407
Profit attributable to Asset Management non-controlling interests	–	(243)	(243)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	59 341	80 823	140 164
Selected returns and key statistics			
Cost to income ratio	73.3%	56.2%	65.5%
Staff compensation to operating income	53.7%	37.0%	46.1%

Wealth & Investment			Specialist Banking				
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Australia	Total	Total group
7 987	(130)	7 857	276 955	291 434	71 515	639 904	651 679
219 434	60 179	279 613	172 588	145 670	34 336	352 594	1 136 902
(2 021)	(2 215)	(4 236)	(27 644)	(13 162)	(7 085)	(47 891)	(147 481)
1 875	308	2 183	97 665	67 374	(441)	164 598	166 809
389	935	1 324	65 989	25 935	10 666	102 590	103 914
(72)	130	58	(4 143)	19 433	(2 779)	12 511	10 587
1 232	2	1 234	14 642	(465)	268	14 445	18 554
228 824	59 209	288 033	596 052	536 219	106 480	1 238 751	1 940 964
–	–	–	(104 792)	(39 241)	(22 119)	(166 152)	(166 152)
228 824	59 209	288 033	491 260	496 978	84 361	1 072 599	1 774 812
(182 759)	(39 175)	(221 934)	(433 334)	(282 256)	(98 217)	(813 807)	(1 306 102)
–	–	–	(6 044)	–	–	(6 044)	(6 044)
46 065	20 034	66 099	51 882	214 722	(13 856)	252 748	462 666
–	–	–	2 720	(13 569)	–	(10 849)	(10 849)
46 065	20 034	66 099	54 602	201 153	(13 856)	241 899	451 817
–	–	–	–	–	–	–	(11 031)
46 065	20 034	66 099	54 602	201 153	(13 856)	241 899	440 786
79.9%	66.2%	77.1%	73.4%	52.6%	92.2%	66.0%	67.5%
58.4%	47.2%	56.1%	47.5%	35.1%	63.2%	43.5%	46.3%
10 293	(1 244)	9 049	280 941	340 028	69 088	690 057	703 607
195 275	55 040	250 315	189 259	125 610	59 431	374 300	1 110 398
(11 772)	(983)	(12 755)	(21 433)	(12 197)	(4 526)	(38 156)	(143 578)
555	–	555	94 695	86 168	538	181 401	181 992
361	326	687	50 797	12 429	6 946	70 172	70 859
4	356	360	18 774	15 513	(564)	33 723	34 038
775	2	777	29 531	453	1 809	31 793	42 153
195 491	53 497	248 988	642 564	568 004	132 722	1 343 290	1 999 469
–	–	–	(171 187)	(61 976)	(17 849)	(251 012)	(251 012)
195 491	53 497	248 988	471 377	506 028	114 873	1 092 278	1 748 457
(161 581)	(36 740)	(198 321)	(412 859)	(313 597)	(111 472)	(837 928)	(1 303 033)
–	–	–	(16 072)	–	–	(16 072)	(16 072)
33 910	16 757	50 667	42 446	192 431	3 401	238 278	429 352
–	–	–	(397)	(2 677)	–	(3 074)	(3 074)
33 910	16 757	50 667	42 049	189 754	3 401	235 204	426 278
–	–	–	–	–	–	–	(243)
33 910	16 757	50 667	42 049	189 754	3 401	235 204	426 035
82.7%	68.7%	79.7%	65.9%	55.2%	84.0%	63.1%	65.7%
58.2%	45.8%	55.6%	42.4%	36.1%	56.5%	41.0%	43.9%

2. Margin analysis

For the year to 31 March 2014 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Australia Balance sheet value	Australia Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 010 123	44 571	6 515 392	295 811	522 552	17 336	12 048 067	357 718
Core loans and advances	2	6 492 335	382 124	8 935 103	765 050	1 729 929	160 356	17 157 367	1 307 530
Private client		3 777 504	165 077	6 024 500	488 165	1 369 078	102 331	11 171 082	755 573
Corporate, institutional and other clients		2 714 831	217 047	2 910 603	276 885	360 851	58 025	5 986 285	551 957
Other debt securities and other loans and advances		1 634 693	73 497	656 089	31 088	8 165	1 101	2 298 947	105 686
Other interest earning assets	3	2 798 158	124 783	778 368	9 666	–	–	3 576 526	134 449
Total interest earning assets		15 935 309	624 975	16 884 952	1 101 615	2 260 646	178 793	35 080 907	1 905 383

For the year to 31 March 2014 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Australia Balance sheet value	Australia Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	3 035 188	64 931	2 493 082	62 435	105 617	11 611	5 633 887	138 977
Customer accounts		9 406 909	160 248	11 670 995	655 969	1 531 880	62 210	22 609 784	878 427
Other interest bearing liabilities	5	2 374 599	50 128	947 286	41 531	449 084	30 638	3 770 969	122 297
Subordinated liabilities		668 007	64 449	597 803	46 735	72 942	2 819	1 338 752	114 003
Total interest bearing liabilities		15 484 703	339 756	15 709 166	806 670	2 159 523	107 278	33 353 392	1 253 704
Net interest income			285 219		294 945		71 515		651 679

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; reverse repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.*

2. Margin analysis (continued)

For the year to 31 March 2013 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Australia Balance sheet value	Australia Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 324 884	47 511	7 622 170	315 841	707 398	16 076	13 654 452	379 428
Core loans and advances	2	6 045 063	357 343	10 164 864	853 372	2 205 046	180 301	18 414 973	1 391 016
Private client		3 024 629	162 618	6 900 949	557 108	1 402 295	112 566	11 327 873	832 292
Corporate, institutional and other clients		3 020 434	194 725	3 263 915	296 264	802 751	67 735	7 087 100	558 724
Other debt securities and other loans and advances		1 898 895	144 171	561 788	18 425	22 506	18 205	2 483 189	180 801
Other interest earning assets	3	3 106 741	161 727	896 467	19 743	–	–	4 003 208	181 470
Total interest earning assets		16 375 583	710 752	19 245 289	1 207 381	2 934 950	214 582	38 555 822	2 132 715

For the year to 31 March 2013 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Australia Balance sheet value	Australia Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	3 700 994	74 013	2 717 887	70 864	470 689	32 436	6 889 570	177 313
Customer accounts		9 489 748	219 180	13 278 098	669 085	1 692 820	79 411	24 460 666	967 676
Other interest bearing liabilities	5	2 486 153	63 119	1 265 885	54 652	477 903	30 486	4 229 941	148 257
Subordinated liabilities		664 624	62 714	1 004 562	69 987	82 620	3 161	1 751 806	135 862
Total interest bearing liabilities		16 341 519	419 026	18 266 432	864 588	2 724 032	145 494	37 331 983	1 429 108
Net interest income			291 726		342 793		69 088		703 607

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; reverse repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation.*

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
3. Net fee and commission income				
2014				
Asset management and wealth management businesses net fee and commission income	462 375	222 343	–	684 718
Fund management fees/fees for assets under management	497 863	191 271	–	689 134
Private client transactional fees	61 887	33 287	–	95 174
Fee and commission expense	(97 375)	(2 215)	–	(99 590)
Specialist Banking net fee and commission income	144 944	132 508	27 251	304 703
Corporate and institutional transactional and advisory services	158 040	118 667	19 013	295 720
Private client transactional fees	14 548	27 003	15 323	56 874
Fee and commission expense	(27 644)	(13 162)	(7 085)	(47 891)
Net fee and commission income	607 319	354 851	27 251	989 421
Annuity fees (net of fees payable)	443 583	257 662	17 844	719 089
Deal fees	163 736	97 189	9 407	270 332
2013				
Asset management and wealth management businesses net fee and commission income	400 769	229 907	–	630 676
Fund management fees/fees for assets under management	451 084	201 182	–	652 266
Private client transactional fees	54 124	29 708	–	83 832
Fee and commission expense	(104 439)	(983)	–	(105 422)
Specialist Banking net fee and commission income	167 826	113 413	54 905	336 144
Corporate and institutional transactional and advisory services	168 286	92 709	49 850	310 845
Private client transactional fees	20 973	32 901	9 581	63 455
Fee and commission expense	(21 433)	(12 197)	(4 526)	(38 156)
Net fee and commission income	568 595	343 320	54 905	966 820
Annuity fees (net of fees payable)	392 722	254 073	26 138	672 933
Deal fees	175 873	89 247	28 767	293 887

Trust and fiduciary fees amounted to £9.5 million (2013: £13.1 million) and are included in Private client transactional fees.

For the year to 31 March £'000	UK and Other	Southern Africa	Australia	Total group
4. Investment income				
2014				
Realised	52 958	19 534	1 028	73 520
Unrealised	36 339	14 899	(1 348)	49 890
Dividend income	9 702	38 569	1 183	49 454
Funding and other net related income/(costs)	541	(5 292)	(1 304)	(6 055)
	99 540	67 710	(441)	166 809
2013				
Realised	58 571	110 824	1 752	171 147
Unrealised	32 235	(18 362)	(1 654)	12 219
Dividend income	2 999	11 572	240	14 811
Funding and other net related income/(costs)	1 445	(17 830)	200	(16 185)
	95 250	86 204	538	181 992

4. Investment income (continued)

For the year to 31 March £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2014					
UK and Other					
Realised	36 614	11 457	–	4 887	52 958
Unrealised	50 480	(12 837)	–	(1 304)	36 339
Dividend income	9 509	–	–	193	9 702
Funding and other net related income	–	–	–	541	541
	96 603	(1 380)	–	4 317	99 540
Southern Africa					
Realised	12 607	–	8 610	(1 683)	19 534
Unrealised	1 746	(2 851)	16 374	(370)	14 899
Dividend income	38 569	–	–	–	38 569
Funding and other net related (costs)/income	(9 830)	–	(1 534)	6 072	(5 292)
	43 092	(2 851)	23 450	4 019	67 710
Australia					
Realised	1 208	–	–	(180)	1 028
Unrealised	1 579	–	–	(2 927)	(1 348)
Dividend income	1 183	–	–	–	1 183
Funding and other net related costs	–	–	–	(1 304)	(1 304)
	3 970	–	–	(4 411)	(441)
Total investment income/(costs)	143 665	(4 231)	23 450	3 925	166 809
2013					
UK and Other					
Realised	917	51 301	–	6 353	58 571
Unrealised	28 246	5 618	–	(1 629)	32 235
Dividend income	2 999	–	–	–	2 999
Funding and other net related income	–	–	–	1 445	1 445
	32 162	56 919	–	6 169	95 250
Southern Africa					
Realised	51 938	–	61 548	(2 662)	110 824
Unrealised	(15 476)	6 791	(9 599)	(78)	(18 362)
Dividend income	11 572	–	–	–	11 572
Funding and other net related (costs)/income	(12 306)	–	(7 131)	1 607	(17 830)
	35 728	6 791	44 818	(1 133)	86 204
Australia					
Realised	64	1 617	–	71	1 752
Unrealised	(2 716)	–	–	1 062	(1 654)
Dividend income	240	–	–	–	240
Funding and other net related income	–	–	–	200	200
	(2 412)	1 617	–	1 333	538
Total investment income	65 478	65 327	44 818	6 369	181 992

* *Including embedded derivatives (warrants and profit shares).*

For the year to 31 March £'000	2014	2013
5. Other operating income		
Rental income from properties	857	1 358
Loss on realisation of properties	(441)	(529)
Unrealised gain on other investments	2 975	9 558
Income from operating leases	9 336	26 728
Operating income from associates	5 827	3 476
Assurance income	–	1 562
	18 554	42 153

For the year to 31 March £'000	2014	2013
6. Operating costs		
Staff costs	897 743	877 341
– Salaries and wages (including directors' remuneration)	735 144	711 185
– Training and other costs	25 504	17 617
– Share-based payment expense	62 236	63 154
– Social security costs	40 994	52 745
– Pensions and provident fund contributions	33 865	32 640
Premises expenses (excluding depreciation)	70 477	73 643
Equipment expenses (excluding depreciation)	56 386	65 092
Business expenses*	196 867	201 017
Marketing expenses	55 923	55 641
Depreciation, amortisation and impairment on property, equipment and intangibles	28 706	30 299
	1 306 102	1 303 033
Depreciation on operating leased assets	6 044	16 072
	1 312 146	1 319 105
The following amounts were paid by the group to the auditors in respect of the audit of the annual financial statements and for other services provided to the group:		
Ernst & Young fees		
Fees payable to the company's auditors for the audit of the company's accounts	752	1 163
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	6 614	7 101
Audit-related assurance services	257	1 250
Tax compliance services	753	250
Tax advisory services	–	361
Services related to corporate finance transactions	–	–
Other assurance services	10	110
	8 386	10 235
KPMG fees		
Fees payable to the company's auditors for the audit of the company's accounts	299	41
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	1 782	2 305
Audit-related assurance services	153	268
Tax compliance services	843	766
Tax advisory services	–	930
Services related to corporate finance transactions	45	121
Other assurance services	450	414
	3 572	4 845
Total	11 958	15 080

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*

Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 152 to 157 in volume one.

Financial statements

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7. Share-based payments

The group operates share option and long-term share incentive plans 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 is provided on pages 136 to 137 in volume one of the remuneration report and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
Share-based payment expense				
2014				
Equity-settled	10 027	8 554	48 324	66 905
Total income statement charge	10 027	8 554	48 324	66 905*
2013				
Equity-settled	6 778	7 575	48 801	63 154
Total income statement charge	6 778	7 575	48 801	63 154

* *Of the £66.9 million charge, £62.2 million is included in operating costs and £4.7 million is an accelerated share-based payments charge that is included in the income statement in operating costs arising from integration, restructuring and partial disposal of subsidiaries.*

Included in the above income statement charge is as a result of modifications to certain options granted. This expense for the year was £0.3 million (2013: £0.4 million).

For the year to 31 March £'000	2014	2013
Weighted average fair value of options granted in the year		
UK schemes	30 054	26 921
South African schemes	45 287	21 820

	UK schemes				South African schemes			
	2014		2013		2014		2013	
Details of options outstanding during the year	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	50 514 354	0.05	46 076 830	0.06	44 300 546	–	42 423 893	–
Granted during the year	9 200 128	0.05	12 112 551	0.03	13 549 614	–	8 609 725	–
Exercised during the year^	(12 249 975)	0.01	(5 333 003)	0.01	(11 643 554)	–	(5 168 582)	–
Expired during the year	–	–	(2 342 024)	0.42	(1 731 421)	–	(1 564 490)	–
Options forfeited during the year	(4 587 440)	0.19	–	–	–	–	–	–
Outstanding at the end of the year	42 877 067	0.04	50 514 354	0.05	44 475 185	–	44 300 546	–
Exercisable at the end of the year	561 720	0.11	544 221	–	5 332	–	445 767	–

^ *The weighted average share price during the year was £4.35 (2013: £3.99).*

7. Share-based payments (continued)

Additional information relating to options	UK schemes 2014	UK schemes 2013	South African schemes 2014	South African schemes 2013
Options with strike prices				
Exercise price range	£3.20 – £5.00	£2.05 – £5.00	n/a	n/a
Weighted average remaining contractual life	2.79 years	3.06 years	n/a	n/a
Long-term incentive option with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	2.58 years	2.73 years	2.72 years	2.67 years
Weighted average fair value of options and long-term grants at measurement date	£3.27	£2.22	R51.73	R34.31
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	£4.26 – £4.59	£3.29 – £4.08	R66.84 – R71.20	R43.85 – R56.66
– Exercise price	£nil, £4.26 – £4.59	£nil, £3.29 – £4.08	Rnil	Rnil
– Expected volatility	30%	30%	30%	30%
– Option life	4.5 – 5.25 years	5 – 5.25 years	3 – 6 years	2.5 – 5 years
– Expected dividend yields	4.42% – 5.90%	5.94% – 7.67%	3.89% – 5.08%	5.42% – 6.70%
– Risk-free rate	0.98% – 1.44%	0.84% – 1.34%	6.04% – 7.08%	5.46% – 6.29%

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

For the year to 31 March £'000	2014	2013
8. Taxation		
Current taxation		
UK		
Current tax on income for the year	23 883	31 579
Adjustments in respect of prior years	(8 193)	(7 427)
Corporation tax before double taxation relief	15 690	24 152
Double taxation relief	(611)	(530)
	15 079	23 622
Southern Africa		
Current tax on income for the year	44 418	54 829
Adjustments in respect of prior years	(5 947)	(3 075)
	38 471	51 754
Europe	2 998	370
Other	981	151
	42 450	52 275
Withholding taxation on companies*	56	118
Total current taxation	57 585	76 015
Deferred taxation		
UK	4 722	1 642
Southern Africa	9 613	(3 179)
Europe	96	9
Australia	(154)	(1 431)
Other	(1)	31
Total deferred taxation	14 276	(2 928)
Total taxation charge for the year	71 861	73 087
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	79 150	79 064
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(7 289)	(5 977)
	71 861	73 087
Deferred taxation comprises:		
Origination and reversal of temporary differences	12 853	(7 201)
Changes in tax rates	(289)	1 659
Adjustment in respect of prior years	1 712	2 614
	14 276	(2 928)

* *Secondary taxation on companies is an additional corporate tax on South African entities on declaration of dividends. Secondary taxation on companies has been replaced by dividends tax which came into operation on 1 April 2012.*

For the year to 31 March £'000	2014	2013
8. Taxation (continued)		
The rates of corporation tax for the relevant years are:	%	%
UK	23	24
South Africa	28	28
Europe (average)	10	10
Australia	30	30
Profit before taxation	425 407	386 496
Taxation on profit before taxation	71 861	73 087
Effective tax rate	16.89%	18.91%
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 23% (2013: 24%)	97 844	94 471
Taxation adjustments relating to foreign earnings	(31 846)	(36 789)
Taxation relating to prior years	(6 481)	(4 813)
Share options accounting expense	3 828	5 337
Share options exercised during the year	(10 386)	(6 059)
Unexpired share options future tax deduction	4 904	(390)
Non-taxable income	(1 831)	(10 794)
Net other permanent differences	16 217	30 583
Unrealised capital losses	789	1 195
Utilisation of brought forward capital losses	–	(111)
Utilisation of brought forward trading losses	(888)	(1 202)
Change in tax rate	(289)	1 659
Total taxation charge as per income statement	71 861	73 087
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	(3 582)	(16 202)
Pre-taxation	(8 588)	(16 912)
Taxation effect	5 006	710
Gains on realisation of available-for-sale assets recycled through the income statement	(2 972)	(1 713)
Pre-taxation	(4 083)	(2 409)
Taxation effect	1 111	696
Fair value movements on available-for-sale assets taken directly to other comprehensive income	347	4 387
Pre-taxation	502	6 218
Taxation effect	(155)	(1 831)
Re-measurement of net defined pension asset	(5 870)	(7 078)
Pre-taxation	(7 686)	(8 953)
Taxation effect	1 816	1 875

For the year to 31 March	2014	2013
9. Earnings per share		
	£'000	£'000
Earnings		
Earnings attributable to shareholders	331 666	310 092
Preference dividends paid	(35 268)	(39 104)
Earnings and diluted earnings attributable to ordinary shareholders	296 398	270 988
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	890 019 394	882 683 311
Weighted average number of treasury shares	(27 467 498)	(26 726 003)
Weighted average number of shares in issue during the year	862 551 896	855 957 308
Weighted average number of shares resulting from future dilutive potential shares	51 847 815	53 589 518
Adjusted weighted number of shares potentially in issue	914 399 711	909 546 826
Earnings per share – pence	34.4	31.7
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.		
Diluted earnings per share – pence	32.4	29.8
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 year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.		
Adjusted earnings per share – pence	38.0	36.1
Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment, amortisation of acquired intangibles 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	331 666	310 092
Impairment of goodwill	12 797	15 175
Amortisation of acquired intangibles, net of taxation	10 313	9 852
Costs arising from acquisition of subsidiary (including integration costs) and net gain on disposal of subsidiaries, net of taxation	6 860	11 852
Preference dividends paid	(35 268)	(39 104)
Additional (earnings)/losses attributable to other equity holders*	(386)	109
Currency hedge attributable to perpetual equity instruments*	1 842	1 334
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	327 824	309 310

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

For the year to 31 March	2014	2013
9. Earnings per share (continued)		
Headline earnings per share – pence	33.9	31.0
Headline earnings per share has been calculated and is disclosed in accordance with the JSE listings requirements, and in terms of circular 2/2013 issued by the South African Institute of Chartered Accountants.		
	£'000	£'000
Earnings attributable to shareholders	331 666	310 092
Impairment of goodwill	12 797	15 175
Preference dividends paid	(35 268)	(39 104)
Property revaluation, net of taxation**	(13 760)	(19 223)
Gains on available-for-sale instruments recycled through the income statement**	(2 972)	(1 713)
Headline earnings attributable to ordinary shareholders	292 463	265 227

** *Taxation on headline earnings adjustments amounted to £4.3 million (2013: £8.2 million) with no impact on earnings attributable to non-controlling interests.*

	2014		2013	
For the year to 31 March	Pence per share	Total £'000	Pence per share	Total £'000
10. Dividends				
Ordinary dividend				
Final dividend for prior year	10.0	81 906	9.0	78 496
Interim dividend for current year	8.0	68 147	8.0	69 164
Total dividend attributable to ordinary shareholders recognised in current financial year	18.0	150 053	17.0	147 660

The directors have proposed a final dividend in respect of the financial year ended 31 March 2014 of 11 pence per ordinary share (31 March 2013: 10 pence).

