2016

ANNUAL REPORT

Investec annual financial statements

Out of the Ordinary®

Investec

Volume 3

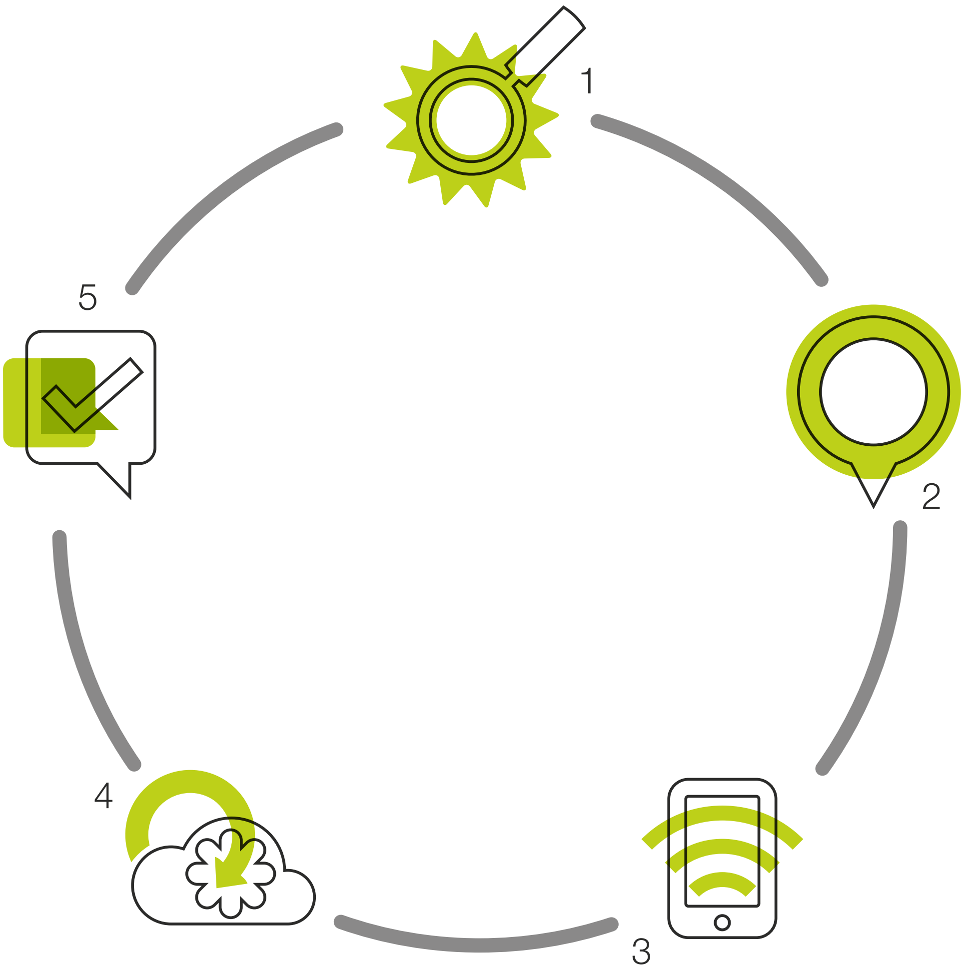
THE 2016 integrated annual report covers the period 1 April 2015 to 31 March 2016 and provides an overview of the Investec group

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.

STRATEGIC REPORT INCORPORATING GOVERNANCE, SUSTAINABILITY AND THE REMUNERATION REPORT

RISK AND BASEL PILLAR III DISCLOSURES REPORT

ANNUAL FINANCIAL STATEMENTS



CROSS REFERENCE TOOLS

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

2. Page references
Refers readers to information elsewhere in this report

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

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

5. Reporting standard
Denotes our consideration of a reporting standard

FEEDBACK

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.

For queries regarding information in this document

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(44) 20 7597 5546
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Financial statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on pages 13 to 21, 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, play 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 provide 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 FRS 101 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 13 to 21. 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 9 and pages 22 to 144, were approved by the board of directors on 9 June 2016.

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
Chief executive officer

Bernard Kantor
Managing director

9 June 2016

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 2016, 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

9 June 2016

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, UK and Europe, South Africa and Asia/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.

Section 414A of the UK Companies Act 2006 requires the directors to present a strategic report in the annual report and accounts. The company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in its strategic report that would otherwise be disclosed in this directors' report. The strategic report on pages 14 to 17 in volume one provides an overview of our strategic position, performance during the financial year and details of likely future developments in the business.

The strategic report should be read in conjunction with the sections on pages 22 to 25 in volume one 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:

- 3 308 387 ordinary shares on 25 June 2015 at 599.00 pence per share
- 2 222 356 special converting shares on 25 June 2015 of £0.0002 each at par
- 3 392 727 special converting shares on 26 June 2015 of £0.0002 each at par
- 500 835 ordinary shares on 14 August 2015 at 599.00 pence per share.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2016.

Investec Limited

During the year, the following shares were issued:

- 128 670 Class ILRP2 redeemable non-participating preference shares on 29 May 2015 at R1 010.35 per share (R0.01 par and premium of R1 010.34 per share)
- 2 222 356 ordinary shares on 25 June 2015 at R109.98 per share (R0.0002 par and premium of R109.9798 per share)
- 3 308 387 special convertible redeemable preference shares on 25 June 2015 of R0.0002 each at par
- 3 392 727 ordinary shares on 26 June 2015 at R108.23 per share (R0.0002 par and premium of R108.2298 per share)
- 500 835 special convertible redeemable preference shares on 14 August 2015 of R0.0002 each at par.

On 11 September 2015, a partial early redemption of 54 456 Class ILRP1 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

On 29 January 2016, a partial early redemption of 20 000 Class ILRP1 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

On 29 January 2016, a partial early redemption of 31 431 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

On 23 February 2016, a partial early redemption of 20 000 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2016.

At 31 March 2016, Investec Limited held 24 158 289 shares in treasury (2015: 21 162 694). Investec plc held 16 141 177 shares in treasury (2015: 8 325 971). The maximum number of shares held in treasury by Investec Limited during the period under review was 25 775 322.

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 2016. 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:

- 9.5 pence per ordinary share to non-South African resident shareholders and South African resident shareholders (2014: 8.5 pence) registered on 11 December 2015 and was paid on 23 December 2015.

The directors have proposed a final dividend to shareholders registered on 29 July 2016, of 11.5 pence (2015: 11.5 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 4 August 2016 and, if approved, will be paid on 10 August 2016, as follows:

- 11.5 pence per ordinary share to non-South African resident shareholders (2015: 11.5 pence) registered on 29 July 2016.
- To South African resident shareholders registered on 29 July 2016, through a dividend paid by Investec Limited on the SA DAS share, of 9.5 pence per ordinary share and 2.0 pence per ordinary share paid by Investec plc.

INVESTEC LIMITED

An interim dividend of 207.0 cents per ordinary share (2014: 146.0 cents) was declared to shareholders registered on 11 December 2015 and was paid on 23 December 2015.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2016 of 266 cents (2015: 216 cents) per ordinary share. The final dividend will be payable on Wednesday, 10 August 2016 to shareholders on the register at the close of business on Friday, 29 July 2016. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 4 August 2016.

Preference dividends

INVESTEC PLC

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

Preference dividend number 19 for the period 1 April 2015 to 30 September 2015, amounting to 7.52055 pence per share, was declared to members holding preference shares registered on 4 December 2015 and was paid on 14 December 2015.

Preference dividend number 20 for the period 1 October 2015 to 31 March 2016, amounting to 7.52055 pence per share, was declared to members holding preference shares registered on 10 June 2016 and will be paid on 20 June 2016.

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

Preference dividend number 9 for the period 1 April 2015 to 30 September 2015, amounting to 445.06849 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 4 December 2015 and was paid on 14 December 2015.

Preference dividend number 10 for the period 1 October 2015 to 31 March 2016, amounting to 470.25000 cents per share, was declared to members holding preference shares registered on 10 June 2016 and will be paid on 20 June 2016.

INVESTEC LIMITED

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

Preference dividend number 22 for the period 1 April 2015 to 30 September 2015, amounting to 364.34712 cents per share, was declared to shareholders holding preference shares registered on 4 December 2015 and was paid on 14 December 2015.

Preference dividend number 23 for the period 1 October 2015 to 31 March 2016, amounting to 384.96150 cents per share, was declared to shareholders holding preference shares registered on 10 June 2016 and will be paid on 20 June 2016.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 8 for the period 1 April 2015 to 30 June 2015, amounting to 1 289.29579 cents per share, was declared to shareholders holding preference shares on 24 July 2015 and was paid on 27 July 2015.

