Annual report 2015

VOLUME 3

Investec annual financial statements

Out of the Ordinary®

Investec

About this report

The 2015 integrated annual report covers the period 1 April 2014 to 31 March 2015 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.

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.

Website

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

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.

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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 133, were approved by the board of directors on 10 June 2015.

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

10 June 2015

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 2015, 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.

Niki van Wyk

Company secretary, Investec Limited

10 June 2015

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 180 in volume one and pages 1 to 100 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 42 to the annual financial statements.

Investec plc

During the year, the following shares were issued:

- 4 243 045 ordinary shares on 19 June 2014 at 516.00 pence per share
- 2 814 094 special converting shares on 23 June 2014 of £0.0002 each at par
- 610 254 ordinary shares on 15 August 2014 at 492.60 pence per share

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2015.

Investec Limited

During the year, the following shares were issued:

- 2 814 094 ordinary shares on 25 June 2014 at R89.81 (R0.0002 par and premium of R89.8098 per share)
- 4 243 045 special convertible redeemable preference shares on 25 June 2014 of R0.0002 each at par
- 610 254 special convertible redeemable preference shares on 15 August 2014 of R0.0002 each at par
- 185 643 class ILRP2 redeemable non-participating preference shares at R1 000.00 per share (R0.01 par and premium of R999.99 per share).

On 23 June 2014, Investec Limited redeemed 81 variable rate redeemable cumulative preference shares at R1 million per share (R0.60 par and premium of R999 999.40 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2015.

At 31 March 2015, Investec Limited held 21 162 694 shares in treasury (2014: 19.0 million). Investec plc held 8 325 971 million shares in treasury (2014: 10.6 million). The maximum number of shares held in treasury by Investec Limited during the period under review was 24 708 870.

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 2015. 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:

- 8.5 pence per ordinary share to non-South African resident shareholders and South African resident shareholders (2013: 8.0 pence) registered on 12 December 2014 and was paid on 29 December 2014

The dividends were paid on 29 December 2014.

The directors have proposed a final dividend to shareholders registered on 31 July 2015, of 11.5 pence (2014: 11.0 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 6 August 2015 and, if approved, will be paid on 14 August 2015, as follows:

11.5 pence per ordinary share to non-South African resident shareholders (2014: 11.0 pence) registered on 31 July 2015.

- To South African resident shareholders registered on 31 July 2015, through a dividend paid by Investec Limited on the SA DAS share, of 9.0 pence per ordinary share and 2.5 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 146.0 cents per ordinary share (2013: 131.0 cents) was declared to shareholders registered on 12 December 2014 and was paid on 29 December 2014.

The directors have proposed a final dividend of 216 cents per ordinary share (2014: 196.0 cents) to shareholders registered on 31 July 2015 to be paid on 14 August 2015. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled to take place on 6 August 2015.

Preference dividends

Investec plc

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 17 for the period 1 April 2014 to 30 September 2014, amounting to 7.52055 pence per share, was declared to members holding preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 18 for the period 1 October 2014 to 31 March 2015, amounting to 7.47945 pence per share, was declared to members holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 7 for the period 1 April 2014 to 30 September 2014, amounting to 433.55137 cents per share, was declared to members holding Rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 8 for the period 1 October 2014 to 31 March 2015, amounting to 438.17123 cents per share, was declared to members holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

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 20 for the period 1 April 2014 to 30 September 2014, amounting to 354.91885 cents per share, was declared to shareholders holding preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 21 for the period 1 October 2014 to 31 March 2015, amounting to 358.70081 cents per share, was declared to shareholders holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 4 for the period 1 April 2014 to 30 June 2014, amounting to 1256.38415 cents per share, was declared to shareholders holding preference shares on 25 July 2014 and was paid on 28 July 2014.

Preference dividend number 5 for the period 1 July 2014 to 30 September 2014, amounting to 1298.95394 cents per share, was declared to shareholders holding preference shares on 24 October 2014 and was paid on 27 October 2014.

Preference dividend number 6 for the period 1 October 2014 to 31 December 2014, amounting to 1303.46388 cents per share, was declared to shareholders holding preference shares on 23 January 2015 and was paid on 26 January 2015.

Preference dividend number 7 for the period 1 January 2015 to 31 March 2015, amounting to 1275.12771 cents per share, was declared to shareholders holding preference shares on 24 April 2015 and was paid on 28 April 2015.

Redeemable cumulative preference shares

Dividends amounting to R19 970 856 (2014: 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 114 and 115 in volume one.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2015 annual general meeting.

OC Dickson, GFO Alford and MP Malungani did not offer themselves for re-election at the annual general meeting held on 7 August 2014.

Sir David Prosser retired from the board on 8 August 2014.

CR Jacobs, Lord Malloch-Brown and KL Shuenyane were appointed as directors on 8 August 2014. On 1 November 2014 and 1 January 2015 respectively, ZBM Bassa and LC Bowden were appointed as directors.

The appointments of CR Jacobs, Lord Malloch-Brown, KL Shuenyane, ZBM Bassa and LC Bowden terminate at the end of the annual general meeting on 6 August 2015, but being eligible will offer themselves for election.

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 156 to 158 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 94 to 97 in volume one.

Share incentives

Details regarding options granted during the year are set out on page 50.

Audit committees

The audit committees comprising independent 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 104 to 107 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 reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 6 August 2015.

Contracts

Refer to pages 156 to 158 in volume one for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 116 to 122.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 117 in volume one.

Special resolutions

Investec plc

At the annual general meeting held on 7 August 2014, special resolutions were passed in terms of which:

- 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 Limited

At the annual general meeting held on 7 August 2014, 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 shares 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

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 prepared under UK Generally Accepted Accounting Practice (UK GAAP).

These policies are set out on pages 22 to 30.

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 96 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 26 and 27 and in notes 23 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 125 to 129 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 R1 million in 2015 (2014: R2.5 million).

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 122 to 138 in volume one.

Going concern

Refer to pages 96 and 97 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.

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

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

10 June 2015

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 2015 consists of 613 609 642 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, 285 748 623 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:

- 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 interse* 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)

The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling non-redeemable, non-cumulative, non-participating 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 as at 31 March 2015 and of its profit for the year then ended;
- The group financial statements have been appropriately prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, 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 2015, 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 22 to 133, together with certain risk notes marked as audited within volume two, Investec risk and Basel Pillar III report;
- the parent company balance sheet; and
- the parent company accounting policies and related notes set out on pages 126 to 128.

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 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 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 annual report to identify material inconsistencies with the audited 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 and response to that risk

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to the risks:

Refer to the key management assumptions in the accounting policies section of the financial statements on page 30, the audit committee report on pages 104 to 107 in volume one and the disclosures of credit risk marked as audited within the Investec risk and Basel Pillar III disclosure.

Significant risk	Response
Risk of inappropriate revenue recognition – Valuation of financial instruments, unlisted investments and embedded derivatives	
The valuation of financial instruments, unlisted investments and embedded derivatives is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. Emphasis is particularly paid to the Level 3 instruments where significant valuation inputs are unobservable.	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 specialists to critically assess whether they fell within an acceptable range based on relevant knowledge and experience of the market. In addition we tested material valuations in detail and where appropriate sought additional external evidence from that provided by management. In doing so, we assessed the methodologies used, the data used and the judgments and assumptions made, where valuation inputs were unobservable.

Significant risk	Response
The monitoring of credit quality and the appropriateness of the allowance for credit losses	
The appropriateness of the allowance for credit losses is highly subjective due to the high degree of judgement applied by management in determining the impairment provisions.	We documented and tested the process and controls for assessing, calculating and booking loans and receivables impairment provisions, including the over-arching governance, classification, review and approval procedures. In addition, 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. Management assess the impairment provisioning on loan exposures in the Investec plc Specialist Bank on an individual basis. We audited an extensive sample of such exposures to understand the latest developments which influence performance and recoverability and critically assessed the basis of determining any impairment provisions held. In certain circumstances this also involved us utilising our own internal valuation specialists to challenge the collateral values that support the recovery of the loan exposures. This is an inherently judgemental process and particularly important where management are pursuing turnaround strategies in the legacy portfolio. We reviewed and challenged assumptions around future cash flow projections and the valuation of collateral held. Where turnaround strategies require additional funding to execute we have reviewed the approval of the strategies by the Global Credit Committee as well as obtained representations from management as to their intent and ability to make such funds available. Certain leasing portfolios in the Specialist Bank 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 performance of the models to ensure all relevant risks and drivers were reflected in the calculations.

Significant risk	Response
The quality of financial reporting – Inaccurate or improper accounting and financial reporting of large or complex transactions, including risk of inappropriate or late centralised adjustments	
We focused on this area because the group has entered into a number of significant disposals during the year with the results of these transactions having a material impact on the results of the group.	We have examined a number of large or complex transactions including the sales of Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgages and certain other Investec mortgage assets. For each of the sales noted we have audited the accuracy of the profit or loss booked on completion of the transactions as well as assessing the disclosures made in the financial statements to check they complied with the relevant accounting standards and other pronouncements on disclosures.
We also focused on this area because there are certain transactions where the outcome is uncertain and the treatment will only be determined upon the resolution of negotiation or, in some cases, litigation with third parties. Consequently management makes judgments about the quantum of potential liabilities which are subject to change in future periods as more information becomes available.	As set out in the financial statements, since the settlement of the group's tax position is judgemental and subject to final resolution with the relevant tax authorities, the calculations of provisions are subject to inherent uncertainty. We examined correspondence between the group and its external advisors and between the group and the relevant third parties. We examined the matters in dispute and assessed the available evidence and the provisions made by management and concluded they are reasonable.

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 £22.7 million (2014: £22.0 million), which is approximately 5% (2014: 5%) of adjusted operating profit, and approximately 1% (2014: 1%) of equity. We used adjusted operating profits to exclude the non-recurring gains/losses on group disposals, gains/losses related to litigation, claims and assessments.

The removal of these items in determining our materiality provided a stable basis which focused on the underlying profitability of the group. 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, timing and extent of further audit procedures.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £7.8 million to £1.9 million.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £1.1 million (2014: £1.1 million), as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality described above and in light of other relevant qualitative considerations.

Certain disclosures required by the financial reporting framework have been presented in the Investec risk and Basel Pillar III disclosure report in volume two of the Annual Report, rather than in the notes to the 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 financial statements, our audit scope focused on selecting 21 (2014: 24) components which represent the principal business units within the group and account for 96% (2014: 96%) of the group's total assets and 94% (2014: 94%) of the group's adjusted operating profit before goodwill, intangibles and tax. Of these, 17 (2014: 23) were subject to a full scope audit, while at the remaining 4 (2014: 1) specific scope audit procedures were performed including full audit of the accounts that were impacted by our assessed risks of material misstatement. 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 10 (2014: 15) components which were neither full nor specific scope and which account for 4% (2014: 4%) of the group's total assets and 6% (2014: 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 financial statements.

The group audit team follow a programme of planned visits to full scope components 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the 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 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
- 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 annual report is fair, balanced and understandable and whether the 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:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- 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 7, in relation to going concern; and
- The disclosures made in the corporate governance report relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review

Ernst & Young LLP

Andy Bates (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

10 June 2015

Notes:

1. *The maintenance and integrity of the Investec web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Financial statements
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Independent auditor's report to members of Investec Limited

To the shareholders of Investec Limited

We have audited the accompanying group annual financial statements of Investec Limited, which comprise the combined consolidated balance sheet as at 31 March 2015, 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 22 to 125 within volume three, the separate Investec Limited parent company accounts, which comprise the balance sheet as at 31 March 2015, 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 129 to 133 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 2015, 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 2015, we have read the directors' report, 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.
Per Ernest van Rooyen
Chartered Accountant (SA)
Registered Auditor
Director

10 June 2015

Combined consolidated income statement

£'000	Notes	Year to 31 March 2015	Year to 31 March 2014*
Interest income	2	1 790 867	1 905 383
Interest expense	2	(1 155 890)	(1 253 704)
Net interest income		634 977	651 679
Fee and commission income	3	1 226 257	1 136 902
Fee and commission expense	3	(137 214)	(147 481)
Investment income	4	128 334	166 809
Trading income arising from			
– customer flow		106 313	103 914
– balance sheet management and other trading activities		(13 424)	10 587
Other operating income	5	12 236	18 554
Total operating income before impairment losses on loans and advances		1 957 479	1 940 964
Impairment losses on loans and advances	26	(128 381)	(166 152)
Operating income		1 829 098	1 774 812
Operating costs	6	(1 322 705)	(1 307 243)
Depreciation on operating leased assets	6	(1 535)	(6 044)
Operating profit before goodwill and acquired intangibles		504 858	461 525
Impairment of goodwill	33	(5 337)	(12 797)
Amortisation of acquired intangibles	34	(14 497)	(13 393)
Operating costs arising from integration, restructuring and partial disposal of subsidiaries		–	(20 890)
Operating profit		485 024	414 445
Net (loss)/gain on disposal of subsidiaries	35	(93 033)	9 821
Profit before taxation		391 991	424 266
Taxation on operating profit before goodwill and acquired intangibles	8	(99 023)	(78 910)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	(17 574)	7 289
Profit after taxation		275 394	352 645
Profit attributable to Asset Management non-controlling interests		(18 184)	(11 031)
Profit attributable to other non-controlling interests		(11 701)	(10 849)
Earnings attributable to shareholders		245 509	330 765
Earnings per share (pence)			
– Basic	9	24.4	34.3
– Diluted	9	23.1	32.3

* *As restated for restatements detailed in note 59.*

Combined consolidated statement of comprehensive income

£'000	Notes	Year to 31 March 2015	Year to 31 March 2014*
Profit after taxation		275 394	352 645
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(32 816)	(3 582)
Gains on realisation of available-for-sale assets recycled through the income statement	8	(4 660)	(2 972)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	1 037	347
Foreign currency adjustments on translating foreign operations		(58 318)	(407 479)
Items that will never be reclassified to the income statement			
Remeasurement of net defined pension asset	8	6 340	(5 870)
Total comprehensive income/(loss)		186 977	(66 911)
Total comprehensive income/(loss) attributable to non-controlling interests		32 050	(12 724)
Total comprehensive income/(loss) attributable to ordinary shareholders		120 124	(89 455)
Total comprehensive income attributable to perpetual preferred securities		34 803	35 268
Total comprehensive income/(loss)		186 977	(66 911)

* *As restated for restatements detailed in note 59.*

Combined consolidated balance sheet

£'000	Notes	31 March 2015	31 March 2014*
Assets			
Cash and balances at central banks	17	2 529 562	2 080 190
Loans and advances to banks	18	3 045 864	3 280 179
Non-sovereign and non-bank cash placements		586 400	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 812 156	1 388 980
Sovereign debt securities	20	2 958 641	3 215 432
Bank debt securities	21	1 161 055	1 568 097
Other debt securities	22	627 373	605 378
Derivative financial instruments	23	1 580 681	1 619 415
Securities arising from trading activities	24	1 086 349	870 088
Investment portfolio	25	947 846	825 745
Loans and advances to customers	26	16 740 263	16 281 612
Own originated loans and advances to customers securitised	27	448 647	875 755
Other loans and advances	26	574 830	1 693 569
Other securitised assets	27	780 596	3 576 526
Interests in associated undertakings	28	25 244	24 316
Deferred taxation assets	29	99 301	131 142
Other assets	30	1 741 713	1 474 992
Property and equipment	31	102 354	108 738
Investment properties	32	617 898	509 228
Goodwill	33	361 527	433 571
Intangible assets	34	147 227	159 169
Non-current assets classified as held for sale	13	40 726	41 637
		38 016 253	41 278 948
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	6 337 149	5 862 959
		44 353 402	47 141 907
Liabilities			
Deposits by banks		1 908 294	2 721 170
Derivative financial instruments	23	1 544 168	1 170 232
Other trading liabilities	37	885 003	861 412
Repurchase agreements and cash collateral on securities lent	19	1 284 945	1 316 087
Customer accounts (deposits)		22 614 868	22 609 784
Debt securities in issue	38	1 709 369	1 596 630
Liabilities arising on securitisation of own originated loans and advances	27	109 953	729 534
Liabilities arising on securitisation of other assets	27	616 909	3 041 435
Current taxation liabilities		201 790	208 041
Deferred taxation liabilities	29	76 481	97 116
Other liabilities	39	1 845 679	1 572 877
		32 797 459	35 924 318
Liabilities to customers under investment contracts	36	6 335 326	5 861 389
Insurance liabilities, including unit-linked liabilities	36	1 823	1 570
		39 134 608	41 787 277
Subordinated liabilities	41	1 178 299	1 338 752
		40 312 907	43 126 029
Equity			
Ordinary share capital	42	226	224
Perpetual preference share capital	43	153	153
Share premium	44	2 258 148	2 473 131
Treasury shares	45	(68 065)	(85 981)
Other reserves		(563 985)	(467 247)
Retained income		1 874 360	1 652 016
Shareholders' equity excluding non-controlling interests		3 500 837	3 572 296
Other Additional Tier 1 securities in issue	46	30 599	–
Non-controlling interests	47	509 059	443 582
– Perpetual preferred securities issued by subsidiaries		229 957	252 713
– Non-controlling interests in partially held subsidiaries		279 102	190 869
Total equity		4 040 495	4 015 878
Total liabilities and equity		44 353 402	47 141 907

* *As restated for restatements detailed in note 59.*

Financial statements

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Combined consolidated cash flow statement