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 196 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 11 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 4 pence per ordinary share and through a dividend payment by Investec Limited on the SA DAS share of 7 pence per ordinary share.

The final dividend will be payable on Friday,15 August 2014 to shareholders on the register at the close of business on Friday, 1 August 2014.

For the year to 31 March	2014 Pence per share*	2014 Cents per share*	2014 Total £'000	2013 Pence per share*	2013 Cents per share*	2013 Total £'000
10. Dividends (continued)						
Perpetual preference dividend						
Final dividend for prior year	7.48	402.64	11 942	7.52	315.86	11 844
Interim dividend for current year	7.52	404.86	11 305	7.52	343.15	15 907
Total dividend attributable to perpetual preference shareholders recognised in current financial year	15.00	807.50	23 247	15.04	659.01	27 751

* *Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.*

The directors have declared a final dividend in respect of the financial year ended 31 March 2014 of 7.47945 pence (Investec plc shares traded on the JSE Limited) and 7.47945 pence (Investec plc shares traded on the Channel Island Stock Exchange), 336.11555 cents (Investec Limited) and 360.1451 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on Friday, 13 June 2014.

For the year to 31 March £'000	2014	2013
Dividend attributable to perpetual preferred securities	12 021	11 353

The €200 000 000 fixed/floating rate guaranteed, non-voting, non-cumulative perpetual preferred securities paid dividends of 7.075% in both years as set out in note 47.

Total perpetual preference dividend	35 268	39 104

For the year to 31 March £'000	2014	2013
11. Miscellaneous income statement items		
Operating lease expenses recognised in operating costs		
Minimum lease payments	47 176	38 203
	47 176	38 203
Operating lease income recognised in income:		
Minimum lease payments	41 095	52 949
Sub-lease payments	18	314
	41 113	53 263

The majority of the operating lease expenses in the group relate to leases on property.

Rental income from leasing motor vehicles and properties in included in 'Other operating income' and 'Fee and commission income' respectively.

12. Analysis of income and impairments by category of financial instruments

For the year to 31 March £'000	At fair value through profit or loss Trading	At fair value through profit or loss Designated at inception
2014		
Net interest income	8 416	108 015
Fee and commission income	41 352	1 224
Fee and commission expense	(124)	(8 066)
Investment income	1 613	107 797
Trading income arising from:		
– customer flow	101 913	1 496
– balance sheet management and other trading activities	8 603	886
Other operating income	–	2 845
Total operating income before impairment losses on loans and advances	161 773	214 197
Impairment losses on loans and advances	–	–
Operating income	161 773	214 197
2013		
Net interest income	21 388	165 981
Fee and commission income	50 004	1 095
Fee and commission expense	(84)	(411)
Investment income	487	116 316
Trading income arising from:		
– customer flow	67 287	1 426
– balance sheet management and other trading activities	20 546	(661)
Other operating income	–	9 594
Total operating income before impairment losses on loans and advances	159 628	293 340
Impairment losses on loans and advances	–	–
Operating income	159 628	293 340

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
44 630	1 461 274	51 936	(1 030 059)	(261)	7 728	651 679
–	107 072	134	4 822	30 886	951 412	1 136 902
(68)	(8 302)	–	(3 799)	(1 706)	(125 416)	(147 481)
(13)	6 324	13 597	–	37 491	–	166 809
–	–	–	505	–	–	103 914
–	(325)	156	1 267	–	–	10 587
–	–	–	–	15 709	–	18 554
44 549	1 566 043	65 823	(1 027 264)	82 119	833 724	1 940 964
–	(166 152)	–	–	–	–	(166 152)
44 549	1 399 891	65 823	(1 027 264)	82 119	833 724	1 774 812
79 804	1 581 012	92 756	(1 248 364)	1 295	9 735	703 607
–	92 557	1 454	665	22 015	942 608	1 110 398
–	(8 201)	(433)	(7 824)	(402)	(126 223)	(143 578)
576	14 370	7 977	–	42 266	–	181 992
–	2 142	–	4	–	–	70 859
(163)	19 486	(926)	(3 500)	–	(744)	34 038
–	–	–	–	32 559	–	42 153
80 217	1 701 366	100 828	(1 259 019)	97 733	825 376	1 999 469
(5 347)	(245 665)	–	–	–	–	(251 012)
74 870	1 455 701	100 828	(1 259 019)	97 733	825 376	1 748 457

13. Analysis of financial assets and liabilities by category of financial instruments

At 31 March £'000	At fair value through profit or loss – Trading	At fair value through profit or loss – Designated at inception	Available-for-sale	Total instruments at fair value
2014				
Assets				
Cash and balances at central banks	7 143	–	–	7 143
Loans and advances to banks	1	112 147	–	112 148
Non-sovereign and non-bank cash placements	1 561	–	–	1 561
Reverse repurchase agreements and cash collateral on securities borrowed	645 449	–	–	645 449
Sovereign debt securities	–	1 526 633	1 495 333	3 021 966
Bank debt securities	46 530	348 507	292 942	687 979
Other debt securities	40 534	72 247	432 967	545 748
Derivative financial instruments*	1 619 415	–	–	1 619 415
Securities arising from trading activities	787 200	82 888	–	870 088
Investment portfolio	–	754 654	71 091	825 745
Loans and advances to customers	–	788 963	–	788 963
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	1 230 452	–	1 230 452
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	529	34 150	–	34 679
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Non-current assets classified as held for sale**	–	–	–	–
	3 148 362	4 950 641	2 292 333	10 391 336
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 148 362	4 950 641	2 292 333	10 391 336
Liabilities				
Deposits by banks	–	60	–	60
Derivative financial instruments*	1 170 232	–	–	1 170 232
Other trading liabilities	861 412	–	–	861 412
Repurchase agreements and cash collateral on securities lent	525 335	–	–	525 335
Customer accounts (deposits)	–	1 109 161	–	1 109 161
Debt securities in issue	–	501 634	–	501 634
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	1 182 147	–	1 182 147
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	29 479	31 662	–	61 141
	2 586 458	2 824 664	–	5 411 122
Liabilities to customers under investment contracts at fair value through profit or loss	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 586 458	2 824 664	–	5 411 122
Subordinated liabilities	–	–	–	–
	2 586 458	2 824 664	–	5 411 122

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

** *Non-current assets held for sale relates to an acquisition of a 100% interest in an entity, however management have entered into negotiations to dispose of a controlling interest in the entity.*

For more information on hedges, please refer to note 53 on pages 108 and 109.

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance-related	Non-financial instruments	Total
–	2 073 047	–	2 073 047	–	–	2 080 190
–	3 168 031	–	3 168 031	–	–	3 280 179
–	513 628	–	513 628	–	–	515 189
–	743 531	–	743 531	–	–	1 388 980
193 466	–	–	193 466	–	–	3 215 432
678 144	201 974	–	880 118	–	–	1 568 097
30 585	29 045	–	59 630	–	–	605 378
–	–	–	–	–	–	1 619 415
–	–	–	–	–	–	870 088
–	–	–	–	–	–	825 745
40 234	15 452 415	–	15 492 649	–	–	16 281 612
–	875 755	–	875 755	–	–	875 755
–	1 693 569	–	1 693 569	–	–	1 693 569
–	2 346 074	–	2 346 074	–	–	3 576 526
–	–	–	–	–	24 316	24 316
–	–	–	–	–	131 142	131 142
–	1 149 019	–	1 149 019	–	291 294	1 474 992
–	–	–	–	–	108 738	108 738
–	–	–	–	–	509 228	509 228
–	–	–	–	–	433 571	433 571
–	–	–	–	–	159 169	159 169
–	–	–	–	–	41 637	41 637
942 429	28 246 088	–	29 188 517	–	1 699 095	41 278 948
–	–	–	–	5 862 959	–	5 862 959
942 429	28 246 088	–	29 188 517	5 862 959	1 699 095	47 141 907
–	–	2 721 110	2 721 110	–	–	2 721 170
–	–	–	–	–	–	1 170 232
–	–	–	–	–	–	861 412
–	–	790 752	790 752	–	–	1 316 087
–	–	21 500 623	21 500 623	–	–	22 609 784
–	–	1 094 996	1 094 996	–	–	1 596 630
–	–	729 534	729 534	–	–	729 534
–	–	1 859 288	1 859 288	–	–	3 041 435
–	–	–	–	–	208 041	208 041
–	–	–	–	–	96 362	96 362
–	–	1 065 962	1 065 962	–	449 365	1 576 468
–	–	29 762 265	29 762 265	–	753 768	35 927 155
–	–	–	–	5 861 389	–	5 861 389
–	–	–	–	1 570	–	1 570
–	–	29 762 265	29 762 265	5 862 959	753 768	41 790 114
–	–	1 338 752	1 338 752	–	–	1 338 752
–	–	31 101 017	31 101 017	5 862 959	753 768	43 128 866

13. Analysis of financial assets and liabilities by category of financial instruments (continued)

At 31 March £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
2013				
Assets				
Cash and balances at central banks	–	–	–	–
Loans and advances to banks	–	165 460	–	165 460
Non-sovereign and non-bank cash placements	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	694 180	–	–	694 180
Sovereign debt securities	–	1 806 118	2 038 195	3 844 313
Bank debt securities	602 590	6 629	325 800	935 019
Other debt securities	91 703	104 778	183 942	380 423
Derivative financial instruments*	1 983 132	–	–	1 983 132
Securities arising from trading activities	931 603	–	–	931 603
Investment portfolio	–	848 215	80 678	928 893
Loans and advances to customers	–	1 147 003	–	1 147 003
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	4 612	–	4 612
Other securitised assets	–	1 459 356	–	1 459 356
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	401 670	78 039	–	479 709
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	4 704 878	5 620 210	2 628 615	12 953 703
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	4 704 878	5 620 210	2 628 615	12 953 703
Liabilities				
Deposits by banks	–	330	–	330
Derivative financial instruments*	1 443 325	–	–	1 443 325
Other trading liabilities	851 939	–	–	851 939
Repurchase agreements and cash collateral on securities lent	508 326	–	–	508 326
Customer accounts (deposits)	1 411	447 964	–	449 375
Debt securities in issue	–	187 645	–	187 645
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	1 357 233	–	1 357 233
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	454 881	80 049	–	534 930
	3 259 882	2 073 221	–	5 333 103
Liabilities to customers under investment contracts at fair value through profit and loss	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	3 259 882	2 073 221	–	5 333 103
Subordinated liabilities	–	140 366	–	140 366
	3 259 882	2 213 587	–	5 473 469

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

For more information on hedges, please refer to note 53 on pages 108 and 109.

	Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance-related	Non-financial instruments	Total
	–	1 782 447	–	1 782 447	–	–	1 782 447
	–	2 970 591	–	2 970 591	–	–	3 136 051
	–	420 960	–	420 960	–	–	420 960
	–	1 664 492	–	1 664 492	–	–	2 358 672
	232 904	–	–	232 904	–	–	4 077 217
	744 321	199 765	–	944 086	–	–	1 879 105
	41 099	27 694	–	68 793	–	–	449 216
	–	–	–	–	–	–	1 983 132
	–	–	–	–	–	–	931 603
	–	–	–	–	–	–	928 893
	90 054	16 247 467	–	16 337 521	–	–	17 484 524
	–	930 449	–	930 449	–	–	930 449
	217	2 029 144	–	2 029 361	–	–	2 033 973
	–	2 543 852	–	2 543 852	–	–	4 003 208
	–	–	–	–	–	27 950	27 950
	–	–	–	–	–	165 457	165 457
	–	1 012 569	–	1 012 569	–	467 272	1 959 550
	–	–	–	–	–	134 101	134 101
	–	–	–	–	–	451 975	451 975
	–	–	–	–	–	466 906	466 906
	–	–	–	–	–	178 567	178 567
	1 108 595	29 829 430	–	30 938 025	–	1 892 228	45 783 956
			–	–	6 226 142	–	6 226 142
	1 108 595	29 829 430	–	30 938 025	6 226 142	1 892 228	52 010 098
	–	–	3 047 306	3 047 306	–	–	3 047 636
	–	–	–	–	–	–	1 443 325
	–	–	–	–	–	–	851 939
	–	–	1 431 832	1 431 832	–	–	1 940 158
	–	–	24 011 291	24 011 291	–	–	24 460 666
	–	–	1 714 131	1 714 131	–	–	1 901 776
	–	–	926 335	926 335	–	–	926 335
	–	–	1 946 373	1 946 373	–	–	3 303 606
	–	–	–	–	–	210 475	210 475
	–	–	–	–	–	109 628	109 628
	–	–	848 259	848 259	–	511 902	1 895 091
	–	–	33 925 527	33 925 527	–	832 005	40 090 635
	–	–	–	–	6 224 062	–	6 224 062
	–	–	–	–	2 080	–	2 080
	–	–	33 925 527	33 925 527	6 226 142	832 005	46 316 777
	–	–	1 611 440	1 611 440	–	–	1 751 806
	–	–	35 536 967	35 536 967	6 226 142	832 005	48 068 583

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14. Reclassifications of financial instruments

During the year ended 31 March 2009 the group reclassified certain financial instruments out of fair value through profit or loss. These assets were originally classified as held-for-trading but the group's intentions in regard to these assets changed and the group reclassified £112.3 million and £7.8 million to the loans and receivables and available-for-sale classifications, respectively. The amount reclassified reflected the fair value of the financial assets at the date of reclassification.

The group did not undertake any further reclassifications under the amendment to IAS 39 in the current year and in the prior year.

The following table shows carrying values and fair values of the assets reclassified:

At 31 March £'000	2014 Carrying value	2014 Fair value	2013 Carrying value	2013 Fair value
Trading assets reclassified to loans and receivables	31 746	16 441	46 025	26 784
	31 746	16 441	46 025	26 784

If the reclassifications had not been made, the group's income before tax in 2014 would have reduced by £3.9 million (2013: a decrease of £8.6 million).

In the current year the reclassified assets have contributed a £268 000 loss through the margin line and a loss of £4.1 million through impairments before taxation. In the prior year, after the reclassification, the assets contributed a £372 000 loss through the margin line and a loss of £4.9 million through impairments before taxation.

15. Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

Fair value disclosures on investment properties are included in the Investment properties note 33 on page 81.

15. Fair value hierarchy (continued)

At 31 March £'000	Total investments at fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
2014				
Assets				
Cash and balances at central banks	7 143	7 143	–	–
Loans and advances to banks	112 148	110 650	1 498	–
Non-sovereign and non-bank cash placements	1 561	–	1 561	–
Reverse repurchase agreements and cash collateral on securities borrowed	645 449	–	645 449	–
Sovereign debt securities	3 021 966	3 021 966	–	–
Bank debt securities	687 979	203 016	484 963	–
Other debt securities	545 748	302 417	171 222	72 109
Derivative financial instruments	1 619 415	163 639	1 347 463	108 313
Securities arising from trading activities	870 088	870 088	–	–
Investment portfolio	825 745	109 922	107 456	608 367
Loans and advances to customers	788 963	–	745 810	43 153
Other securitised assets	1 230 452	1	–	1 230 451
Other assets	34 679	33 406	426	847
	10 391 336	4 822 248	3 505 848	2 063 240
Liabilities				
Deposits by banks	60	–	60	–
Derivative financial instruments	1 170 232	242 043	916 884	11 305
Other trading liabilities	861 412	823 368	38 044	–
Repurchase agreements and cash collateral on securities lent	525 335	–	525 335	–
Customer accounts (deposits)	1 109 161	–	1 109 161	–
Debt securities in issue	501 634	–	501 018	616
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	1 182 147	–	–	1 182 147
Other liabilities	61 141	31 662	29 479	–
	5 411 122	1 097 073	3 119 981	1 194 068
Net assets	4 980 214	3 725 175	385 867	869 172

At 31 March £'000	Total instruments at fair value	Valuation technique applied Level 1	Level 2	Level 3
15. Fair value hierarchy (continued)				
2013				
Assets				
Loans and advances to banks	165 460	108 954	56 506	–
Reverse repurchase agreements and cash collateral on securities borrowed	694 180	–	694 180	–
Sovereign debt securities	3 844 313	3 549 398	294 915	–
Bank debt securities	935 019	152 401	782 618	–
Other debt securities	380 423	260 439	77 738	42 246
Derivative financial instruments	1 983 132	254 376	1 660 434	68 322
Securities arising from trading activities	931 603	909 608	21 995	–
Investment portfolio	928 893	92 843	634 178	201 872
Loans and advances to customers	1 147 003	–	1 082 723	64 280
Other loans and advances	4 612	–	–	4 612
Other securitised assets	1 459 356	–	813 956	645 400
Other assets	479 709	477 789	1 133	787
	12 953 703	5 805 808	6 120 376	1 027 519
Liabilities				
Deposits by banks	330	–	330	–
Derivative financial instruments	1 443 325	205 935	1 234 105	3 285
Other trading liabilities	851 939	851 939	–	–
Repurchase agreements and cash collateral on securities lent	508 326	–	508 326	–
Customer accounts (deposits)	449 375	–	449 375	–
Debt securities in issue	187 645	–	187 645	–
Liabilities arising on securitisation of other assets	1 357 233	42 126	783 001	532 106
Other liabilities	534 930	496 993	35 571	2 366
Subordinated liabilities	140 366	–	140 366	–
	5 473 469	1 596 993	3 338 719	537 757
Net assets	7 480 234	4 208 815	2 781 657	489 762

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 for the current year.