Preference dividend number 9 for the period 1 July 2015 to 30 September 2015, amounting to 1 329.37002 cents per share, was declared to shareholders holding preference shares on 23 October 2015 and was paid on 26 October 2015.

Preference dividend number 10 for the period 1 October 2015 to 31 December 2015, amounting to 1 353.75897 cents per share, was declared to shareholders holding preference shares on 22 January 2016 and was paid on 25 January 2016.

Preference dividend number 11 for the period 1 January 2016 to 31 March 2016, amounting to 1 410.01817 cents per share, was declared to shareholders holding preference shares on 22 April 2016 and was paid on 25 April 2016.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 1 for the period 25 March 2015 to 30 June 2015, amounting to 1388.47239 cents per share, was declared to shareholders holding preference shares on 24 July 2015 and was paid on 27 July 2015.

Preference dividend number 2 for the period 1 July 2015 to 30 September 2015, amounting to 1 329.37002 cents per share, was declared to shareholders holding preference shares on 23 October 2015 and was paid on 26 October 2015.

Preference dividend number 3 for the period 1 October 2015 to 31 December 2015, amounting to 1 353.75897 cents per share, was declared to shareholders holding preference shares on 22 January 2016 and was paid on 25 January 2016.

Preference dividend number 4 for the period 1 January 2016 to 31 March 2016, amounting to 1 410.01817 cents per share, was declared to shareholders holding preference shares on 22 April 2016 and was paid on 25 April 2016.

Redeemable cumulative preference shares

Dividends amounting to R21 453 331 (2015: R19 970 856) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and company secretaries of Investec plc and Investec Limited are reflected on pages 115 and 118 in volume one.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2016 annual general meeting.

H Fukuda, OBE did not offer herself for re-election at the annual general meeting held on 6 August 2015.

B Fried resigned from the board with effect from 1 April 2016.

The company secretary of Investec plc is David Miller and Niki van Wyk is the company secretary of Investec Limited.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 176 to 179 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 110 to 133 in volume one.

Share incentives

Details regarding options granted during the year are set out on page 179 in volume one.

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 committees are set out on pages 125 to 129 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 4 August 2016.

Contracts

Refer to pages 124 and 125 in volume one for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 122 to 128.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 137 in volume one.

Special resolutions

INVESTEC PLC

At the annual general meeting held on 6 August 2015, 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 6 August 2015, 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 and any of its subsidiaries to acquire its own Class ILRP1 redeemable, non-participating preference shares, Class ILRP2 redeemable, non-participating preference shares, any other redeemable, non-participating preference shares and non-redeemable, non-cumulative, non-participating preference 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
- The authorised share capital of Investec Limited was amended by the conversion of 1 091 681 authorised but unissued Class ILRP1 redeemable, non-participating preference shares to 1 091 681 authorised but unissued redeemable, non-participating preference shares
- Annexure A to the Memorandum of Incorporation was amended to correctly reflect the authorised share capital of Investec Limited by reducing the number of authorised Class ILRP1 redeemable, non-participating preference shares from 1 500 000 to 408 319 and increasing the number of redeemable, non-participating preference shares from 47 000 000 to 48 091 681
- Annexure B1 of the Memorandum of Incorporation was amended by the deletion of the current paragraphs 46 and 47 and the substitution thereof with new paragraphs 46 and 47.

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 are prepared under FRS 101.

These policies are set out on pages 28 to 36 in volume three.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 6 to 99 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 32 and 33 and in note 53 in volume three.

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 145 to 149 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, through its subsidiaries, made political donations totalling R1.5 million in 2016 (2015: R1.0 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 153 to 156 in volume one.

Going concern

Refer to page 121 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.

Viability statement

Refer to pages 121 to 123 in volume one for the directors' viability statement.

Risk management policies

The group's policies for managing the financial risk to which it is exposed and exposure to price, credit, liquidity and cash flow risk are set out in the risk management section on pages 6 to 99 in volume two.

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

9 June 2016

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 2016 consists of 617 418 864 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, 291 363 706 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* herewith 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 the Articles 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 Rands.

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 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.

Our opinion on the financial statements

IN OUR OPINION:

- the combined consolidated financial statements (the 'financial statements') and parent company financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly 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 Accounting Standards. including FRS 101 'Reduced Disclosure Framework'; 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

Investec plc's financial statements comprise:

Group	Parent company
Combined consolidated balance sheet as at 31 March 2016	Balance sheet as at 31 March 2016
Combined consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Combined consolidated statement of comprehensive income for the year then ended	Related notes a to h to the financial statements
Combined consolidated statement of changes in equity for the year then ended	
Combined consolidated cash flow statement for the year then ended	
Related notes 1 to 59 to the financial statements	

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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	• The monitoring of credit quality and the appropriateness of the allowance for credit losses; • Risk of inappropriate revenue recognition – valuation of complex/illiquid financial instruments, unlisted investments and embedded derivatives; • The quality of financial reporting – inaccurate or improper accounting and financial reporting of large or complex transactions, including risk of inappropriate or centralised adjustments; • Provision for uncertain tax positions; and • IT security and change controls.
Audit scope	• We performed an audit of the complete financial information of six components, specific scope on two components and review procedures for the remaining three components. • Our full scope components covered 91% of operating profit before goodwill and acquired intangibles, the measure used to calculate materiality, 99% of revenue and 98% of total assets.
Materiality	• Overall group materiality of £27 million which represents 5% of operating profit before goodwill and acquired intangibles.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

We also addressed the risk of management override of internal controls including whether there was evidence of bias by management or the directors that represented a risk of material misstatement due to fraud.

Risk	Our response to the risk	What we concluded to the audit committee
Monitoring of credit quality and the appropriateness of the allowance for credit losses *Refer to the audit committee report (page 127 of volume one); accounting policies (page 36); and note 26 of the consolidated financial statements (page 82)* The appropriateness of the allowance for credit losses is subjective due to the high degree of judgement applied by management in determining the impairment provisions at the balance sheet date. The audit focused on impairment due to the materiality of the balances and the subjective nature of the calculation. The largest loan portfolios represent lending to high net worth and professional individuals and lending collateralised by property and asset finance. The most significant impairments are for lending collateralised by property in relation to the legacy portfolio, refer to page 83 of volume one for the definition. The risk has remained consistent in the current year on the ongoing portfolio, however, has decreased in the current year for the legacy portfolio as management have taken advantage of market conditions to accelerate the exit of certain positions.	We documented and tested management's processes and controls for assessing, calculating and booking loans and receivables impairment provisions, including the governance over the impairment process and the identification of impairment events. In particular, we tested loan exposures on a sample basis to ensure all loans which had suffered an incurred loss event had been included in the specific provisioning process. Loan exposures in the Specialist Bank typically display unique characteristics. Management assesses these loans for impairment provisioning on an individual basis. We reviewed an extensive sample of such exposures, selected after performing a risk assessment on the portfolio, to understand the latest developments which influence performance and recoverability and critically assessed the basis of determining any impairment provisions held. This is an inherently judgemental process and particularly important where management are pursuing bespoke workout strategies in the legacy portfolio. We assessed management's assumptions about future cash flow projections and the valuation of collateral held, against our previous experience and available market information. For a sample of the loans tested we used our valuation specialists to test the collateral valuations supporting the recovery of the loans, in particular in relation to lending collateralised by property. Where workout strategies require additional funding to execute we obtained evidence of the approval for such funding through management's risk governance process as well as assessing the track record of management approving and utilising the additional funding. In addition to the work performed on the non-performing and legacy portfolios we randomly selected a sample of performing loans to assess whether all necessary impairments had been identified by management. Certain Private Banking and 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, tested back to source systems and client data. In examining the models and assumptions, we back tested the historic performance of the models to determine whether all relevant risks and drivers were reflected in the calculations or whether model overlays were required. We performed full scope audit procedures over this risk area in two components, which covered 99% of the risk amount.	We concluded that for the key controls tested they were designed and operating effectively therefore we could place reliance on these key controls for the purposes of our audit. Based on the testing performed we concluded that impairment provisions made by management were within a reasonable range of outcomes.