For the year to 31 March £'000	Notes	2015	2014*
Profit before taxation adjusted for non-cash items	49	722 593	704 233
Taxation paid		(105 230)	(35 508)
Increase in operating assets	49	(2 312 292)	(979 947)
Increase in operating liabilities	49	2 291 132	1 290 173
Net cash inflow from operating activities		596 203	978 951
Cash flow on acquisition of group operations	35	(6 503)	(270)
Cash flow on disposal of group operations	35	226 291	38 232
Cash flow on net disposal of associates		131	6 231
Cash flow on acquisition of property, equipment and intangible assets		(45 775)	(42 487)
Cash flow on disposal of property, equipment and intangible assets		19 593	22 607
Net cash inflow from investing activities		193 737	24 313
Dividends paid to ordinary shareholders		(168 486)	(150 053)
Dividends paid to other equity holders		(64 269)	(43 319)
Proceeds on issue of shares, net of related costs		38 896	31 650
Proceeds on issue of Other Additional Tier 1 securities		30 599	–
Cash flow on acquisition of treasury shares, net of related costs		(122 637)	(98 688)
Proceeds on issue of other equity instruments**		19 764	35 477
Proceeds from partial disposal of subsidiaries	35	40 914	122 716
Proceeds from subordinated debt raised		–	82 930
Repayment of subordinated debt		(33 793)	(215 314)
Net cash outflow from financing activities		(259 012)	(234 601)
Effects of exchange rates on cash and cash equivalents		(17 091)	(281 225)
Net increase in cash and cash equivalents		513 837	487 438
Cash and cash equivalents at the beginning of the year		4 049 011	3 561 573
Cash and cash equivalents at the end of the year		4 562 848	4 049 011
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		2 529 562	2 080 190
On demand loans and advances to banks		1 446 886	1 453 632
Non-sovereign and non-bank cash placements		586 400	515 189
Cash and cash equivalents at the end of the year		4 562 848	4 049 011

* *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 2013 – as previously reported	223	153	2 494 618	(89 545)
Restatements on adoption of IFRIC 21	–	–	–	–
At 1 April 2013 – as restated	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	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive loss 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)
Movement in reserves 1 April 2014 – 31 March 2015				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(4 212)	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income for the year	–	–	(4 212)	–
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	–	38 894	–
Issue of Other Additional Tier 1 securities in issue	–	–	–	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Partial sale of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(74 034)	(48 603)
Transfer from share premium	–	–	(175 631)	–
Transfer from regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	66 519
At 31 March 2015	226	153	2 258 148	(68 065)

	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	Other Additional Tier 1 securities in issue	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
–	–	–	–	–	3 738	3 738	–	–	3 738
10 968	10 754	37 322	(48 384)	(104 197)	1 353 298	3 665 210	–	280 043	3 945 253
–	–	–	–	–	330 765	330 765	–	21 880	352 645
–	–	–	(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)	324 451	(54 187)	–	(12 724)	(66 911)
–	–	–	–	–	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)	1 652 016	3 572 296	–	443 582	4 015 878
–	–	–	–	–	245 509	245 509	–	29 885	275 394
–	–	–	(32 816)	–	–	(32 816)	–	–	(32 816)
–	(4 660)	–	–	–	–	(4 660)	–	–	(4 660)
–	1 037	–	–	–	–	1 037	–	–	1 037
–	–	(138)	6 051	(56 782)	(5 989)	(61 070)	587	2 165	(58 318)
–	–	–	–	–	6 340	6 340	–	–	6 340
–	(3 623)	(138)	(26 765)	(56 782)	245 860	154 340	587	32 050	186 977
–	–	–	–	–	63 475	63 475	–	–	63 475
–	–	–	–	–	(168 486)	(168 486)	–	–	(168 486)
–	–	–	–	–	(34 803)	(34 803)	–	18 702	(16 101)
–	–	–	–	–	–	–	–	(18 702)	(18 702)
–	–	–	–	–	–	–	–	(29 466)	(29 466)
–	–	–	–	–	–	38 896	–	–	38 896
–	–	–	–	–	–	–	30 012	–	30 012
–	–	–	–	–	–	–	–	19 725	19 725
–	–	–	–	–	–	–	–	39	39
–	–	–	–	–	(2 244)	(2 244)	–	43 129	40 885
–	–	–	–	–	–	(122 637)	–	–	(122 637)
–	–	–	–	–	175 631	–	–	–	–
–	–	(9 430)	–	–	9 430	–	–	–	–
–	–	–	–	–	(66 519)	–	–	–	–
10 973	4 235	29 423	(76 541)	(532 075)	1 874 360	3 500 837	30 599	509 059	4 040 495

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 2015, 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 93 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 151 to 158 in volume one.

Restatements and presentation of information

The group has adopted the following new or revised standard from 1 April 2014:

IFRIC 21 Levies

The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy and an entity does not have a constructive obligation to pay a levy that will be triggered in a future period as a result of being economically compelled to continue to operate in that future period. The new interpretation has been applied retrospectively and its application has caused the recognition date for the Financial Services Compensation Scheme (FSCS) levy to be changed from 31 December prior to the beginning of the relevant levy year to the following 1 April. The group has accordingly restated the prior periods to reflect this change and additional details are shown in note 59.

Other standards became effective during the year which did not have an impact on the group.

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 chief operating decision makers which include members of 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. Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group-level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group. Historically, these numbers were reflected solely in the results of the Specialist Bank and the group has now decided to reflect these separately.

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.

The Australian businesses are reported under the 'UK and Other' geographical segment and the 'UK and Other' Specialist Banking segment.

For further detail on the group's segmental reporting basis refer to pages 69 to 92 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 remeasured 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 in the income statement. If the contingent consideration is classified as equity, it will not be remeasured 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:

- 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 advisory and management fees are accrued over the period to which the income relates. Performance fees are recognised when they become receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

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 profit includes the unrealised profit 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. Transfers are deemed to occur at the end of each semi-annual reporting period.

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 timeframe 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 profit, 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 and lease receivables. The group also trades in structured credit investments.

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 has the ability to affect those returns through its power over the investee.

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. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

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 debt instruments 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 while holding available-for-sale financial assets is reported as interest income using the effective interest rate. Dividends earned while 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 profit 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 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 remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

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 hedge is 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 the 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 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.

Trading properties

Trading 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.

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 profit 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 at 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 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 the 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 was issued in July 2014 will replace certain key elements of IAS 39. The mandatory effective date for IFRS 9 is from 1 January 2018 with early adoption permitted. However, IFRS 9 has not yet been endorsed by the European Union. 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.
- Impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

IFRS 9 also includes guidance on hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 Hedge Accounting.

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.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2017 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The group does not anticipate a material impact on adoption of this standard.

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 primarily in the private equity, direct investments portfolios and embedded derivatives. 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 15 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 2015 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Combined consolidated segmental analysis					
2015					
Segmental business analysis – income statement					
Net interest income	4 307	6 556	624 114	–	634 977
Net fee and commission income	428 555	299 663	360 825	–	1 089 043
Investment income	22	4 123	124 189	–	128 334
Trading income arising from					
– customer flow	–	1 024	105 289	–	106 313
– balance sheet management and other trading activities	1 485	574	(15 483)	–	(13 424)
Other operating income	1 690	1 277	9 269	–	12 236
Total operating income before impairment on loans and advances	**436 059**	**313 217**	**1 208 203**	**–**	**1 957 479**
Impairment losses on loans and advances	–	–	(128 381)	–	(128 381)
Operating income	**436 059**	**313 217**	**1 079 822**	**–**	**1 829 098**
Operating costs	(287 084)	(234 436)	(761 873)	(39 312)	(1 322 705)
Depreciation on operating leased assets	–	–	(1 535)	–	(1 535)
Operating profit/(loss) before goodwill and acquired intangibles	**148 975**	**78 781**	**316 414**	**(39 312)**	**504 858**
Profit attributable to other non-controlling interests	–	–	(11 701)	–	(11 701)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**148 975**	**78 781**	**304 713**	**(39 312)**	**493 157**
Profit attributable to Asset Management non-controlling interests	(18 184)	–	–	–	(18 184)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**130 791**	**78 781**	**304 713**	**(39 312)**	**474 973**
Selected returns and key statistics					
Return on equity (pre-tax)*	95.2%	25.5%	10.7%		13.7%
Return on tangible equity (pre-tax)*	236.3%	136.1%	10.9%		16.4%
Cost to income ratio	65.8%	74.8%	63.1%		67.6%
Staff compensation to operating income	47.6%	55.9%	45.2%		47.4%
Operating profit per employee (£'000)	100.1	54.0	57.4		59.7
Total assets (£'million)	626	1 655	42 072		44 353

* *Refer to calculation on page 52 in volume one.*

1. Combined consolidated segmental analysis (continued)

2014

Segmental business analysis – income statement

For the year to 31 March 2014 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	3 918	7 857	639 904	–	651 679
Net fee and commission income	409 341	275 377	304 703	–	989 421
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 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)	(778 504)	(36 444)	(1 307 243)
Depreciation on operating leased assets	–	–	(6 044)	–	(6 044)
Operating profit before goodwill and acquired intangibles	**143 819**	**66 099**	**288 051**	**(36 444)**	**461 525**
Profit attributable to other non-controlling interests	–	–	(10 849)	–	(10 849)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**143 819**	**66 099**	**277 202**	**(36 444)**	**450 676**
Profit attributable to Asset Management non-controlling interests	(11 031)	–	–	–	(11 031)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**132 788**	**66 099**	**277 202**	**(36 444)**	**439 645**
Selected returns and key statistics					
Return on equity (pre-tax)*	104.1%	19.9%	9.5%		12.4%
Return on tangible equity (pre-tax)*	328.5%	142.1%	9.9%		15.2%
Cost to income ratio	65.3%	77.1%	63.2%		67.6%
Staff compensation to operating income	47.7%	56.1%	43.5%		46.3%
Operating profit per employee (£'000)	105.1	48.7	50.6		54.9
Total assets (£'million)	555	1 919	44 668		47 142

* *Refer to calculation on page 52 in volume one.*

1. Combined consolidated segmental analysis
(continued)

For the year to 31 March 2015 £'000	UK and Other	Southern Africa	Total group
2015			
Segmental geographic analysis – income statement			
Net interest income	327 482	307 495	634 977
Net fee and commission income	731 097	357 946	1 089 043
Investment income	(2 210)	130 544	128 334
Trading income arising from			
– customer flow	88 259	18 054	106 313
– balance sheet management and other trading activities	(28 186)	14 762	(13 424)
Other operating income	10 639	1 597	12 236
Total operating income before impairment on loans and advances	1 127 081	830 398	1 957 479
Impairment losses on loans and advances	(102 707)	(25 674)	(128 381)
Operating income	1 024 374	804 724	1 829 098
Operating costs	(895 586)	(427 119)	(1 322 705)
Depreciation on operating leased assets	(1 535)	–	(1 535)
Operating profit before goodwill and acquired intangibles	127 253	377 605	504 858
Loss/(profit) attributable to other non-controlling interests	16 856	(28 557)	(11 701)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	144 109	349 048	493 157
Profit attributable to Asset Management non-controlling interests	(10 053)	(8 131)	(18 184)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	134 056	340 917	474 973
Impairment of goodwill	(4 376)	(961)	(5 337)
Amortisation of acquired intangibles	(14 497)	–	(14 497)
Net (loss)/gain on disposal of subsidiaries	(93 060)	27	(93 033)
Earnings attributable to shareholders before taxation	22 123	339 983	362 106
Taxation on operating profit before goodwill and acquired intangibles	(28 362)	(70 661)	(99 023)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(17 574)	–	(17 574)
Earnings attributable to shareholders	(23 813)	269 322	245 509
Selected returns and key statistics			
Return on equity (post-tax)*	4.9%	18.4%	10.6%
Return on tangible equity (post-tax)*	6.9%	18.4%	12.7%
Cost to income ratio	79.6%	51.4%	67.6%
Staff compensation to operating income	56.1%	35.5%	47.4%
Operating profit per employee (£'000)	38.0	78.2	59.7
Effective operational tax rate	22.3%	18.7%	19.6%
Total assets (£'million)	17 969	26 384	44 353

* *Refer to calculation on page 51 in volume one.*

For the year to 31 March 2014 £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis (continued)			
2014			
Segmental geographic analysis – income statement			
Net interest income	356 734	294 945	651 679
Net fee and commission income	634 570	354 851	989 421
Investment income	99 099	67 710	166 809
Trading income arising from			
– customer flow	77 044	26 870	103 914
– balance sheet management and other trading activities	(9 308)	19 895	10 587
Other operating income	16 013	2 541	18 554
Total operating income before impairment on loans and advances	1 174 152	766 812	1 940 964
Impairment losses on loans and advances	(126 911)	(39 241)	(166 152)
Operating income	1 047 241	727 571	1 774 812
Operating costs	(890 662)	(416 581)	(1 307 243)
Depreciation on operating leased assets	(6 044)	–	(6 044)
Operating profit before goodwill and acquired intangibles	150 535	310 990	461 525
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	153 255	297 421	450 676
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	147 720	291 925	439 645
Impairment of goodwill	(11 233)	(1 564)	(12 797)
Amortisation of acquired intangibles	(13 393)	–	(13 393)
Operating costs arising from integration, restructuring and partial disposal of subsidiaries	(18 919)	(1 971)	(20 890)
Net gain on disposal of subsidiaries	9 653	168	9 821
Earnings attributable to shareholders before taxation	113 828	288 558	402 386
Taxation on operating profit before goodwill and acquired intangibles	(30 770)	(48 140)	(78 910)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	7 289	–	7 289
Earnings attributable to shareholders	90 347	240 418	330 765
Selected returns and key statistics			
Return on equity (post-tax)*	5.4%	16.5%	10.0%
Return on tangible equity (post-tax)*	7.8%	16.7%	12.3%
Cost to income ratio	76.2%	54.3%	67.6%
Staff compensation to operating income	51.5%	36.6%	46.3%
Operating profit per employee (£'000)	39.1	69.4	54.9
Effective operational tax rate	20.4%	15.5%	17.1%
Total assets (£'million)	22 061	25 081	47 142

* *Refer to calculation on page 51 in volume one.*

For the year to 31 March £'000	UK and Other	Southern Africa	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			
2015			
Asset Management	75 491	73 484	148 975
Wealth & Investment	56 871	21 910	78 781
Specialist Banking	41 795	262 918	304 713
	174 157	358 312	532 469
Group costs	(30 048)	(9 264)	(39 312)
Total group	144 109	349 048	493 157
Other non-controlling interest – equity			11 701
Operating profit			504 858
2014			
Asset Management	67 585	76 234	143 819
Wealth & Investment	46 065	20 034	66 099
Specialist Banking	67 277	209 925	277 202
	180 927	306 193	487 120
Group costs	(27 672)	(8 772)	(36 444)
Total group	153 255	297 421	450 676
Other non-controlling interest – equity			10 849
Operating profit			461 525

At 31 March 2015 £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis (continued)			
2015			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	2 181 242	348 320	2 529 562
Loans and advances to banks	1 050 412	1 995 452	3 045 864
Non-sovereign and non-bank cash placements	–	586 400	586 400
Reverse repurchase agreements and cash collateral on securities borrowed	1 214 949	597 207	1 812 156
Sovereign debt securities	1 212 910	1 745 731	2 958 641
Bank debt securities	219 342	941 713	1 161 055
Other debt securities	222 485	404 888	627 373
Derivative financial instruments	736 297	844 384	1 580 681
Securities arising from trading activities	670 298	416 051	1 086 349
Investment portfolio	400 941	546 905	947 846
Loans and advances to customers	7 061 117	9 679 146	16 740 263
Own originated loans and advances to customers securitised	–	448 647	448 647
Other loans and advances	553 166	21 664	574 830
Other securitised assets	411 983	368 613	780 596
Interests in associated undertakings	21 931	3 313	25 244
Deferred taxation assets	73 618	25 683	99 301
Other assets	1 317 392	424 321	1 741 713
Property and equipment	63 069	39 285	102 354
Investment properties	65 736	552 162	617 898
Goodwill	356 090	5 437	361 527
Intangible assets	136 655	10 572	147 227
Non-current assets classified as held for sale	–	40 726	40 726
	17 969 633	20 046 620	38 016 253
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	6 337 149	6 337 149
	17 969 633	26 383 769	44 353 402
Liabilities			
Deposits by banks	207 963	1 700 331	1 908 294
Derivative financial instruments	854 247	689 921	1 544 168
Other trading liabilities	251 879	633 124	885 003
Repurchase agreements and cash collateral on securities lent	597 259	687 686	1 284 945
Customer accounts (deposits)	10 298 493	12 316 375	22 614 868
Debt securities in issue	1 191 986	517 383	1 709 369
Liabilities arising on securitisation of own originated loans and advances	–	109 953	109 953
Liabilities arising on securitisation of other assets	330 526	286 383	616 909
Current taxation liabilities	104 605	97 185	201 790
Deferred taxation liabilities	45 403	31 078	76 481
Other liabilities	1 411 727	433 952	1 845 679
	15 294 088	17 503 371	32 797 459
Liabilities to customers under investment contracts	–	6 335 326	6 335 326
Insurance liabilities, including unit-linked liabilities	–	1 823	1 823
	15 294 088	23 840 520	39 134 608
Subordinated liabilities	596 923	581 376	1 178 299
	15 891 011	24 421 896	40 312 907