For the year ended 31 March 2013, in line with market practice, repurchase agreements have been moved from level 1 to level 2. There is no change to the level of observability, however these are based on principal to principal pricing rather than quoted market prices.

15. Fair value hierarchy (continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

For the year to 31 March £'000	Total level 3 financial instruments	Fair value movements through income statement	Fair value movements through compre-hensive income
Balance at 1 April 2012	460 504	447 845	12 659
Transfers due to application of IFRS 10	(29 054)	(29 054)	–
Restated opening balance	431 450	418 791	12 659
Total gains or losses	55 756	58 264	(2 508)
In the income statement	57 353	58 264	(911)
In the statement of comprehensive income	(1 597)	–	(1 597)
Purchases	113 486	62 967	50 519
Sales	(59 261)	(24 794)	(34 467)
Issues	(677)	(677)	–
Settlements	(2 780)	(2 780)	–
Transfers into level 3	131 865	131 289	576
Transfers out of level 3	(185 576)	(185 036)	(540)
Foreign exchange adjustments	5 499	2 814	2 685
Balance at 31 March 2013	489 762	460 838	28 924
Transfers due to application of IFRS 13*	533 098	533 098	–
Total gains or losses	66 317	67 634	(1 317)
In the income statement	67 533	67 533	–
In the statement of comprehensive income	(1 216)	101	(1 317)
Purchases	124 005	124 005	–
Sales	(91 555)	(88 478)	(3 077)
Issues	(10 343)	(10 343)	–
Settlements	(22 380)	(22 374)	(6)
Transfers into level 3	46 227	46 227	–
Transfers out of level 3	(87 103)	(27 631)	(59 472)
Transfer into non-current assets held for sale	(41 637)	(41 637)	–
Foreign exchange adjustments	(137 219)	(137 250)	31
Balance at 31 March 2014	869 172	904 089	(34 917)

All reclassifications into level 3 at 1 April 2013 occurred as a result of inputs to the valuation model being regarded as unobservable as a result of applying the principles in IFRS 13. Observable inputs are defined as inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. All other inputs have been considered to be unobservable.

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the year to 31 March £'000	2014	2013
Total gains/(losses) included in the income statement for the year		
Net interest income/(expense)	14 896	(1 251)
Fee and commission (expense)/income	(485)	5 196
Investment income	55 712	52 378
Trading income arising from customer flow	2 294	1 179
Trading income arising from balance sheet management and other trading activities	(5 731)	(952)
Other operating income	847	803
	67 533	57 353
Total gains or (losses) included in other comprehensive income for the year		
Gains on realisation of available-for-sale assets recycled through the income statement	101	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(1 317)	(1 597)
	(1 216)	(1 597)

For the year ended 31 March 2014, £53.8 million of the total gains and losses recognised in the group are unrealised and is included in investment income.

15. Fair value hierarchy (continued)

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

					Reflected in the income statement	
At 31 March 2014	Balance sheet value £'000	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes £'000	Unfavourable changes £'000
Assets						
Other debt securities	72 109				6 227	(4 770)
		Discounted cash flows	Discount rates	(5%) – 5%	670	(3 829)
		Discounted cash flows	Credit spreads	(2%) – 3%	4 693	(310)
		Other	Other	(6%) – 5%	864	(631)
Derivative financial instruments	108 313				12 354	(6 430)
		Discounted cash flows	Volatilities	(2%) – 2%	601	(698)
		Discounted cash flows	Credit spreads	(6.5bps) – 6.5bps	256	(684)
		Black-Scholes	Volatilities	20%/50%	4 204	(2 307)
		Various	Other^	^	3 182	(1 344)
			Other	(11%) – 10%	4 111	(1 397)
Investment portfolio	583 221				105 995	(59 688)
		Discounted cash flows	Volatilities	(10%) – 10%	4	(4)
		Price earnings multiple	EBITDA	(10%) – 10% or 5x EBITDA	606	(9 665)
		Various	Other^	^	88 849	(48 503)
			Other	(10%) – 10%	16 536	(1 516)
Loans and advances to customers	43 153				2 439	(5 615)
		Discounted cash flows	Cash flows	(9%) – 3%	1 337	(4 076)
			Other		1 102	(1 539)
Other securitised assets*	1 230 451				38 432	(39 120)
		Other	Underlying market price adjustments	(5%)/5%	30 310	(30 310)
		Discounted cash flows	Credit spreads	– 6 months/+ 12 month adjustment to CDR curve	8 122	(8 810)
Other assets	847	Discounted cash flows	Discount rates	(5%) – 5%	30	(28)
Liabilities						
Derivative financial instruments	11 305	Discounted cash flows	Volatilities	(4%) – 4%	648	(438)
Debt securities issue	616	Discounted cash flows	Volatilities	(2%) – 4%	15	(8)
Liabilities arising on securitisation of other assets*	1 182 147				40 225	(39 600)
		Modelled bond prices	Credit spreads	(6.5bps) – 6.5bps	6 078	(6 120)
		Other	Underlying market price adjustments	(5%)/5%	34 147	(33 480)
					206 365	(155 697)

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share portfolios) has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

15. Fair value hierarchy (continued)

At 31 March 2014	Balance sheet value £'000	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in other comprehensive income: Favourable changes £'000	Reflected in other comprehensive income: Unfavourable changes £'000
Assets						
Investment portfolio	25 146				13 001	(1 007)
		Price earnings multiple	EBITDA	(10%) – 10% or 5x EBITDA	12 769	(891)
			Other	(10%) – 10%	232	(116)

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a cash instrument. Credit spreads are key inputs in the valuation of interest rate swaps.

Discount rates

Discount rates are the interest rates used to discount future cash flows in a discount cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement.

EBITDA

A company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

15. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques at 31 March 2014 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy:

	Valuation basis/techniques	Main inputs
Assets		
Loans and advances to banks	Discounted cash flow model, Hermite interpolation	Discount rates
Non-sovereign and non-bank cash placements	Discounted cash flow model	Discount rates
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates
	Black-Scholes	Volatilities
Bank debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves
Other debt securities	Discounted cash flow models	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, Industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Quoted price	Net assets
Loans and advances to customers	Discounted cash flow model	Discount rates
Other assets	Discounted cash flow model	Discount rates
Liabilities		
Deposits by banks	Discounted cash flow model	Discount rates
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, Industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap, credit and curves
Other trading liabilities	Discounted cash flow model	Discount rates
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Customer accounts (deposits)	Discounted cash flow model	Risk free rate
Debt securities in issue	Discounted cash flow model	Risk free rate

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3

16. Fair value of financial instruments at amortised cost

	Carrying amount	Fair value	Level 1	Level 2	Level 3
2014					
Assets					
Cash and balances at central banks	2 073 047	2 073 047	^	^	^
Loans and advances to banks	3 168 031	3 161 681	1 336 818	1 824 863	–
Non-sovereign and non-bank cash placements	513 628	513 628	^	^	^
Reverse repurchase agreements and cash collateral on securities borrowed	743 531	743 531	^	^	^
Sovereign debt securities	193 466	197 972	197 972	–	–
Bank debt securities	880 118	912 490	632 527	279 963	–
Other debt securities	59 630	67 022	21 382	21 580	24 060
Loans and advances to customers	15 492 649	15 509 586	49 316	955 934	14 504 336
Own originated loans and advances to customers securitised	875 755	893 352	^	^	^
Other loans and advances	1 693 569	1 529 812	–	478 904	1 050 908
Other securitised assets	2 346 074	2 382 226	452 928	111 816	1 817 482
Other assets	1 149 019	1 139 700	803 521	321 631	14 548
	29 188 517	29 124 047			
Liabilities					
Deposits by banks	2 721 110	2 734 972	745 932	1 924 209	64 831
Repurchase agreements and cash collateral on securities lent	790 752	793 772	278 487	515 285	–
Customer accounts (deposits)	21 500 623	21 494 701	5 188 137	16 306 564	–
Debt securities in issue	1 094 996	1 073 606	55 338	738 323	279 945
Liabilities arising on securitisation of own originated loans and advances	729 534	729 533	^	^	^
Liabilities arising on securitisation of other assets	1 859 288	1 780 745	–	1 423 185	357 560
Other liabilities	1 065 962	1 052 587	782 597	238 993	30 997
Subordinated liabilities	1 338 752	1 339 355	1 339 355	–	–
	31 101 017	30 999 271			

^Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Financial instruments for which fair value does not approximate carrying value

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest yield curve appropriate for the remaining term to maturity.

At 31 March £'000	Carrying amount	Fair value
16. Fair value of financial instruments at amortised cost (continued)		
2013		
Assets		
Cash and balances at central banks	1 782 447	1 782 447
Loans and advances to banks	2 970 591	2 970 590
Non-sovereign and non-bank cash placements	420 960	420 891
Reverse repurchase agreements and cash collateral on securities borrowed	1 664 492	1 664 492
Sovereign debt securities	232 904	258 667
Bank debt securities	944 086	994 789
Other debt securities	68 793	71 092
Loans and advances to customers	16 337 521	16 413 795
Own originated loans and advances to customers securitised	930 449	940 848
Other loans and advances	2 029 361	2 005 455
Other securitised assets	2 543 852	2 502 022
Other assets	1 012 569	1 019 911
	30 938 025	31 044 999
Liabilities		
Deposits by banks	3 047 306	3 042 336
Repurchase agreements and cash collateral on securities lent	1 431 832	1 430 553
Customer accounts (deposits)	24 011 291	24 034 725
Debt securities in issue	1 714 131	1 706 186
Liabilities arising on securitisation of own originated loans and advances	926 335	926 335
Liabilities arising on securitisation of other assets	1 946 373	1 630 793
Other liabilities	848 259	500 392
Subordinated liabilities	1 611 440	1 688 830
	35 536 967	34 960 150

16. Fair value of financial instruments at amortised cost (continued)

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Bank debt securities	Valued using a cash flow model of the bonds, discounted by an observable market credit curve.
Other debt securities	Priced with reference to similar trades in an observable market as well as calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Own originated loans and advances to customers securitised	Calculation of the current cash flows of fixed rate loans at current expected interest rates.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other securitised assets	Calculated using a model based on future cash flows.
Deposits by banks	Calculation of fair value using appropriate funding rates. Calculation of the present value of future cash flows, discounted as appropriate.
Repurchase agreements and cash collateral on securities lent	Calculation of the present value of future cash flows, discounted as appropriate.
Customer accounts (deposits)	Where the deposits are short term in nature carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities they are valued using a cash flow model, discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised fair value is equal to the carrying value. Other debt securities are valued using a cash flow model, discounted as appropriate to the securities for funding and interest rates.
Liabilities arising on securitisation of other assets	Valued using a cash flow model taking into account any hedging, discounted as appropriate.
Other liabilities	Where the other liabilities are short term in nature carrying amounts are assumed to approximate fair value.
Subordinated liabilities	Valued with reference to market prices.

17. Designated at fair value: loans and receivables and financial liabilities

At 31 March £'000	Carrying value	Fair value adjustment: Year to date	Fair value adjustment: Cumulative	Change in fair value attributable to credit risk: Year to date	Change in fair value attributable to credit risk: Cumulative	Maximum exposure to credit risk
Loans and receivables designated at fair value through profit or loss						
2014						
Loans and advances to banks	112 147	(5 038)	(5 038)	–	–	112 147
Other debt securities	3 371	3 297	(9 447)	2 727	(2 615)	3 371
Loans and advances to customers	788 963	(45 274)	6 883	–	–	788 963
Other securitised assets	1 230 452	45 778	(99 872)	26 674	(123 546)	1 230 452
Other assets	847	59	847	–	–	847
	2 135 780	(1 178)	(106 627)	29 401	(126 161)	2 135 780
2013						
Loans and advances to banks	165 460	6 653	7 384	–	–	165 460
Bank debt securities	6 629	1 107	1 744	–	–	6 629
Other debt securities	21 710	1 205	6 022	1 205	(10 030)	21 710
Loans and advances to customers	1 147 003	15 587	86 974	–	–	1 147 003
Other loans and advances	4 612	–	–	–	–	4 612
Other securitised assets	1 418 514	22 095	(258 174)	44 554	(196 386)	645 400
Other assets	1 805	787	787	–	–	1 805
	2 765 733	47 434	(155 263)	45 759	(206 416)	1 992 619

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment: Year to date	Fair value adjustment: Cumulative	Change in fair value attributable to credit risk: Year to date	Change in fair value attributable to credit risk: Cumulative
Financial liabilities designated at fair value through profit or loss						
2014						
Deposits by banks	60	60	(202)	–	–	–
Customer accounts (deposits)	1 109 161	1 116 083	(22 877)	(6 922)	–	–
Debt securities in issue	501 673	488 970	27 772	12 703	3 470	5 229
Liabilities arising on securitisation of other assets	1 190 492	1 312 052	124 694	(121 560)	49 533	(36 889)
Other liabilities	31 654	36 647	1 712	(4 993)	–	–
Subordinated liabilities						
	2 833 040	2 953 812	131 099	(120 772)	53 003	(31 660)
2013						
Deposits by banks	330	330	(1)	(1)	–	–
Customer accounts (deposits)	447 964	427 892	3 381	20 071	–	–
Debt securities in issue	187 645	198 645	188	(10 954)	–	–
Liabilities arising on securitisation of other assets	1 317 269	1 625 330	168 643	(117 444)	(106 448)	(17 495)
Other liabilities	80 049	77 668	4 156	(2 366)	–	–
Subordinated liabilities	140 366	129 175	7 231	11 191	–	–
	2 173 623	2 459 040	183 598	(99 503)	(106 448)	(17 495)

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

At 31 March £'000	2014	2013
18. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	327 553	403 776
United Kingdom	1 681 929	1 219 563
Europe (excluding UK)	24 490	8 827
Australia	36 195	147 280
Other	10 023	3 001
Total	2 080 190	1 782 447

At 31 March £'000	2014	2013
19. Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	870 760	1 241 471
United Kingdom	1 150 387	943 875
Europe (excluding UK)	662 167	584 321
Australia	80 342	94 327
Asia	175 561	47 637
United States of America	287 377	169 122
Other	53 585	55 298
Total	3 280 179	3 136 051

At 31 March £'000	2014	2013
20. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	991 391	1 429 244
Cash collateral on securities borrowed	397 589	929 428
	1 388 980	2 358 672
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. £1.0 billion (2013: £574 million) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	1 206 625	1 839 560
Cash collateral on securities lent	109 462	100 598
	1 316 087	1 940 158

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £1.5 billion (2013: £2.46 billion). They are pledged as security for the term of the underlying repurchase agreement.

At 31 March £'000	2014	2013
21. Sovereign debt securities		
Bonds	893 046	1 148 859
Commercial paper	–	20 462
Treasury bills	2 273 531	2 735 378
Floating rate notes	48 855	172 518
	3 215 432	4 077 217
The country risk of sovereign debt securities lies in the following geographies:		
South Africa	1 983 017	2 416 840
United Kingdom	826 219	1 131 343
Europe (excluding UK)*	119 785	234 120
Australia	286 411	294 914
Total	3 215 432	4 077 217

* *Where Europe (excluding UK) includes securities held largely in Germany and France.*

At 31 March £'000	2014	2013
22. Bank debt securities		
Bonds	742 661	878 473
Debentures	59 449	22 148
Floating rate notes	764 059	968 229
Liquid asset bills	–	10 255
Other	1 928	–
	1 568 097	1 879 105
The country risk of bank debt securities lies in the following geographies:		
South Africa	413 039	665 543
United Kingdom	537 108	475 033
Europe (excluding UK)	191 553	207 829
Australia	102 362	142 620
United States of America	314 015	388 080
Other	10 020	–
Total	1 568 097	1 879 105

At 31 March £'000	2014	2013
23. Other debt securities		
Bonds	391 819	219 818
Floating rate notes	52 252	57 160
Government securities	1 823	–
Promissory notes	–	771
Asset-based securities	150 144	86 811
Residual notes	9 340	46 136
Other investments	–	38 520
	605 378	449 216
The country risk of other debt securities lies in the following geographies:		
South Africa	302 919	150 149
United Kingdom	168 876	139 304
Europe (excluding UK)	53 344	65 859
Australia	34 564	50 296
United States of America	45 675	43 608
Total	605 378	449 216

24. 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. 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 that follow, 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	2014 Notional principal amounts	2014 Positive fair value	2014 Negative fair value	2013 Notional principal amounts	2013 Positive fair value	2013 Negative fair value
24. Derivative financial instruments (continued)						
Foreign exchange derivatives						
Forward foreign exchange contracts	8 340 090	54 684	42 691	5 299 453	41 169	49 553
Currency swaps	13 708 398	479 046	641 412	15 988 729	435 079	204 355
OTC options bought and sold	3 763 267	46 543	44 649	2 733 914	23 028	20 985
Other foreign exchange contracts	910 011	2 268	3 887	1 186 678	5 335	8 410
OTC derivatives	26 721 766	582 541	732 639	25 208 774	504 611	283 303
Interest rate derivatives						
Caps and floors	1 119 741	5 770	8 280	1 315 416	7 357	5 027
Swaps	41 657 236	380 023	339 182	47 474 142	709 617	572 563
Forward rate agreements	47 152 374	24 744	24 906	49 602 413	22 314	23 568
OTC options bought and sold	627	1 706	1 533	234 305	1 748	2 036
Other interest rate contracts	27 340	11 857	7 279	726 684	15 913	10 461
OTC derivatives	89 957 318	424 100	381 180	99 352 960	756 949	613 655
Exchange traded futures	28 636	87	66	48 681	–	233
	89 985 954	424 187	381 246	99 401 641	756 949	613 888
Equity and stock index derivatives						
OTC options bought and sold	4 742 951	230 074	115 430	4 303 452	195 739	100 536
Equity swaps and forwards	346 576	5 092	847	452 667	2 432	12 423
OTC derivatives	5 089 527	235 166	116 277	4 756 119	198 171	112 959
Exchange traded futures	2 112 370	38 504	75 909	2 731 330	71 047	4 683
Exchange traded options	6 557 965	119 296	158 046	9 492 913	147 437	171 468
Warrants	15 445	1 018	78 312	380 893	34	50 515
	13 775 307	393 984	428 544	17 361 255	416 689	339 625
Commodity derivatives						
OTC options bought and sold	74 435	4 160	2 766	77 173	4 131	19 387
Commodity swaps and forwards	749 686	108 930	112 486	672 564	186 311	183 395
OTC derivatives	824 121	113 090	115 252	749 737	190 442	202 782
Credit derivatives	778 067	15 577	8 033	264 849	9 365	3 727
Embedded derivatives*		135 341	–		105 076	–
Cash collateral		(45 305)	(495 482)			
Derivatives per balance sheet		1 619 415	1 170 232		1 983 132	1 443 325

* *Mainly includes profit shares received as part of lending transactions.*

Cash collateral has been shown separately in the 2014 numbers, the amount of cash netted off for 2013 is £41.1 million against the positive fair value and £492.9 million against the negative fair value.