Risk	Our response to the risk	What we concluded to the audit committee
Risk of inappropriate revenue recognition – valuation of complex/ illiquid financial instruments, unlisted investments and embedded derivatives *Refer to the audit committee report (page 127 of volume one); accounting policies (page 36); and note 14 of the consolidated financial statements (page 66)* There are a number of assets that are required to be fair valued under the IFRS accounting framework. For level 3 instruments such as unlisted investments in the private equity businesses, property lending related embedded derivatives and unlisted investments or large bespoke derivative structures there is necessarily a large degree of subjectivity surrounding the various inputs to these valuations. With volatility in the global financial markets and the lack of observable liquid market inputs, determining appropriate valuations continues to be difficult and highly judgemental. This may result in subjective fair value movements which are material. The risk has remained consistent with the prior year.	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 model inputs and key assumptions for a sample of positions. As part of this testing we used our valuation specialists. 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. We performed full audit procedures over this risk area for two components, which covered 94% of the risk amount.	We concluded that for the key controls tested they were designed and operating effectively, therefore we could place reliance on these key controls for the purposes of our audit. Based on the controls and substantive testing performed and given the uncertainties in the valuation of the level 3 positions, as disclosed in the financial statements, the valuations were concluded to be within a reasonable range of appropriate outcomes.
The quality of financial reporting – Inaccurate or improper accounting and financial reporting of large or complex transactions, including risk of inappropriate or centralised adjustments *Refer to the audit committee report (page 127 of volume one); and notes 35 and 52 of the consolidated financial statements (pages 92 to 117)* We focused on this area because the group has entered into a number of large transactions during the period including a significant Private Equity transaction with a related party during the year, which was outside the normal course of business. The accounting for these transactions can be judgemental, and as a result there is a risk the treatment of these transactions may not be properly reflected in the financial statements. The risk has remained consistent with the prior year.	For the transactions we have assessed: • management's accounting including the IFRS 10 Consolidated Financial Statement assessment. • valuation reports, where appropriate, received from third parties to support the investment value • management's disclosure of the transaction within the financial statements. We performed full audit procedures over this risk area in six components, which covered 99% of the risk amount.	Based on the testing performed we concur with management's accounting and disclosure for the transactions that occurred during the year. During our testing we did not note any inappropriate or centralised adjustments outside of the normal course of business.

Risk	Our response to the risk	What we concluded to the audit committee
Provision for uncertain tax positions *Refer to the audit committee report (page 127 of volume one); accounting policies (page 36); and note 8 of the consolidated annual financial statements (page 55)* There are certain legacy structured transactions where the outcome is uncertain and the treatment will only be determined upon the resolution of negotiation or, in some cases, litigation with HMRC. Consequently management makes judgements about the quantum of potential liabilities which are subject to change in future periods as more information becomes available. The risk has remained consistent with that identified in the prior year.	We have examined the analysis performed by management which set out the basis for the judgements in relation to material tax exposures and the correspondence between the group and its external advisers and between the group and the relevant third parties. We, along with our tax specialists, have examined the matters in dispute and used our knowledge of the law to assess the available evidence and the provisions made by management. We have also evaluated the calculation of the exposure and the appropriateness of the disclosure in relation to the uncertain tax positions and agreed these to the financial statements. We performed full scope audit procedures over this risk area in the component impacted by the risk.	Based on the information that is currently available we concur with management's judgement in respect of the level of provisions held in respect of uncertain tax positions and the disclosure presented in the financial statements.
IT security and change controls We focused on this area as the financial reporting is highly dependent on systems and there is a risk that automated and IT dependent manual processes are designed and operating effectively. The areas of particular focus were IT security and change controls in the Investec Limited silo. The risk has remained consistent with that identified in the prior year.	We have assessed the design of the controls and tested the operating effectiveness of the IT systems that are relevant for the financial reporting. For certain areas it was necessary to test compensating controls in order to reach an overall conclusion we could rely on IT systems controls. We have also assessed the governance framework for the IT environment including over the migration to new systems. We performed full scope audit procedures over this risk area in the component impacted by the risk.	We concluded we could rely on the IT operating environment for the purpose of our audit.

The scope of our audit

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 11 reporting components of the group, we selected eight components covering entities within the UK and Southern Africa which represent the principal business units within the group.

Of the 11 components selected, we performed an audit of the complete financial information of six components (full scope components) which were selected based on their size or risk characteristics.

For a further two components (specific scope components), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The full scope reporting components where we performed audit procedures accounted for 91% (2015: 95%) of the group's operating profit before goodwill and acquired intangibles, 98% (2015: 98%) of the group's total assets and 99% (2015: 99%) of the group's revenue. The specific scope component contributed 7% (2015: 4%) of the group's operating profit before goodwill and acquired intangibles, 1% (2015: 1%) of the group's revenue and 2% (2015: 2%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

Of the remaining three components that together represent 2% (2015: 1%) of the group's operating profit before goodwill and acquired intangibles, none is individually greater than 2% of the group's operating profit before goodwill and acquired intangibles. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

Changes from the prior year

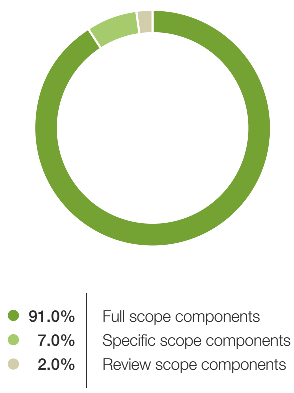
Apart for changes made as the result of disposals made in the prior year there is no change to the overall scope in the current year, the component entities in scope are the same as the prior year with the total number of components for the current year aggregated at a legal entity level rather than a business division level as was the case in the prior year.

Involvement with component teams

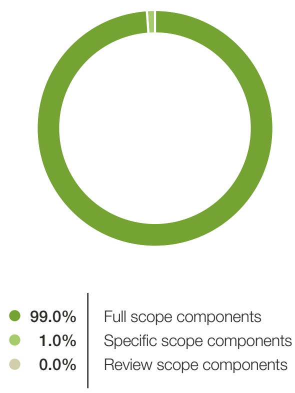
In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, the primary audit engagement team, or by component auditors from other EY global network firms and other audit firms operating under our instruction.

The group audit team continued to follow a programme of planned visits that has been designed to ensure that the senior statutory auditor visits each full scope component during the year. During the current year's audit cycle, visits were undertaken by the primary audit team to the UK and Southern Africa component teams. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings, reviewing

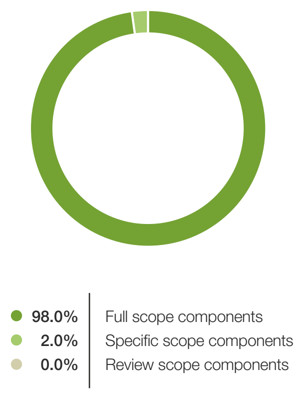
OPERATING PROFIT BEFORE GOODWILL AND ACQUIRED INTANGIBLES



REVENUE



TOTAL ASSETS



key audit working papers on risk areas and understanding the oversight they have of any components of their audits, in particular the Irish Branch of Investec Bank plc. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £27 million (2015: £24.3 million), which is 5% (2015: 5%) of operating profit before goodwill and acquired intangibles. We believe that operating profit before goodwill and acquired intangibles provides us with the most appropriate measure that reflects the performance of the group. It is the measure, as noted on page 5 of Volume 1, management uses to measure the overall performance. There has been no change in the basis from the prior year.

During the course of our audit, we reassessed initial materiality and it remained consistent with the original assessment.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2015: 50%) of our planning materiality, namely £13.5 million (2015: £12.1 million). We have set performance materiality at this percentage based on our understanding of the entity and past experience with the audit which indicate a higher risk of misstatement.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to was between £3.4 million and £5.5 million.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the audit committee that we would report to them all uncorrected audit differences in excess of £1.3 million (2015: £1.2 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 group's and the 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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibility statement set out on page 5, 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 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.

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.

Opinion on other matters 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;
- based on the work undertaken in the course of the audit:
  - 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;
  - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements;

- based on the work undertaken in the course of the information given in the corporate governance statement set out on page 110 of volume one with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures and in compliance with rules 7.2.5 and 7.2.6 of the disclosure rules and transparency rules sourcebook made by the Financial Conduct Authority:
  - is consistent with the financial statements; and
  - has been prepared in accordance with applicable legal requirement;
- based on the work undertaken rules 7.2.2, 7.2.3 and 7.2.7 in the disclosure rules and transparency rules sourcebook made by the Financial Conduct Authority (with respect to the company's corporate governance code and practices about its administrative, management and supervisory bodies and their committees) have been complied with if applicable.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report, Corporate Governance Statement or Director's Report set out on pages 22 and 110 of volume one and page 5 of volume three respectively.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial 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 report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole to be fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company 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; or • a corporate governance statement has not been prepared by the company.	We have no exceptions to report.
Listing rules review requirements	We are required to review: • the directors' statement, set out on page 6, in relation to going concern, and longer term viability set out on page 121 of volume one; and • the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Ernst & Young LLP

Andy Bates (senior statutory auditor)
for and on behalf of Ernst & Young LLP, statutory auditor

London
9 June 2016

Notes:

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

TO THE SHAREHOLDERS OF INVESTEC LIMITED

We have audited the accompanying group annual financial statements of Investec Limited (incorporating Investec plc) which comprise the combined consolidated balance sheet at 31 March 2016, 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 the significant accounting policies and other explanatory notes as set out on pages 22 to 131 in volume three, the separate Investec Limited parent company accounts, which comprise the balance sheet as at 31 March 2016, 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 140 to 144 within volume three, the specified disclosures in the risk management section within volume two, and the remuneration report within volume one that is marked as audited.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these combined 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 combined 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 combined consolidated and separate financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the combined consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 combined 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 combined consolidated and separate financial statements present fairly, in all material respects, the combined consolidated and separate financial position of Investec Limited at 31 March 2016, and its combined consolidated and separate financial performance and combined consolidated and separate cash flows 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 these financial statements for the year ended 31 March 2016, we have read the declaration by the company secretary and the directors' report for the purpose of identifying whether there are material inconsistencies between these reports 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc. have been the auditors of Investec Limited for 41 years.