1. Combined consolidated segmental analysis (continued)

At 31 March 2014 £'000	UK and Other	Southern Africa	Australia	Total group
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	69 255	27 861	–	97 116
Other liabilities	1 153 598	384 062	35 217	1 572 877
	17 136 559	16 621 180	2 166 579	35 924 318
Liabilities to customers under investment contracts	–	5 861 389	–	5 861 389
Insurance liabilities, including unit-linked liabilities	–	1 570	–	1 570
	17 136 559	22 484 139	2 166 579	41 787 277
Subordinated liabilities	668 007	597 803	72 942	1 338 752
	17 804 566	23 081 942	2 239 521	43 126 029

For the year to 31 March 2015 £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
1. Combined consolidated segmental analysis (continued)						
Segmental business and geographic analysis – income statement						
2015						
Net interest income	300	4 007	4 307	6 209	347	6 556
Net fee and commission income	267 111	161 444	428 555	238 661	61 002	299 663
Investment income	–	22	22	3 486	637	4 123
Trading income arising from						
– customer flow	–	–	–	895	129	1 024
– balance sheet management and other trading activities	1 501	(16)	1 485	356	218	574
Other operating income	136	1 554	1 690	1 276	1	1 277
Total operating income before impairment losses on loans and advances	269 048	167 011	436 059	250 883	62 334	313 217
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	269 048	167 011	436 059	250 883	62 334	313 217
Operating costs	(193 557)	(93 527)	(287 084)	(194 012)	(40 424)	(234 436)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill and acquired intangibles	75 491	73 484	148 975	56 871	21 910	78 781
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	75 491	73 484	148 975	56 871	21 910	78 781
Profit attributable to Asset Management non-controlling interests	(10 053)	(8 131)	(18 184)	–	–	–
Operating profit before goodwill, acquired intangibles and after non-controlling interests	65 438	65 353	130 791	56 871	21 910	78 781
Selected returns and key statistics						
Cost to income ratio	71.9%	56.0%	65.8%	77.3%	64.9%	74.8%
Staff compensation to operating income	55.4%	34.9%	47.6%	58.5%	45.3%	55.9%

	Specialist Banking			Group costs			
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
	320 973	303 141	624 114	–	–	–	634 977
	225 325	135 500	360 825	–	–	–	1 089 043
	(5 696)	129 885	124 189	–	–	–	128 334
	87 364	17 925	105 289	–	–	–	106 313
	(30 043)	14 560	(15 483)	–	–	–	(13 424)
	9 227	42	9 269	–	–	–	12 236
	607 150	601 053	1 208 203	–	–	–	1 957 479
	(102 707)	(25 674)	(128 381)	–	–	–	(128 381)
	504 443	575 379	1 079 822	–	–	–	1 829 098
	(477 969)	(283 904)	(761 873)	(30 048)	(9 264)	(39 312)	(1 322 705)
	(1 535)	–	(1 535)	–	–	–	(1 535)
	24 939	291 475	316 414	(30 048)	(9 264)	(39 312)	504 858
	16 856	(28 557)	(11 701)	–	–	–	(11 701)
	41 795	262 918	304 713	(30 048)	(9 264)	(39 312)	493 157
	–	–	–	–	–	–	(18 184)
	41 795	262 918	304 713	(30 048)	(9 264)	(39 312)	474 973
	78.9%	47.2%	63.1%				67.6%
	55.6%	34.6%	45.2%				47.4%

1. Combined consolidated segmental analysis
(continued)

Segmental business and geographic analysis – income statement

For the year to 31 March 2014 £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
2014						
Net interest income	277	3 641	3 918	7 987	(130)	7 857
Net fee and commission income	244 962	164 379	409 341	217 413	57 964	275 377
Investment income	–	28	28	1 875	308	2 183
Trading income arising from						
– customer flow	–	–	–	389	935	1 324
– balance sheet management and other trading activities	(2 314)	332	(1 982)	(72)	130	58
Other operating income	(129)	3 004	2 875	1 232	2	1 234
Total operating income before impairment losses on loans and advances	242 796	171 384	414 180	228 824	59 209	288 033
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	242 796	171 384	414 180	228 824	59 209	288 033
Operating costs	(175 211)	(95 150)	(270 361)	(182 759)	(39 175)	(221 934)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill and acquired intangibles	67 585	76 234	143 819	46 065	20 034	66 099
(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	46 065	20 034	66 099
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	46 065	20 034	66 099
Selected returns and key statistics						
Cost to income ratio	72.2%	55.5%	65.3%	79.9%	66.2%	77.1%
Staff compensation to operating income	54.7%	37.8%	47.7%	58.4%	47.2%	56.1%

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
348 470	291 434	639 904	–	–	–	651 679
172 195	132 508	304 703	–	–	–	989 421
97 224	67 374	164 598	–	–	–	166 809
76 655	25 935	102 590	–	–	–	103 914
(6 922)	19 433	12 511	–	–	–	10 587
14 910	(465)	14 445	–	–	–	18 554
702 532	536 219	1 238 751	–	–	–	1 940 964
(126 911)	(39 241)	(166 152)	–	–	–	(166 152)
575 621	496 978	1 072 599	–	–	–	1 774 812
(505 020)	(273 484)	(778 504)	(27 672)	(8 772)	(36 444)	(1 307 243)
(6 044)	–	(6 044)	–	–	–	(6 044)
64 557	223 494	288 051	(27 672)	(8 772)	(36 444)	461 525
2 720	(13 569)	(10 849)	–	–	–	(10 849)
67 277	209 925	277 202	(27 672)	(8 772)	(36 444)	450 676
–	–	–	–	–	–	(11 031)
67 277	209 925	277 202	(27 672)	(8 772)	(36 444)	439 645
72.5%	51.0%	63.2%				67.6%
49.9%	35.1%	43.5%				46.3%

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1. Combined consolidated segmental analysis
(continued)

For the year to 31 March 2015 £'000	UK Specialist Banking UK and Other	 Australia	 Total
Additional detail on UK and other Specialist Banking			
2015			
Net interest income	295 956	25 017	320 973
Net fee and commission income	187 201	38 124	225 325
Investment income	(7 685)	1 989	(5 696)
Trading income arising from			
– customer flow	85 399	1 965	87 364
– balance sheet management and other trading activities	(30 662)	619	(30 043)
Other operating income	9 065	162	9 227
Total operating income before impairment on loans and advances	**539 274**	**67 876**	**607 150**
Impairment losses on loans and advances	(94 925)	(7 782)	(102 707)
Operating income	**444 349**	**60 094**	**504 443**
Operating costs	(421 815)	(56 154)	(477 969)
Depreciation on operating leased assets	(1 535)	–	(1 535)
Operating profit before goodwill and acquired intangibles	**20 999**	**3 940**	**24 939**
Loss attributable to other non-controlling interests	16 856	–	16 856
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**37 855**	**3 940**	**41 795**
Selected returns and key statistics			
Cost to income ratio	78.4%	82.7%	78.9%
Staff compensation to operating income	55.4%	57.5%	55.6%

1. Combined consolidated segmental analysis
(continued)

For the year to 31 March 2014 £'000	UK Specialist Banking UK and Other	Australia	Total
Additional detail on UK and other Specialist Banking			
2014			
Net interest income	276 955	71 515	348 470
Net fee and commission income	144 944	27 251	172 195
Investment income	97 665	(441)	97 224
Trading income arising from			
– customer flow	65 989	10 666	76 655
– balance sheet management and other trading activities	(4 143)	(2 779)	(6 922)
Other operating income	14 642	268	14 910
Total operating income before impairment on loans and advances	**596 052**	**106 480**	**702 532**
Impairment losses on loans and advances	(104 792)	(22 119)	(126 911)
Operating income	**491 260**	**84 361**	**575 621**
Operating costs	(406 803)	(98 217)	(505 020)
Depreciation on operating leased assets	(6 044)	–	(6 044)
Operating profit before goodwill and acquired intangibles	**78 413**	**(13 856)**	**64 557**
Loss attributable to other non-controlling interests	2 720	–	2 720
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**81 133**	**(13 856)**	**67 277**
Selected returns and key statistics			
Cost to income ratio	68.9%	92.2%	72.5%
Staff compensation to operating income	47.5%	63.2%	49.9%

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For the year to 31 March 2015 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
2. Net interest income							
Cash, near cash and bank debt and sovereign debt securities	1	5 878 855	48 967	6 214 823	274 165	12 093 678	323 132
Core loans and advances	2	7 061 117	424 071	10 127 793	808 754	17 188 910	1 232 825
– Private client		3 341 861	169 272	6 726 853	524 190	10 068 714	693 462
– Corporate, institutional and other clients		3 719 256	254 799	3 400 940	284 564	7 120 196	539 363
Other debt securities and other loans and advances		775 651	101 816	426 552	23 758	1 202 203	125 574
Other interest-earning assets	3	411 983	94 612	368 613	14 724	780 596	109 336
Total interest-earning assets		14 127 606	669 466	17 137 781	1 121 401	31 265 387	1 790 867

For the year to 31 March 2015 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	1 997 208	41 869	2 905 400	51 519	4 902 608	93 388
Customer accounts (deposits)		10 298 493	157 813	12 316 375	702 722	22 614 868	860 535
Other interest-bearing liabilities	5	330 526	82 421	396 336	16 503	726 862	98 924
Subordinated liabilities		596 923	59 881	581 376	43 162	1 178 299	103 043
Total interest-bearing liabilities		13 223 150	341 984	16 199 487	813 906	29 422 637	1 155 890
Net interest income			327 482		307 495		634 977

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. Net interest income

(continued)

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	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 532 675	61 907	6 515 392	295 811	12 048 067	357 718
Core loans and advances	2	8 222 264	542 480	8 935 103	765 050	17 157 367	1 307 530
– Private client		5 146 582	267 408	6 037 359	488 165	11 183 941	755 573
– Corporate, institutional and other clients		3 075 682	275 072	2 897 744	276 885	5 973 426	551 957
Other debt securities and other loans and advances		1 642 858	74 598	656 089	31 088	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		18 195 955	803 768	16 884 952	1 101 615	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	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	3 140 805	76 542	2 493 082	62 435	5 633 887	138 977
Customer accounts (deposits)		10 938 789	222 458	11 670 995	655 969	22 609 784	878 427
Other interest-bearing liabilities	5	2 823 683	80 766	947 286	41 531	3 770 969	122 297
Subordinated liabilities		740 949	67 268	597 803	46 735	1 338 752	114 003
Total interest-bearing liabilities		17 644 226	447 034	15 709 166	806 670	33 353 392	1 253 704
Net interest income			356 734		294 945		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.*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
3. Net fee and commission income			
2015			
Asset management and wealth management businesses net fee and commission income	**505 772**	**222 446**	**728 218**
Fund management fees/fees for assets under management	540 050	201 374	741 424
Private client transactional fees	59 566	32 302	91 868
Fee and commission expense	(93 844)	(11 230)	(105 074)
Specialist Banking net fee and commission income	**225 325**	**135 500**	**360 825**
Corporate and institutional transactional and advisory services	219 870	115 220	335 090
Private client transactional fees	25 019	32 856	57 875
Fee and commission expense	(19 564)	(12 576)	(32 140)
Net fee and commission income	**731 097**	**357 946**	**1 089 043**
– Annuity fees (net of fees payable)	541 327	276 143	817 470
– Deal fees	189 770	81 803	271 573
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	**172 195**	**132 508**	**304 703**
Corporate and institutional transactional and advisory services	177 053	118 667	295 720
Private client transactional fees	29 871	27 003	56 874
Fee and commission expense	(34 729)	(13 162)	(47 891)
Net fee and commission income	**634 570**	**354 851**	**989 421**
– Annuity fees (net of fees payable)	461 427	257 662	719 089
– Deal fees	173 143	97 189	270 332

Trust and fiduciary fees amounted to £0.2 million (2014: £9.5 million) and are included in Private client transaction fees.

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
4. Investment income			
2015			
Realised	80 014	65 746	145 760
Unrealised	(90 296)	48 097	(42 199)
Dividend income	5 878	24 808	30 686
Funding and other net related income/(costs)	2 194	(8 107)	(5 913)
	(2 210)	130 544	128 334
2014			
Realised	53 986	19 534	73 520
Unrealised	34 991	14 899	49 890
Dividend income	10 885	38 569	49 454
Funding and other net related costs	(763)	(5 292)	(6 055)
	99 099	67 710	166 809

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
4. Investment income (continued)					
2015					
UK and Other					
Realised	63 395	8 494	–	8 125	80 014
Unrealised	(76 850)	(23 175)	8 726	1 003	(90 296)
Dividend income	5 878	–	–	–	5 878
Funding and other net related income	–	–	–	2 194	2 194
	(7 577)	(14 681)	8 726	11 322	(2 210)
Southern Africa					
Realised	42 214	3 814	19 741	(23)	65 746
Unrealised	29 358	8 241	10 169	329	48 097
Dividend income	24 808	–	–	–	24 808
Funding and other net related (costs)/income	(13 212)	–	–	5 105	(8 107)
	83 168	12 055	29 910	5 411	130 544
Total investment income/(loss)	75 591	(2 626)	38 636	16 733	128 334
2014					
UK and Other					
Realised	37 822	11 457	–	4 707	53 986
Unrealised	52 059	(12 837)	–	(4 231)	34 991
Dividend income	10 692	–	–	193	10 885
Funding and other net related costs	–	–	–	(763)	(763)
	100 573	(1 380)	–	(94)	99 099
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
Total investment income/(loss)	143 665	(4 231)	23 450	3 925	166 809

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

For the year to 31 March £'000	2015	2014
5. Other operating income		
Rental income from properties	5 661	857
Gains/(losses) on realisation of properties	84	(441)
Unrealised gains on other investments	2 375	2 975
Income from operating leases	2 183	9 336
Operating income from associates	1 933	5 827
	12 236	18 554

For the year to 31 March £'000	2015	2014
6. Operating costs		
Staff costs	927 980	897 743
– Salaries and wages (including directors' remuneration)	777 945	735 144
– Training and other costs	16 794	25 504
– Share-based payment expense	56 012	62 236
– Social security costs	42 032	40 994
– Pensions and provident fund contributions	35 197	33 865
Premises expenses (excluding depreciation)	63 201	70 477
Equipment expenses (excluding depreciation)	54 433	56 386
Business expenses*	193 529	198 008
Marketing expenses	58 833	55 923
Depreciation, amortisation and impairment on property, equipment and intangibles	24 729	28 706
	1 322 705	1 307 243
Depreciation on operating leased assets	1 535	6 044
	1 324 240	1 313 287
The following amounts were paid by the group to the auditors in respect of the audit of the 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	781	752
Fees payable to the company's auditors and its associates for other services:		
– Audit of the company's subsidiaries pursuant to legislation	5 713	6 614
– Audit-related assurance services	551	257
– Tax compliance services	731	753
– Other assurance services	1 257	10
	9 033	8 386
KPMG fees		
Fees payable to the company's auditors for the audit of the company's accounts	1 342	1 275
Fees payable to the company's auditors and its associates for other services:		
– Audit of the company's subsidiaries pursuant to legislation	1 020	806
– Audit-related assurance services	433	153
– Tax compliance services	1 270	843
– Services related to corporate finance transactions	9	45
– Other assurance services	284	450
	4 358	3 572
Total	13 391	11 958

* *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 151 to 158 in volume one.

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 176 to 177 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				
2015				
Equity-settled	3 786	9 133	46 966	59 885
Total income statement charge	3 786	9 133	46 966	59 885*
2014				
Equity-settled	10 027	8 554	48 324	66 905
Total income statement charge	10 027	8 554	48 324	66 905*

* *Of the £59.9 million charge (2014: £66.9 million), £56.0 million (2014: £62.2 million) is included in operating costs and £3.9 million (2014: £4.7 million) is an accelerated share-based payments charge that is included in the income statement in net loss on disposal of subsidiaries and operating costs arising from integration, restructuring and partial disposal of subsidiaries respectively.*

Included in the above income statement charge is as an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £0.01 million (2014: £0.3 million).