At 31 March £'000	2014	2013
25. Securities arising from trading activities		
Listed equities	389 941	317 751
Bonds	107 110	123 620
Floating rate notes	11 207	12 275
Government securities	361 830	355 481
Treasury bills	–	104 568
Other investments	–	17 908
	870 088	931 603

At 31 March £'000	2014	2013
26. Investment portfolio		
Listed equities	110 848	88 265
Unlisted equities*	714 897	840 628
	825 745	928 893

* *Unlisted equities includes loan instruments that are convertible into equity.*

At 31 March £'000	2014	2013
27. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	16 545 335	17 773 761
Impairments of loans and advances to customers	(263 723)	(289 237)
Net loans and advances to customers	16 281 612	17 484 524
Gross other loans and advances to customers	1 899 098	2 218 144
Impairments of other loans and advances to customers	(205 529)	(184 171)
Net other loans and advances to customers	1 693 569	2 033 973
For further analysis on loans and advances refer to pages 31 to 43 in volume two in the risk management section.		
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at the beginning of the year	274 239	249 838
Charge to the income statement	120 377	191 528
Reversals and recoveries recognised in the income statement	(11 719)	(34 703)
Utilised	(131 012)	(118 545)
Transfers	(1 816)	–
Exchange adjustment	(12 049)	(13 879)
Balance at the end of the year	238 020	274 239

At 31 March £'000	2014	2013
27. Loans and advances to customers and other loans and advances (continued)		
Portfolio impairment		
Balance at the beginning of the year	14 998	19 622
Charge/(release) to the income statement	12 574	(3 706)
Transfers	(96)	–
Exchange adjustment	(1 773)	(918)
Balance at the end of the year	25 703	14 998
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	77 307	67 306
Charge to the income statement	28 917	38 570
Utilised	(19 676)	(23 689)
Transfers	1 816	–
Exchange adjustment	111	(4 880)
Balance at the end of the year	88 475	77 307
Portfolio impairment		
Balance at the beginning of the year	106 864	95 413
Charge to the income statement	10 165	11 456
Transfers	96	(918)
Exchange adjustment	(71)	913
Balance at the end of the year	117 054	106 864
Total specific impairments	326 495	351 546
Total portfolio impairments	142 757	121 862
Total impairments	469 252	473 408
Interest income recognised on loans that have been impaired	19 125	37 465
Reconciliation of income statement charge:		
Loans and advances to customers	121 232	153 119
Specific impairment charged to the income statement	108 658	156 825
Portfolio impairment charged/(released) to the income statement	12 574	(3 706)
Securitised assets (refer to note 28)	5 838	47 867
Specific impairment charged to the income statement	20 343	30 986
Portfolio impairment (released)/charged to the income statement	(14 505)	16 881
Other loans and advances	39 082	50 026
Specific impairment charged to the income statement	28 917	38 570
Portfolio impairment charged to the income statement	10 165	11 456
Total income statement charge	166 152	251 012

At 31 March £'000	2014	2013
28. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	876 595	931 406
Impairments of own originated loans and advances to customers securitised	(840)	(957)
Net own originated loans and advances to customers securitised	875 755	930 449
Other securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	248 793	131 264
Loans and advances to customers	1 540 884	1 827 673
Kensington securitised assets net of impairments	1 786 849	2 001 712
Other debt securities	–	42 559
Total other securitised assets	3 576 526	4 003 208
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	729 534	926 335
Liabilities arising on securitisation of other assets	3 041 435	3 303 606
Specific and portfolio impairments		
Reconciliation of movements in group specific and portfolio impairments		
Specific impairment		
Balance at the beginning of the year	(2 137)	(2 119)
Charge to the income statement	20 343	30 986
Utilised	(20 199)	(31 562)
Recoveries	75	284
Exchange adjustment	(1 348)	274
Balance at the end of the year	(3 266)	(2 137)
Own originated loans and advances to customers securitised	390	424
Kensington loans and advances securitised and other securitised assets	(3 656)	(2 561)
Portfolio impairment		
Balance at the beginning of the year	45 125	27 418
(Charge)/release to the income statement	(14 505)	16 881
Transfer from other loans and advances	–	918
Disposals	–	(116)
Exchange adjustment	32	24
Balance at the end of the year	30 652	45 125
Own originated loans and advances to customers securitised	450	533
Kensington loans and advances securitised and other securitised assets	30 202	44 592
Total portfolio and specific impairments on balance sheet	27 386	42 988

At 31 March £'000	2014	2013
29. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	17 250	20 909
Goodwill	7 066	7 041
Investment in associated undertakings	24 316	27 950
Associated undertakings comprise unlisted investments.		
Analysis of the movement in our share of net assets:		
At the beginning of the year	20 909	20 451
Exchange adjustments	(1 637)	864
Disposals	(6 527)	(3 323)
Acquisitions	296	–
Operating income from associates (included in other operating income)	5 827	3 476
Dividends received	(1 618)	(559)
At the end of the year	17 250	20 909
Analysis of the movement in goodwill:		
At the beginning of the year	7 041	7 055
Exchange adjustments	25	(14)
At the end of the year	7 066	7 041

At 31 March £'000	2014	2013
30. Deferred taxation		
Deferred taxation assets	131 142	165 457
Deferred taxation liabilities	(96 362)	(109 628)
Net deferred taxation assets	34 780	55 829
The net deferred taxation assets arise from:		
Deferred capital allowances	26 362	23 708
Income and expenditure accruals	34 283	53 779
Asset in respect of unexpired options	21 833	31 873
Unrealised fair value adjustments on financial instruments	(27 435)	(30 123)
Losses carried forward	43 299	53 137
Liability in respect of pensions surplus	(5 112)	(5 440)
Asset in respect of pension contributions	569	–
Deferred taxation on acquired intangibles	(28 844)	(35 251)
Revaluation of property	(18 739)	(21 996)
Debt buyback	(15 839)	(19 210)
Finance lease accounting	2 848	2 466
Other temporary differences	1 555	2 886
Net deferred taxation assets	34 780	55 829

At 31 March £'000	2014	2013
30. Deferred taxation (continued)		
Reconciliation of net deferred taxation assets/(liabilities):		
At the beginning of the year	55 829	47 903
(Charge)/credit to the income statement – current year taxation	(14 276)	2 928
Charge directly in other comprehensive income	1 888	(196)
Acquisitions	–	502
Other	(247)	1 665
Exchange adjustments	(8 414)	3 027
At year end	34 780	55 829

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses and excess management expenses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £131.5 million, capital losses carried forward of £26.2 million and management expenses of £12.5 million on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The Finance Act 2013 in the UK reduced the main rate of corporate taxation to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. The effect of these reductions is reflected in the above calculation as the rate was substantively enacted before 31 March 2014.

At 31 March £'000	2014	2013
31. Other assets		
Settlement debtors	917 756	1 213 465
Dealing properties	135 818	254 571
Accruals	88 192	69 831
Prepayments	38 535	29 771
Pension assets (refer to note 41)	25 560	28 083
Trading initial margin	19 274	77 656
Other	249 857	286 173
	1 474 992	1 959 550

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
32. Property and equipment						
2014						
Cost						
At the beginning of the year	37 176	61 509	31 158	83 639	63 247	276 729
Exchange adjustments	4 457	(12 680)	(1 365)	(8 392)	(1)	(17 981)
Disposal of subsidiary undertakings	–	(1 824)	(1 951)	(1 722)	–	(5 497)
Additions	7 342	8 454	1 129	14 518	3 428	34 871
Disposals	(26)	(1 455)	(3 388)	(10 294)	(33 843)	(49 006)
At the end of the year	48 949	54 004	25 583	77 749	32 831	239 116
Accumulated depreciation						
At the beginning of the year	(1 780)	(25 482)	(22 861)	(59 712)	(32 793)	(142 628)
Exchange adjustments	521	802	669	5 015	–	7 007
Disposals	–	1 029	3 231	6 907	16 279	27 446
Disposal of subsidiary undertakings	–	1 379	939	1 443	–	3 761
Depreciation charge for the year	(660)	(5 444)	(2 511)	(11 305)	(6 044)	(25 964)
At the end of the year	(1 919)	(27 716)	(20 533)	(57 652)	(22 558)	(130 378)
Net carrying value	47 030	26 288	5 050	20 097	10 273	108 738

* *These are assets held by the group, in circumstances where the group is the lessor.*

32. Property and equipment (continued)

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
2013						
Cost						
At the beginning of the year	20 833	57 501	26 520	77 952	104 675	287 481
IFRS 10 adjustments	–	4 088	–	–	–	4 088
Revised beginning of the year	20 833	61 589	26 520	77 952	104 675	291 569
Exchange adjustments	4 585	(6 146)	3 324	4 578	–	6 341
Acquisition of subsidiary undertakings	–	–	423	742	–	1 165
Additions	12 692	8 386	2 196	11 556	9 338	44 168
Disposals	(934)	(2 320)	(1 305)	(11 189)	(50 766)	(66 514)
At the end of the year	37 176	61 509	31 158	83 639	63 247	276 729
Accumulated depreciation						
At the beginning of the year	(1 037)	(20 920)	(15 891)	(45 233)	(32 715)	(115 796)
Exchange adjustments	(134)	(428)	(5 014)	(6 534)	–	(12 110)
Disposals	99	921	1 074	3 861	15 994	21 949
Depreciation charge for the year	(708)	(5 055)	(3 030)	(11 806)	(16 072)	(36 671)
At the end of the year	(1 780)	(25 482)	(22 861)	(59 712)	(32 793)	(142 628)
Net carrying value	35 396	36 027	8 297	23 927	30 454	134 101

* *These are assets held by the group, in circumstances where the group is the lessor.*

On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been shown separately on the face of the income statement.

At 31 March £'000	2014	2013
33. Investment properties		
At the beginning of the year	451 975	407 295
Additions	148 428	157 646
Disposals	(16 807)	(51 871)
Fair value movement	16 374	(9 599)
Exchange adjustment	(90 742)	(51 496)
At the end of the year	509 228	451 975

All investment properties are classified as level 3 in the fair value hierarchy.

Fair value hierarchy – Investment property

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and, to this, an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

Significant unobservable inputs	Relationship between unobservable inputs and fair value measurement
Expected Rental Value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value.
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value.
Long-term vacancy rate	Increases/(decreases) in the long-term vacancy rate would result in decreases/(increases) in the estimated fair value.

Given the high tenancy rates of property portfolio, the long-term vacancy rate may not always be applicable. The table above includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Significant unobservable inputs	Relationship between unobservable inputs and fair value measurement
Expected Rental Value (ERV)	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Equivalent yield	The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

Further analysis of investment properties is in the risk management section on pages 45 to 47 in volume two.

At 31 March £'000	2014	2013
34. Goodwill		
Cost		
At the beginning of the year	621 062	658 781
Acquisition of subsidiaries	–	12 159
Disposal of subsidiaries	(8 148)	–
Written off	(17 327)	(32 649)
Exchange adjustments	(39 173)	(17 229)
At the end of the year	556 414	621 062
Accumulated impairments		
At the beginning of the year	(154 156)	(190 461)
Income statement amount	(12 797)	(15 175)
Written off	17 327	32 649
Exchange adjustments	26 783	18 831
At the end of the year	(122 843)	(154 156)
Net carrying value	433 571	466 906
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	242 951	243 102
Specialist Banking	66 760	75 242
	397 756	406 389
South Africa		
Asset Management	4 346	7 450
Wealth & Investment	1 963	2 494
Specialist Banking	251	316
	6 560	10 260
Australia		
Specialist Banking	29 255	50 257
Total group	433 571	466 906

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows 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 and loan impairment rates.

Discount rates are 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 the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

34. Goodwill (continued)

UK, Europe and Australia

The three most significant cash-generating units giving rise to goodwill are Investec Asset Management, Kensington and Investec Wealth & Investment (IWI) which now includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group) which was merged with IWI in August 2012.

For IWI goodwill of £236.3 million has been supported by a test for impairment on the basis of the cash flow projections for the next three years discounted at 10.3% (2013: 10.4%) which incorporate an expected revenue growth rate of 2.0% (March 2013: 2.0%).

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

For Investec Asset Management, the fair valuation calculation based on the value placed on the business in the sale completed in July 2013 of 15% of the company to management comfortably supports the value of the goodwill of £88 million.

As announced on 6 February 2014, Investec is in the process of exploring a sale of Kensington. The sale process is ongoing and there are no indications from this process that there is any impairment of the goodwill of £39.7 million.

As announced on 11 April 2014, Investec is selling Investec Bank (Australia) Limited's (IBAL) Professional Finance (Experian), Asset Finance and deposit-taking businesses. The price agreed is a premium of A$210 million (approximately £116 million) to net assets. A significant proportion of the goodwill Investec is carrying in relation to IBAL relates to the Professional Finance and Asset Finance businesses and is supported by the sale premium.

The balance of goodwill in Australia mainly relates to the Investment Banking business and following an assessment at year end a partial impairment of A$20 million (£11.2 million) has been taken in respect of this.

South Africa

The majority of the goodwill attributed to the South African operations relate to Investec Asset Management, particularly to the businesses from the Fedsure acquisition, which have been identified as a separate cash-generating unit. The goodwill relating to Fedsure has been tested for impairment, taking into account profitability, being the current year profits and the budgeted profits and funds under management. The discount rate applied of 14.47% is determined using the South African risk-free rate adjusted for the risk related to the cash-generating unit.

Movement in goodwill

2014

Goodwill cost and impairment reduced following the disposal of certain subsidiaries in 2014 (as detailed in note 36).

2013

Goodwill arising from acquisitions relates to the following acquisitions in 2013 (as detailed in the note 36):

- Neontar Limited – £6.4 million
- Investec Asset Finance & Leasing (Pty) Ltd – £2.6 million
- The Evolution Group – £3.2 million.

35. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Intellectual property	Management contracts	Client relationships	Total
2014						
Cost						
At the beginning of the year	74 174	4 530	3 526	883	185 253	268 366
Exchange adjustments	(8 039)	(1 554)	(565)	33	(143)	(10 268)
Additions	5 639	1 250	727	–	–	7 616
Disposals	(1 872)	–	(1 654)	–	–	(3 526)
At the end of the year	69 902	4 226	2 034	916	185 110	262 188
Accumulated amortisation and impairments						
At the beginning of the year	(57 429)	(3 477)	(328)	(79)	(28 486)	(89 799)
Exchange adjustments	7 495	578	84	(3)	180	8 334
Disposals	626	–	–	–	–	626
Amortisation	(7 916)	(737)	(134)	(134)	(13 259)	(22 180)
At the end of the year	(57 224)	(3 636)	(378)	(216)	(41 565)	(103 019)
Net carrying value	12 678	590	1 656	700	143 545	159 169
2013						
Cost						
At the beginning of the year	78 844	4 678	3 469	–	181 827	268 818
Exchange adjustments	(2 886)	(482)	107	61	234	(2 966)
Acquisition of a subsidiary undertaking	–	–	–	822	3 192	4 014
Additions	4 413	334	205	–	–	4 952
Disposals	(6 197)	–	(255)	–	–	(6 452)
At the end of the year	74 174	4 530	3 526	883	185 253	268 366
Accumulated amortisation and impairments						
At the beginning of the year	(56 197)	(4 678)	(391)	–	(15 453)	(76 719)
Exchange adjustments	1 181	1 902	63	–	280	3 426
Disposals	6 507	–	–	–	–	6 507
Amortisation	(8 920)	(701)	–	(79)	(13 313)	(23 013)
At the end of the year	(57 429)	(3 477)	(328)	(79)	(28 486)	(89 799)
Net carrying value	16 745	1 053	3 198	804	156 767	178 567

Client relationships all relate to the acquisitions of Rensburg Sheppards plc in June 2010, EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

36. Acquisitions and disposals

2014

Acquisitions

There were no significant acquisitions of subsidiaries during the year ended 31 March 2014.

Disposals

The net gain on the sale of subsidiaries of £9.8 million in the income statement arises from the sale of Lease Direct Finance Limited and the sale of Investec Trust (Switzerland) SA, Investec Trust (Jersey) Limited and Investec Trust Mauritius Limited.

The net cash inflow on these items amounted to £38.2 million.

On 31 July 2013, Investec completed the sale of 15% of its Asset Management business, owned by Investec plc and Investec Limited, for a consideration of £180 million in cash to the senior management of the business who have also been granted options to acquire, over a period of seven years beginning on 1 April 2013, a further 5% interest. As part of this transaction Investec plc has realised a gain of £61.6 million on the disposal of a non-controlling interest in its subsidiary, Investec Asset Management Limited, which is reflected in equity together with an increase in non-controlling interests of £11.0 million. Investec Limited has realised a gain of £82.2 million on the disposal of a non-controlling interest in its subsidiary, Investec Asset Management Holdings (Pty) Ltd, which is reflected in equity together with an increase in non-controlling interests of £12.1 million.

The group has funded £44.2 million of this acquisition, resulting in net proceeds of £122.7 million.

2013

Acquisitions

On 11 June 2012 Investec plc acquired the entire issued share capital of Neontar Limited (parent of the NCB Group (NCB)). The assets and liabilities at the date of acquisition, goodwill arising and total consideration paid are shown below:

	Book value of assets and liabilities			Fair value of assets and liabilities		
£'000	NCB	Other	Total	NCB	Other	Total
Loans and advances to banks	10 277	–	10 277	10 277	–	10 277
Trading securities	789	–	789	789	–	789
Investment securities	6 548	–	6 548	6 548	–	6 548
Deferred taxation assets	69	–	69	679	–	679
Other assets	51 393	–	51 393	50 513	1 009	51 522
Property and equipment	1 165	–	1 165	1 165	–	1 165
Intangible assets	–	–	–	4 014	–	4 014
Goodwill*	–	–	–	6 350	5 809	12 159
	70 241	–	70 241	80 335	6 818	87 153
Current taxation liabilities	74	–	74	74	–	74
Deferred taxation liabilities	–	–	–	502	–	502
Other trading liabilities	278	–	278	278	–	278
Other liabilities	45 366	–	45 366	50 981	4 207	55 188
	45 718	–	45 718	51 835	4 207	56 042
Net assets/fair value of net assets acquired	24 523	–	24 523	28 500	2 611	31 111
Fair value of cash consideration				28 500	2 611	31 111
Loans and advances to banks at acquisition						10 277
Fair value of cash consideration						(31 111)
Net cash outflow						(20 834)

* *The goodwill arising from the acquisition of NCB consists largely of the benefits expected to arise from the enhancement of the group's wealth and investment offering through the combination of NCB's wealth and investment business with the group's existing business.*

For the post-acquisition period 12 June 2012 to 31 March 2013, the operating income of NCB totalled £12.705 million and losses before taxation were £2.609 million.