Ernst + Young Inc.

Ernst & Young Inc.
Per Ernest van Rooyen
Chartered Accountant (SA)
Registered Auditor
Director
9 June 2016

Combined consolidated income statement

For the year to 31 March £'000	Notes	2016	2015
Interest income	2	1 705 640	1 790 867
Interest expense	2	(1 131 871)	(1 155 890)
Net interest income		**573 769**	**634 977**
Fee and commission income	3	1 188 012	1 226 257
Fee and commission expense	3	(126 387)	(137 214)
Investment income	4	170 408	128 334
Trading income arising from			
– customer flow		110 227	106 313
– balance sheet management and other trading activities		11 377	(13 424)
Other operating income	5	12 090	12 236
Total operating income before impairment losses on loans and advances		**1 939 496**	**1 957 479**
Impairment losses on loans and advances	26	(109 516)	(128 381)
Operating income		**1 829 980**	**1 829 098**
Operating costs	6	(1 287 021)	(1 322 705)
Depreciation on operating leased assets	6	(2 165)	(1 535)
Operating profit before goodwill and acquired intangibles		**540 794**	**504 858**
Impairment of goodwill	33	(1 577)	(5 337)
Amortisation of acquired intangibles	34	(16 248)	(14 497)
Operating profit		**522 969**	**485 024**
Net loss on disposal of subsidiaries	35	(4 778)	(93 033)
Profit before taxation		**518 191**	**391 991**
Taxation on operating profit before goodwill and acquired intangibles	8	(103 202)	(99 023)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	5 197	(17 574)
Profit after taxation		**420 186**	**275 394**
Profit attributable to Asset Management non-controlling interests		(16 529)	(18 184)
Profit attributable to other non-controlling interests		(35 201)	(11 701)
Earnings attributable to shareholders		**368 456**	**245 509**
Earnings per share (pence)			
– Basic	9	38.5	24.4
– Diluted	9	36.7	23.1

Combined consolidated statement of comprehensive income

For the year to 31 March £'000	Notes	2016	2015
Profit after taxation		420 186	275 394
Other comprehensive income			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(31 934)	(32 816)
Gains on realisation of available-for-sale assets recycled through the income statement	8	(1 961)	(4 660)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	(37 153)	1 037
Foreign currency adjustments on translating foreign operations		(240 875)	(58 318)
Items that will never be reclassified to the income statement			
Remeasurement of net defined pension asset	8	4 738	6 340
Total comprehensive income		**113 001**	**186 977**
Total comprehensive income attributable to ordinary shareholders		84 932	120 124
Total comprehensive (loss)/income attributable to non-controlling interests		(5 123)	32 050
Total comprehensive income attributable to perpetual preferred securities		33 192	34 803
Total comprehensive income		**113 001**	**186 977**

ONE

Combined consolidated balance sheet

At 31 March £'000	Notes	2016	2015
Assets			
Cash and balances at central banks	17	3 007 269	2 529 562
Loans and advances to banks	18	2 498 585	3 045 864
Non-sovereign and non-bank cash placements		466 573	586 400
Reverse repurchase agreements and cash collateral on securities borrowed	19	2 497 125	1 812 156
Sovereign debt securities	20	3 208 862	2 958 641
Bank debt securities	21	896 855	1 161 055
Other debt securities	22	949 950	627 373
Derivative financial instruments	23	1 580 949	1 580 681
Securities arising from trading activities	24	1 119 074	1 086 349
Investment portfolio	25	660 795	947 846
Loans and advances to customers	26	17 681 572	16 740 263
Own originated loans and advances to customers securitised	27	437 243	448 647
Other loans and advances	26	321 617	574 830
Other securitised assets	27	160 295	780 596
Interests in associated undertakings	28	267 099	25 244
Deferred taxation assets	29	112 135	99 301
Other assets	30	2 092 661	1 741 713
Property and equipment	31	90 888	102 354
Investment properties	32	938 879	617 898
Goodwill	33	368 039	361 527
Intangible assets	34	148 280	147 227
Non-current assets classified as held for sale	13	–	40 726
		39 504 745	**38 016 253**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	5 847 036	6 337 149
		45 351 781	**44 353 402**
Liabilities			
Deposits by banks		2 397 403	1 908 294
Derivative financial instruments	23	1 582 847	1 544 168
Other trading liabilities	37	957 418	885 003
Repurchase agreements and cash collateral on securities lent	19	971 646	1 284 945
Customer accounts (deposits)		24 044 281	22 614 868
Debt securities in issue	38	2 299 751	1 709 369
Liabilities arising on securitisation of own originated loans and advances	27	85 650	109 953
Liabilities arising on securitisation of other assets	27	120 851	616 909
Current taxation liabilities		192 255	201 790
Deferred taxation liabilities	29	55 486	76 481
Other liabilities	39	1 802 967	1 845 679
		34 510 555	**32 797 459**
Liabilities to customers under investment contracts	36	5 845 503	6 335 326
Insurance liabilities, including unit-linked liabilities	36	1 533	1 823
		40 357 591	**39 134 608**
Subordinated liabilities	41	1 134 883	1 178 299
		41 492 474	**40 312 907**
Equity			
Ordinary share capital	42	228	226
Perpetual preference share capital	43	153	153
Share premium	44	2 239 364	2 258 148
Treasury shares	45	(125 717)	(68 065)
Other reserves		(784 051)	(563 985)
Retained income		2 030 310	1 874 360
Shareholders' equity excluding non-controlling interests		**3 360 287**	**3 500 837**
Other Additional Tier 1 securities in issue	46	26 031	30 599
Non-controlling interests	47	472 989	509 059
– Perpetual preferred securities issued by subsidiaries		72 615	229 957
– Non-controlling interests in partially held subsidiaries		400 374	279 102
Total equity		**3 859 307**	**4 040 495**
Total liabilities and equity		**45 351 781**	**44 353 402**

For the year to 31 March £'000	Notes	2016	2015
Profit before taxation adjusted for non–cash and non-operating items	49	730 920	722 593
Taxation paid		(132 134)	(105 230)
Increase in operating assets	49	(4 580 570)	(2 312 292)
Increase in operating liabilities	49	4 602 620	2 291 132
Net cash inflow from operating activities		**620 836**	**596 203**
Cash flow on acquisition of group operations	35	–	(6 503)
Cash flow on disposal of group operations	35	–	226 291
Cash flow on net (acquisition)/disposal of associates		(969)	131
Cash flow on acquisition of property, equipment and intangible assets		(24 314)	(45 775)
Cash flow on disposal of property, equipment and intangible assets		11 358	19 593
Net cash (outflow)/inflow from investing activities		**(13 925)**	**193 737**
Dividends paid to ordinary shareholders		(180 009)	(168 486)
Dividends paid to other equity holders		(73 027)	(64 269)
Proceeds on issue of shares, net of related costs		35 480	38 896
Proceeds on issue of Other Additional Tier 1 securities		–	30 599
Cash flow on acquisition of treasury shares, net of related costs		(163 277)	(122 637)
Proceeds on issue of other equity instruments*		153 299	19 764
Proceeds from partial disposal of subsidiaries	35	–	40 914
Redemption of non-controlling interests	47	(142 111)	–
Proceeds from subordinated debt raised		81 422	–
Repayment of subordinated debt		(59 518)	(33 793)
Net cash outflow from financing activities		**(347 741)**	**(259 012)**
Effects of exchange rates on cash and cash equivalents		**(171 718)**	**(17 091)**
Net increase in cash and cash equivalents		**87 452**	**513 837**
Cash and cash equivalents at the beginning of the year		4 562 848	4 049 011
Cash and cash equivalents at the end of the year		**4 650 300**	**4 562 848**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		3 007 269	2 529 562
On demand loans and advances to banks		1 176 458	1 446 886
Non-sovereign and non-bank cash placements		466 573	586 400
Cash and cash equivalents at the end of the year		**4 650 300**	**4 562 848**