For the year to 31 March £'000	2015	2014
Fair value of options granted in the year		
UK schemes	24 943	30 054
South African schemes	41 904	45 287

	UK schemes				South African schemes			
	2015		2014		2015		2014	
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	42 877 067	0.04	50 514 354	0.05	44 475 185	–	44 300 546	–
Granted during the year	6 721 210	0.16	9 200 128	0.05	10 719 215	–	13 549 614	–
Exercised during the year^	(15 562 258)	0.02	(12 249 975)	0.01	(12 306 518)	–	(11 643 554)	–
Expired during the year	–	–	–	–	(1 253 909)	–	(1 731 421)	–
Options forfeited during the year	(1 605 255)	0.28	(4 587 440)	0.19	–	–	–	–
Outstanding at the end of the year	32 430 764	0.06	42 877 067	0.04	41 633 973	–	44 475 185	–
Exercisable at the end of the year	137 197	–	561 720	0.11	87 083	–	5 332	–

^ *The weighted average share price at date of exercise was £5.41 (2014: £4.35) for the UK schemes and R96.84 (2014: R68.06) for the South African schemes.*

7. Share-based payments (continued)

	UK schemes		South African schemes	
Additional information relating to options	2015	2014	2015	2014
Options with strike prices				
Exercise price range	£3.20 – £5.72	£3.20 – £5.00	n/a	n/a
Weighted average remaining contractual life	2.07 years	2.79 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	1.80 years	2.58 years	2.15 years	2.72 years
Weighted average fair value of options and long-term grants at measurement date	£3.71	£3.27	R69.52	R51.73
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	£5.16 – £5.72	£4.26 – £4.59	R90 – R100.57	R66.84 – R71.20
– Exercise price	£nil, £5.16 – £5.72	£nil, £4.26 – £4.59	Rnil	Rnil
– Expected volatility	25.24% – 30%	30%	25.24% – 30%	30%
– Option life	4.5 – 5.25 years	4.5 – 5.25 years	1 – 5 Years	3 – 6 years
– Expected dividend yields	4.86% – 5.04%	4.42% – 5.90%	4.45% – 4.62%	3.89% – 5.08%
– Risk-free rate	1.36% – 1.70%	0.98% – 1.44%	6.78 % – 7.18%	6.04 % –7.08%

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	2015	2014
8. Taxation		
Income statement tax charge		
Current taxation		
UK		
Current tax on income for the year	19 457	23 883
Adjustments in respect of prior years	6 309	(8 193)
Corporation tax before double tax relief	25 766	15 690
– Double taxation relief	(425)	(611)
	25 341	15 079
Southern Africa		
– in respect of current year	72 249	44 418
– in respect of prior year adjustments	–	(5 947)
	72 249	38 471
Europe	2 272	2 998
Australia	211	–
Other	1 626	981
Withholding tax on companies	132	56
Total current taxation	101 831	57 585
Deferred taxation		
UK	(22 814)	4 482
Southern Africa	(1 720)	9 613
Europe	5 097	96
Australia	34 199	(154)
Other	4	(1)
Total deferred taxation	14 766	14 036
Total taxation charge for the year	116 597	71 621
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	99 023	78 910
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	17 574	(7 289)
	116 597	71 621
Deferred taxation comprises:		
Origination and reversal of temporary differences	19 396	12 613
Changes in tax rates	274	(289)
Adjustment in respect of prior years	(4 904)	1 712
	14 766	14 036

For the year to 31 March £'000	2015	2014
8. Taxation (continued)		
The rates of corporation tax for the relevant years are:	%	%
UK	21	23
South Africa	28	28
Europe (average)	10	10
Australia	30	30
Profit before taxation	391 991	424 266
Taxation on profit before taxation	116 597	71 621
Effective tax rate	29.74%	16.88%
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 21% (2014: 23%)	82 318	97 581
Taxation adjustments relating to foreign earnings	(24 710)	(31 846)
Goodwill and non-operating items	40 995	–
Taxation relating to prior years	1 405	(6 481)
Share options accounting expense	8 635	3 828
Share options exercised during the year	(11 032)	(10 386)
Unexpired share options future tax deduction	256	4 904
Non-taxable income	(2 411)	(1 831)
Net other permanent differences	17 018	16 217
Unrealised capital losses	776	812
Movement of brought forward trading losses	3 071	(888)
Change in tax rate	276	(289)
Total taxation charge as per income statement	116 597	71 621
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	(32 816)	(3 582)
Pre-taxation	(30 422)	(8 588)
Taxation effect	(2 394)	5 006
Gains on realisation of available-for-sale assets recycled through the income statement	(4 660)	(2 972)
Pre-taxation	(2 267)	(4 083)
Taxation effect	(2 393)	1 111
Fair value movements on available-for-sale assets taken directly to other comprehensive income	1 037	347
Pre-taxation	(1 398)	502
Taxation effect	2 435	(155)
Re-measurement of net defined pension asset (note 40)	6 340	(5 870)
Pre-taxation	5 247	(7 686)
Taxation effect	1 093	1 816
Statement of changes in equity taxation effects		
Share based payment adjustment	63 475	66 905
Pre-taxation IFRS 2 option reserve	59 315	66 905
Taxation effect	4 160	–

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For the year to 31 March	2015	2014
9. Earnings per share		
	£'000	£'000
Earnings		
Earnings attributable to shareholders	245 509	330 765
Preference dividends paid	(34 803)	(35 268)
Earnings and diluted earnings attributable to ordinary shareholders	210 706	295 497
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	897 466 433	890 019 394
Weighted average number of treasury shares	(34 815 248)	(27 467 498)
Weighted average number of shares in issue during the year	862 651 185	862 551 896
Weighted average number of shares resulting from future dilutive potential shares	47 937 173	51 847 815
Adjusted weighted number of shares potentially in issue	910 588 358	914 399 711
Earnings per share – pence	24.4	34.3
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	23.1	32.3
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.		
Adjusted earnings per share – pence	39.4	37.9
Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders, after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year.		
	£'000	£'000
Earnings attributable to shareholders	245 509	330 765
Impairment of goodwill	5 337	12 797
Amortisation of acquired intangibles, net of taxation	14 497	13 393
Operating cost arising from integration, restructuring and partial disposals of subsidiaries	–	20 890
Net loss/(profit) on disposal of subsidiaries and restructuring costs	93 033	(9 821)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	17 574	(7 289)
Preference dividends paid	(34 803)	(35 268)
Accrual adjustment on earnings attributable to other equity holders*	(1 211)	(386)
Currency hedge attributable to perpetual equity instruments*	(413)	1 842
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	339 523	326 923

* *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	2015	2014
9. Earnings per share (continued)		
Headline earnings per share - pence		
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.	35.8	33.8
	£'000	£'000
Earnings attributable to shareholders	245 509	330 765
Impairment of goodwill	5 337	12 797
Net loss on disposal of subsidiaries	93 033	–
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	20 666	–
Preference dividends paid	(34 803)	(35 268)
Property revaluation, net of taxation**	(16 312)	(13 761)
Gains on available-for-sale instruments recycled through the income statement**	(4 660)	(2 972)
Headline earnings attributable to ordinary shareholders**	308 770	291 561

** *Taxation on headline earnings adjustments amounted to £7.2 million (2014: £4.3 million) with an impact of £7.4 million (2014: £6.3 million) on earnings attributable to non-controlling interests.*

	2015		2014	
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	11.0	95 637	10.0	81 906
Interim dividend for current year	8.5	72 849	8.0	68 147
Total dividend attributable to ordinary shareholders recognised in current financial year	19.5	168 486	18.0	150 053

The directors have proposed a final dividend in respect of the financial year ended 31 March 2015 of 11.5 pence per ordinary share.

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 216 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 11.5 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 2.5 pence per ordinary share and through a dividend payment on the SA DAS share of 9 pence per ordinary share.

The final dividend will be payable on Friday, 14 August 2015 to shareholders on the register at the close of business on Friday, 31 July 2015.

For the year to 31 March	2015 Pence per share*	2015 Cents per share*	2015 Total £'000	2014 Pence per share*	2014 Cents per share*	2014 Total £'000
10. Dividends (continued)						
Perpetual preference dividend						
Final dividend for prior year	7.48	410.58	9 081	7.48	402.64	11 942
Interim dividend for current year	7.52	433.55	9 596	7.52	404.86	11 305
Total dividend attributable to perpetual preference shareholders recognised in current financial year	15.00	844.13	18 677	15.00	807.50	23 247

* *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 2015 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), 358.70081 cents (Investec Limited) and 384.34536 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable on Monday, 22 June 2015 to shareholders on the register at the close of business on Friday, 12 June 2015.

For the year to 31 March £'000	2015	2014
Dividends attributable to perpetual preferred securities	14 528	12 021

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.

Dividends attributable to Other Additional Tier 1 securities in issue	1 598	–

The R550 000 000 Other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25% on a quarterly basis as set out in note 46.

Total perpetual preference dividend and Other Additional Tier 1 dividend	34 803	35 268

For the year to 31 March £'000	2015	2014
11. Miscellaneous items		
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	38 464	43 884
	38 464	43 884
Operating lease income recognised in income:		
Minimum lease payments	42 037	41 095
Sublease payments	–	18
	42 037	41 113
The majority of the operating lease expenses in the group relate to leases on property.		
Rental income from leasing motor vehicles and properties is included in 'Other operating income' and 'Fee and commission income' respectively.		
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	54 057	32 497
One to five years	148 267	114 363
Later than five years	63 290	36 489
	265 614	183 349

Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The leases typically run for a period of three years or longer. Lessees are entitled to the use of the properties leased to them for their own business purposes for the duration of the contracted lease period.

For the year to 31 March £'000	At fair value through profit or loss Trading	Designated at inception
12. Analysis of income and impairments by category of financial instruments		
2015		
Net interest income	2 712	46 103
Fee and commission income	55 902	1 976
Fee and commission expense	(971)	(777)
Investment income	1 211	87 134
Trading income arising from		
– customer flow	97 529	8 649
– balance sheet management and other trading activities	877	(14 912)
Other operating income	–	1 694
Total operating income before impairment losses on loans and advances	157 260	129 867
Impairment losses on loans and advances	–	–
Operating income	157 260	129 867
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

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
46 918	1 466 304	60 096	(992 718)	–	5 562	634 977
–	120 755	147	4 976	67 970	974 531	1 226 257
–	(12 742)	–	(9 212)	(3 312)	(110 200)	(137 214)
(925)	174	4 158	–	36 582	–	128 334
–	–	–	135	–	–	106 313
27 524	831	(103)	(27 641)	–	–	(13 424)
–	–	–	–	10 536	6	12 236
73 517	1 575 322	64 298	(1 024 460)	111 776	869 899	1 957 479
–	(124 442)	(3 939)	–	–	–	(128 381)
73 517	1 450 880	60 359	(1 024 460)	111 776	869 899	1 829 098
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

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
2015				
Assets				
Cash and balances at central banks	1 302	–	–	1 302
Loans and advances to banks	–	178 907	–	178 907
Non-sovereign and non-bank cash placements	160	–	–	160
Reverse repurchase agreements and cash collateral on securities borrowed	959 361	–	–	959 361
Sovereign debt securities	–	1 298 338	1 462 560	2 760 898
Bank debt securities	–	298 650	186 880	485 530
Other debt securities	12	26 692	468 823	495 527
Derivative financial instruments*	1 580 681	–	–	1 580 681
Securities arising from trading activities	867 010	219 339	–	1 086 349
Investment portfolio	–	893 056	54 790	947 846
Loans and advances to customers	–	707 376	–	707 376
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	627 928	–	627 928
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	46 214	35 763	–	81 977
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Non-current assets classified as held for sale**	–	–	–	–
	3 454 740	4 286 049	2 173 053	9 913 842
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 454 740	4 286 049	2 173 053	9 913 842
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 544 168	–	–	1 544 168
Other trading liabilities	885 003	–	–	885 003
Repurchase agreements and cash collateral on securities lent	553 730	–	–	553 730
Customer accounts (deposits)	–	924 083	–	924 083
Debt securities in issue	–	473 037	–	473 037
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	616 909	–	616 909
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	99 572	35 696	–	135 268
	3 082 473	2 049 725	–	5 132 198
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	3 082 473	2 049 725	–	5 132 198
Subordinated liabilities	–	–	–	–
	3 082 473	2 049 725	–	5 132 198

* *Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.*

** *Non-current assets classified as held for sale relates to an acquisition of a 100% interest in an entity. Management have entered into negotiations to dispose of a controlling interest in the entity.*

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

For more information on hedges, please refer to note 53 on pages 112 and 113.

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Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance-related at fair value	Non-financial instruments	Total
–	2 528 260	–	2 528 260	–	–	2 529 562
–	2 866 957	–	2 866 957	–	–	3 045 864
–	586 240	–	586 240	–	–	586 400
–	852 795	–	852 795	–	–	1 812 156
197 743	–	–	197 743	–	–	2 958 641
468 804	206 721	–	675 525	–	–	1 161 055
30 728	101 118	–	131 846	–	–	627 373
–	–	–	–	–	–	1 580 681
–	–	–	–	–	–	1 086 349
–	–	–	–	–	–	947 846
–	16 032 887	–	16 032 887	–	–	16 740 263
–	448 647	–	448 647	–	–	448 647
–	574 830	–	574 830	–	–	574 830
–	152 668	–	152 668	–	–	780 596
–	–	–	–	–	25 244	25 244
–	–	–	–	–	99 301	99 301
–	1 305 644	–	1 305 644	–	354 092	1 741 713
–	–	–	–	–	102 354	102 354
–	–	–	–	–	617 898	617 898
–	–	–	–	–	361 527	361 527
–	–	–	–	–	147 227	147 227
–	–	–	–	–	40 726	40 726
697 275	25 656 767	–	26 354 042	–	1 748 369	38 016 253
–	–	–	–	6 337 149	–	6 337 149
697 275	25 656 767	–	26 354 042	6 337 149	1 748 369	44 353 402
–	–	1 908 294	1 908 294	–	–	1 908 294
–	–	–	–	–	–	1 544 168
–	–	–	–	–	–	885 003
–	–	731 215	731 215	–	–	1 284 945
–	–	21 690 785	21 690 785	–	–	22 614 868
–	–	1 236 332	1 236 332	–	–	1 709 369
–	–	109 953	109 953	–	–	109 953
–	–	–	–	–	–	616 909
–	–	–	–	–	201 790	201 790
–	–	–	–	–	76 481	76 481
–	–	1 239 985	1 239 985	–	470 426	1 845 679
–	–	26 916 564	26 916 564	–	748 697	32 797 459
–	–	–	–	6 335 326	–	6 335 326
–	–	–	–	1 823	–	1 823
–	–	26 916 564	26 916 564	6 337 149	748 697	39 134 608
–	–	1 178 299	1 178 299	–	–	1 178 299
–	–	28 094 863	28 094 863	6 337 149	748 697	40 312 907

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. As the majority of these assets have been written down by the current year end, the group does not deem it material to undertake any further disclosure in the annual financial statements for the current year and the prior year. The carrying value of the assets reclassified is £21.2 million (2014: £31.7 million) and the fair value is £21.1 million (2014: 16.4 million).

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
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	–	–	–	–
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 classified as held for sale relates to an acquisition of a 100% interest in an entity. 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 112 and 113.

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance-related at fair value	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
–	–	–	–	–	97 116	97 116
–	–	1 062 371	1 062 371	–	449 365	1 572 877
–	–	29 758 674	29 758 674	–	754 522	35 924 318
–	–	–	–	5 861 389	–	5 861 389
–	–	–	–	1 570	–	1 570
–	–	29 758 674	29 758 674	5 862 959	754 522	41 787 277
–	–	1 338 752	1 338 752	–	–	1 338 752
–	–	31 097 426	31 097 426	5 862 959	754 522	43 126 029

14. 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 32 on page 84.

At 31 March £'000	Total investments at fair value	Fair value category Level 1	Level 2	Level 3
2015				
Assets				
Cash and balances at central banks	1 302	1 302	–	–
Loans and advances to banks	178 907	178 907	–	–
Non-sovereign and non-bank cash placements	160	–	160	–
Reverse repurchase agreements and cash collateral on securities borrowed	959 361	–	959 361	–
Sovereign debt securities	2 760 898	2 759 792	1 106	–
Bank debt securities	485 530	192 469	293 061	–
Other debt securities	495 527	379 690	97 793	18 044
Derivative financial instruments	1 580 681	204 626	1 332 534	43 521
Securities arising from trading activities	1 086 349	1 083 956	2 393	–
Investment portfolio	947 846	131 782	70 279	745 785
Loans and advances to customers	707 376	–	671 376	36 000
Other securitised assets	627 928	–	–	627 928
Other assets	81 977	81 910	67	–
	9 913 842	5 014 434	3 428 130	1 471 278
Liabilities				
Derivative financial instruments	1 544 168	328 214	1 213 288	2 666
Other trading liabilities	885 003	840 647	44 356	–
Repurchase agreements and cash collateral on securities lent	553 730	–	553 730	–
Customer accounts (deposits)	924 083	–	924 083	–
Debt securities in issue	473 037	–	473 037	–
Liabilities arising on securitisation of other assets	616 909	–	–	616 909
Other liabilities	135 268	96 865	38 403	–
	5 132 198	1 265 726	3 246 897	619 575
Net assets	4 781 644	3 748 708	181 233	851 703

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14. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category 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 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

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 in the current and the prior year.