The operating income before impairment losses on loans and advances of Investec would have been £2 008.9 million and operating profit would have been £394.2 million if the acquisition of NCB had been on 1 April 2012 as opposed to 11 June 2012.

Disposals

There were no significant disposals of subsidiaries during the year ended 31 March 2013.

At 31 March £'000	2014	2013
37. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	37 513	46 926
Investec Assurance Limited	5 823 876	6 177 136
Insurance liabilities, including unit-linked liabilities – IEB	1 570	2 080
	5 862 959	6 226 142
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	39 083	49 006
	39 083	49 006
Investments above comprise:		
Interest-bearing securities	16 129	19 490
Stocks, shares and unit trusts	14 638	18 410
Deposits	8 316	11 106
	39 083	49 006
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	5 794 780	6 126 100
Debtors and prepayments	3 665	1 492
Other assets	25 431	49 544
	5 823 876	6 177 136
The linked assets are classed as level 1 financial instruments with the linked liabilities also classed as level 1.		
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest-bearing securities	1 565 280	1 627 551
Stocks, shares and unit trusts	3 507 183	3 687 579
Deposits	722 317	810 970
	5 794 780	6 126 100
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.		

At 31 March £'000	2014	2013
38. Other trading liabilities		
Deposits	38 044	–
Short positions		
– Equities	503 295	517 991
– Gilts	320 073	333 948
	861 412	851 939

At 31 March £'000	2014	2013
39. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	9 210	34 526
Three months to one year	136 499	107 785
One to five years	112 186	22 506
Greater than five years	34 427	5 638
	292 322	170 455
Other unlisted debt securities in issue repayable:		
Less than three months	16 911	191 577
Three months to one year	106 025	197 361
One to five years	630 977	1 027 780
Greater than five years	550 395	314 603
	1 304 308	1 731 321
	1 596 630	1 901 776

At 31 March £'000	2014	2013
40. Other liabilities		
Settlement liabilities	815 727	1 065 791
Other creditors and accruals	536 943	553 337
Other non-interest-bearing liabilities	223 798	275 963
	1 576 468	1 895 091

At 31 March £'000	2014	2013
41. Pension commitments		
Income statement charge		
Defined benefit obligations net income included in net interest income	(1 329)	(1 207)
Defined benefit net costs included in administration costs	482	344
Cost of defined contribution schemes included in staff costs	33 865	32 640
Net income statement charge in respect of pensions	33 018	31 777

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 UK, 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 plans are is subject to UK regulations, which require the trustees to agree a funding strategy and contribution schedule for the plan. The role of the trustees is to ensure that the schemes are administered in accordance with the scheme rules and relevant legislation, and to safeguard the assets in the best interests of all members and beneficiaries.

The trustees are solely responsible for setting investment policy and for agreeing funding requirements with the employer through the triennial valuation process. 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 2014 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:	2014	2013
Discount rate	4.40%	4.40%
Rate of increase in salaries	3.40%	3.40%
Rate of increase in pensions in payment	1.80% – 3.40%	1.80% – 3.30%
Inflation (RPI)	3.40%	3.30%
Inflation (CPI)	2.40%	2.40%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PCMA00 and PCFA00 base tables with allowance for future improvements in line with the medium cohort projection subject to a 1% underpin. The life expectancies underlying the valuation are as follows:

	Years	Years
Male aged 65	87.7	87.6
Female aged 65	89.7	89.6
Male aged 45	89.6	89.5
Female aged 45	91.1	91.0

Sensitivity analysis of assumptions

The sensitivities are only presented for the GM scheme as the equivalent increases or decreases in assumptions for the IAM scheme do not have a material impact.

If the discount rate is 0.25% higher the defined benefit obligations would decrease by £4.9 million, or increase by £5.2 million if the discount rate was 0.25% lower.

If the expected increase in salaries increased by 0.25% the defined benefit obligations would increase by £0.3 million, or decrease by £0.3 million if the increase in salaries decreased by 0.25%.

If the rate of increase in pensions on payment increased by 0.25% the defined benefit obligations would increase by £1.8 million, or decrease by £1.7 million if the rate of increase decreased by 0.25%.

41. Pension commitments (continued)

If the deferred revaluation assumption was 0.25% higher the scheme liabilities would increase by £1.0 million, or decrease by £1.0 million if the deferred revaluation assumption decreased by 0.25%.

If the expected mortality assumptions increased by one year for both men and women, the defined benefit obligations would increase by £3.7 million, or decrease by £2.9 million if the life expectancy were to decrease by one year.

The sensitivity analysis has been performed on the basis that the relevant assumption would occur in isolation, holding other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the same methodology that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Risk exposures

A description of the risks which the pension schemes expose Investec can be found in the Risk Management report on page 82 in volume two.

The group ultimately underwrites the risks relating to the defined benefit plans. If the contributions currently agreed are insufficient to pay the benefits due, the group will need to make further contributions to the plans.

The plan assets held in the schemes were:

At 31 March £'000	2014	2013
GM scheme		
Equities	–	18 522
Gilts	132 799	116 517
Cash	2 634	2 464
Total market value of assets	135 433	137 503
IAM scheme		
Equities	–	13 872
Gilts	–	2 619
Managed funds	22 280	–
Cash	34	5 453
Total market value of assets	22 314	21 944

There are no assets which are unquoted.

None of the group's own assets or properties occupied or used by the group held within the assets of the scheme.

The investment strategy in place for the GM scheme is to switch to gilts over the period to 31 March 2021. At 31 March 2014, the allocation of the GM scheme's invested assets was 100% to gilts and cash. This is ahead of the investment strategy. The higher allocation is due to additional switches from equities to gilts during the first and third quarter of 2013 under the agreed outperformance trigger mechanism. The investment strategy is set out in the GM scheme's Statement of Investment Principles, which the Trustees update as its policy evolves.

The Trustee's current investment strategy is to strike a balance between maximising the returns on the scheme's assets and minimising the risks associate with lower than expected returns.

At 31 March £'000	2014 GM	2014 IAM	2014 Total	2013 GM	2013 IAM	2013 Total
41. Pension commitments (continued)						
Recognised in the balance sheet						
Fair value of fund assets (restated)	135 433	22 314	157 747	137 503	21 944	159 447
Present value of obligations	(116 083)	(16 104)	(132 187)	(115 643)	(15 721)	(131 364)
Net asset (recognised in other assets)	19 350	6 210	25 560	21 860	6 223	28 083
Recognised in the income statement						
Net interest income	1 057	272	1 329	1 291	18	1 309
Past service costs	(310)	(172)	(482)	(344)	(110)	(454)
Net amount recognised in the income statement	747	100	847	947	(92)	855
Recognised in the statement of comprehensive income						
Return on plan assets (excluding amounts in net interest income)	7 858	197	8 055	(6 894)	(838)	(7 732)
Actuarial gain arising from changes in financial assumptions	–	–	–	6 741	986	7 727
Actuarial (loss)/gain arising from experience adjustments	(285)	(84)	(369)	8 541	417	8 958
Re-measurement of defined benefit asset	7 573	113	7 686	8 388	565	8 953
Deferred tax	(1 501)	(315)	(1 816)	(1 658)	(217)	(1 875)
Re-measurement of net defined benefit asset	6 072	(202)	5 870	6 730	348	7 078

At 31 March £'000	GM	IAM	Total
Changes in the net asset recognised in the balance sheet			
Opening balance sheet asset at 1 April 2012	25 622	3	25 625
Income/(expenses) charged to the income statement	947	(91)	856
Amount recognised in other comprehensive income	(8 388)	(565)	(8 953)
Contributions paid	3 679	6 876	10 555
Opening balance sheet asset at 1 April 2013	21 860	6 223	28 083
Expenses charged to the income statement	747	100	847
Amount recognised in other comprehensive income	(7 573)	(113)	(7 686)
Contributions paid	4 316	–	4 316
Closing balance sheet asset at 31 March 2014	19 350	6 210	25 560

At 31 March £'000	GM	IAM	Total
41. Pension commitments (continued)			
Changes in the present value of defined benefit obligations			
Opening defined benefit obligation at 1 April 2012	100 743	14 324	115 067
Interest expense	4 617	658	5 275
Re-measurement gains and losses:			
– Actuarial gain arising from changes in financial assumptions	6 741	986	7 727
– Actuarial gain arising from experience adjustments	8 541	417	8 958
Total service cost	–	110	110
Benefits and expenses paid	(4 999)	(774)	(5 773)
Opening defined benefit obligation at 1 April 2013	115 643	15 721	131 364
Interest expense	4 994	685	5 679
Re-measurement gains and losses:			
– Actuarial loss arising from experience adjustments	(285)	(84)	(369)
Past service cost	–	172	172
Benefits and expenses paid	(4 269)	(390)	(4 659)
Closing defined benefit obligation at 31 March 2014	116 083	16 104	132 187
Changes in the fair value of plan assets			
Opening fair value of plan assets at 1 April 2012	126 365	14 327	140 692
Interest income (restated)	5 908	676	6 584
Re-measurement gain/(loss):			
– Return on plan assets (excluding amounts in net interest income)	6 894	838	7 732
Contributions by the employer	3 679	6 876	10 555
Benefits and expenses paid	(5 343)	(773)	(6 116)
Opening fair value of plan assets at 1 April 2013	137 503	21 944	159 447
Interest income	6 051	957	7 008
Re-measurement (loss)/gain:			
– Return on plan assets (excluding amounts in net interest income)	(7 858)	(197)	(8 055)
Contributions by the employer	4 316	–	4 316
Benefits and expenses paid	(4 579)	(390)	(4 969)
Closing fair value of plan assets at 31 March 2014	135 433	22 314	157 747

The triennial funding valuation of the schemes was carried out at 31 March 2012. Contributions requirements, including any deficit recovery plans, were agreed between the group and the Trustees in March 2013 to address the scheme deficit.

Under the agreed contribution plan deficit contributions of £6 million were paid into the IAM scheme in March 2013, such that the scheme is now fully funded.

Under the agreed contribution plan deficit contributions of £4.3 million were paid into the GM scheme in the year to 31 March 2014 and the group expects to make £4.3 million of contributions to the defined benefit scheme in the 2014 financial year.

The weighted average duration of the GM scheme's liabilities at 31 March 2014 is 17 years (31 March 2013: 18 years). This includes average duration of active members of 23 years, average duration of deferred pensioners of 22 years and average duration of pensioners in payment of 10 years.

The weighted average duration of the IAM scheme's liabilities at 31 March 2014 is 18 years (31 March 2013: 19 years). This includes average duration of deferred pensioners of 20 years and average duration of pensioners in payment of 11 years.

At 31 March £'000	2014	2013
42. Subordinated liabilities		
Issued by Investec Finance plc		
Guaranteed subordinated step-up notes	33 979	33 979
Guaranteed undated subordinated callable step-up notes	18 750	18 990
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes	577 941	577 470
Issued by Investec Australia Limited		
Subordinated floating rate medium-term notes	38 950	14 480
Issued by Kensington Group plc		
Callable subordinated notes	71 174	71 173
Issued by Investec Bank Limited		
IV04 10.75% subordinated unsecured callable bonds	–	147 745
IV07 variable rate subordinated unsecured callable bonds	–	67 425
IV08 13.735% subordinated unsecured callable upper tier 2 bonds	11 392	14 331
IV09 variable rate subordinated unsecured callable upper tier 2 bonds	11 392	14 331
IV012 variable rate subordinated unsecured callable bonds	14 240	17 913
IV013 variable rate subordinated unsecured callable bonds	2 848	3 583
IV014 10.545% subordinated unsecured callable bonds	7 120	8 957
IV015 variable rate subordinated unsecured callable bonds	76 894	96 732
IV016 variable rate subordinated unsecured callable bonds	18 512	23 287
IV017 indexed rate subordinated unsecured callable bonds	110 264	129 867
IV019 indexed rate subordinated unsecured callable bonds	4 536	5 324
IV019A indexed rate subordinated unsecured callable bonds	16 787	19 536
IV022 variable rate subordinated unsecured callable bonds	56 788	71 438
IV023 variable rate subordinated unsecured callable bonds	48 984	61 622
IV024 variable rate subordinated unsecured callable bonds	6 038	7 597
IV025 variable rate subordinated unsecured callable bonds	56 959	71 653
IV026 variable rate subordinated unsecured callable bonds	42 719	53 740
IV030 indexed rate subordinated unsecured callable bonds	18 263	21 440
IV030A indexed rate subordinated unsecured callable bonds	19 606	23 001
IV031 variable rate subordinated unsecured callable bonds	28 479	35 826
IV032 variable rate subordinated unsecured callable bonds	46 137	–
Issued by Investec Property Fund Limited		
Variable rate unsecured subordinated debentures	–	140 366
	1 338 752	1 751 806

At 31 March £'000	2014	2013
42. Subordinated liabilities (continued)		
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand.		
Remaining maturity:		
In one year or less, or on demand	14 240	215 170
In more than one year, but not more than two years	115 121	–
In more than two years, but not more than five years	405 153	415 268
In more than five years	804 238	1 121 368
	1 338 752	1 751 806

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 issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Guaranteed subordinated step-up notes

At 31 March 2014 Investec Finance plc had in issue £33 793 000 of guaranteed subordinated step-up notes due in 2016. Interest is paid annually. The notes are guaranteed by Investec Bank plc 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 was reset to 6.482%, the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt.

Guaranteed undated subordinated callable step-up notes

At 31 March 2014 Investec Finance plc had in issue £17 861 000 of 6.25% guaranteed undated subordinated step-up notes callable in 2017 at a discount. Interest is paid semi-annually. The notes are guaranteed by Investec Bank plc 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.

Medium-term notes

Subordinated fixed rate medium-term notes (denominated in Pounds Sterling)

On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 17 February 2022. On 29 June 2011 Investec Bank plc issued a further £75 000 000 of 9.625% subordinated 2022 notes at a premium (these were consolidated and form a single series, and are fungible, with the £500 000 000 2022 notes issued on 17 February 2011).

Subordinated floating rate medium-term notes (denominated in Australian Dollars)

A$16 150 000 of floating rate medium-term notes (MTN) issued on 12 February 2010 at Australian three-month bank bills swap rate (BBSW) plus 5%. The maturity date is 12 February 2020. Interest is payable quarterly up to and excluding the early redemption date 12 February 2015. After this date, if the issuers call is not exercised, the interest will be the aggregate of three-month BBSW plus 7.5% payable quarterly in arrears.

During the prior year, on 20 December 2012, a further A$50 000 000 of floating rate MTN were issued at 30-day Australian Bank Bills Swap Rate (BBSW) plus 5.50% margin. The maturity date is 20 December 2022. Interest is payable monthly up to and including the maturity date. Early redemption, at the option of the Issuer, is on each interest payment date from and including 20 December 2017 until, and including, the maturity date.

Callable subordinated notes

Kensington Group plc has in issue £69 767 000 callable subordinated notes due 2015. As from the reset date of 21 December 2010, interest is payable at the rate of 7.285%, annually in arrears. The Issuer may, at its option, redeem all, but not only some of the notes at any time at par plus accrued interest, in the event of certain tax changes. The notes mature on 21 December 2015.

IV04 10.75% subordinated unsecured callable bonds

Rnil (2013: R2 062 million) Investec Bank Limited IV04 locally registered subordinated unsecured callable bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10.75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to floating rate bonds of three-month Jibar plus 2.00% from 31 March 2013. The bonds were called and settled on 2 April 2013.

42. Subordinated liabilities (continued)

IV07 variable rate subordinated unsecured callable bonds

Rnil (2013: R941 million) Investec Bank Limited IV07 locally registered subordinated unsecured callable bonds due in 2018. Interest is payable quarterly in arrears on 31 March, 30 June, 30 September, 31 December at a rate equal to three-month Jibar plus 1.40% until 31 March 2013. From and including 31 March 2013 up to and excluding 31 March 2018 interest is paid at a rate equal to three-month Jibar plus 2.00%. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. The bonds were called and settled on 2 April 2013.

IV08 13.735% subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV08 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above Jibar payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV09 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to three-month Jibar plus 3.75% until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above Jibar payable quarterly in arrears until called.

IV012 variable rate subordinated unsecured callable bonds

R250 million Investec Bank Limited IV012 locally registered subordinated unsecured callable bonds are due in November 2019. Interest is payable quarterly in arrears on 26 November, 26 February, 26 May and 26 August at a rate equal to three-month Jibar plus 3.25% until 26 November 2014. From and including 26 November 2014 up to and excluding 26 November 2019 interest is paid at a rate equal to three-month Jibar plus 4.50%. The maturity date is 26 November 2019, but the company has the option to call the bonds from 26 November 2014.

IV013 variable rate subordinated unsecured callable bonds

R50 million Investec Bank Limited IV013 locally registered subordinated unsecured callable bonds are due in June 2020. Interest is payable quarterly in arrears on 22 March, 22 June, 22 September and 22 December at a rate equal to three-month Jibar plus 2.75% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid at a rate equal to three-month Jibar plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV014 10.545% subordinated unsecured callable bonds

R125 million Investec Bank Limited IV014 locally registered subordinated unsecured callable bonds are due in June 2020. Interest is payable six monthly in arrears on 22 June and 22 December at a fixed rate of 10.545% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid quarterly in arrears on 22 June, 22 September, 22 December and 22 March at a rate equal to three-month Jibar plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV015 variable rate subordinated unsecured callable bonds

R1 350 million Investec Bank Limited IV015 locally registered subordinated unsecured callable bonds are due in September 2022. Interest is payable quarterly in arrears on 20 December, 20 March, 20 June and 20 September at a rate equal to three-month Jibar plus 2.65% basis points until 20 September 2017. From and including 20 September 2017 up to and excluding 20 September 2022 interest is paid at a rate equal to three-month Jibar plus 4.00%. The maturity date is 20 September 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 September 2017.

IV016 variable rate subordinated unsecured callable bonds

R325 million Investec Bank Limited IV016 locally registered subordinated unsecured callable bonds are due in December 2021. Interest is payable quarterly in arrears on 6 December, 6 March, 6 June and 6 September at a rate equal to three-month Jibar plus 2.75% up to and excluding 6 December 2021. The maturity date is 6 December 2021, but the company has the option to call the bonds upon regulatory disqualification or from 6 December 2016.

IV017 indexed rate subordinated unsecured callable bonds

R1 936 million (2013: R1 813 million) Investec Bank Limited IV017 locally registered subordinated unsecured callable bonds are due in January 2022. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.75%. The IV017 is a replica of the R212 South African government bond. The maturity date is 31 January 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2017.

42. Subordinated liabilities (continued)

IV019 indexed rate subordinated unsecured callable bonds

R79 million (2013: R74 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R295 million (2013: R273 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV022 variable rate subordinated unsecured callable bonds

R997 million Investec Bank Limited IV022 locally registered subordinated unsecured callable bonds are due in April 2022. Interest is payable quarterly on 2 January, 2 April, 2 July and 2 October at a rate equal to the three-month Jibar plus 2.50% up to and excluding 2 April 2022. The maturity date is 2 April 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 2 April 2017.

IV023 variable rate subordinated unsecured callable bonds

R860 million Investec Bank Limited IV023 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 11 January, 11 April, 11 July and 11 October at a rate equal to the three-month Jibar plus 2.50% up to and excluding 11 July 2022. The maturity date is 11 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 11 July 2017.