* *Includes equity instruments issued by subsidiaries.*

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

ONE

Combined consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 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 taken directly to other comprehensive income	–	–	–	–
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	**–**	**–**	**(4 212)**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	38 894	–
Issue of Other Additional Tier 1 securities in issue	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to partial disposal of subsidiaries	–	–	–	–
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)**
Movement in reserves 1 April 2015 – 31 March 2016				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
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	–	–	(26 438)	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income	**–**	**–**	**(26 438)**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	54 718	–
Issue of equity by subsidiaries	–	–	–	–
Redemption of non-controlling interests	–	–	–	–
Non-controlling interest relating to partial disposal of subsidiaries	–	–	–	–
Partial sale of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(47 519)	(115 758)
Transfer to capital reserve	–	–	455	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	58 106
At 31 March 2016	**228**	**153**	**2 239 364**	**(125 717)**

Other reserves									
Capital reserve account	Available-for–sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Share-holders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
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**
–	–	–	–	–	368 456	368 456	–	51 730	420 186
–	–	–	(31 934)	–	–	(31 934)	–	–	(31 934)
–	(1 961)	–	–	–	–	(1 961)	–	–	(1 961)
–	(37 153)	–	–	–	–	(37 153)	–	–	(37 153)
–	–	333	–	(158 673)	5 324	(179 454)	(4 568)	(56 853)	(240 875)
–	–	–	–	–	4 738	4 738	–	–	4 738
–	**(39 114)**	**333**	**(31 934)**	**(158 673)**	**378 518**	**122 692**	**(4 568)**	**(5 123)**	**113 001**
–	–	–	–	–	56 216	56 216	–	–	56 216
–	–	–	–	–	(180 009)	(180 009)	–	–	(180 009)
–	–	–	–	–	(33 192)	(33 192)	2 801	15 872	(14 519)
–	–	–	–	–	–	–	(2 801)	(15 872)	(18 673)
–	–	–	–	–	–	–	–	(39 835)	(39 835)
–	–	–	–	–	–	54 720	–	–	54 720
–	–	–	–	–	–	–	–	153 299	153 299
–	–	–	–	–	–	–	–	(142 111)	(142 111)
–	–	–	–	–	778	778	–	(778)	–
–	–	–	–	–	1 522	1 522	–	(1 522)	–
–	–	–	–	–	–	(163 277)	–	–	(163 277)
–	–	–	–	–	(455)	–	–	–	–
–	–	9 322	–	–	(9 322)	–	–	–	–
–	–	–	–	–	(58 106)	–	–	–	–
10 973	**(34 879)**	**39 078**	**(108 475)**	**(690 748)**	**2 030 310**	**3 360 287**	**26 031**	**472 989**	**3 859 307**

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 2016, 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.

The accounting policies adopted by the group are consistent with the prior year. Standards which became effective during the year did not have an impact on the group.

Presentation of information

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 85 to 95 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 171 to 179 in volume one.

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 (group). 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.

The group performs a reassessment of control 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. The group also holds investments, in 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 or losses within the group, 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.

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 86 to 108 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 these circumstances 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 transactions arise, based on rates of exchange ruling at the date of the transactions.

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 or 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 reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical cost 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 transactions.

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 rate 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 rate 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 or 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 levels 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 measurement. 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 initially recorded at fair value on the balance sheet with changes in fair value subsequently 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 rate 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 method. 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 over 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 or 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 reclassified to the income statement. Interest earned while holding available-for-sale financial assets is reported in the income statement 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 to 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 rate 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, 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 risks 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 assets.

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 or 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 entered into 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 the income statement, 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 the income statement
- 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 reclassified 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 standalone derivative if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and
- 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 have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity 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)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, 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 on 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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

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 finance 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 the income statement 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 properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or 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. Intangible assets with finite lives, are amortised over the useful economic life (currently three to 20 years) on a straight-line basis. 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 amount.

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 taxation payable is provided for based 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 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; and
- 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 taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation 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 the income statement 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 and will replace certain key elements of IAS 39. The mandatory effective date for IFRS 9 is for annual periods beginning on or after 1 January 2018 with early adoption permitted. 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 or losses on assets held at fair value are recognised in the income statement unless the entity has elected to recognise gains or losses on non-trading equity investments 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 are recognised directly in other comprehensive income without recycling through the income statement

- Impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition, an 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 since initial recognition, IFRS 9 requires the recognition of lifetime expected credit losses. Impairment measurement will involve increased complexity and significant judgements on areas such as the estimation of probabilities of default, loss given default, unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing whether a significant increase in credit risk has occurred.

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. The group intends to continue applying IAS 39's hedge accounting requirement until this section of IFRS 9 has been finalised.

The group has established an IFRS 9 steering committee comprising of executive representation and key management from Risk, Finance, Analytics and IT. The committee is accountable for IFRS 9 implementation and is supported by working groups responsible for different work streams. The committee provides updates on the status of the project to the appropriate board committees.

Current assessment of classification and measurement

The group expects that generally:

- loans and advances to banks and to customers and non-trading reverse repurchase agreements that are classified as loans and receivables under IAS 39 will be measured at amortised cost under IFRS 9, with the exception of current investments for which embedded derivatives are recognised separately unless a separate derivative instrument can be recognised, the entire loan would be recognised at fair value;

- financial assets designated at fair value through profit or loss (FVTPL) under IAS 39 will be measured at FVTPL under IFRS 9;

- certain debt securities held within the group's credit portfolio may be reclassified from available for sale to amortised cost. The remaining debt securities classified as available for sale will be measured at fair value through other comprehensive income (FVOCI) under IFRS 9 and debt securities classified as held to maturity will be measured at amortised cost; and
- equity instruments securities classified as available for sale or FVTPL will be measured at FVTPL under IFRS 9.

The group continues to assess the impact of these changes, but expects that the recognition and measurement basis of the majority of the group's financial assets will be largely unchanged on application of IFRS 9.

Current assessment of impairments
As noted, the group would also shift its impairment methodology from the current incurred loss basis to expected loss. We are in the process of developing models to determine expected credit losses for exposures subject to credit risk that are not carried at fair value through profit or loss.

We are also reviewing key definitions such as significant deterioration in credit quality and default against our current asset quality classifications. This process includes participation in industry/regulatory discussions and workshops. We will incorporate IFRS 9 requirements into our group credit risk classification and provisioning policy.

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 2018 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's current measurement and recognition principles are aligned to the standard and we do not anticipate an impact to the measurement principles currently applied. The impact of the disclosure requirements of the standard is currently being assessed.

IFRS 16 LEASES

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the period of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The group is currently assessing the impact 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.
- 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;

Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on pages 47 to 49.

- valuation of investment properties is performed twice annually by directors that are qualified valuators. The valuation is performed by capitalising the budget net income of the property at the market-related yield applicable at the time. Properties in Investec Property Fund are valued according to the JSE Listings Requirements and

Refer to note 32 for the carrying value of investment property with further analysis contained in the risk management section on pages 47 to 49.

- 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 has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. The carrying amount of this provision is often dependent on the timetable and progress of discussions and negotiations with the relevant tax authorities, arbitration processes and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group.

In making any estimates, management's judgement would be based on various factors, including any such transactions and events whose treatment for tax purposes is uncertain. In making any estimates, management's judgement has been based on various factors, including:

- the current status of tax audits and enquiries;
- the current status of discussions and negotiations with the relevant tax authorities;
- the results of any previous claims; and
- any changes to the relevant tax environments.

Where appropriate the group has utilised expert external advice as well as experience of similar situations elsewhere in making any such provisions.

- Determination of interest income and interest expense using the effective interest rate 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.