14. Fair value hierarchy (continued)

Level 3 instruments

The following table is a reconciliation of 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 through profit and loss instruments	Available-for-sale instruments
Balance as at 1 April 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)
Transfers into non-current assets held for sale	(41 637)	(41 637)	–
Foreign exchange adjustments	(137 219)	(137 250)	31
Balance as at 31 March 2014	869 172	904 089	(34 917)
Total gains or losses	122 239	120 412	1 827
– In the income statement	121 813	120 412	1 401
– In the statement of comprehensive income	426	–	426
Purchases	152 975	123 092	29 883
Sales	(290 650)	(253 447)	(37 203)
Issues	(6 996)	(6 996)	–
Settlements	(68 982)	(52 553)	(16 429)
Transfers into level 3	63 545	21 416	42 129
Transfers out of level 3	545	545	–
Foreign exchange adjustments	9 855	4 437	5 418
Balance as at 31 March 2015	851 703	860 995	(9 292)

For the year ended 31 March 2015, there were transfers from the level 2 to the level 3 category to the value of £62.7 million because the significance of the unobservable inputs used to determine the fair value increased sufficiently to warrant a transfer. For the remaining transfers, the group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

14. Fair value hierarchy (continued)

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	Total	Realised	Unrealised
2015			
Total gains or (losses) on fair value through profit and loss instrument			
Fee and commission (expense)/income	7 859	(51)	7 910
Investment income	101 304	81 979	19 325
Trading income arising from customer flow	13 999	–	13 999
Trading income arising from balance sheet management and other trading activities	(97)	877	(974)
Other operating income	(1 252)	–	(1 252)
	121 813	82 805	39 008
Total gains on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	1 401	1 401	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	426	–	426
	1 827	1 401	426
2014			
Total gains or (losses) included in the income statement for the year			
Net interest income	14 896	–	14 896
Fee and commission expense	(485)	–	(485)
Investment income	55 712	54 658	1 054
Trading income arising from customer flow	2 294	–	2 294
Trading income arising from balance sheet management and other trading activities	(5 731)	–	(5 731)
Other operating income	847	–	847
	67 533	54 658	12 875
Total gains or (losses) on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	101	101	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(1 317)	–	(1 317)
	(1 216)	101	(1 317)

14. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2015 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 assumptions
Assets		
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, yield curves and volatilities
Sovereign debt securities	Discounted cash flow model	Discount rates
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Discount rates, swap curves and NCD curves
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, standard industry 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
Securities arising from trading activities	Standard industry derivative pricing model	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Net assets
Loans and advances to customers	Discounted cash flow model	Swap curves and discount rates
Other assets	Discounted cash flow model	Discount rates
Liabilities		
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
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	Swap curves and discount rates
Debt securities in issue	Discounted cash flow model	Swap curves and discount rates
Other liabilities	Discounted cash flow model	Discount rates

14. 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:

At 31 March 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement: Favourable changes £'000	Reflected in the income statement: Unfavourable changes £'000
Assets					
Other debt securities	18 044			156	(205)
		Discount rates	(5%) – 5%	14	(60)
		Credit spreads	(2%) – 3%	114	(128)
		Other	(6%) – 5%	28	(17)
Derivative financial instruments	43 521			16 685	(11 121)
		Discount rates	(5%) – 5%	358	(283)
		Volatilities	(4%) – 3%	626	(1 536)
		Volatilities	(25%)/40%	3 227	(1 363)
		Credit spreads	(50bps)/50bps	1 279	(692)
		Cash flow adjustments	(3%) – 8%	7	(6)
		Price-earnings multiple	**	3 816	(4 074)
		Other	^	2 505	(457)
		Other	(11%) – 10%	4 867	(2 710)
Investment portfolio	706 843			173 264	(85 332)
		Price-earnings multiple	(10%) – 10% or	1 517	(1 210)
		Price-earnings multiple	**	100 880	(54 829)
		EBITDA	5x EBITDA	6 958	(2 640)
		Other	^	18 296	(17 988)
		Other	(10%) – 10%	45 613	(8 665)
Loans and advances to customers	36 000		(5%) – 5%	6 500	(1 347)
		Cash flows	(9%) – 3%	5 407	–
		Other		1 093	(1 347)
Other securitised assets*	627 928			16 556	(11 495)
		Credit spreads	-6 months/+12 month adjustment to CDR curve	5 228	(167)
		Other		11 328	(11 328)
Liabilities					
Derivative financial instruments	(2 666)			1 830	(1 442)
		Cash flow adjustments	(2%) – 1%	1 830	(1 442)
Liabilities arising on securitisation of other assets*	(616 909)			19 021	(13 749)
		Credit default rates,# Loss severity, prepayment rates	(5%) – 5%	5 228	(167)
		Other		13 793	(13 582)
	812 761			234 012	(124 691)

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

** *The price-earnings multiple has been stressed on an investment by investment basis in order to obtain the aggressive and conservative valuations.*

^ *These valuation sensitivities have been stressed individually using varying scenario-based techniques to obtain the aggressive and conservative valuations.*

\# *The variation techniques applied have changed from the previous year due to the sale and deconsolidation of various liabilities held in the previous year.*

14. Fair value hierarchy (continued)

At 31 March 2015	Balance sheet value £'000	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
2015					
Assets					
Investment portfolio	38 942	EBITDA		2 658	(2 058)
			(10%) – 10% or 5x EBITDA	2 658	(2 058)
Total Level 3	851 703			236 670	(126 749)

At 31 March 2014	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement: Favourable changes £'000	Reflected in the income statement: Unfavourable changes £'000
Assets					
Other debt securities	72 109			6 227	(4 770)
		Discount rates	(5%) – 5%	670	(3 829)
		Credit spreads	(5%) – 5%	4 693	(310)
		Other	(5%) – 5%	864	(631)
Derivative financial instruments	108 313			12 354	(6 430)
		Volatilities	(2%) – 2%	601	(698)
		Credit spreads	(6.5bps) – 6.5bps	256	(684)
		Volatilities	20%/50%	4 204	(2 307)
		Other^	^	3 182	(1 344)
		Other	(11%) – 10%	4 111	(1 397)
Investment portfolio	583 221			105 995	(59 688)
		Volatilities	(10%) – 10%	4	(4)
		EBITDA	(10%) – 10% or 5x EBITDA	606	(9 665)
		Other^	^	88 849	(48 503)
		Other	(10%) – 10%	16 536	(1 516)
Loans and advances to customers	43 153			2 439	(5 615)
		Cash flows	(9%) – 3%	1 337	(4 076)
		Other		1 102	(1 539)
Other securitised assets*	1 230 451			38 432	(39 120)
		Underlying market price adjustments	(5%)/5%	30 310	(30 310)
		Credit spreads	-6 months/+12 month adjustment to CDR curve	8 122	(8 810)
Other assets	847	Discount rates	(5%) – 5%	30	(28)
Liabilities					
Derivative financial instruments	(11 305)	Volatilities	(4%) – 4%	648	(438)
Debt securities in issue	(616)	Volatilities	(2%) – 4%	15	(8)
Liabilities arising on securitisation of other assets*	(1 182 147)			40 225	(39 600)
		Credit spreads	(6.5bps) – 6.5bps	6 078	(6 120)
		Underlying market price adjustments	(5%) – 5%	34 147	(33 480)
	844 026			206 365	(155 697)

14. Fair value hierarchy (continued)

At 31 March 2014	Balance sheet value £'000	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				13 001	(1 007)
Investment portfolio			(10%) – 10% or		
	25 146	EBITDA	5x EBITDA	12 769	(891)
		Other	(10%) – 10%	232	(116)
Total Level 3	869 172			219 366	(156 704)

* *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.*

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 a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument. It is an unobservable input into a discounted cash flow valuation.

Discount rates

Discount rates are the interest rates used to discount future cash flows in a discounted 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. Volatilities are a key input into the Black-Scholes valuation method.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement. Cash flows are inputs into a discounted cash flow valuation.

EBITDA

A company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price-earnings multiple valuation method.

Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

15. Fair value of financial instruments at amortised cost

At 31 March £'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
2015					
Assets					
Cash and balances at central banks	2 528 260	2 528 260	^	^	^
Loans and advances to banks	2 866 957	2 866 957	^	^	^
Non-sovereign and non-bank cash placements	586 240	586 580	586 580	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	852 795	852 795	^	–	–
Sovereign debt securities	197 743	202 949	202 949	–	–
Bank debt securities	675 525	709 768	484 258	225 510	–
Other debt securities	131 846	130 146	16 659	9 670	103 817
Loans and advances to customers*	16 032 887	16 082 898	798 879	8 210 259	7 073 760
Own originated loans and advances to customers securitised	448 647	448 647	–	448 647	–
Other loans and advances	574 830	620 568	25 294	37 114	558 160
Other securitised assets	152 668	152 667	80 961	71 706	–
Other assets	1 305 644	1 305 519	1 029 911	219 132	56 476
	26 354 042	26 487 754			
Liabilities					
Deposits by banks	1 908 294	1 920 130	158 250	1 689 063	72 817
Repurchase agreements and cash collateral on securities lent	731 215	730 508	107 437	623 071	–
Customer accounts (deposits)	21 690 785	21 739 660	7 118 741	14 620 919	–
Debt securities in issue	1 236 332	1 266 315	30 600	1 125 648	110 067
Liabilities arising on securitisation of own originated loans and advances	109 953	109 953	^	^	^
Other liabilities	1 239 985	1 237 888	912 140	260 997	64 751
Subordinated liabilities	1 178 299	1 180 558	1 180 520	38	–
	28 094 863	28 185 012			

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 and savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate financial instruments.*

* *Management has re-evaluated the significance of the unobservable inputs for certain loans and advances and have concluded that it is appropriate to transfer these instruments to a level 2 valuation.*

15. Fair value of financial instruments at amortised cost (continued)

At 31 March £'000	Carrying amount	Fair value	Fair value category 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	1 062 371	1 048 996	782 597	235 402	30 997
Subordinated liabilities	1 338 752	1 339 355	1 339 355	–	–
	31 097 426	30 995 680			

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 and savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate financial instruments.*

15. Fair value of financial instruments at amortised cost (continued)

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 spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. 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 sub-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 rate yield curve appropriate for the remaining term to maturity. Certain financial instruments, that would normally be carried at fair value, continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on the balance sheet.

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.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
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.
Short-term 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.

16. 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						
2015						
Loans and advances to customers	707 376	5 579	16 052	–	–	707 376
Other securitised assets	627 928	(73 883)	(42 197)	(38 703)	(22 461)	627 928
	1 335 304	(68 304)	(26 145)	(38 703)	(22 461)	1 335 304
2014*						
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
	2 023 633	3 860	(101 589)	29 401	(126 161)	2 023 633

* *Restated-loans and advances to banks are primarily money market accounts and do not bear characteristics of loans and receivables.*

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						
2015						
Customer accounts (deposits)	924 083	918 159	(12 685)	5 924	–	–
Debt securities in issue	473 037	466 242	(9 626)	(142)	(2 722)	(7 690)
Liabilities arising on securitisation of other assets	616 909	806 815	(12 956)	(195 453)	30 011	(34 755)
Other liabilities	35 696	35 696	1 256	18 304	–	–
	2 049 725	2 226 912	(34 011)	(171 367)	27 289	(42 445)
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)	–	–
	2 833 040	2 953 812	131 099	(120 772)	53 003	(31 660)

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	2015	2014
17. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	342 032	327 553
United Kingdom	2 146 945	1 681 929
Europe (excluding UK)	34 296	24 490
Australia	–	36 195
Other	6 289	10 023
	2 529 562	2 080 190

At 31 March £'000	2015	2014
18. Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	812 111	870 760
United Kingdom	996 439	1 150 387
Europe (excluding UK)	604 013	662 167
Australia	99 944	80 342
Asia	66 469	175 561
United States of America	428 195	287 377
Other	38 693	53 585
	3 045 864	3 280 179

At 31 March £'000	2015	2014
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	1 473 558	991 391
Cash collateral on securities borrowed	338 598	397 589
	1 812 156	1 388 980
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. £870.0 million (2014: £1.0 billion) 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	1 177 508	1 206 625
Cash collateral on securities lent	107 437	109 462
	1 284 945	1 316 087
The assets transferred and not derecognised in the above repurchase agreements are fair valued at £1.3 billion (2014: £1.5 billion). They are pledged as security for the term of the underlying repurchase agreement.		

At 31 March £'000	2015	2014
20. Sovereign debt securities		
Bonds	667 051	893 046
Floating rate notes	–	48 855
Government securities	614 378	476 286
Treasury bills	1 677 212	1 797 245
	2 958 641	3 215 432
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	1 744 625	1 983 017
United Kingdom	1 196 877	826 219
Europe (excluding UK)*	16 033	119 785
Australia	–	286 411
Other	1 106	–
	2 958 641	3 215 432

* *Where Europe (excluding UK) includes securities held largely in Germany and France.*

At 31 March £'000	2015	2014
21. Bank debt securities		
Bonds	709 556	742 661
Debentures	53 784	59 449
Floating rate notes	397 715	764 059
Other	–	1 928
	1 161 055	1 568 097
The country risk of bank debt securities lies in the following geographies:		
South Africa	387 971	413 039
United Kingdom	404 862	537 108
Europe (excluding UK)	120 669	191 553
Australia	–	102 362
United States of America	238 555	314 015
Other	8 998	10 020
	1 161 055	1 568 097

At 31 March £'000	2015	2014
22. Other debt securities		
Bonds	501 633	391 819
Floating rate notes	28 978	52 252
Asset-based securities	87 790	150 144
Residual notes	–	9 340
Other investments	8 972	1 823
	627 373	605 378
The country risk of other debt securities lies in the following geographies:		
South Africa	362 895	302 919
United Kingdom	118 640	168 876
Europe (excluding UK)	61 926	53 344
Australia	14 428	34 564
United States of America	17 014	45 675
Other	52 470	–
	627 373	605 378

23. 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 present value of future 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.

23. Derivative financial instruments (continued)

At 31 March £'000	2015 Notional principal amounts	2015 Positive fair value	2015 Negative fair value	2014 Notional principal amounts	2014 Positive fair value	2014 Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	10 241 995	162 200	208 358	14 364 519	97 616	86 600
Currency swaps	7 103 760	403 966	736 887	7 683 969	436 114	597 503
OTC options bought and sold	5 593 003	115 279	107 165	3 763 267	46 543	44 649
Other foreign exchange contracts	234 362	3 640	4 840	910 011	2 268	3 887
OTC derivatives	23 173 120	685 085	1 057 250	26 721 766	582 541	732 639
Interest rate derivatives						
Caps and floors	1 412 395	30 072	1 930	1 119 741	5 770	8 280
Swaps	30 312 219	304 384	410 884	41 657 236	380 023	339 182
Forward rate agreements	17 341 257	9 332	8 866	47 152 374	24 744	24 906
OTC options bought and sold	89 016	1 502	1 502	627	1 706	1 533
Other interest rate contracts	27 815	9 761	5 094	27 340	11 857	7 279
OTC derivatives	49 182 702	355 051	428 276	89 957 318	424 100	381 180
Exchange traded futures	–	–	–	28 636	87	66
	49 182 702	355 051	428 276	89 985 954	424 187	381 246
Equity and stock index derivatives						
OTC options bought and sold	3 370 609	265 829	105 923	4 742 951	230 074	115 430
Equity swaps and forwards	867 835	4 959	14 200	346 576	5 092	847
OTC derivatives	4 238 444	270 788	120 123	5 089 527	235 166	116 277
Exchange traded futures	1 055 609	4 433	4 076	2 112 370	38 504	75 909
Exchange traded options	6 360 209	177 541	289 916	6 557 965	119 296	158 046
Warrants	101 076	965	139 677	15 445	1 018	78 312
	11 755 338	453 727	553 792	13 775 307	393 984	428 544
Commodity derivatives						
OTC options bought and sold	111 234	485	485	74 435	4 160	2 766
Commodity swaps and forwards	1 110 144	58 975	44 441	749 686	108 930	112 486
OTC derivatives	1 221 378	59 460	44 926	824 121	113 090	115 252
Credit derivatives	735 070	15 332	6 249	778 067	15 577	8 033
Embedded derivatives*		51 754	–		135 341	–
Cash collateral		(39 728)	(546 325)		(45 305)	(495 482)
Derivatives per balance sheet		1 580 681	1 544 168		1 619 415	1 170 232

* *Mainly includes profit shares received as part of lending transactions.*

At 31 March £'000	2015	2014
24. Securities arising from trading activities		
Bonds	194 841	107 110
Floating rate notes	2 253	11 207
Government securities	380 274	361 830
Listed equities	506 588	389 941
Other investments	2 393	–
	1 086 349	870 088

At 31 March £'000	2015	2014
25. Investment portfolio		
Listed equities	178 541	110 848
Unlisted equities*	769 305	714 897
	947 846	825 745

* *Unlisted equities includes loan instruments that are convertible into equity.*

At 31 March £'000	2015	2014
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	16 992 064	16 545 335
Impairments of loans and advances to customers	(251 801)	(263 723)
Net loans and advances to customers	16 740 263	16 281 612
Gross other loans and advances to customers	605 819	1 899 098
Impairments of other loans and advances to customers	(30 989)	(205 529)
Net other loans and advances to customers	574 830	1 693 569
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	238 020	274 239
Charge to the income statement	115 689	120 377
Reversals and recoveries recognised in the income statement	(16 224)	(11 719)
Utilised	(117 394)	(131 012)
Disposals	(1 432)	–
Transfers	–	(1 816)
Exchange adjustment	(10 464)	(12 049)
Balance at the end of the year	208 195	238 020

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At 31 March £'000	2015	2014
26. Loans and advances to customers and other loans and advances (continued)		
Portfolio impairment		
Balance at the beginning of the year	25 703	14 998
Charge to the income statement	18 603	12 574
Disposals	(1 127)	–
Transfers	–	(96)
Exchange adjustment	427	(1 773)
Balance at the end of the year	43 606	25 703
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	88 475	77 307
Charge to the income statement	9 610	28 917
Utilised	(8 282)	(19 676)
Disposals	(56 653)	–
Transfers	–	1 816
Exchange adjustment	(3 070)	111
Balance at the end of the year	30 080	88 475
Portfolio impairment		
Balance at the beginning of the year	117 054	106 864
Charge to the income statement	4 683	10 165
Disposals	(120 826)	–
Transfers	–	96
Exchange adjustment	(2)	(71)
Balance at the end of the year	909	117 054
Total specific impairments	238 275	326 495
Total portfolio impairments	44 515	142 757
Total impairments	282 790	469 252
Interest income recognised on loans that have been impaired	6 480	19 125
Reconciliation of income statement charge:		
Loans and advances to customers	118 068	121 232
Specific impairment charged to the income statement	99 465	108 658
Portfolio impairment charged to the income statement	18 603	12 574
Securitised assets (refer to note 27)	(3 980)	5 838
Specific impairment charged to the income statement	3 894	20 343
Portfolio impairment released to the income statement	(7 874)	(14 505)
Other loans and advances	14 293	39 082
Specific impairment charged to the income statement	9 610	28 917
Portfolio impairment charged to the income statement	4 683	10 165
Total income statement charge	128 381	166 152