IV024 variable rate subordinated unsecured callable bonds

R106 million Investec Bank Limited IV024 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 27 January, 27 April, 27 July and 27 October at a rate equal to the three-month Jibar plus 2.70% up to and excluding 27 July 2022. The maturity date is 27 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 27 July 2017.

IV025 variable rate subordinated unsecured callable bonds

R1 000 million Investec Bank Limited IV025 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 12 December, 12 March, 12 June and 12 September at a rate equal to the three-month Jibar plus 2.50% up to and excluding 12 September 2024. The maturity date is 12 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 12 September 2019.

IV026 variable rate subordinated unsecured callable bonds

R750 million Investec Bank Limited IV026 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 27 December, 27 March, 27 June and 27 September at a rate equal to the three-month Jibar plus 2.45% up to and excluding 27 September 2024. The maturity date is 27 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 27 September 2019.

IV030 indexed rate subordinated unsecured callable bonds

R321 million (2013: R299 million) Investec Bank Limited IV030 locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030 is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV030A indexed rate subordinated unsecured callable bonds

R344 million (2013: R321 million) Investec Bank Limited IV030A locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030A is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV031 variable rate subordinated unsecured callable bonds

R500 million Investec Bank Limited IV031 locally registered subordinated unsecured callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the three-month Jibar plus 2.95% up to and excluding 11 March 2025. The maturity date is 11 March 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 11 March 2020.

42. Subordinated liabilities (continued)

IV032 variable rate subordinated unsecured callable bonds

R810 million (2013: Rnil million) Investec Bank Limited IV032 locally registered subordinated unsecured callable bonds are due in August 2023. Interest is payable quarterly on 14 November, 14 February, 14 May, 14 August at a rate equal to the three-month Jibar plus 2.95%. The maturity date is 14 August 2023, but the company has the option to call the bonds upon regulatory capital disqualification from 14 August 2018.

Investec Property Fund Limited Debentures

Rnil (2013: R1 959 million) Investec Property Fund Limited locally registered subordinated unsecured debentures are due at the 25th anniversary of the date of each allotment and issue of the debentures. Interest payable on the debenture in each linked unit will be at least 999 times the dividend payable on each share. The debentures are redeemable at the instance of the debenture holders (by way of a special resolution) at the 25th anniversary of the date of each allotment and issue of the debentures.

On 16 August 2013, shareholders approved the conversion of Investec Property Fund Limited's linked-unit structure to that of an all-equity capital structure.

At 31 March	2014	2013
43. Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At the beginning of the year	605 196 771	598 339 612
Issued during the year	3 559 572	6 857 159
At the end of the year	608 756 343	605 196 771
Nominal value of ordinary shares	£'000	£'000
At the beginning of the year	121	120
Issued during the year	1	1
At the end of the year	122	121
Number of special converting shares	Number	Number
At the beginning of the year	279 639 164	276 020 221
Issued during the year	3 295 365	3 618 943
At the end of the year	282 934 529	279 639 164
Nominal value of special converting shares	£'000	£'000
At the beginning of the year	56	55
Issued during the year	–	1
At the end of the year	56	56
Number of UK DAN shares	Number	Number
At the beginning and end of the year	1	1
Nominal value of UK DAN share	£'000	£'000
At the beginning and end of the year	*	*
Number of UK DAS shares	Number	Number
At the beginning and end of the year	1	1

* *Less than £1 000.*

At 31 March	2014	2013

43. Ordinary share capital (continued)

Nominal value of UK DAS share	£'000	£'000
At the beginning and end of the year	*	*

Number of special voting shares	Number	Number
At the beginning and end of the year	1	1

Nominal value of special voting share	£'000	£'000
At the beginning and end of the year	*	*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2013: R1 268 002), comprising 450 000 000 (2013: 450 000 000) ordinary shares of R0.0002 each, 48 500 000 (2013: nil) redeemable, non-participating preference shares with a par value of R0.01 each, 1 500 000 (2013: nil) Class ILRP1 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2013: nil) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2013: 50 000) variable rate cumulative redeemable preference shares of R0.60 each, 100 000 000 (2013: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2013: 1) Dividend Access (South African Resident) redeemable preference share of R1, 1 (2013: 1) Dividend Access (Non-South African Resident) redeemable preference share of R1, 700 000 000 (2013: 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares).

Issued, allotted and fully paid

Number of ordinary shares	Number	Number
At the beginning of the year	279 639 164	276 020 221
Issued during the year	3 295 365	3 618 943
At the end of the year	282 934 529	279 639 164

Nominal value of ordinary shares	£'000	£'000
At the beginning of the year	46	46
Issued during the year	*	*
At the end of the year	46	46

Number of special converting shares	Number	Number
At the beginning of the year	605 196 771	598 339 612
Issued during the year	3 559 572	6 857 159
At the end of the year	608 756 343	605 196 771

Nominal value of special converting shares	£'000	£'000
At the beginning of the year	5	5
Issued during the year	*	*
At the end of the year	5	5

Number of SA DAN shares	Number	Number
At the beginning and end of the year	1	1

Nominal value of SA DAN share	£'000	£'000
At the beginning and end of the year	*	*

* *Less than £1 000.*

At 31 March	2014	2013
43. Ordinary share capital (continued)		
Number of SA DAS shares	Number	Number
At the beginning and end of the year	1	1
Nominal value of SA DAS share	£'000	£'000
At the beginning and end of the year	*	*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited:		
Total called up share capital	229	228
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(3)	(3)
Total called up share capital	224	223

* *Less than £1 000.*

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling/Rand exchange rates.

In terms of the DLC structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right 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.

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 is disclosed in note 7.

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	Number 2014	Number 2013
Opening balance	94 814 900	88 500 723
Issued during the year	22 749 742	20 722 276
Exercised	(23 893 529)	(10 501 585)
Lapsed	(6 318 861)	(3 906 514)
Closing balance	87 352 252	94 814 900

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 of the group's share price.

At present, the practice of the group is to give all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from four to five 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 directors' and staff interests in the incentive schemes is detailed on page 156 and 160 to 163 in volume one.

At 31 March £'000	2014	2013
44. Perpetual preference shares of holding company		
Perpetual preference share capital	153	153
Perpetual preference share premium (refer to note 45)	377 506	377 506
	377 659	377 659
Issued by Investec Limited		
32 214 499 non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums.		
– Preference share capital	2	2
– Preference share premium	228 057	228 057

Preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.77% of prime 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.

	2014	2013
Issued by Investec plc		
9 381 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share.		
– Preference share capital	94	94
– Preference share premium	79 490	79 490
5 700 000 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share.		
– Preference share capital	57	57
– Preference share premium	49 917	49 917

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.

* *Less than £1 000.*

At 31 March £'000	2014	2013
44. Perpetual preference shares of holding company		
(continued)		
Issued by Investec plc – Rand denominated		
1 859 900 non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR99.999 per share on 29 June 2011.		
– Preference share capital	*	*
– Preference share premium	16 601	16 601
416 040 non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR99.999 per share on 11 August 2011.		
– Preference share capital	*	*
– Preference share premium	3 441	3 441
Rand denominated preference shareholders will receive a dividend if declared based on the coupon rate (being equivalent to South African prime rate multiplied by 95%) 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 Rand preference dividend has been declared.		
If declared, Rand 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.		
	377 659	377 659

At 31 March £'000	2014	2013
45. Share premium		
Share premium account – Investec plc	1 354 581	1 259 941
Share premium account – Investec Limited	741 044	857 171
Perpetual preference share premium	377 506	377 506
	2 473 131	2 494 618

At 31 March	2014	2013

46. Treasury shares

	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	85 981	89 545
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	10 617 633	10 355 654
Investec Limited ordinary shares held by subsidiaries	19 043 838	19 715 016
Investec plc and Investec Limited shares held by subsidiaries	29 661 471	30 070 670
Reconciliation of treasury shares:	**Number**	**Number**
At the beginning of the year	30 070 670	23 760 264
Purchase of own shares by subsidiary companies	18 181 675	16 894 569
Shares disposed of by subsidiaries	(18 590 874)	(10 584 163)
At the end of the year	29 661 471	30 070 670
Market value of treasury shares:	**£'000**	**£'000**
Investec plc	51 474	47 532
Investec Limited	92 325	90 492
	143 799	138 024

At 31 March £'000	2014	2013
47. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	252 713	279 041
Non-controlling interests in partially held subsidiaries	190 869	1 002
	443 582	280 043
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries	165 319	169 106
€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 UK Regulator 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 Eurozone interbank offered rate. Until the tenth anniversary of the issue the dividend on the preferred securities will be at 7.075%.		
The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company.		
Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.		
Issued by an Investec Limited subsidiary	87 394	109 935
15 447 630 non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums.		
Preference shareholders will be entitled to receive dividends if declared, at a rate of 83.33% of prime on R100, being the deemed value of the issue price of the preference share 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 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.		
	252 713	279 041

47. Non-controlling interests

The following table summarises the information relating to the group's subsidiary that has material non-controlling interests:

	Investec Asset Management Holdings Group*	Investec Asset Management Group**	Investec Property Fund Limited*
	2014	2014	2014
Non-controlling interests (NCI) (%)	15.0%	15.0%	55.7%
Summarised financial information	£'000	£'000	£'000
Total assets	6 053 512	335 020	368 678
Total liabilities	(5 965 786)	(237 589)	(77 470)
Revenue	171 384	242 796	31 274
Profit	76 234	67 585	29 280
Carrying amount of NCI	13 161	14 614	163 055
Profit allocated to NCI	5 496	5 535	15 676

* *Investec Asset Management Holdings (Pty) Limited is a subsidiary of Investec Limited.*
** *Investec Asset Management Limited is an indirect subsidiary of Investec plc.*

At 31 March £'000	2014 Total future minimum payments	2014 Present value	2013 Total future minimum payments	2013 Present value
48. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	271 818	214 855	231 886	183 706
One to five years	557 727	471 552	496 679	412 574
Later than five years	20 055	15 159	10 407	7 756
	849 600	701 566	738 972	604 036
Unearned finance income	148 034		134 936	

At 31 March 2014, unguaranteed residual values accruing to the benefit of Investec were £29.4 million (2013: £32.7 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

For the year to 31 March £'000	2014	2013
49. Notes to the cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	425 407	386 496
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	12 797	15 175
Amortisation of intangible assets	13 393	13 313
Net gain on disposal of subsidiaries	(9 821)	–
Depreciation and impairment of property, equipment and intangibles	34 750	46 372
Impairment of loans and advances	166 152	251 012
Operating income from associates	(5 827)	(3 476)
Dividends received from associates	1 618	559
Share-based payment charges	66 905	63 154
Profit before taxation adjusted for non-cash items	705 374	772 605
Increase in operating assets		
Loans and advances to banks	(395 083)	(913 855)
Reverse repurchase agreements and cash collateral on securities borrowed	774 522	(1 465 460)
Sovereign debt securities	302 132	(295 844)
Bank debt securities	(16 079)	977 732
Other debt securities	(252 405)	(93 129)
Derivative financial instruments	168 202	(184 595)
Securities arising from trading activities	30 756	(323 981)
Investment portfolio	(24 155)	(125 947)
Loans and advances to customers	(943 883)	(904 126)
Securitised assets	206 123	72 998
Other assets	321 228	(168 318)
Investment properties	(156 259)	(95 849)
Assurance assets	(995 046)	(743 146)
	(979 947)	(4 263 520)
Increase in operating liabilities		
Deposits by banks	(37 848)	155 719
Derivative financial instruments	(124 619)	104 662
Other trading liabilities	115 657	286 761
Repurchase agreements and cash collateral on securities lent	(431 611)	174 346
Customer accounts	1 304 265	771 394
Debt securities in issue	(125 906)	(322 127)
Securitised liabilities	(212 955)	(81 954)
Other liabilities	(192 997)	319 062
Assurance liabilities	995 046	743 146
	1 289 032	2 151 009

At 31 March £'000	2014	2013
50. Commitments		
Undrawn facilities	3 016 254	2 884 441
Other commitments	25 245	18 789
	3 041 499	2 903 230

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.

	2014	2013
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	51 375	51 046
One to five years	170 652	201 868
Later than five years	134 751	214 609
	356 778	467 523
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	3 847	10 467
One to five years	2 838	3 654
Later than five years	320	12
	7 005	14 133

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

At 31 March £'000	Carrying amount of pledged asset		Related liability	
	2014	2013	2014	2013
Pledged assets				
Loans and advances to banks	224 254	338 556	247 937	339 429
Sovereign debt securities	537 376	376 601	771 101	231 803
Bank debt securities	654 973	116 560	297 376	71 744
Other debt securities	87 818	–	41 863	–
Securities arising from trading activities	553 287	604 517	463 817	610 459
Reverse repurchase agreements and cash collateral on securities borrowed	129 574	652 628	129 574	545 427
	2 187 282	2 088 862	1 951 668	1 798 862

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

At 31 March £'000	2014	2013
51. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	908 581	874 238
	908 581	874 238

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.

Financial Services Compensation Scheme

The UK Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members to meet its management expenses and compensation costs. Individual participating members make payments based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) at 31 December of the year preceding the scheme year.

Following the default of a number of deposit takers in 2008, the FSCS has borrowed from HM Treasury to fund the compensation costs for customers of those firms. Although the majority of this loan is expected to be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the firms that defaulted, any shortfall will be funded by deposit-taking participants of the FSCS.

Investec Bank plc is a participating member of the FSCS and the bank has accrued £5.0 million for its share of levies that will be raised by the FSCS. The accrual is based on estimates for the interest the FSCS will pay on the loan and estimates of the level of the bank's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

Specifically, a claim has been made in the Royal Court of Guernsey against, Investec Trust (Guernsey) Limited, a subsidiary of Investec plc, for breach of equitable duty of skill and care with a related claim for liability for the debts of a client trust. The outcome of these claims cannot reasonably be estimated at this time but Investec does not expect the ultimate resolution of the proceedings to have a material adverse effect on the financial position of the group.

For the year to 31 March £'000	2014	2013
52. Related party transactions		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors 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		
At the beginning of year	43 463	34 092
Increase in loans	5 666	20 497
Repayment of loans	(11 026)	(11 126)
Exchange adjustment	(4 631)	–
At the end of year	33 472	43 463
Guarantees		
At the beginning of the year	4 757	367
Additional guarantees granted	4 409	5 552
Guarantees cancelled	(4 591)	(1 162)
Exchange adjustment	(166)	–
At the end of the year	4 409	4 757
Deposits		
At the beginning of the year	(53 544)	(46 657)
Increase in deposits	(20 463)	(33 041)
Decrease in deposits	26 089	26 154
Exchange adjustment	20 250	
At the end of the year	(27 668)	(53 544)

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. None of these loans have been impaired.

For the year to 31 March £'000	2014	2013
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	42 737	–
The loan arises from Investec's portion of funding in relation to the 15% acquisition of Investec Asset Management by senior management of the business		
Various members of key management personnel are members of the boards of directors of other companies. At 31 March 20014, Investec Bank Limited group had the following loans outstanding from these related parties	–	251
Amounts due from associates	2 948	12 768
Fees and commission income from associates	135	169

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.

53. 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 Specialist Bank. Once aggregated and netted Central 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, central 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 dependent on the classification between fair value hedges and cash flow hedges and in particular accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

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

At 31 March £'000	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
2014						
Assets	Interest rate swap	(4 057)	(4 057)	37 098	15 462	(36 143)
	Cross-currency swap	(165)	(165)	306	165	(306)
Liabilities	Interest rate swap	(28 562)	(12 391)	(6 157)	(5 534)	14 774
	Cross-currency swap	(124)	(124)	336	124	(336)
		(32 908)	(16 737)	31 583	10 217	(22 011)
2013						
Assets	Interest rate swap	(41 909)	(42 344)	(19 068)	35 744	12 072
	Cross-currency swap	(582)	(582)	29	582	(29)
Liabilities	Interest rate swap	(33 404)	11 881	(16 884)	(12 059)	17 087
	Cross-currency swap	(3 081)	(3 081)	179	3 101	7
		(78 976)	(34 126)	(35 744)	27 368	29 137

53. Hedges (continued)

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 other comprehensive income 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 £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
2014			
Assets	Interest rate swap	516	Three months to five years
	Cross currency swap	275 141	Three months to five years
Liabilities	Interest rate swap	(6 084)	One to five years
		269 573	
2013			
Assets	Interest rate swap	963	Three months to five years
	Cross currency swap	455	One to five years
Liabilities	Interest rate swap	(24 446)	Three months to five years
		(23 028)	

There was no ineffective portion recognised in the income statement.

Release to the income statement for cash flow hedges is included in net interest income.

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	Hedging instrument fair value
2014	(1 081)
2013	323

There was no ineffective portion recognised in the income statement in the current year amounts to £nil (2013: £nil).

For the year ended 31 March 2014, Investec Bank Limited has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in US Dollars, in Investec Bank Mauritius.

At 31 March R'mn	Hedging instrument fair value
2014	(1 897)

There was no ineffective portion recognised in the income statement in the current and prior year.

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month
2014		
Liabilities		
Deposits by banks	432 019	413 896
Derivative financial instruments	728 205	3 148
Derivative financial instruments – held for trading	726 567	–
Derivative financial instruments – held for hedging risk	1 638	3 148
Other trading liabilities	861 412	–
Repurchase agreements and cash collateral on securities lent	619 690	200 194
Customer accounts (deposits)	6 624 635	2 970 493
Debt securities in issue	3 947	18 445
Liabilities arising on securitisation of own originated loans and advances	301	15 499
Liabilities arising on securitisation of other assets	–	25 277
Other liabilities	313 349	811 933
Subordinated liabilities	–	3 436
Total on balance sheet liabilities	9 583 558	4 462 321
Contingent liabilities	450 724	33 688
Commitments	443 740	48 265
Total liabilities	10 478 022	4 544 274
2013		
Liabilities		
Deposits by banks	402 827	454 771
Derivative financial instruments	1 005 566	19 713
Derivative financial instruments – held for trading	764 983	–
Derivative financial instruments – held for hedging risk	240 583	19 713
Other trading liabilities	851 939	–
Repurchase agreements and cash collateral on securities lent	450 906	661 739
Customer accounts (deposits)	6 734 744	2 691 599
Debt securities in issue	5	59 122
Liabilities arising on securitisation of own originated loans and advances	376	17 386
Liabilities arising on securitisation of other assets	–	11 211
Other liabilities	409 786	869 644
Subordinated liabilities	891	215 421
Total on balance sheet liabilities	9 857 040	5 000 606
Contingent liabilities	255 089	4 262
Commitments	268 354	18 114
Total liabilities	10 380 483	5 022 982

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows please refer to pages 73 to 75 in volume two.