1. Combined consolidated segmental analysis

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
2016					
Segmental business analysis – income statement					
Net interest income	3 904	7 330	562 535	–	573 769
Net fee and commission income	415 528	309 080	337 017	–	1 061 625
Investment income	44	6 072	164 292	–	170 408
Trading income arising from					
– customer flow	–	316	109 911	–	110 227
– balance sheet management and other trading activities	1 668	509	9 200	–	11 377
Other operating income	471	1 193	10 426	–	12 090
Total operating income before impairment on loans and advances	**421 615**	**324 500**	**1 193 381**	**–**	**1 939 496**
Impairment losses on loans and advances	–	–	(109 516)	–	(109 516)
Operating income	**421 615**	**324 500**	**1 083 865**	**–**	**1 829 980**
Operating costs	(286 832)	(238 765)	(715 619)	(45 805)	(1 287 021)
Depreciation on operating leased assets	–	–	(2 165)	–	(2 165)
Operating profit/(loss) before goodwill and acquired intangibles	**134 783**	**85 735**	**366 081**	**(45 805)**	**540 794**
Profit attributable to other non-controlling interests	–	–	(35 201)	–	(35 201)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**134 783**	**85 735**	**330 880**	**(45 805)**	**505 593**
Profit attributable to Asset Management non-controlling interests	(16 529)	–	–	–	(16 529)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**118 254**	**85 735**	**330 880**	**(45 805)**	**489 064**
Selected returns and key statistics					
ROE (pre-tax)*	79.1%	30.7%	12.5%	n/a	14.9%
Return on tangible equity (pre-tax)*	173.1%	187.9%	12.7%	n/a	17.7%
Cost to income ratio	68.0%	73.6%	60.1%	n/a	66.4%
Staff compensation to operating income	48.2%	53.8%	44.8%	n/a	47.0%
Operating profit per employee (£'000)	88.3	54.8	59.9	n/a	58.7
Total assets (£'million)	579	1 794	42 979	n/a	45 352

* *Refer to calculation on page 66 in volume one.*

1. Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
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/(loss) 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%	n/a	13.7%
Return on tangible equity (pre-tax)*	236.3%	136.1%	10.9%	n/a	16.4%
Cost to income ratio	65.8%	74.8%	63.1%	n/a	67.6%
Staff compensation to operating income	47.6%	55.9%	45.2%	n/a	47.4%
Operating profit per employee (£'000)	100.1	54.0	57.4	n/a	59.7
Total assets (£'million)	626	1 655	42 072	n/a	44 353

* *Refer to calculation on page 66 in volume one.*

1. Combined consolidated segmental analysis

(continued)

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2016			
Segmental geographic analysis – income statement			
Net interest income	260 945	312 824	573 769
Net fee and commission income	709 758	351 867	1 061 625
Investment income	62 120	108 288	170 408
Trading income arising from			
– customer flow	92 681	17 546	110 227
– balance sheet management and other trading activities	(7 983)	19 360	11 377
Other operating income	10 853	1 237	12 090
Total operating income before impairment on loans and advances	**1 128 374**	**811 122**	**1 939 496**
Impairment losses on loans and advances	(84 217)	(25 299)	(109 516)
Operating income	**1 044 157**	**785 823**	**1 829 980**
Operating costs	(863 648)	(423 373)	(1 287 021)
Depreciation on operating leased assets	(2 149)	(16)	(2 165)
Operating profit before goodwill and acquired intangibles	**178 360**	**362 434**	**540 794**
Loss/(profit) attributable to other non-controlling interests	4 503	(39 704)	(35 201)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**182 863**	**322 730**	**505 593**
Profit attributable to Asset Management non-controlling interests	(10 263)	(6 266)	(16 529)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**172 600**	**316 464**	**489 064**
Impairment of goodwill	–	(1 577)	(1 577)
Amortisation of acquired intangibles	(14 477)	(1 771)	(16 248)
Net (loss)/gain on disposal of subsidiaries	(4 805)	27	(4 778)
Earnings attributable to shareholders before taxation	**153 318**	**313 143**	**466 461**
Taxation on operating profit before goodwill and acquired intangibles	(35 335)	(67 867)	(103 202)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	4 701	496	5 197
Earnings attributable to shareholders	**122 684**	**245 772**	**368 456**
Selected returns and key statistics			
ROE (post-tax)*	7.6%	16.6%	11.5%
Return on tangible equity (post-tax)*	10.5%	16.8%	13.7%
Cost to income ratio	76.7%	52.2%	66.4%
Staff compensation to operating income	54.8%	36.2%	47.0%
Operating profit per employee (£'000)	48.1	67.1	58.7
Effective operational tax rate	19.8%	18.7%	19.1%
Total assets (£'million)	18 489	26 863	45 352

* *Refer to calculation on page 65 in volume one.*

1. Combined consolidated segmental analysis
(continued)

For the year to 31 March £'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			
ROE (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 65 in volume one.*

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

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2016			
Asset Management	76 853	57 930	134 783
Wealth & Investment	63 127	22 608	85 735
Specialist Banking	78 043	252 837	330 880
	218 023	**333 375**	**551 398**
Group costs	(35 160)	(10 645)	(45 805)
Total group	**182 863**	**322 730**	**505 593**
Other non-controlling interest – equity			35 201
Operating profit			**540 794**
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**

At 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis *(continued)*			
2016			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	2 638 069	369 200	3 007 269
Loans and advances to banks	1 103 198	1 395 387	2 498 585
Non-sovereign and non-bank cash placements	–	466 573	466 573
Reverse repurchase agreements and cash collateral on securities borrowed	446 954	2 050 171	2 497 125
Sovereign debt securities	1 252 991	1 955 871	3 208 862
Bank debt securities	181 365	715 490	896 855
Other debt securities	393 652	556 298	949 950
Derivative financial instruments	831 295	749 654	1 580 949
Securities arising from trading activities	524 344	594 730	1 119 074
Investment portfolio	451 000	209 795	660 795
Loans and advances to customers	7 803 602	9 877 970	17 681 572
Own originated loans and advances to customers securitised	–	437 243	437 243
Other loans and advances	304 223	17 394	321 617
Other securitised assets	150 565	9 730	160 295
Interests in associated undertakings	23 587	243 512	267 099
Deferred taxation assets	85 050	27 085	112 135
Other assets	1 683 290	409 371	2 092 661
Property and equipment	56 374	34 514	90 888
Investment properties	79 051	859 828	938 879
Goodwill	356 994	11 045	368 039
Intangible assets	123 480	24 800	148 280
	18 489 084	**21 015 661**	**39 504 745**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 847 036	5 847 036
	18 489 084	**26 862 697**	**45 351 781**
Liabilities			
Deposits by banks	501 259	1 896 144	2 397 403
Derivative financial instruments	947 502	635 345	1 582 847
Other trading liabilities	226 598	730 820	957 418
Repurchase agreements and cash collateral on securities lent	281 260	690 386	971 646
Customer accounts (deposits)	10 800 668	13 243 613	24 044 281
Debt securities in issue	1 702 098	597 653	2 299 751
Liabilities arising on securitisation of own originated loans and advances	–	85 650	85 650
Liabilities arising on securitisation of other assets	120 617	234	120 851
Current taxation liabilities	140 959	51 296	192 255
Deferred taxation liabilities	33 834	21 652	55 486
Other liabilities	1 318 156	484 811	1 802 967
	16 072 951	**18 437 604**	**34 510 555**
Liabilities to customers under investment contracts	–	5 845 503	5 845 503
Insurance liabilities, including unit-linked liabilities	–	1 533	1 533
	16 072 951	**24 284 640**	**40 357 591**
Subordinated liabilities	597 309	537 574	1 134 883
	16 670 260	**24 822 214**	**41 492 474**

1. Combined consolidated segmental analysis

(continued)

2015

Segmental geographic analysis – balance sheet assets and liabilities

At 31 March £'000	UK and Other	Southern Africa	Total group
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)

For the year to 31 March £'000	Asset Management			Wealth & Investment		
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total
Segmental business and geographic analysis – income statement						
2016						
Net interest income	290	3 614	3 904	4 064	3 266	7 330
Net fee and commission income	275 252	140 276	415 528	244 993	64 087	309 080
Investment income	–	44	44	5 817	255	6 072
Trading income arising from						
– customer flow	–	–	–	333	(17)	316
– balance sheet management and other trading activities	1 656	12	1 668	236	273	509
Other operating income	(1 135)	1 606	471	1 191	2	1 193
Total operating income before impairment losses on loans and advances	**276 063**	**145 552**	**421 615**	**256 634**	**67 866**	**324 500**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**276 063**	**145 552**	**421 615**	**256 634**	**67 866**	**324 500**
Operating costs	(199 210)	(87 622)	(286 832)	(193 507)	(45 258)	(238 765)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**76 853**	**57 930**	**134 783**	**63 127**	**22 608**	**85 735**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**76 853**	**57 930**	**134 783**	**63 127**	**22 608**	**85 735**
Profit attributable to Asset Management non-controlling interests	(10 263)	(6 266)	(16 529)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**66 590**	**51 664**	**118 254**	**63 127**	**22 608**	**85 735**
Selected returns and key statistics						
Cost to income ratio	72.2%	60.2%	68.0%	75.4%	66.7%	73.6%
Staff compensation to operating income	54.3%	36.5%	48.2%	55.8%	46.3%	53.8%