At 31 March £'000	2015	2014
27. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	448 921	876 595
Impairments of own originated loans and advances to customers securitised	(274)	(840)
Net own originated loans and advances to customers securitised	448 647	875 755
Other securitised assets are made up of the following categories of assets:		
– Cash and cash equivalents	152 668	248 793
– Loans and advances to customers net of impairments	627 928	1 540 884
– Kensington securitised assets net of impairments	–	1 786 849
Total other securitised assets	780 596	3 576 526
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	109 953	729 534
Liabilities arising on securitisation of other assets	616 909	3 041 435
Specific and portfolio impairments		
Reconciliation of movements in group-specific and portfolio impairments of assets that have been securitised:		
Specific impairment		
Balance at the beginning of the year	(3 266)	(2 137)
Charge to the income statement	3 984	20 343
Utilised	(5 206)	(20 199)
Recoveries	(90)	75
Disposals	4 736	–
Exchange adjustment	(3)	(1 348)
Balance at the end of the year	153	(3 266)
Own originated loans and advances to customers securitised	153	390
Kensington loans and advances securitised and other securitised assets	–	(3 656)
Portfolio impairment		
Balance at the beginning of the year	30 652	45 125
Release to the income statement	(7 874)	(14 505)
Disposals	(22 631)	–
Exchange adjustment	(26)	32
Balance at the end of the year	121	30 652
Own originated loans and advances to customers securitised and other securitised assets	121	450
Kensington loans and advances securitised	–	30 202
Total portfolio and specific impairments on balance sheet	274	27 386

At 31 March £'000	2015	2014
28. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	18 210	17 250
Goodwill	7 034	7 066
Investment in associated undertakings	25 244	24 316
Associated undertakings comprise unlisted investments.		
Analysis of the movement in our share of net assets:		
At the beginning of the year	17 250	20 909
Exchange adjustments	706	(1 637)
Disposals	(255)	(6 527)
Acquisitions	124	296
Operating income from associates (included in other operating income)	1 933	5 827
Dividends received	(1 548)	(1 618)
At the end of the year	18 210	17 250
Analysis of the movement in goodwill:		
At the beginning of the year	7 066	7 041
Exchange adjustments	(32)	25
At the end of the year	7 034	7 066

At 31 March £'000	2015	2014
29. Deferred taxation		
Deferred taxation assets	99 301	131 142
Deferred taxation liabilities	(76 481)	(97 116)
Net deferred taxation assets	22 820	34 026
The net deferred taxation assets arise from:		
Deferred capital allowances	30 540	26 362
Income and expenditure accruals	50 102	34 269
Asset in respect of unexpired options	23 052	21 833
Unrealised fair value adjustments on financial instruments	(46 180)	(27 435)
Losses carried forward	11 861	43 299
Liability in respect of pensions surplus	(6 553)	(5 112)
Asset in respect of pension contributions	–	569
Deferred tax on acquired intangibles	(25 617)	(28 844)
Revaluation of property	(14 277)	(18 739)
Debt buyback	(170)	(15 839)
Finance lease accounting	3 394	2 848
Other temporary differences	812	1 555
Fair value on cash flow hedges	(4 144)	(740)
Net deferred taxation assets	22 820	34 026
Reconciliation of net deferred taxation assets/(liabilities):		
At the beginning of the year	34 026	54 829
Charge to income statement – current year taxation	(14 766)	(14 030)
Charge directly in other comprehensive income	(324)	1 888
Other	2 957	(247)
Exchange adjustments	927	(8 414)
At the end of the year	22 820	34 026

Deferred tax assets are recognised to the extent it is likely that profits will arise 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 £106.4 million (2014: £131.5 million), capital losses carried forward of £37.8 million (2014: £26.2 million) and excess management expenses of £11.4 million (2014: £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 reduced the main rate of corporate taxation 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 2015.

At 31 March £'000	2015	2014
30. Other assets		
Settlement debtors	1 059 205	917 756
Trading properties	216 049	135 818
Prepayments and accruals	71 882	126 727
Pension assets (refer to note 40)	35 900	25 560
Trading initial margin	61 179	19 274
Other	297 498	249 857
	1 741 713	1 474 992

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
31. Property and equipment						
2015						
Cost						
At the beginning of the year	48 949	54 004	25 583	77 749	32 831	239 116
Exchange adjustments	207	(2 005)	27	(5)	(2)	(1 778)
Disposal of subsidiary undertakings	–	–	(552)	(336)	–	(888)
Additions	–	13 784	569	10 752	9 508	34 613
Disposals	(117)	(8 222)	(5 115)	(2 320)	(16 402)	(32 176)
At the end of the year	49 039	57 561	20 512	85 840	25 935	238 887
Accumulated depreciation						
At the beginning of the year	(1 919)	(27 716)	(20 533)	(57 652)	(22 558)	(130 378)
Exchange adjustments	247	250	(10)	89	2	578
Disposals	–	1 836	2 473	1 651	6 064	12 024
Disposal of subsidiary undertakings	–	–	536	306	–	842
Depreciation charge for the year	(610)	(5 158)	(900)	(11 396)	(1 535)	(19 599)
At the end of the year	(2 282)	(30 788)	(18 434)	(67 002)	(18 027)	(136 533)
Net carrying value	46 757	26 773	2 078	18 838	7 908	102 354
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.*

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	2015	2014
32. Investment properties		
At the beginning of the year	509 228	451 975
Additions	109 662	148 428
Disposals	(3 497)	(16 807)
Fair value movement	18 895	16 374
Exchange adjustment	(16 390)	(90 742)
At the end of the year	617 898	509 228

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 cashflow 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 the fund's 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.

There are inter-relationships between ERV, the long-term vacancy rate and the equivalent yield. Having a lower/(higher) vacancy rate would increase/(decrease) the ERV for a property.

The following factors influence the equivalent yield applied by management when determining the fair value of a building:

- Vacancy rate
- Expected rental
- Lease term

Further analysis of investment properties is in the risk management section on pages 45 to 47 in volume two.

At 31 March £'000	2015	2014
33. Goodwill		
Cost		
At the beginning of the year	556 414	621 062
Acquisition of subsidiaries	180	–
Disposal of subsidiaries	(145 688)	(8 148)
Written off	–	(17 327)
Exchange adjustments	(4 660)	(39 173)
At the end of the year	406 246	556 414
Accumulated impairments		
At the beginning of the year	(122 843)	(154 156)
Income statement charge	(5 337)	(12 797)
Disposals of subsidiaries	80 229	–
Written off	–	17 327
Exchange adjustments	3 232	26 783
At the end of the year	(44 719)	(122 843)
Net carrying value	361 527	433 571
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	242 126	242 951
Specialist Banking	25 919	96 015
	356 090	427 011
South Africa		
Asset Management	3 320	4 346
Wealth & Investment	1 877	1 963
Specialist Banking	240	251
	5 437	6 560
Total group	361 527	433 571

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.

33. Goodwill (continued)

UK, Europe and Australia

The three most significant cash-generating units giving rise to goodwill are Investec Asset Management, Kensington and Wealth & Investment 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 Wealth & Investment goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 9.9% (2014: 10.3%) which incorporate an expected revenue growth rate of 2% (March 2014: 2%).

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 value placed on the business from the sale of 15% of the company to management in July 2013 comfortably supports the value of the goodwill of £88.0 million.

The sale of Kensington Group plc was effective on 31 January 2015. The net goodwill balance held of £39.7 million was written off to the loss on sale and is shown as a disposal in the reconciliation on page 85.

The sale of Investec Bank (Australia) Limited's (IBAL) Professional Finance (Experian), Asset Finance and deposit-taking businesses was effective 31 July 2014. Goodwill of £24.6 million was disposed of in relation to these businesses. The balance of goodwill in Australia mainly relates to the Specialist Banking business and following an assessment it has now been fully impaired.

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

2015

Goodwill arising from acquisitions (£0.18 million) relates to the acquisition of Mann Island Finance group in 2014 (as detailed in note 35).

Goodwill cost and impairment reduced following the disposal of Investec Bank (Australia) Limited and the Kensington Group in 2015 (as detailed in note 35).

2014

Goodwill cost and impairment reduced following the disposal of certain subsidiaries in 2014 (as detailed in note 35).

34. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Intellectual property	Management contracts	Client relationships	Total
2015						
Cost						
At the beginning of the year	69 902	4 226	2 034	916	185 110	262 188
Exchange adjustments	(1 047)	–	–	(104)	(570)	(1 721)
Acquisition of a subsidiary undertaking	–	–	–	–	3 416	3 416
Additions	10 526	636	–	–	–	11 162
Disposals	(14 600)	(89)	(2 034)	(85)	–	(16 808)
At the end of the year	64 781	4 773	–	727	187 956	258 237
Accumulated amortisation and impairments						
At the beginning of the year	(57 224)	(3 636)	(378)	(216)	(41 565)	(103 019)
Exchange adjustments	673	–	–	(19)	186	840
Disposals	11 914	–	378	39	–	12 331
Amortisation	(6 490)	(175)	–	(117)	(14 380)	(21 162)
At the end of the year	(51 127)	(3 811)	–	(313)	(55 759)	(111 010)
Net carrying value	13 654	962	–	414	132 197	147 227
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

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.

35. Acquisitions and disposals

2015

Acquisitions

On 8 April 2014 the group acquired the entire share capital of Robert Smith Group (Automotive) Limited (the parent of Mann Island Finance group (MIF)), a vehicle finance brokerage business.

£'000	Book value of assets and liabilities	Fair value of assets and liabilities
Loans and advances to banks	559	559
Deferred taxation assets	332	332
Other assets	2 484	2 484
Property and equipment	74	74
Intangible assets	–	5 824
Goodwill	–	180
	3 449	9 453
Current taxation liabilities	530	530
Other liabilities	2 396	2 396
	2 926	2 926
Net assets/(liabilities) fair value of net assets acquired	523	6 527
Fair value of cash consideration		7 062
		7 062
Loans and advances to banks at acquisition		559
Fair value of cash consideration		(7 062)
Net cash outflow		(6 503)

For the post-acquisition period of 8 April 2014 to 31 March 2015, the operating income of MIF totalled £7.5 million and profit before taxation totalled £0.9 million. There is no material difference between this and the operating income and profit if the acquisition had been on 1 April 2014 as opposed to 8 April 2014.

Disposals

The net loss on sale of subsidiaries of £93 million in the income statement arises from the sale of Investec Bank (Australia) Limited and the sale of the Start Mortgage Holdings and Kensington Group plc companies and subsidiaries as described below. The net cash inflow on these items amount to £226 million. Cash and cash equivalents in the subsidiaries disposed of was £75 million.

The sale of Investec Bank (Australia) Limited's (IBAL) Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This has resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold.

The sale of the group's Irish intermediated mortgage business, Start Mortgage Holdings Limited, together with certain other Irish mortgage assets to an affiliate of Lone Star Funds was effective on 4 December 2014. The sale of the UK intermediated mortgage business Kensington Group plc (Kensington) together with certain other Investec mortgage assets to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners was effective on 30 January 2015 for cash proceeds of £170 million. This has resulted in the derecognition of approximately £4.1 billion of assets and approximately £2 billion of external liabilities associated with these businesses.

35. Acquisitions and disposals (continued)

£'000	Book value of assets and liabilities IBAL	Book value of assets and liabilities Kensington and Start	Book value of assets and liabilities Total
The breakdown of significant balance sheet line items derecognised are shown below:			
Loans and advances to banks	–	47 540	47 540
Debt securities	299 904	42 141	342 045
Derivatives	–	95 565	95 565
Loans and advances to customers	1 009 199	755 270	1 764 469
Own originated loans and advances securitised	372 094	–	372 094
Other loans and advances	–	1 185 465	1 185 465
Other securitised assets	–	1 981 729	1 981 729
Combined other asset lines	44 377	7 087	51 464
Total assets	1 725 574	4 114 797	5 840 371
Deposits by banks	–	311 660	311 660
Customer accounts	1 212 467	–	1 212 467
Debt securities in issue	68 488	–	68 488
Liabilities arising on securitisation of own originated loans and advances	367 531	(128 979)	238 552
Liabilities arising on securitisation of other assets	–	1 616 003	1 616 003
Subordinated debt	42 291	71 173	113 464
Combined other liability lines	4 343	171 435	175 778
Total liabilities	1 695 120	2 041 292	3 736 412
Net assets and liabilities sold			2 103 959
Cash received in settlement of pre-existing relationships*			1 914 167
Proceeds on sale of subsidiaries			226 291
Goodwill and other adjustments on sale			(129 532)
Loss on disposal of subsidiaries			(93 033)

* *Reflected as movements in operating assets and operating liabilities within the cash flow (note 49).*

During the year the group had a net cash inflow of £42.2 million due to transactions with the non-controlling interests of Investec Property Fund Limited.

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.

At 31 March £'000	2015	2014
36. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts and insurance liabilities, including unit-linked liabilities		
Investec Employee Benefits Limited (IEB)	34 227	37 513
Investec Assurance Limited	6 301 099	5 823 876
	6 335 326	5 861 389
Insurance liabilities, including unit-linked liabilities – IEB	1 823	1 570
	6 337 149	5 862 959
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	36 050	39 083
	36 050	39 083
Investments above comprise:		
Interest-bearing securities	12 740	16 129
Stocks, shares and unit trusts	12 796	14 638
Deposits	10 514	8 316
	36 050	39 083
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	6 272 215	5 794 780
Debtors and prepayments	7 895	3 665
Other assets	20 989	25 431
	6 301 099	5 823 876
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	1 528 063	1 565 280
Stocks, shares and unit trusts	4 058 834	3 507 183
Deposits	685 318	722 317
	6 272 215	5 794 780

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	2015	2014
37. Other trading liabilities		
Deposits	44 356	38 044
Short positions		
– Equities	632 574	503 295
– Gilts	208 073	320 073
	885 003	861 412

At 31 March £'000	2015	2014
38. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	49 809	9 210
Three months to one year	160 366	136 499
One to five years	521 735	112 186
Greater than five years	69 167	34 427
	801 077	292 322
Other unlisted debt securities in issue repayable:		
Less than three months	18 458	16 911
Three months to one year	100 394	106 025
One to five years	475 833	630 977
Greater than five years	313 607	550 395
	908 292	1 304 308
	1 709 369	1 596 630

At 31 March £'000	2015	2014
39. Other liabilities		
Settlement liabilities	1 063 371	815 727
Other creditors and accruals	575 607	536 943
Other non-interest-bearing liabilities	206 701	220 207
	1 845 679	1 572 877

At 31 March £'000	2015	2014
40. Pension commitments		
Income statement charge		
Defined benefit obligations net income included in net interest income	(1 219)	(1 329)
Defined benefit net costs included in administration costs	442	482
Cost of defined contribution schemes included in staff costs	35 197	33 865
Net income statement charge in respect of pensions	34 420	33 018

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 subject to UK regulations, which require the trustees to agree a funding strategy and contribution schedule for the plans. 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 interest 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 2015 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:	2015	2014
Discount rate	3.20%	4.40%
Rate of increase in salaries	3.00%	3.40%
Rate of increase in pensions in payment	1.80% – 3.00%	1.80% – 3.40%
Inflation (RPI)	3.00%	3.40%
Inflation (CPI)	2.00%	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 MC 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	87.8	87.7
Female aged 65	89.8	89.7
Male aged 45	89.7	89.6
Female aged 45	91.2	91.1

Sensitivity analysis of assumptions

The sensitivities are only presented for the GM scheme as the equivalent increases/decreases in assumptions for the IAM scheme do not have a material impact.

If the discount rate was 0.25% higher (lower), the scheme liabilities would decrease by approximately £6.2 million (increase £6.3 million) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £3.4 million (decrease by £3.4 million). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

If the salary increase assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £0.4 million (decrease by £0.4 million) if all the other assumptions remained unchanged.

40. Pension commitments (continued)

If the pension increases assumptions were 0.25% higher (lower), the scheme liabilities would increase by approximately £2.4 million (decrease by £2.4 million) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by one year, the scheme liabilities would increase by approximately £5.1 million (decrease by £5.1 million) if all the other assumptions remained unchanged.

If the deferred revaluation assumption was 0.25% higher the scheme liabilities would increase by £1.4 million, or decrease by £1.3 million if the deferred revaluation assumption decreased by 0.25%.

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. The sensitivity analysis has been performed on the basis that the relevant assumption would occur in isolation, holding other assumptions constant.

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 77. 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 scheme were:

At 31 March £'000	2015	2014
GM scheme		
Gilts	165 729	132 799
Cash	2 600	2 634
Total market value of assets	168 329	135 433
IAM scheme		
Managed funds	24 442	22 280
Cash	49	34
Total market value of assets	24 491	22 314

There are no assets which are unquoted.

None of the group's own assets or properties occupied or used by the group is 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 2015, 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. Details of the investment strategy can be found in the GM scheme's statement of investment principles, which the trustees update as its policy evolves.

The trustees' current investment strategy is to strike a balance between maximising the returns on the scheme's assets and minimising the risks associated with lower than expected returns.