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
235 068	96 195	147 066	1 321 793	185 714	2 831 751
147 275	6 727	42 625	194 881	77 894	1 200 755
–	–	–	–	–	726 567
147 275	6 727	42 625	194 881	77 894	474 188
–	–	–	–	–	861 412
–	–	147 947	292 177	56 538	1 316 546
4 449 274	3 989 910	2 056 912	2 460 766	207 016	22 759 006
173 114	143 918	328 518	685 588	557 237	1 910 767
(14 607)	47 388	165 880	901 842	3 352	1 119 655
101 129	94 165	178 694	1 008 438	2 082 725	3 490 428
178 122	99 749	64 804	113 525	51 219	1 632 701
8 559	10 532	96 575	799 861	1 218 395	2 137 358
5 277 934	4 488 584	3 229 021	7 778 871	4 440 090	39 260 379
59 509	16 923	56 473	147 513	143 751	908 581
326 901	49 196	236 381	1 005 589	931 427	3 041 499
5 664 344	4 554 703	3 521 875	8 931 973	5 515 268	43 210 459
99 466	793 687	206 201	1 038 873	186 992	3 182 817
53 259	39 930	61 510	293 427	119 319	1 592 724
–	–	–	–	–	764 983
53 259	39 930	61 510	293 427	119 319	827 741
–	–	–	–	–	851 939
1 034	1 850	1 466	778 616	80 277	1 975 888
5 171 969	4 286 253	2 652 714	2 839 586	156 008	24 532 873
208 706	154 151	316 394	1 002 251	483 222	2 223 851
146 991	56 442	160 463	614 989	13 197	1 009 844
126 710	85 024	155 896	1 135 896	1 794 077	3 308 814
209 619	48 311	119 265	182 615	56 817	1 896 057
8 041	12 750	87 341	896 087	1 336 582	2 557 113
6 025 795	5 478 398	3 761 250	8 782 340	4 226 491	43 131 920
140 230	11 224	28 702	374 776	219 963	1 034 246
205 358	110 395	409 299	697 279	1 180 974	2 889 773
6 371 383	5 600 017	4 199 251	9 854 395	5 627 428	47 055 939

55. Principal subsidiaries and associated companies – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest 2014	Interest 2013
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holding Company Limited	Investment holding	England and Wales	100.0%	100.0%
Indirect subsidiaries of Investec plc				
Investec Asset Finance plc	Leasing company	England and Wales	100.0%	100.0%
Investec Asset Finance & Leasing Pty Ltd (formerly Alliance Equipment Finance Pty Ltd)	Leasing company	Australia	100.0%	100.0%
Investec Asset Management Limited	Asset management	England and Wales	85.0%	100.0%
Investec Bank plc	Banking institution	England and Wales	100.0%	100.0%
Investec Bank (Australia) Limited	Banking institution	Australia	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment banking	Hong Kong	100.0%	100.0%
Investec Capital & Investments (Ireland) Limited (formerly NCB Stockbrokers Limited)	Financial services	Ireland	100.0%	100.0%
Investec Professional Finance (Pty) Ltd (formerly Investec Experien (Pty) Limited)	Financial services	Australia	100.0%	100.0%
Investec Finance plc	Debt issuer	England and Wales	100.0%	100.0%
Investec Group (UK) plc	Holding company	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Investments (UK) Limited (formerly Guinness Mahon & Co Limited)	Investment holding	England and Wales	100.0%	100.0%
Investec Ireland Limited	Financial services	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%
Investec Trust Holdings AG	Investment holding	Switzerland	100.0%	100.0%
Investec Wealth & Investment Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%
Kensington Group plc	Financial services	England and Wales	100.0%	100.0%
Neontar Limited	Holding company	Ireland	100.0%	100.0%
Reichmans Geneva SA	Trade finance	Switzerland	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
St James's Park Mortgage Funding Limited	Financial services	England and Wales	100.0%	100.0%
Start Funding No 1 Limited	Financial services	Ireland	100.0%	100.0%
Start Funding No 2 Limited	Financial services	Ireland	100.0%	100.0%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%

All of the above subsidiary undertakings are included in the consolidated accounts. There have been no changes to the subsidiaries listed above as a result of the adoption of IFRS 10 as control over these entities continues to be demonstrated through the ownership of the majority of voting equity shares.

55. Principal subsidiaries and associated companies – Investec plc (continued)

The company has taken advantage of the exemption under section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements. A complete list of subsidiary and associated undertakings will be included in the next Investec plc annual return filed with the Registrar of Companies.

			Interest	
At 31 March	Principal activity	Country of incorporation	2014	2013
Principal associated company				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0%	35.0%

For more details on associated companies refer to note 29.

Consolidated structured entities

Investec plc has no equity interest in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Bedrock CMBS GMBH	Structured commercial real estate loan assets
Foundation CMBS Limited	Structured commercial real estate loan assets
Gemgarto 2012-1 plc	Securitised Residential Mortgages (UK)
Gemgarto 2011-1 plc	Securitised Residential Mortgages (UK)
Glacier Securities Limited (series 2010-2)	Securitised Residential Mortgages (UK)
Glacier Securities Limited (series 2011-2)	Securitised Residential Mortgages (UK)
Gresham Capital CLO V BV	Structured debt and loan portfolios
Impala Trust No.1 – Sub Series 2	Securitised receivables (Australia)
Impala Trust No.1 – Sub Series 2010-1	Securitised receivables (Australia)
Impala Trust No.1 – Sub Series 2011-1	Securitised receivables (Australia)
Impala Trust No.1 – Sub Series 2012-1	Securitised receivables (Australia)
Kensington Mortgage Securities plc	Securitised Residential Mortgages (UK)
Landmark Mortgage Securities No 1 plc	Securitised Residential Mortgages (UK)
Landmark Mortgage Securities No 2 plc	Securitised Residential Mortgages (UK)
Landmark Mortgage Securities No 3 plc	Securitised Residential Mortgages (UK)
Money Partners Securities 1 plc	Securitised Residential Mortgages (UK)
Money Partners Securities 2 plc	Securitised Residential Mortgages (UK)
Money Partners Securities 3 plc	Securitised Residential Mortgages (UK)
Money Partners Securities 4 plc	Securitised Residential Mortgages (UK)
Nyala Funding Trust CMBS 2013-1	Securitised receivables (Australia)
Nyala Funding Trust No. 1	Securitised receivables (Australia)
Pangaea ABS 2007-1 BV	Securitised debt and loan portfolios
Residential Mortgage Securities 19 plc	Securitised Residential Mortgages (UK)
Residential Mortgage Securities 20 plc	Securitised Residential Mortgages (UK)
Residential Mortgage Securities 21 plc	Securitised Residential Mortgages (UK)
Residential Mortgage Securities 22 plc	Securitised Residential Mortgages (UK)
Residential Mortgage Securities 23 plc	Securitised Residential Mortgages (UK)
Residential Mortgage Securities 26 plc	Securitised Residential Mortgages (UK)
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 1 plc	Securitised receivables (UK)
Yorker Trust	Structured debt and loan portfolios

55. Principal subsidiaries and associated companies – Investec plc (continued)

For additional detail on the assets and liabilities arising on securitisation refer to note 28. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 48 to 51.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages (UK and Ireland)

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of equity notes combined with its control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained, such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the group's retention of equity notes and because it continues to act as the collateral manager. The group is not required to fund any losses above those incurred on the notes it has retained.

Structured commercial real estate loan assets

The group has securitised a number of commercial real estate loan assets. These structured entities are consolidated as the group has retained all of the notes issued. The group continues to recognise the commercial real estate loan assets on its balance sheet. The group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables (UK and Australia)

The group has securitised a portfolio of medium-term lease and hire purchase receivables. These structured entities are consolidated as the group has retained the equity notes and control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations

The group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds where the group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity like returns and ability to influence the strategic and financial decision-making.

The group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £157.9 million.

Significant restrictions

As is typical for a large group of companies there are restrictions on the ability of the group to obtain distributions of capital, access the assets or repay the liabilities of members of the group due to the statutory, regulatory and contractual requirements of its subsidiaries. These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank plc, Investec Bank (Australia) Limited, Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG which must maintain compliance with the regulatory minimum.

Capital management within the group is discussed in the risk management report on page 84 to 85.

Statutory requirements

The group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

55. Principal subsidiaries and associated companies – Investec plc (continued)

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in note 20 and 58.

Structured associates

The group has investments in a number of structured funds specialising in aircraft financing where the group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the group has significant influence over the fund and therefore the funds are treated as associates.

The group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	Nature and purpose	Interest held by the group
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

The table below sets out an analysis of the carrying amounts of interests held by the group in structured associate entities.

The maximum exposure to loss is the carrying amount of the assets held.

31 March 2014 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	39 883	Limited to the carrying value	Investment income	1 825

Unconsolidated structured entities

At 31 March 2014

The table below describes the types of structured entities that the group does not consolidate but in which it holds an interest and originally set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 24 to 32.

Type of structured entity	Nature and purpose	Interest held by the group
Investment funds	To generate fees from managing assets on behalf of third party investors.	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors through providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors.	

The table below sets out an analysis of the carrying amounts of interests held by the group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

31 March 2014 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	5 568	Limited to the carrying value	199 946	Investment income	15 139
Residential mortgage securitisations	Other debt securities	41 791	Limited to the carrying value	163 829	Interest expense	(1 042)
					Investment expense	(98)

55. Principal subsidiaries and associated companies – Investec plc (continued)

Financial support provided to the unconsolidated structured entity

There are no contractual agreements which require the group to provide any additional financial or non-financial support to these structured entities.

During the year the group has not provided any such support and does not have any current intentions to do so in the future.

Sponsoring

The group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The table below sets out information in respect of structured entities that the group sponsors, but in which the group does not have an interest.

Structured entities with no interest held

	Residential mortgage securitisations
Why it is considered a structured entity	These are residential mortgage securitisations where Investec has no continuing interest as the notes previously held have been redeemed or fully written off. The entities are considered structured as the vehicles are set up so that the variable returns do not follow the shareholding.
Income amount and type	Mortgage manager fees of £83 000 per annum
Carrying amount of all assets transferred	£269 million of mortgage assets

Interests in structured entities which the group has not set up

Purchased securitisation positions

The group buys and sells interest in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases, the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset. Details of the value of these interests is included in the risk management report on page 48 and 49.

56. Principal subsidiaries and associated companies – Investec Limited

At 31 March	Principal activity	Country of incorporation	Interest 2014	Interest 2013
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	85.0%	100.0%
Investec Bank Limited	Registered bank	South Africa	100.0%	100.0%
Investec Employee Benefits Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec International Holdings (Gibraltar) Limited	Investment holding	Gibraltar	100.0%	100.0%
Investec Securities (Pty) Ltd	Registered stockbroker	South Africa	100.0%	100.0%
Fedsure International (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Property Group Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Indirect subsidiaries of Investec Limited				
Investec Asset Management (Pty) Ltd	Asset management	South Africa	85.0%	100.0%
Investec Insurance Brokers (Pty) Ltd	Insurance broking	South Africa	100.0%	100.0%
Investec International Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Fund Managers SA (RF) (Pty) Ltd	Unit trust management	South Africa	85.0%	100.0%
Investec Bank (Mauritius) Limited	Banking institution	Mauritius	100.0%	100.0%
Investec Property Group (Pty) Ltd	Property trading	South Africa	100.0%	100.0%
Reichmans Holdings (Pty) Ltd	Trade financing	South Africa	100.0%	100.0%
Investec Employee Benefits Limited	Long-term Insurance	South Africa	100.0%	100.0%
Investec Assurance Limited	Insurance company	South Africa	85.0%	100.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	44.3%	50.01%

The following subsidiaries are not consolidated for regulatory purposes:

Investec Assurance Limited
Investec Employee Benefits Holdings (Pty) Ltd and its subsidiaries

There are no subsidiaries which are consolidated for regulatory but not for accounting purposes.

Consolidated structured entities

Investec Limited has residual economic interests in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Private Mortgages 1 (RF) (Pty) Ltd	Securitised residential mortgages
Private Mortgages 2 (RF) (Pty) Ltd	Securitised residential mortgages
Private Residential Mortgages (RF) Ltd	Securitised residential mortgages
Fox Street 1 (RF) Ltd	Securitised residential mortgages
Fox Street 2 (RF) Ltd	Securitised residential mortgages
Grayston Conduit 1 (RF) Ltd	Securitised asset-backed securities and debt and loan portfolios
Integer Home Loans (Pty) Ltd	Securitised third-party originated residential mortgages

For additional detail on the assets and liabilities arising on securitisation refer to note 28. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 48 and 49 in volume two.

56. Principal subsidiaries and associated companies – Investec Limited (continued)

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of subordinated notes. The group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. This structured entity is consolidated due to the group's retention of residual economic benefits and because it continues to act as the facility provider. The group is not required to fund any losses.

Securitised asset-backed securities portfolio

The group has securitised asset-backed securities portfolios for the purpose of issuing asset-backed commercial paper. This structured entity is consolidated due to the group's retention of residual economic benefits combined with a facility provided. The group is not required to fund any losses.

Securitised third party originated residential mortgages

The group has a senior and subordinated investment in a third party originated structured entity. This structured entity is consolidated due to the group’s exposure to residual economic benefits. The group is not required to fund any losses above those incurred on the investment made.

Interests in Asset Management and Wealth & Investment Funds

Management have concluded that the investment funds in the Asset Management and Wealth & Investment businesses do not meet the definition of structured entities as the group does not hold material interests in these funds and currently does not provide financial support or other. Transactions with these funds are conventional customer-supply relationships.

57. Offsetting

At 31 March R'million	Amounts subject to enforceable netting arrangements: Effects of offsetting on-balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Cash collateral	Net amount
At 31 March 2014						
Assets						
Cash and balances at central banks	2 080 190	–	2 080 190	–	–	2 080 190
Loans and advances to banks	3 777 136	(496 957)	3 280 179	–	(167 766)	3 112 413
Non-sovereign and non-bank cash placements	515 189	–	515 189	–	–	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	1 594 619	(205 639)	1 388 980	(402 427)	(122 792)	863 761
Sovereign debt securities	3 215 432	–	3 215 432	(630 953)	–	2 584 479
Bank debt securities	1 568 097	–	1 568 097	(313 387)	–	1 254 710
Other debt securities	605 378	–	605 378	(41 865)	–	563 513
Derivative financial instruments	2 819 889	(1 200 474)	1 619 415	(486 197)	(356 769)	776 449
Securities arising from trading activities	870 088	–	870 088	(456 589)	–	413 499
Investment portfolio	825 745	–	825 745	–	–	825 745
Loans and advances to customers	16 319 740	(38 128)	16 281 612	–	(150)	16 281 462
Own originated loans and advances to customers securitised	875 755	–	875 755	–	–	875 755
Other loans and advances	1 693 569	–	1 693 569	–	–	1 693 569
Other securitised assets	3 576 526	–	3 576 526	–	–	3 576 526
Other assets*	24 609 027	(23 134 035)	1 474 992	–	(15 661)	1 459 331
	64 946 380	(25 075 233)	39 871 147	(2 331 418)	(663 138)	36 876 591
Liabilities						
Deposits by banks	2 766 463	(45 293)	2 721 170	–	(226 667)	2 494 503
Derivative financial instruments	1 671 769	(501 537)	1 170 232	(458 918)	(281 705)	429 609
Other trading liabilities*	24 843 289	(23 981 877)	861 412	(272 846)	–	588 566
Repurchase agreements and cash collateral on securities lent	1 316 190	(103)	1 316 087	(1 277 769)	(68 073)	(29 755)
Customer accounts (deposits)	22 647 912	(38 128)	22 609 784	–	(33 748)	22 576 036
Debt securities in issue	1 596 630	–	1 596 630	(321 884)	(1 224)	1 273 522
Liabilities arising on securitisation of own originated loans and advances	729 534	–	729 534	–	–	729 534
Liabilities arising on securitisation of other assets	3 041 435	–	3 041 435	–	–	3 041 435
Other liabilities	2 084 763	(508 295)	1 576 468	–	–	1 576 468
Subordinated liabilities	1 338 752	–	1 338 752	–	–	1 338 752
	62 036 737	(25 075 233)	36 961 504	(2 331 417)	(611 417)	34 018 670

* *Obligations arising in equity transactions in our prime brokerage business and are legally enforceable and settled net.*

At 31 March R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset		
57. Offsetting						
At 31 March 2013						
Assets						
Cash and balances at central banks	1 782 447	–	1 782 447	–	–	1 782 447
Loans and advances to banks	3 631 789	(495 738)	3 136 051	–	(297 943)	2 838 108
Non-sovereign and non-bank cash placements	420 960	–	420 960	–	–	420 960
Reverse repurchase agreements and cash collateral on securities borrowed	2 358 672	–	2 358 672	(415 596)	–	1 943 076
Sovereign debt securities	4 077 217	–	4 077 217	(887 201)	–	3 190 016
Bank debt securities	1 879 105	–	1 879 105	(440 704)	–	1 438 401
Other debt securities	449 216	–	449 216	(25 365)	–	423 851
Derivative financial instruments	3 191 578	(1 208 446)	1 983 132	(581 839)	(438 200)	963 093
Securities arising from trading activities	931 603	–	931 603	(496 216)	–	435 387
Investment portfolio	928 893	–	928 893	–	–	928 893
Loans and advances to customers	17 519 318	(34 794)	17 484 524	–	–	17 484 524
Own originated loans and advances to customers securitised	930 449	–	930 449	–	–	930 449
Other loans and advances	2 033 973	–	2 033 973	–	–	2 033 973
Other securitised assets	4 003 208	–	4 003 208	–	–	4 003 208
Other assets	20 422 484	(18 462 934)	1 959 550	–	(18 889)	1 940 661
	64 560 912	(20 201 912)	44 359 000	(2 846 921)	(755 032)	40 757 047
Liabilities						
Deposits by banks	3 088 892	(41 256)	3 047 636	–	(261 276)	2 786 360
Derivative financial instruments	2 422 933	(979 608)	1 443 325	(581 839)	(445 773)	415 713
Other trading liabilities	19 796 915	(18 944 976)	851 939	(257 601)	–	594 338
Repurchase agreements and cash collateral on securities lent	1 942 920	(2 762)	1 940 158	(1 648 366)	–	291 792
Customer accounts (deposits)	24 495 460	(34 794)	24 460 666	–	(31 508)	24 429 158
Debt securities in issue	1 901 776	–	1 901 776	(359 115)	(6 120)	1 536 541
Liabilities arising on securitisation of own originated loans and advances	926 335	–	926 335	–	–	926 335
Liabilities arising on securitisation of other assets	3 303 606	–	3 303 606	–	–	3 303 606
Other liabilities	2 093 607	(198 516)	1 895 091	–	–	1 895 091
Subordinated liabilities	1 751 806	–	1 751 806	–	–	1 751 806
	61 724 250	(20 201 912)	41 522 338	(2 846 921)	(744 677)	37 930 740

58. Derecognition

Transfers of financial assets that do not result in derecognition

The group has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

No derecognition achieved £'000	2014 Carrying amount of assets that are continued to be recognised	2014 Carrying amount of associated liabilities	2013 Carrying amount of assets that are continued to be recognised	2013 Carrying amount of associated liabilities
Loans and advances to customers	837 711	(233 450)	856 891	(30 827)
Other loans and advances	560 461	(181 996)	207 471	(199 617)
Other securitised assets	428 513	(347 234)	501 952	(431 098)
	1 826 685	(762 680)	1 566 314	(661 542)

For transfer of assets in relation to repurchase agreements see note 20.