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
256 591	305 944	562 535	–	–	–	573 769
189 513	147 504	337 017	–	–	–	1 061 625
56 303	107 989	164 292	–	–	–	170 408
92 348	17 563	109 911	–	–	–	110 227
(9 875)	19 075	9 200	–	–	–	11 377
10 797	(371)	10 426	–	–	–	12 090
595 677	**597 704**	**1 193 381**	**–**	**–**	**–**	**1 939 496**
(84 217)	(25 299)	(109 516)	–	–	–	(109 516)
511 460	**572 405**	**1 083 865**	**–**	**–**	**–**	**1 829 980**
(435 771)	(279 848)	(715 619)	(35 160)	(10 645)	(45 805)	(1 287 021)
(2 149)	(16)	(2 165)	–	–	–	(2 165)
73 540	**292 541**	**366 081**	**(35 160)**	**(10 645)**	**(45 805)**	**540 794**
4 503	(39 704)	(35 201)	–	–	–	(35 201)
78 043	**252 837**	**330 880**	**(35 160)**	**(10 645)**	**(45 805)**	**505 593**
–	–	–	–	–	–	(16 529)
78 043	**252 837**	**330 880**	**(35 160)**	**(10 645)**	**(45 805)**	**489 064**
73.4%	46.8%	60.1%	n/a	n/a	n/a	66.4%
54.6%	35.0%	44.8%	n/a	n/a	n/a	47.0%

FINANCIAL STATEMENTS

For the year to 31 March £'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%	n/a	n/a	n/a	67.6%
55.6%	34.6%	45.2%	n/a	n/a	n/a	47.4%

FINANCIAL STATEMENTS

2. Net interest income

For the year to 31 March 2016 £'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	5 622 577	47 481	6 952 692	292 563	12 575 269	340 044
Core loans and advances	2	7 803 602	427 601	10 315 213	826 999	18 118 815	1 254 600
Private client		3 510 327	150 060	6 856 533	550 044	10 366 860	700 104
Corporate, institutional and other clients		4 293 275	277 541	3 458 680	276 955	7 751 955	554 496
Other debt securities and other loans and advances		697 875	74 010	573 692	29 445	1 271 567	103 455
Other interest-earning assets	3	–	–	9 730	7 541	9 730	7 541
Total interest-earning assets		**14 124 054**	**549 092**	**17 851 327**	**1 156 548**	**31 975 381**	**1 705 640**

For the year to 31 March 2016 £'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	2 484 617	(106 707)	3 184 183	(85 888)	5 668 800	(192 595)
Customer accounts (deposits)		10 800 668	(124 569)	13 243 613	(703 399)	24 044 281	(827 968)
Other interest-bearing liabilities	5	–	–	85 884	(15 494)	85 884	(15 494)
Subordinated liabilities		597 309	(56 871)	537 574	(38 943)	1 134 883	(95 814)
Total interest-bearing liabilities		**13 882 594**	**(288 147)**	**17 051 254**	**(843 724)**	**30 933 848**	**(1 131 871)**
Net interest income			**260 945**		**312 824**		**573 769**

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. In the current year no securitised assets are held at amortised cost in UK and Other.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; 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. In the current year no liabilities on securitisation are held at amortised cost in UK and Other.*

2. Net interest income

(continued)

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
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. In the current year no securitised assets are held at amortised cost in UK and Other.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; 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. In the current year no liabilities on securitisation are held at amortised cost in UK and Other.*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
3. Net fee and commission income			
2016			
Asset management and wealth management businesses net fee and commission income	**520 245**	**204 363**	**724 608**
Fund management fees/fees for assets under management	567 257	178 549	745 806
Private client transactional fees	54 258	34 664	88 922
Fee and commission expense	(101 270)	(8 850)	(110 120)
Specialist Banking net fee and commission income	**189 513**	**147 504**	**337 017**
Corporate and institutional transactional and advisory services	164 088	130 089	294 177
Private client transactional fees	28 141	30 966	59 107
Fee and commission expense	(2 716)	(13 551)	(16 267)
Net fee and commission income	**709 758**	**351 867**	**1 061 625**
Annuity fees (net of fees payable)	542 128	275 058	817 186
Deal fees	167 630	76 809	244 439
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

Trust and fiduciary fees amounted to £0.2 million (2015: £0.2 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			
2016			
Realised	44 135	240 167	284 302
Unrealised	(2 311)	(131 813)	(134 124)
Dividend income	15 419	13 037	28 456
Funding and other net related income/(costs)	4 877	(13 103)	(8 226)
Investment income	**62 120**	**108 288**	**170 408**
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)
Investment income	**(2 210)**	**130 544**	**128 334**

4. Investment income^ *(continued)*

The tables below analyse investment income generated by the asset portfolio shown on the balance sheet.

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
2016					
UK and Other					
Realised	10 319	31 143	–	2 673	44 135
Unrealised	15 562	(7 468)	1 282	(11 687)	(2 311)
Dividend income	15 419	–	–	–	15 419
Funding and other net related income	–	–	–	4 877	4 877
	41 300	**23 675**	**1 282**	**(4 137)**	**62 120**
Southern Africa					
Realised	227 043	3 052	9 121	951	240 167
Unrealised	(149 102)	6 114	11 507	(332)	(131 813)
Dividend income	12 977	–	–	60	13 037
Funding and other net related income/(costs)	(14 094)	–	–	991	(13 103)
	76 824	**9 166**	**20 628**	**1 670**	**108 288**
Total investment income/(loss)	**118 124**	**32 841**	**21 910**	**(2 467)**	**170 408**
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 income/(costs)	(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**

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

^ *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*

For the year to 31 March £'000	2016	2015
5. Other operating income		
Rental income from properties	5 807	5 661
Gains on realisation of properties	26	84
Unrealised gains on other investments	2 257	2 375
Income from operating leases	2 189	2 183
Operating income from associates	1 811	1 933
	12 090	**12 236**

For the year to 31 March £'000	2016	2015
6. Operating costs		
Staff costs	912 435	927 980
– Salaries and wages (including directors' remuneration)	766 983	777 945
– Training and other costs	17 732	16 794
– Share-based payment expense	51 061	56 012
– Social security costs	42 870	42 032
– Pensions and provident fund contributions	33 789	35 197
Premises expenses (excluding depreciation)	58 846	63 201
Equipment expenses (excluding depreciation)	57 780	54 433
Business expenses*	177 643	193 529
Marketing expenses	59 736	58 833
Depreciation, amortisation and impairment on property, equipment and intangibles	20 581	24 729
	1 287 021	1 322 705
Depreciation on operating leased assets	2 165	1 535
	1 289 186	**1 324 240**
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 companies' auditors for the audit of the companies' accounts	549	781
Fees payable to the companies' auditors and its associates for other services:		
– Audit of the companies subsidiaries pursuant to legislation	4 026	5 713
– Audit related assurance services	424	551
– Tax compliance services	199	731
– Tax advisory services	422	–
– Other assurance services	96	1 257
	5 716	**9 033**
KPMG fees		
Fees payable to the companies' auditors for the audit of the companies' accounts	1 136	1 342
Fees payable to the companies' auditors and its associates for other services:		
– Audit of the companies subsidiaries pursuant to legislation	975	1 020
– Audit related assurance services	64	433
– Tax compliance services	140	–
– Tax advisory services	255	1 270
– Services related to corporate finance transactions	–	9
– Other assurance services	161	284
	2 731	**4 358**
Total	**8 447**	**13 391**

* *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 171 to 179 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 in the remuneration report on pages 197 to 198 in volume one of the integrated annual report and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Share-based payment expense					
2016					
Equity-settled	3 248	9 964	35 403	2 446	51 061
Total income statement charge	**3 248**	**9 964**	**35 403**	**2 446**	**51 061**
2015					
Equity-settled	3 786	9 133	45 122	1 844	59 885
Total income statement charge	**3 786**	**9 133**	**45 122**	**1 844**	**59 885***

* *Of the £59.9 million charge in 2015, £56.0 million is included in operating costs and £3.9 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 an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £0.02 million (2015: £0.01 million).