At 31 March £'000	2015 GM	2015 IAM	2015 Total	2014 GM	2014 IAM	2014 Total
40. Pension commitments (continued)						
Recognised in the balance sheet						
Fair value of fund assets	168 329	24 491	192 820	135 433	22 314	157 747
Present value of obligations	(137 947)	(18 973)	(156 920)	(116 083)	(16 104)	(132 187)
Net asset (recognised in other assets)	30 382	5 518	35 900	19 350	6 210	25 560
Recognised in the income statement						
Net interest income	947	272	1 219	1 057	272	1 329
Past service costs	(377)	(65)	(442)	(310)	(172)	(482)
Net amount recognised in the income statement	570	207	777	747	100	847
Recognised in the statement of comprehensive income						
Return on plan assets (excluding amounts in net interest income)	(28 219)	(1 982)	(30 201)	7 858	197	8 055
Actuarial gain arising from changes in financial assumptions	22 106	2 956	25 062	–	–	–
Actuarial loss arising from experience adjustments	(33)	(75)	(108)	(285)	(84)	(369)
Remeasurement of defined benefit asset	(6 146)	899	(5 247)	7 573	113	7 686
Deferred tax	(1 229)	136	(1 093)	(1 501)	(315)	(1 816)
Remeasurement of net defined benefit asset	(7 375)	1 035	(6 340)	6 072	(202)	5 870

At 31 March £'000	GM	IAM	Total
Changes in the net asset recognised in the balance sheet			
Balance at 1 April 2013	21 860	6 223	28 083
Net income recognised in the income statement	747	100	847
Amount recognised in other comprehensive income	(7 573)	(113)	(7 686)
Contributions paid	4 316	–	4 316
Balance at 1 April 2014	19 350	6 210	25 560
Net income recognised in the income statement	570	207	777
Amount recognised in other comprehensive income	6 146	(899)	5 247
Contributions paid	4 316	–	4 316
Balance at 31 March 2015	30 382	5 518	35 900

At 31 March £'000	GM	IAM	Total
40. Pension commitments (continued)			
Changes in the present value of defined benefit obligations			
Defined benefit obligation at 1 April 2013	115 643	15 721	131 364
Interest expense	4 994	685	5 679
Remeasurement 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)
Defined benefit obligation at 1 April 2014	116 083	16 104	132 187
Interest expense	4 993	693	5 686
Remeasurement gains and losses:			
– Actuarial gain arising from changes in financial assumptions	22 106	2 956	25 062
– Actuarial gain arising from experience adjustments	(33)	(75)	(108)
Benefits and expenses paid	(5 202)	(705)	(5 907)
Defined benefit obligation at 31 March 2015	137 947	18 973	156 920
Changes in the fair value of plan assets			
Fair value of plan assets at 1 April 2013	137 503	21 944	159 447
Interest income	6 051	957	7 008
Remeasurement (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)
Fair value of plan assets at 1 April 2014	135 433	22 314	157 747
Interest income	5 940	965	6 905
Remeasurement gain:			
– Return on plan assets (excluding amounts in net interest income)	28 219	1 982	30 201
Contributions by the employer	4 316	–	4 316
Benefits and expenses paid	(5 579)	(770)	(6 349)
Fair value of plan assets at 31 March 2015	168 329	24 491	192 820

The triennial funding valuation of the schemes was carried out as 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 2015 and the group expects to make £4.3 million of contributions to the defined benefit schemes in the 2015 – 2016 financial year.

The weighted average duration of the GM scheme's liabilities at 31 March 2015 is 19 years (31 March 2014: 17 years). This includes average duration of active members of 25 years, average duration of deferred pensioners of 24 years and average duration of pensioners in payment of 11 years.

The weighted average duration of the IAM scheme's liabilities at 31 March 2015 is 19 years (31 March 2014: 18 years). This includes average duration of deferred pensioners of 20.5 years and average duration of pensioners in payment of 11.5 years.

At 31 March £'000	2015	2014
41. Subordinated liabilities		
Issued by Investec Finance plc		
Guaranteed subordinated step-up notes	–	33 979
Guaranteed undated subordinated callable step-up notes	18 510	18 750
Issued by Investec Bank plc		
Subordinated fixed-rate medium-term notes	578 413	577 941
Issued by Investec Bank (Australia) Limited		
Subordinated floating rate medium-term notes	–	38 950
Issued by Kensington Group Limited (formerly Kensington Group plc)		
Callable subordinated notes	–	71 174
Issued by Investec Bank Limited		
IV08 13.735% subordinated unsecured callable upper tier 2 bonds	11 127	11 392
IV09 variable rate subordinated unsecured callable upper tier 2 bonds	11 127	11 392
IV012 variable rate subordinated unsecured callable bonds	–	14 240
IV013 variable rate subordinated unsecured callable bonds	2 782	2 848
IV014 10.545% subordinated unsecured callable bonds	6 954	7 120
IV015 variable rate subordinated unsecured callable bonds	75 108	76 894
IV016 variable rate subordinated unsecured callable bonds	18 081	18 512
IV017 indexed rate subordinated unsecured callable bonds	114 825	110 264
IV019 indexed rate subordinated unsecured callable bonds	4 771	4 536
IV019A indexed rate subordinated unsecured callable bonds	17 624	16 787
IV022 variable rate subordinated unsecured callable bonds	55 468	56 788
IV023 variable rate subordinated unsecured callable bonds	47 846	48 984
IV024 variable rate subordinated unsecured callable bonds	5 897	6 038
IV025 variable rate subordinated unsecured callable bonds	55 635	56 959
IV026 variable rate subordinated unsecured callable bonds	41 726	42 719
IV030 indexed rate subordinated unsecured callable bonds	19 055	18 263
IV030A indexed rate subordinated unsecured callable bonds	20 467	19 606
IV031 variable rate subordinated unsecured callable bonds	27 818	28 479
IV032 variable rate subordinated unsecured callable bonds	45 065	46 137
	1 178 299	1 338 752

At 31 March £'000	2015	2014
41. 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	9 736	14 240
In more than one year, but not more than two years	18 510	115 121
In more than two years, but not more than five years	22 254	405 153
In more than five years	1 127 799	804 238
	1 178 299	1 338 752

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

On 13 February 2015, Investec Finance plc redeemed at par the entire issue £33 793 000 of guaranteed subordinated step-up notes due in 2016. The notes had been guaranteed by Investec Bank plc and listed on the Luxembourg Stock Exchange.

Guaranteed undated subordinated callable step-up notes

Investec Finance plc has in issue £17 861 000 of 6.25% guaranteed undated subordinated step-up notes callable in 2017 at a discount (perpetual notes). 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 Prudential Regulation 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 £75 000 000 of 9.625% subordinated notes due 2022 at a premium (2022 notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 notes issued on 17 February 2011).

Subordinated floating rate medium-term notes (denominated in Australian Dollars)

The group disposed of its interest in Investec Bank (Australia) Limited on 31 July 2014. At that date the A$20 000 000 of floating rate medium-term notes issued by the company on 12 February 2010 and the A$50 000 000 of floating rate medium-term notes issued by the company on 20 December 2012, due to parties outside of the Investec Group, were removed from the balance sheet.

Callable subordinated notes

The group disposed of its interest in Kensington Group Limited on 30 January 2015. At that date the £69 767 000 of Callable Subordinated Notes due 2015, due to parties outside the Investec Group, were removed from the balance sheet.

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.

41. Subordinated liabilities (continued)

IV012 variable rate subordinated unsecured callable bonds

Rnil (2014: R250 million) Investec Bank Limited IV012 locally registered subordinated unsecured callable bonds were 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 was 26 November 2019, but the company had the option to call the bonds from 26 November 2014. The bonds were called on 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

R2 063 million (2014: R1 936 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.

IV019 indexed rate subordinated unsecured callable bonds

R86 million (2014: R79 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

R317 million (2014: R295 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.

41. Subordinated liabilities (continued)

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

R342 million (2014: R321 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

R368 million (2014: R344 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.

IV032 variable rate subordinated unsecured callable bonds

R810 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.

At 31 March	2015	2014

42. Ordinary share capital

Investec plc

Issued, allotted and fully paid

Number of ordinary shares	Number	Number
At the beginning of the year	608 756 343	605 196 771
Issued during the year	4 853 299	3 559 572
At the end of the year	613 609 642	608 756 343

Nominal value of ordinary shares	£'000	£'000
At the beginning of the year	122	121
Issued during the year	1	1
At the end of the year	123	122

Number of special converting shares	Number	Number
At the beginning of the year	282 934 529	279 639 164
Issued during the year	2 814 094	3 295 365
At the end of the year	285 748 623	282 934 529

Nominal value of special converting shares	£'000	£'000
At the beginning of the year	56	56
Issued during the year	1	–
At the end of the year	57	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

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	*	*

* *Less than £1 000.*

At 31 March	2015	2014

42. Ordinary share capital (continued)

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2014: R1 960 002), comprising 450 000 000 (2014: 450 000 000) ordinary shares of R0.0002 each, 47 000 000 (2014: 47 000 000) redeemable, non-participating preference shares with a par value of R0.01 each, 1 500 000 (2014: 1 500 000) Class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2014: nil) Class ILRP2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2014: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2014: 50 000) variable rate cumulative redeemable preference shares of R0.60 each, 100 000 000 (2014: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2014: 1) Dividend Access (South African Resident) redeemable preference share of R1, 1 (2014: 1) Dividend Access (Non-South African Resident) redeemable preference share of R1, 700 000 000 (2014: 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	282 934 529	279 639 164
Issued during the year	2 814 094	3 295 365
At the end of the year	285 748 623	282 934 529
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	608 756 343	605 196 771
Issued during the year	4 853 299	3 559 572
At the end of the year	613 609 642	608 756 343
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	2015	2014
42. 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	231	229
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(3)	(3)
Total called up share capital	226	224

* *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 2015	Number 2014
Opening balance	87 352 252	94 814 900
Granted during the year	17 440 425	22 749 742
Exercised	(27 868 776)	(23 893 529)
Forfeited	(2 859 164)	(6 318 861)
Closing balance	74 064 737	87 352 252

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 pages 157 and 158 and 178 to 180 in volume one.

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At 31 March £'000	2015	2014
43. Perpetual preference shares of holding company		
Perpetual preference share capital	153	153
Perpetual preference share premium (refer to note 44)	377 506	377 506
	377 659	377 659
Issued by Investec Limited		
32 214 499 (2014: 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.

	2015	2014
Issued by Investec plc		
9 381 149 (2014: 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Preference share capital	94	94
– Preference share premium	79 490	79 490
5 700 000 (2014: 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.

At 31 March £'000	2015	2014
43. Perpetual preference shares of holding company (continued)		
Issued by Investec plc – Rand-denominated		
1 859 900 (2014: 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 (2014: 416 040) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR 99.999 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 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

* *Less than £1000.*

At 31 March £'000	2015	2014
44. Share premium		
Share premium account – Investec plc	1 203 855	1 354 581
Share premium account – Investec Limited	676 787	741 044
Perpetual preference share premium	377 506	377 506
	2 258 148	2 473 131

At 31 March	2015	2014
45. Treasury shares		
	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	68 065	85 981
	Number	Number
Investec plc ordinary shares held by subsidiaries	8 325 971	10 617 633
Investec Limited ordinary shares held by subsidiaries	21 162 694	19 043 838
Investec plc and Investec Limited shares held by subsidiaries	29 488 665	29 661 471
Reconciliation of treasury shares:	Number	Number
At the beginning of the year	29 661 471	30 070 670
Purchase of own shares by subsidiary companies	22 500 856	18 181 675
Shares disposed of by subsidiaries	(22 673 662)	(18 590 874)
At the end of the year	29 488 665	29 661 471
Market value of treasury shares:	£'000	£'000
Investec plc	46 709	51 474
Investec Limited	118 723	92 325
	165 432	143 799

At 31 March £'000	2015	2014
46. Other Additional Tier 1 securities in issue		
Issued by Investec Limited		
Other Additional Tier 1 securities	30 599	–
	30 599	–

Investec Limited issued R550 million Other Additional Tier 1 floating rate notes on 14 August 2014. Interest is payable quarterly on 12 August, 12 November, 12 February and 12 May at a rate equal to the three-month JIBAR plus 4.25%. There is no maturity date but the issuer has the option to redeem on 12 August 2024 and on every interest payment date thereafter.

At 31 March £'000	2015	2014
47. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	229 957	252 713
Non-controlling interests in partially held subsidiaries	279 102	190 869
	509 059	443 582
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries	144 598	165 323
€200 000 000 (2014: €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	85 359	87 390
15 447 630 (2014: 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 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.		
	229 957	252 713

47. Non-controlling interests (continued)

The following table summarises the information relating to the group's subsidiary that has material non-controlling interests:

	Investec Asset Management Holdings (Pty) Ltd*		Investec Asset Management Limited**		Investec Property Fund Limited*	
	2015	2014	2015	2014	2015	2014
Non-controlling interests (NCI) (%)	15.0%	15.0%	15.0%	15.0%	66.9%	55.7%
Summarised financial information	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	6 470 270	6 053 512	411 419	335 020	489 673	368 678
Total liabilities	6 389 234	5 965 786	309 501	237 589	121 603	77 470
Revenue	167 010	171 384	269 048	242 796	51 583	31 274
Operating profit	73 484	76 234	75 491	67 585	49 223	29 280
Carrying amount of NCI	12 690	13 161	15 180	14 614	244 952	163 055
Profit allocated to NCI	8 131	5 496	10 053	5 535	31 658	15 676

* *Investec Asset Management Holdings (Pty) Ltd and Investec Property Fund Limited are subsidiaries of Investec Limited.*
** *Investec Asset Management Limited is an indirect subsidiary of Investec plc.*

48. Finance lease disclosures

At 31 March £'000	2015 Total future minimum payments	2015 Present value	2014 Total future minimum payments	2014 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	238 618	189 766	271 818	214 855
One to five years	347 125	301 452	557 727	471 552
Later than five years	4 510	4 289	20 055	15 159
	590 253	495 507	849 600	701 566
Unearned finance income	94 746		148 034	

At 31 March 2015, unguaranteed residual values accruing to the benefit of Investec were £2.7 million (2014: £29.4 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

For the year to 31 March £'000	2015	2014
49. Notes to the cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	391 991	424 266
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	5 337	12 797
Amortisation of intangible assets	14 497	13 393
Loss/(gain) on disposal of subsidiaries	93 033	(9 821)
Depreciation and impairment of property, equipment and intangibles	26 264	34 750
Impairment of loans and advances	128 381	166 152
Operating income from associates	(1 933)	(5 827)
Dividends received from associates carried at fair value	1 548	1 618
Share-based payment charges	63 475	66 905
Profit before taxation adjusted for non-cash items	722 593	704 233
Increase in operating assets		
Loans and advances to banks	11 787	(395 083)
Reverse repurchase agreements and cash collateral on securities borrowed	(434 659)	774 522
Sovereign debt securities	69 913	302 132
Bank debt securities	228 303	(16 079)
Other debt securities	(21 744)	(252 405)
Derivative financial instruments	(93 786)	168 202
Securities arising from trading activities	(224 105)	30 756
Investment portfolio	(139 098)	(24 155)
Loans and advances to customers	(1 879 036)	(943 883)
Securitised assets	1 218 650	206 123
Other assets	(312 563)	321 228
Investment properties	(120 093)	(156 259)
Assurance assets	(615 861)	(995 046)
	(2 312 292)	(979 947)
Increase in operating liabilities		
Deposits by banks	(471 593)	(37 848)
Derivative financial instruments	405 070	(124 619)
Other trading liabilities	36 059	115 657
Repurchase agreements and cash collateral on securities lent	(14 530)	(431 611)
Customer accounts	1 580 234	1 304 265
Debt securities in issue	196 794	(125 906)
Securitised liabilities	(1 180 257)	(212 955)
Other liabilities	1 123 494	(192 997)
Assurance liabilities	615 861	995 046
	2 291 132	1 289 032

At 31 March £'000	2015	2014
50. Commitments		
Undrawn facilities	3 267 814	3 016 254
Other commitments	38 226	25 245
	3 306 040	3 041 499

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 the balance sheet.

	2015	2014
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	48 923	51 375
One to five years	185 025	170 652
Later than five years	122 034	134 751
	355 982	356 778

At 31 March	Carrying amount of pledged asset		Related liability	
£'000	2015	2014	2015	2014
Pledged assets				
Other loans and advances	25 253	–	25 253	–
Loans and advances to banks	210 061	224 254	164 661	247 937
Sovereign debt securities	433 059	537 376	596 527	771 101
Bank debt securities	474 899	654 973	285 130	297 376
Other debt securities	171 548	87 818	95 222	41 863
Securities arising from trading activities	599 992	553 287	594 401	463 817
Reverse repurchase agreements and cash collateral on securities borrowed	38 808	129 574	26 254	129 574
	1 953 620	2 187 282	1 787 448	1 951 668

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 re-pledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

At 31 March £'000	2015	2014
51. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	1 061 266	908 581
	1 061 266	908 581

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 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 based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) as 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 £1.65 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 ITG Limited (formerly Investec Trust (Guernsey) Limited), a subsidiary of Investec plc, for breach of equitable duty for 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	2015	2014
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 the year	33 472	43 463
Increase in loans	14 461	5 666
Repayment of loans	(10 024)	(11 026)
Exchange adjustment	(694)	(4 631)
At the end of the year	37 215	33 472
Guarantees		
At the beginning of the year	4 409	4 757
Additional guarantees granted	6 062	4 409
Guarantees cancelled	(1 876)	(4 591)
Exchange adjustment	(83)	(166)
At the end of the year	8 512	4 409
Deposits		
At the beginning of the year	(27 668)	(53 544)
Increase in deposits	(27 261)	(20 463)
Decrease in deposits	19 245	26 089
Exchange adjustment	147	20 250
At the end of the year	(35 537)	(27 668)

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	2015	2014
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	25 734	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		
Transactions with associates		
Amounts due from associates	9 069	16 409
Interest income from loans to associates	1 218	959
Fees and commission income from associates	202	108

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
2015						
Assets	Interest rate swap	(138 888)	(114 243)	(102 675)	101 462	97 588
Liabilities	Interest rate swap	8 276	8 276	3 023	(8 161)	(2 989)
		(130 612)	(105 967)	(99 652)	93 301	94 599
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)

As at year end the hedges were both retrospectively and prospectively effective.