59. Restatements

The group has adopted the following new or revised standards from 1 April 2013:

IFRS 10 – Consolidations

The revised standard on consolidation has been applied retrospectively, with the impact to prior reported periods disclosed in the restatement tables below. The application of the single definition of control contained in the standard has resulted in the consolidation of certain special purpose vehicles in which the group has exposure to variable returns (not necessarily the majority thereof) and has the ability to affect such returns by exercising control over the activities of the entity.

IAS 19 – Employee Benefits

The revisions to the standard have been applied retrospectively. For the group the standard has revised the basis on which the return on assets is determined, with a relatively immaterial impact.

The impact to the comparative balance sheets and income statements are provided in the tables below:

Combined consolidated balance sheet

£'000	31 March 2013 As reported	IFRS 10	31 March 2013 Restated
Assets			
Cash and balances at central banks	1 782 447	–	1 782 447
Loans and advances to banks	3 129 646	6 405	3 136 051
Non-sovereign and non-bank cash placements	420 960	–	420 960
Reverse repurchase agreements and cash collateral on securities borrowed	2 358 672	–	2 358 672
Sovereign debt securities	4 077 217	–	4 077 217
Bank debt securities	1 879 105	–	1 879 105
Other debt securities	457 652	(8 436)	449 216
Derivative financial instruments	1 982 571	561	1 983 132
Securities arising from trading activities	931 603	–	931 603
Investment portfolio	960 364	(31 471)	928 893
Loans and advances to customers	17 484 524	–	17 484 524
Own originated loans and advances to customers securitised	930 449	–	930 449
Other loans and advances	2 117 743	(83 770)	2 033 973
Other securitised assets	2 882 592	1 120 616	4 003 208
Interests in associated undertakings	27 950	–	27 950
Deferred taxation assets	165 457	–	165 457
Other assets	1 960 438	(888)	1 959 550
Property and equipment	126 538	7 563	134 101
Investment properties	451 975	–	451 975
Goodwill	466 906	–	466 906
Intangible assets	178 567	–	178 567
	44 773 376	1 010 580	45 783 956
Other financial instruments at fair value through profit or loss in respect of:			
Liabilities to customers	6 226 142	–	6 226 142
	50 999 518	1 010 580	52 010 098

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59. Restatements (continued)

Combined consolidated balance sheet (continued)

£'000	31 March 2013 As reported	IFRS 10	31 March 2013 Restated
Liabilities			
Deposits by banks	2 976 464	71 172	3 047 636
Derivative financial instruments	1 443 325	–	1 443 325
Other trading liabilities	851 939	–	851 939
Repurchase agreements and cash collateral on securities lent	1 940 158	–	1 940 158
Customer accounts (deposits)	24 531 838	(71 172)	24 460 666
Debt securities in issue	1 901 776	–	1 901 776
Liabilities arising on securitisation of own originated loans and advances	926 335	–	926 335
Liabilities arising on securitisation of other assets	2 237 581	1 066 025	3 303 606
Current taxation liabilities	210 475	–	210 475
Deferred taxation liabilities	109 628	–	109 628
Other liabilities	1 887 402	7 689	1 895 091
	39 016 921	1 073 714	40 090 635
Liabilities to customers under investment contracts	6 224 062	–	6 224 062
Insurance liabilities, including unit-linked liabilities	2 080	–	2 080
	45 243 063	1 073 714	46 316 777
Subordinated liabilities	1 751 806	–	1 751 806
	46 994 869	1 073 714	48 068 583
Equity			
Ordinary share capital	223	–	223
Perpetual preference share capital	153	–	153
Share premium	2 494 618	–	2 494 618
Treasury shares	(89 545)	–	(89 545)
Other reserves	(93 082)	(455)	(93 537)
Retained income	1 412 239	(62 679)	1 349 560
Shareholders' equity excluding non-controlling interests	3 724 606	(63 134)	3 661 472
Non-controlling interests	280 043	–	280 043
– Perpetual preferred securities issued by subsidiaries	279 041	–	279 041
– Non-controlling interests in partially held subsidiaries	1 002	–	1 002
Total equity	4 004 649	(63 134)	3 941 515
Total liabilities and equity	50 999 518	1 010 580	52 010 098

59. Restatements (continued)

Combined consolidated balance sheet (continued)

£'000	31 March 2012 As reported	IFRS 10	31 March 2012 Restated
Assets			
Cash and balances at central banks	2 593 851	–	2 593 851
Loans and advances to banks	2 725 347	124	2 725 471
Non-sovereign and non-bank cash placements	642 480	–	642 480
Reverse repurchase agreements and cash collateral on securities borrowed	975 992	–	975 992
Sovereign debt securities	4 067 093	–	4 067 093
Bank debt securities	3 081 061	–	3 081 061
Other debt securities	377 832	–	377 832
Derivative financial instruments	1 913 650	–	1 913 650
Securities arising from trading activities	640 146	–	640 146
Investment portfolio	890 702	(27 038)	863 664
Loans and advances to customers	17 192 208	–	17 192 208
Own originated loans and advances to customers securitised	1 034 174	–	1 034 174
Other loans and advances	2 829 189	(39 700)	2 789 489
Other securitised assets	3 101 422	919 956	4 021 378
Interests in associated undertakings	27 506	–	27 506
Deferred taxation assets	150 381	–	150 381
Other assets	1 802 121	(3 434)	1 798 687
Property and equipment	171 685	4 088	175 773
Investment properties	407 295	–	407 295
Goodwill	468 320	–	468 320
Intangible assets	192 099	–	192 099
	45 284 554	853 996	46 138 550
Other financial instruments at fair value through profit or loss in respect of Liabilities to customers	6 265 846	–	6 265 846
	51 550 400	853 996	52 404 396

Financial statements

01

59. Restatements (continued)

Combined consolidated balance sheet (continued)

£'000	31 March 2012 As reported	IFRS 10	31 March 2012 Restated
Liabilities			
Deposits by banks	2 967 428	67 895	3 035 323
Derivative financial instruments	1 421 130	–	1 421 130
Other trading liabilities	612 884	–	612 884
Repurchase agreements and cash collateral on securities lent	1 864 137	–	1 864 137
Customer accounts (deposits)	25 343 771	(67 895)	25 275 876
Debt securities in issue	2 243 948	–	2 243 948
Liabilities arising on securitisation of own originated loans and advances	1 036 674	–	1 036 674
Liabilities arising on securitisation of other assets	2 402 043	912 694	3 314 737
Current taxation liabilities	209 609	–	209 609
Deferred taxation liabilities	102 478	–	102 478
Other liabilities	1 575 154	(4 301)	1 570 853
	39 779 256	908 393	40 687 649
Liabilities to customers under investment contracts	6 263 913		6 263 913
Insurance liabilities, including unit-linked liabilities	1 933		1 933
	46 045 102	908 393	46 953 495
Subordinated liabilities	1 492 776		1 492 776
	47 537 878	908 393	48 446 271
Equity			
Ordinary share capital	221	–	221
Perpetual preference share capital	153	–	153
Share premium	2 457 019	–	2 457 019
Treasury shares	(72 820)	–	(72 820)
Other reserves	82 327	–	82 327
Retained income	1 249 515	(54 397)	1 195 118
Shareholders' equity excluding non-controlling interests	3 716 415	(54 397)	3 662 018
Non-controlling interests	296 107	–	296 107
– Perpetual preferred securities issued by subsidiaries	291 769	–	291 769
– Non controlling interests in partially held subsidiaries	4 338	–	4 338
Total equity	4 012 522	(54 397)	3 958 125
Total liabilities and equity	51 550 400	853 996	52 404 396

59. Restatements (continued)

Combined consolidated income statement

For the year to £'000	31 March 2013 As reported	IFRS 10	IAS 19	31 March 2013 Restated
Interest income	2 131 765	(301)	1 251	2 132 715
Interest expense	(1 429 239)	131	–	(1 429 108)
Net interest income	702 526	(170)	1 251	703 607
Fee and commission income	1 117 551	(7 153)	–	1 110 398
Fee and commission expense	(144 876)	1 298	–	(143 578)
Investment income	182 889	(897)	–	181 992
Trading income arising from:			–	
– customer flow	70 859	–	–	70 859
– balance sheet management and other trading activities	35 398	(1 360)	–	34 038
Other operating income	42 153	–	–	42 153
Total operating income before impairment on loans and advances	2 006 500	(8 282)	1 251	1 999 469
Impairment losses on loans and advances	(251 012)	–	–	(251 012)
Operating income	1 755 488	(8 282)	1 251	1 748 457
Operating costs	(1 302 929)	–	(104)	(1 303 033)
Depreciation on operating leased assets	(16 072)	–	–	(16 072)
Operating profit before goodwill and acquired intangibles	436 487	(8 282)	1 147	429 352
Impairment of goodwill	(15 175)	–	–	(15 175)
Amortisation of acquired intangibles	(13 313)	–	–	(13 313)
Cost arising from integration of acquired subsidiaries	(13 119)	–	–	(13 119)
Operating profit	394 880	(8 282)	1 147	387 745
Non-operational costs arising from acquisition of subsidiary	(1 249)	–	–	(1 249)
Profit before taxation	393 631	(8 282)	1 147	386 496
Taxation on operating profit before goodwill	(78 800)	–	(264)	(79 064)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	5 977	–	–	5 977
Profit after taxation	320 808	(8 282)	883	313 409
Operating income attributable to non-controlling interests	(3 317)	–	–	(3 317)
Earnings attributable to shareholders	317 491	(8 282)	883	310 092

60. Post-balance sheet events

As announced on the 11 of April 2014, the board of directors of Investec have entered into a definitive contract with the Bank of Queensland Limited (BOQ) to purchase Investec Bank Australia Limited's (IBAL's) Professional Finance and Asset Finance and Leasing businesses and its deposit book. The transaction is structured as a sale of IBAL. A total team of over 310 people will be transferring to BOQ. The consideration price has been agreed at an A$210 million premium to tangible net asset value (NAV), for the shares in IBAL. Upon conclusion of the transaction, IBAL will repatriate its entire NAV to Investec Holdings Australia Limited. The consideration price for the sale assets is prior to transaction costs and any costs that may arise following the restructure. Furthermore, it is a requirement of the transaction to transfer all non-sale assets and liabilities and contractual agreements out of IBAL prior to conclusion of the sale. The transaction is subject to regulatory approval.

Investec plc parent company accounts

Balance sheet

At 31 March £'000	Notes	2014	2013
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 817 840	1 817 840
Current assets			
Amounts owed by group undertakings		545 581	569 819
Tax		14 550	5 979
Other debtors		32	22
Prepayments and accrued income		371	126
Cash at bank and in hand			
– balances with other banks		567	726
		561 101	576 672
		2 378 941	2 394 512
Current liabilities			
Bank loans	c		
– with subsidiary undertaking		44 498	8 814
– with other banks		40 013	128 419
Debt securities in issue		29 712	–
Derivative financial instruments		178	–
Amounts owed to group undertakings		754 940	754 617
Other liabilities		509	768
Accruals and deferred income		3 094	3 950
		872 944	896 568
Capital and reserves			
Called-up share capital	d	178	177
Perpetual preference shares	d	151	151
Share premium account	d	1 146 548	1 130 210
Capital reserve	d	356 292	356 292
Retained income	d	2 828	11 114
Total capital and reserves		1 505 997	1 497 944
Total capital and liabilities		2 378 941	2 394 512

The notes on pages 128 to 129 form an integral part of the financial statements.

Approved and authorised for issue by the board of directors on 11 June 2014 and signed on its behalf by:

Stephen Koseff
Chief executive officer

11 June 2014

Notes to Investec plc parent company accounts

a. Accounting policies

Basis of preparation

The parent accounts of Investec plc are prepared under the historical cost convention and in accordance with UK Accounting Standards, and on a going concern basis.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pounds Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pounds Sterling at the exchange rate 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 income statement.

Investments

Investments are stated at cost less any impairment in value.

Income

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

Taxation

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

Company's own profit and loss account

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 to not present its own cash flow statement. A cash flow statement, prepared under International Financial Reporting Standards, is included in the consolidated annual financial statements of the group.

Financial instruments

The company has taken advantage of the exemption in Financial Reporting Standard 29 to not present its own disclosures in respect of financial instruments as disclosures prepared in accordance with International Reporting Standards are included in the consolidated annual financial statements of the group.

Financial liabilities

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

Related party transactions

Transactions, arrangements and agreements involving directors and others are disclosed in note 52 to the group annual financial statements. The company has taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties which are wholly owned members of Investec plc group.

b. Investments in subsidiary undertakings

£'000	2014	2013
At the beginning of the year	1 817 840	1 790 348
Additions	–	54 984
Disposals	–	(27 492)
At the end of the year	1 817 840	1 817 840

c. Bank loans

The company drew down a Pounds Sterling denominated loan of £40 million on 10 February 2014 which bears interest at a fixed margin above three-month Libor and is repayable on 10 February 2015. During the year the company launched its own European Medium Term Note programme (EMTN). The company issued two fixed rate notes under this programme. A US Dollar denominated note of U$15 million was issued on 14 February 2014, repayable 16 February 2015 and on the same day a Euro denominated note of €25 million was issued which matures 29 September 2017 and pays interest semi-annually.

Notes to Investec plc parent company accounts (continued)

c. Bank loans (continued)

The bank loans outstanding at 31 March 2013 have matured during the year and been repaid. The Euro denominated loans of €105 million were repaid on 14 February 2014, the US Dollar denominated loan of U$20 million was repaid on 4 March 2014 and the Ponds Sterling denominated loan of £28.5 million was repaid on 24 December 2013.

d. Statement of changes in shareholders' equity

£'000	Share capital	Perpetual preference shares	Share premium	Capital reserve	Profit and loss account	Total equity
At 1 April 2013	177	151	1 130 210	356 292	11 114	1 497 944
Issue of ordinary shares	1	–	16 338	–	–	16 339
Profit for the year	–	–	–	–	48 309	48 309
Dividends paid to preference shareholders	–	–	–	–	(3 395)	(3 395)
Dividends paid to ordinary shareholders	–	–	–	–	(53 200)	(53 200)
At 31 March 2014	178	151	1 146 548	356 292	2 828	1 505 997

e. Parent company profit and loss account

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006 (Act).

The company's profit for the year, determined in accordance with the Act, was £48 309 000 (2013: £56 278 000).

f. Audit fees

Details of the company's audit fees are set out in note 6 to the group annual financial statements.

g. Dividends

Details of the company's dividends are set out in note 10 to the group annual financial statements.

h. Share capital

Details of the company's ordinary share capital are set out in note 43 to the group annual financial statements. Details of the perpetual preference shares are set out in note 44 to the group annual financial statements.

i. Audit opinion

The audit opinion on the annual financial statements of the Investec plc parent company is included in the combined consolidated annual financial statements of Investec plc and Investec Limited for the year ended 31 March 2014.

The information as detailed here for Investec plc parent company is a summary. For detailed notes refer to the Investec plc group and company annual financial statements.

Investec Limited parent company accounts

Income statement

For the year to 31 March R'million	2014	2013
Interest income	69	74
Interest expense	(31)	(27)
Net interest income	**38**	**47**
Fee and commission income	–	–
Fee and commission expense	(5)	–
Investment income	1 578	2 224
Trading income arising from balance sheet management and other trading activities	42	–
Operating income	**1 653**	**2 271**
Operating costs	64	(76)
Operating profit	**1 717**	**2 195**
Non-operational costs arising from disposal of subsidiary	641	–
Profit before taxation	**2 358**	**2 195**
Taxation	42	(1)
Profit after taxation	**2 400**	**2 194**

Statement of comprehensive income

For the year to 31 March R'million	2014	2013
Profit after taxation	2 400	2 194
Total comprehensive income	**2 400**	**2 194**

Balance sheet

At 31 March R'million	Notes	2014	2013
Assets			
Loans and advances to banks		31	30
Other debt securities		3	435
Investment portfolio		–	41
Other assets		5	55
Investment in subsidiaries	b	15 720	14 424
		15 759	14 985
Liabilities			
Debt securities in issue		808	400
Current taxation liabilities		107	247
Other liabilities		119	124
		1 034	771
Equity			
Ordinary share capital	c	1	1
Share premium		10 094	9 863
Other reserves		62	62
Retained income		4 568	4 288
Total equity		14 725	14 214
Total liabilities and shareholders' equity		15 759	14 985

Statement of changes in equity

R'million	Share capital	Share premium	Other reserves	Retained income	Total shareholders' equity
At 1 April 2012	1	9 401	62	3 619	13 083
Total comprehensive income	–	–	–	2 194	2 194
Issue of ordinary shares	–	159	–	–	159
Issue of perpetual preference shares	–	303	–	–	303
Share-based payment adjustments	–	–	–	116	116
Dividends paid to ordinary shareholders	–	–	–	(1 425)	(1 425)
Dividends paid to perpetual preference shareholders	–	–	–	(216)	(216)
At 31 March 2013	1	9 863	62	4 288	14 214
Total comprehensive income	–	–	–	2 400	2 400
Issue of ordinary shares	–	231	–	–	231
Share-based payment adjustments	–	–	–	(288)	(288)
Dividends paid to ordinary shareholders	–	–	–	(1 620)	(1 620)
Dividends paid to perpetual preference shareholders	–	–	–	(212)	(212)
At 31 March 2014	1	10 094	62	4 568	14 725

Cash flow statement

For the year to 31 March R'million	2014	2013
Cash flows from operating activities		
Cash generated by operating activities	1 429	2 311
Taxation paid	(98)	(1)
Increase in operating liabilities	403	68
Decrease/(increase) in operating assets	523	(341)
Net cash inflow from operating activities	2 257	2 037
Cash flows from financing activities		
Proceeds on issue of shares, net of related costs	231	462
Dividends paid	(1 832)	(1 641)
Net increase in subsidiaries and loans to group companies	(655)	(856)
Net cash outflow from financing activities	(2 256)	(2 035)
Net increase in cash and cash equivalents	1	2
Cash and cash equivalents at the beginning of the year	30	28
Cash and cash equivalents at the end of the year	31	30
Cash and cash equivalents is defined as including:		
On demand loans and advances to banks	31	30
Cash and cash equivalents at the end of the year	31	30

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

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 24 to 32 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	2014	2013
At the beginning of the year	14 424	13 568
Net increase in investment in subsidiaries	855	499
Disposal of subsidiaries	(12)	–
Increase in loans to subsidiaries	453	357
At the end of the year	15 720	14 424

A list of the company's principal subsidiaries is detailed in note 56 to the group accounts on page 117.

c. The company's called up share capital is detailed in note 43 to the group accounts on page 97.

d. The company's perpetual preference shares are detailed in note 44 to the group accounts on page 99.

The information detailed here for Investec Limited parent company is a summary. For detailed notes refer to the Investec Limited group and company annual financial statements.

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Definitions

Adjusted shareholders' equity

Refer to calculation on page 49 in volume one

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 31 in volume two

Dividend cover

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to page 51

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 51

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

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 48 in volume one

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 52 in volume one

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 49 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 49 in volume one

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 48 in volume one

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 Wealth & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling 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 51