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 recycled 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
2015			
Assets	Cross-currency swap	242 346	Three months
	Forward exchange contract	21	Within a year
		242 367	
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	

There was no ineffective portion recognised in the income statement.

Releases to the income statement for cash flow hedges are included in net interest income.

53. Hedges (continued)

Hedges of net investments in foreign operations

During the current year, the group has closed out various foreign exchange contracts it held 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
2015	–
2014	(1 081)

There was no ineffective portion recognised in the income statement in the current year and the prior year.

For the year ended 31 March 2015, 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) Limited.

At 31 March R'million	Hedging instrument fair value
2015	(19 531)
2014	(1 897)

There was no ineffective portion recognised in the income statement in the current and the prior year.

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month
2015		
Liabilities		
Deposits by banks	112 346	140 209
Derivative financial instruments	783 784	24 557
Derivative financial instruments – held for trading	781 051	–
Derivative financial instruments – held for hedging risk	2 733	24 557
Other trading liabilities	885 003	–
Repurchase agreements and cash collateral on securities lent	573 982	528 152
Customer accounts (deposits)	7 418 595	2 810 120
Debt securities in issue	–	49 914
Liabilities arising on securitisation of own originated loans and advances	–	–
Liabilities arising on securitisation of other assets	–	5 726
Other liabilities	338 783	1 084 193
Subordinated liabilities	39	3 403
Total on balance sheet liabilities	10 112 532	4 646 274
Contingent liabilities	334 647	4 067
Commitments	486 607	5 145
Total liabilities	10 933 786	4 655 486
2014		
Liabilities		
Deposits by banks	432 019	413 896
Derivative financial instruments	728 205	3 148
– held for trading	726 567	–
– 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

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 68 and 69 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
46 312	557	678 088	848 696	107 804	1 934 012
107 903	47 158	68 183	270 830	254 312	1 556 727
–	–	–	–	–	781 051
107 903	47 158	68 183	270 830	254 312	775 676
–	–	–	–	–	885 003
(233 337)	37 911	74 556	230 653	96 261	1 308 178
3 853 050	3 330 352	1 917 003	3 056 024	287 587	22 672 730
103 852	150 470	272 717	1 069 031	144 103	1 790 087
–	492	65	304 417	109 378	414 352
2 194	7 688	14 835	106 420	678 803	815 666
299 612	57 967	36 044	113 436	51 042	1 981 078
17 512	9 639	75 734	573 739	1 090 563	1 770 628
4 197 098	3 642 234	3 137 225	6 573 246	2 819 853	35 128 462
229 336	10 794	13 326	423 685	72 046	1 087 901
560 346	106 338	325 268	995 109	844 952	3 323 765
4 986 780	3 759 366	3 475 819	7 992 040	3 736 851	39 540 128
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

55. Principal subsidiaries and associated companies – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest 2015	Interest 2014
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	Leasing company	Australia	–	100.0%
Investec Asset Management Limited	Asset management	England and Wales	85.0%	85%
Investec Bank plc	Banking institution	England and Wales	100.0%	100.0%
Investec Bank (Australia) Limited	Banking Institution	Australia	–	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	Financial services	Ireland	100.0%	100.0%
Investec Professional Finance (Pty) Ltd	Financial services	Australia	–	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 Holdings (Australia) Limited	Holding company	Australia	100.0%	100.0%
Investec Investments (UK) 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 Limited (formerly Kensington Group plc)	Financial services	England and Wales	–	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' Park Mortgage Funding Limited	Financial services	England and Wales	–	100.0%
Start Funding No 1 Limited	Financial services	Ireland	–	100.0%
Start Funding No 2 Limited	Financial services	Ireland	–	100.0%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%

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	2015	2014
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 28.

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
Gresham Capital CLO BV	Structured debt and loan portfolios
Landmark Mortgage Securities No 2 plc	Securitised Residential Mortgages (UK)
Landmark Mortgage Securities No 3 plc	Securitised Residential Mortgages (UK)
Residential Mortgage Securities 23 plc	Securitised Residential Mortgages (UK)
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 1 plc	Securitised receivables (UK)
Temese Funding 2 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 27. 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 in volume two.

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 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

The group has securitised portfolios 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 £169.1 million (2014: £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 (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 pages 80 and 81 in volume two.

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 notes 19 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 2015 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	35 443	Limited to the carrying value	Investment income	2 751

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

31 March 2015

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 22 to 30.

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.	

55. Principal subsidiaries and associated companies – Investec plc (continued)

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 2015 £'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	5 015	Limited to the carrying value	302 703	Investment expense	(11 732)
Residential mortgage securitisations	Other debt securities	7 139	Limited to the carrying value	192 891	Net interest income	120
					Investment expense	260
	Other loans and advances	77 628	Limited to the carrying value	1 642 784	Net interest income	9 057

31 March 2014 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	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 expense	15 139
Residential mortgage securitisations	Other debt securities	41 791	Limited to the carrying value	163 829	Interest expense	(1 042)
					Investment expense	(98)

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

	2015 Structured CDO and CLO securitisations^	2014 Residential mortgage securitisations
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.	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	Nil	Mortgage manager fees of £83 000 per annum.
Carrying amount of all assets transferred	£222 million of CDO and CLO assets.	£269 million of mortgage assets.

^ *Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation (CLO).*

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 interest is included in the risk management report on pages 48 and 49.

56. Principal subsidiaries and associated companies – Investec Limited

At 31 March	Principal activity	Country of incorporation	Interest 2015	Interest 2014
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	85.0%	85.0%
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%	85.0%
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%	85.0%
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%	85.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	33.1%	44.3%

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
Fox Street 3 (RF) Ltd	Securitised residential mortgages
Fox Street 4 (RF) Ltd	Securitised residential mortgages
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 27. 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 group considers that it has control over Investec Property Fund Limited as a result of the number of common directors with the holding company and the impact this has on the beneficial returns. Management considers this interest to currently be sufficient to meet the definition of control. Any change in the holding in Investment Property Fund Limited would require a re-assesment of the facts and circumstances.

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.

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 support. Transactions with these funds are conventional customer-supply relationships.

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						
2015						
Assets						
Cash and balances at central banks	2 529 562	–	2 529 562	–	–	2 529 562
Loans and advances to banks	3 592 189	(546 325)	3 045 864	–	(185 581)	2 860 283
Non-sovereign and non-bank cash placements	586 400	–	586 400	–	–	586 400
Reverse repurchase agreements and cash collateral on securities borrowed	1 817 569	(5 413)	1 812 156	(511 862)	(3 657)	1 296 637
Sovereign debt securities	2 958 641	–	2 958 641	(609 167)	–	2 349 474
Bank debt securities	1 161 055	–	1 161 055	(290 084)	–	870 971
Other debt securities	627 373	–	627 373	(95 222)	–	532 151
Derivative financial instruments*	9 563 579	(7 982 898)	1 580 681	(640 122)	(81 087)	859 472
Securities arising from trading activities	1 086 349	–	1 086 349	(645 260)	–	441 089
Investment portfolio	947 846	–	947 846	–	–	947 846
Loans and advances to customers	16 851 416	(111 153)	16 740 263	–	–	16 740 263
Own originated loans and advances to customers securitised	448 647	–	448 647	–	–	448 647
Other loans and advances	574 830	–	574 830	–	(25 253)	549 577
Other securitised assets	780 596	–	780 596	–	–	780 596
Other assets*	19 208 154	(17 466 441)	1 741 713	(2 960)	–	1 738 753
	62 734 206	(26 112 230)	36 621 976	(2 794 677)	(295 578)	33 531 721
Liabilities						
Deposits by banks	1 956 497	(48 203)	1 908 294	–	(46 431)	1 861 863
Derivative financial instruments	2 972 410	(1 428 242)	1 544 168	(741 275)	(203 056)	599 837
Other trading liabilities*	24 986 100	(24 101 097)	885 003	(243 315)	–	641 688
Repurchase agreements and cash collateral on securities lent	1 284 945	–	1 284 945	(1 284 945)	–	–
Customer accounts (deposits)	22 717 546	(102 678)	22 614 868	–	(18 094)	22 596 774
Debt securities in issue	1 709 369	–	1 709 369	(312 416)	(7 777)	1 389 176
Liabilities arising on securitisation of own originated loans and advances	109 953	–	109 953	–	–	109 953
Liabilities arising on securitisation of other assets	616 909	–	616 909	–	–	616 909
Other liabilities	2 277 689	(432 010)	1 845 679	(53 556)	–	1 792 123
Subordinated liabilities	1 178 299	–	1 178 299	–	–	1 178 299
	59 809 717	(26 112 230)	33 697 487	(2 635 507)	(275 358)	30 786 622

* *Obligations arising in equity transactions in our prime brokerage business and are legally enforceable and settled net.*

57. Offsetting (continued)

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		
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.*

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 the 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.

	2015		2014	
No derecognition achieved £'000	Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities	Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	542 057	(110 067)	837 711	(233 450)
Other loans and advances	172 582	–	560 461	(181 996)
Other securitised assets	231 979	(197 208)	428 513	(347 234)
	946 618	(307 275)	1 826 685	(762 680)

For transfer of assets in relation to repurchase agreements see note 19.

59. Restatements

The group has adopted the following new or revised standards from 1 April 2014:

IFRIC 21 Levies

The group has adopted IFRIC 21 Levies from 1 April 2014.

The cumulative impact of the restatement as at March 2013 is a decrease in operating costs and other liabilities of £4.7 million and an increase in taxation on operating profit before goodwill and deferred taxation liabilities of £1.0 million. The net impact on retained income at 31 March 2014 is an increase of £2.8 million.

Balance sheet

At 31 March £'000	Notes	2015	2014
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 817 840	1 817 840
Current assets			
Amounts owed by group undertakings		473 982	545 581
Tax		20 207	14 550
Other debtors		23	32
Prepayments and accrued income		259	371
Cash at bank and in hand			
– balances with other banks		563	567
		495 034	561 101
		2 312 874	2 378 941
Current liabilities			
Bank loans	c		
– with subsidiary undertaking		66 710	44 498
– with other banks		–	40 013
Debt securities in issue		18 078	29 712
Derivative financial instruments		104	178
Amounts owed to group undertakings		630 817	754 940
Other liabilities		721	509
Accruals and deferred income		4 539	3 094
		720 969	872 944
Capital and reserves			
Called-up share capital	d	180	178
Perpetual preference shares	d	151	151
Share premium account	d	1 171 441	1 146 548
Capital reserve	d	180 483	356 292
Retained income	d	239 650	2 828
Total capital and reserves		1 591 905	1 505 997
Total capital and liabilities		2 312 874	2 378 941

The notes on pages 127 and 128 form an integral part of the financial statements.

Approved and authorised for issue by the board of directors on 10 June 2015 and signed on its behalf by:

Stephen Koseff
Chief executive officer

10 June 2015

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 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 financial statements. The company has taken advantage of the exemptions available in Financial Reporting Standard 8 group from disclosing transactions with related parties which are wholly owned members of Investec plc group.

b. Investments in subsidiary undertakings

£'000	2015	2014
At the beginning and 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 was repaid on 10 February 2015. During the year ended 31 March 2014, 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 US$15 million was issued on 14 February 2014, repaid 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)

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 2014	178	151	1 146 548	356 292	2 828	1 505 997
Issue of ordinary shares	2	–	24 893	–	–	24 895
Release of capital reserve to profit and loss	–	–	–	(175 809)	175 809	–
Profit for the year	–	–	–	–	161 330	161 330
Dividends paid to preference shareholders	–	–	–	–	(3 315)	(3 315)
Dividends paid to ordinary shareholders	–	–	–	–	(97 002)	(97 002)
At 31 March 2015	180	151	1 171 441	180 483	239 650	1 591 905

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.

The company's profit for the year, determined in accordance with the Act, was £161 330 000 (2014: £48 309 000).

f. Audit fees

Details of the company's audit fees are set out in note 6 to the group financial statements.

g. Dividends

Details of the company's dividends are set out in note 10 to the group financial statements.

h. Share capital

Details of the company's ordinary share capital are set out in note 42 to the group financial statements. Details of the perpetual preference shares are set out in note 43 to the group financial statements.

i. Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included in the combined consolidated financial statements of Investec plc and Investec Limited for the year ended 31 March 2015.

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.

Condensed Investec Limited parent company accounts

Income statement

For the year to 31 March R'million	2015	2014
Interest income	101	69
Interest expense	(47)	(31)
Net interest income	**54**	**38**
Fee and commission expense	(1)	(5)
Investment income	1 279	1 578
Trading income arising from balance sheet management and other trading activities	(2)	42
Operating income	**1 330**	**1 653**
Operating costs	111	64
Operating profit	**1 441**	**1 717**
Non-operational costs arising from disposal of subsidiary	–	641
Profit before taxation	**1 441**	**2 358**
Taxation	(26)	42
Profit after taxation	**1 415**	**2 400**

Statement of comprehensive income

For the year to 31 March R'million	2015	2014
Profit after taxation	1 415	2 400
Total comprehensive income	**1 415**	**2 400**
Total comprehensive income attributable to ordinary shareholders	1 164	2 188
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	251	212
Total comprehensive income	**1 415**	**2 400**

Balance sheet

At 31 March R'million	Notes	2015	2014
Assets			
Loans and advances to banks		34	31
Other debt securities		–	3
Other assets		–	5
Investment in subsidiaries	b	15 854	15 720
		15 888	15 759
Liabilities			
Debt securities in issue		913	808
Current taxation liabilities		118	107
Other liabilities		170	119
		1 201	1 034
Equity			
Ordinary share capital	c	1	1
Share premium		10 347	10 094
Other reserves		62	62
Retained income		3 727	4 568
Shareholders' equity excluding Additional Tier 1 securities in issue		14 137	14 725
Other Additional Tier 1 securities in issue		550	–
Total equity		14 687	14 725
Total liabilities and shareholders' equity		15 888	15 759

Statement of changes in equity

R'million	Share capital	Share premium	Other reserves	Retained income	Total shareholders' equity	Other Additional Tier 1 securities in issue	Total equity
At 1 April 2013	1	9 863	62	4 288	14 214	–	14 214
Total comprehensive income	–	–	–	2 400	2 400	–	2 400
Share-based payments adjustments	–	–	–	(288)	(288)	–	(288)
Dividends paid to ordinary shareholders	–	–	–	(1 620)	(1 620)	–	(1 620)
Dividends paid to perpetual preference shareholders	–	–	–	(212)	(212)	–	(212)
Issue of ordinary shares	–	231	–	–	231	–	231
At 31 March 2014	1	10 094	62	4 568	14 725	–	14 725
Total comprehensive income	–	–	–	1 415	1 415	–	1 415
Share-based payments adjustments	–	–	–	(679)	(679)	–	(679)
Dividends paid to ordinary shareholders	–	–	–	(1 326)	(1 326)	–	(1 326)
Dividends paid to perpetual preference shareholders	–	–	–	(251)	(251)	–	(251)
Issue of ordinary shares	–	253	–	–	253	–	253
Issue of Other Additional Tier 1 securities in issue	–	–	–	–	–	550	550
At 31 March 2015	1	10 347	62	3 727	14 137	550	14 687

Cash flow statement

For the year to 31 March R'million	2015	2014
Cash flows from operating activities		
Cash generated by operating activities	762	1 429
Taxation paid	(15)	(98)
Increase in operating liabilities	156	403
Decrease in operating assets	8	523
Net cash inflow from operating activities	911	2 257
Cash flows from financing activities		
Proceeds on issue of shares, net of related costs	253	231
Proceeds on issue of Other Additional Tier 1 securities in issue	550	–
Dividends paid	(1 577)	(1 832)
Net increase in subsidiaries and loans to group companies	(134)	(655)
Net cash outflow from financing activities	(908)	(2 256)
Net increase in cash and cash equivalents	3	1
Cash and cash equivalents at the beginning of the year	31	30
Cash and cash equivalents at the end of the year	34	31
Cash and cash equivalents is defined as including:		
On demand loans and advances to banks	34	31
Cash and cash equivalents at the end of the year	34	31

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

Condensed 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 22 to 30 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 statement at cost less any impairment in value.

b. Investment in subsidiaries

R'million	2015	2014
At the beginning of the year	15 720	14 424
Net increase in investment in subsidiaries	–	855
Disposal of subsidiaries	–	(12)
Increase in loans to subsidiaries	134	453
At the end of the year	15 854	15 720

A list of the companies principal subsidiaries is detailed in note 55 to the group accounts on pages 121 to 122.

c. The company's share capital is detailed in note 42 to the group accounts on pages 101 to 102.

d. The company's perpetual preference shares are detailed in note 43 to the group accounts on page 103 to 104.

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.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 50 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 53

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 53

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 53 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 50 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 50 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 89 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 53

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Hendrik J du Toit (chief executive officer, Investec Asset Management)

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Zarina BM Bassa^
Laurel C Bowden°
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
Bradley Fried
David Friedland
Haruko Fukuda OBE
Charles R Jacobs*
Ian R Kantor
Lord Malloch-Brown*
Khumo L Shuenyane*
Peter RS Thomas

George FO Alford, Olivia C Dickson and M Peter Malungani resigned with effect 7 August 2014.
Sir David Prosser resigned with effect 8 August 2014.

^ *Appointed with effect 1 November 2014.*
° *Appointed with effect 1 January 2015.*
* *Appointed with effect 8 August 2014.*

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