For the year to 31 March £'000	2016	2015
Weighted average fair value of options granted in the year		
UK schemes	29 344	24 943
South African schemes	36 634	41 904

	UK schemes				South African schemes			
	2016		2015		2016		2015	
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	32 430 764	0.06	42 877 067	0.04	41 633 973	–	44 475 185	–
Granted during the year	6 810 928	0.12	6 721 210	0.16	8 431 958	–	10 719 215	–
Exercised during the year^	(9 203 122)	0.01	(15 562 258)	0.02	(10 977 407)	–	(12 306 518)	–
Expired during the year	–	–	–	–	(1 314 979)	–	(1 253 909)	–
Options forfeited during the year	(1 278 091)	0.44	(1 605 255)	0.28	–	–	–	–
Outstanding at the end of the year	**28 760 479**	**0.07**	**32 430 764**	**0.06**	**37 773 545**	**–**	**41 633 973**	**–**
Vested and exercisable at the end of the year	**70 987**	**–**	**137 197**	**–**	**10 878**	**–**	**87 083**	**–**

^ *The weighted average share price for options exercised during the year was £5.34 (2015: £5.41) for the UK schemes and R108.32 (2015: R96.84) for the South African schemes.*

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7. Share-based payments *(continued)*

	UK schemes		South African schemes	
Additional information relating to options	**2016**	**2015**	**2016**	**2015**
Options with strike prices				
Exercise price range	£3.29 – £6.00	£3.20 – £5.72	n/a	n/a
Weighted average remaining contractual life	2.09 years	2.07 years	n/a	n/a
Long-term incentive grants with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	1.77 years	1.80 years	2.04 years	2.15 years
Weighted average fair value of options and long-term grants at measurement date	£4.31	£3.71	R84.62	R69.52
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	£5.68 – £6.00	£5.16 – £5.72	R109.98 – R120.88	R90.00 – R100.57
– Exercise price	£nil, £5.68 – £6.00	£nil, £5.16 – £5.72	Rnil	Rnil
– Expected volatility	30%	25.24% – 30%	30%	25.24% – 30%
– Option life	3 – 5.5 years	4.5 – 5.25 years	4 – 5 years	1 – 5 years
– Expected dividend yields	4.50% – 4.67%	4.86% – 5.04%	4.02% – 4.19%	4.45% – 4.62%
– Risk-free rate	1.28% – 1.31%	1.36% – 1.70%	7.49 % – 7.66%	6.78 % – 7.18%

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

	2016	2015
8. Taxation		
Income statement tax charge		
Current taxation		
UK		
Current tax on income for the year	40 497	19 457
Adjustments in respect of prior years	4 420	6 309
Corporation tax before double tax relief	44 917	25 766
– Double taxation relief	(217)	(425)
	44 700	**25 341**
Southern Africa		
– in respect of current year	78 756	72 249
	78 756	**72 249**
Europe	2 694	2 272
Australia	1 117	211
Other	3 866	1 626
Withholding tax on companies	327	132
Total current taxation	**131 460**	**101 831**
Deferred taxation		
UK	(9 389)	(22 814)
Southern Africa	(11 713)	(1 720)
Europe	(9 746)	5 097
Australia	1 081	34 199
Other	(3 688)	4
Total deferred taxation	**(33 455)**	**14 766**
Total taxation charge for the year	**98 005**	**116 597**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	103 202	99 023
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(5 197)	17 574
	98 005	**116 597**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(25 491)	19 396
Changes in tax rates	(8 394)	274
Adjustment in respect of prior years	430	(4 904)
	(33 455)	**14 766**

There are no estimated tax losses arising from trading activities available for relief against future taxable income.

For the year to 31 March £'000	2016	2015
8. Taxation *(continued)*		
The rates of corporation tax for the relevant years are:	%	%
UK	20	21
South Africa	28	28
Europe (average)	10	10
Australia	30	30
Profit before taxation	**518 191**	**391 991**
Taxation on profit before taxation	**98 005**	**116 597**
Effective tax rate (%)	**18.91**	**29.74**
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 20% (2015: 21%)	103 638	82 318
Taxation adjustments relating to foreign earnings	(12 793)	(24 710)
Goodwill and non-operating items	1 062	40 995
Taxation relating to prior years	4 849	1 405
Share options accounting expense	6 924	8 635
Share options exercised during the year	(9 918)	(11 032)
Unexpired share options future tax deduction	2 778	256
Non-taxable income	222	(2 411)
Net other permanent differences	12 723	17 018
Unrealised capital losses	(3 086)	776
Movement of brought forward trading losses	–	3 071
Change in tax rate	(8 394)	276
Total taxation charge as per income statement	**98 005**	**116 597**
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	(31 934)	(32 816)
Pre-taxation	(53 116)	(30 422)
Taxation effect	21 182	(2 394)
Gains on realisation of available-for-sale assets recycled through the income statement	(1 961)	(4 660)
Pre-taxation	(3 700)	(2 267)
Taxation effect	1 739	(2 393)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(37 153)	1 037
Pre-taxation	(42 269)	(1 398)
Taxation effect	5 116	2 435
Remeasurement of net defined pension asset	4 738	6 340
Pre-taxation	5 695	5 247
Taxation effect	(957)	1 093
Statement of changes in equity taxation effects		
Share-based payment adjustment	56 216	63 475
Pre-taxation	51 520	59 315
Taxation effect	4 696	4 160

9. Earnings per share

For the year to 31 March	31 March 2016	31 March 2015
Earnings	**£'000**	**£'000**
Earnings attributable to shareholders	368 456	245 509
Preference dividends paid	(33 192)	(34 803)
Earnings and diluted earnings attributable to ordinary shareholders	**335 264**	**210 706**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	906 490 426	897 466 433
Weighted average number of treasury shares	(35 964 483)	(34 815 248)
Weighted average number of shares in issue during the year	870 525 943	862 651 185
Weighted average number of shares resulting from future dilutive potential shares	42 748 491	47 937 173
Adjusted weighted number of shares potentially in issue	**913 274 434**	**910 588 358**
Earnings per share – pence		
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	**38.5**	**24.4**
Diluted earnings per share – pence		
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year	**36.7**	**23.1**
Adjusted earnings per share – pence		
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	**41.3**	**39.4**
	£'000	**£'000**
Earnings attributable to shareholders	368 456	245 509
Impairment of goodwill	1 577	5 337
Amortisation of acquired intangibles	16 248	14 497
Net loss on disposal of subsidiaries	4 778	93 033
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(5 197)	17 574
Preference dividends paid	(33 192)	(34 803)
Accrual adjustment on earnings attributable to other equity holders*	7 062	(1 211)
Currency hedge attributable to perpetual equity instruments*	–	(413)
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**359 732**	**339 523**

* *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	2016	2015
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	38.5	35.8
	£'000	£'000
Earnings attributable to shareholders	368 456	245 509
Impairment of goodwill	1 577	5 337
Net loss on disposal of subsidiaries	4 778	93 033
Taxation on acquisition/disposal/integration of subsidiaries	–	20 666
Preference dividends paid	(33 192)	(34 803)
Property revaluation, net of taxation and non-controlling interests**	(10 030)	(16 312)
Gains on available-for-sale instruments recycled through the income statement**	(1 961)	(4 660)
Loss on write down of non-current assets classified as held for sale**	5 092	–
Headline earnings attributable to ordinary shareholders**	**334 720**	**308 770**

** *Taxation on headline earnings adjustments amounted to £1.9 million (2015: £7.2 million) with an impact of £9.4 million (2015: £7.4 million) on earnings attributable to non-controlling interests.*

	2016		2015	
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	11.5	97 896	11.0	95 637
Interim dividend for current year	9.5	82 113	8.5	72 849
Total dividend attributable to ordinary shareholders recognised in current financial year	**21.0**	**180 009**	**19.5**	**168 486**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2016 of 11.5 pence per ordinary share (31 March 2015: 11.5 pence).

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 266 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 2.0 pence per ordinary share and through a dividend payment on the SA DAS share of 9.5 pence per ordinary share.

The final dividend to shareholders registered on 29 July 2016 is subject to the approval of the members of Investec plc and Investec Limited at the general meeting which is scheduled to take place on 4 August 2016 and, if approved, will be paid on 10 August 2016.

For the year to 31 March	2016 Total £'000	2015 Total £'000
10. Dividends *(continued)*		
Perpetual preference dividend		
Final dividend for prior year	10 910	9 081
Interim dividend for current year	9 424	9 596
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**20 334**	**18 677**

* *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 2016 of 7.52055 pence (Investec plc shares traded on the JSE Limited) and 7.52055 pence (Investec plc shares traded on the Channel Island Stock Exchange), 470.250000 cents (Investec plc Rand-denominated shares), 384.96150 cents (Investec Limited) and 412.48350 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on Friday, 10 June 2016.

For the year to 31 March		
Dividend attributable to perpetual preferred securities	**10 057**	**14 528**

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 Additional Tier 1 securities in issue	**2 801**	**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 securities	**33 192**	**34 803**

For the year to 31 March £'000	2016	2015
11. Miscellaneous items		
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	31 752	38 464
	31 752	**38 464**
Operating lease income recognised in income:		
Minimum lease payments	42 996	42 037
Sublease payments	48	–
	43 044	**42 037**
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	75 156	54 057
One to five years	204 098	148 267
Greater than five years	74 196	63 290
	353 450	**265 614**

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.

12. Analysis of income and impairments by category of financial instruments

For the year to 31 March £'000	At fair value through profit or loss	
	Trading	Designated at inception
2016		
Net interest income	1 944	38 208
Fee and commission income	57 694	181
Fee and commission expense	–	(4)
Investment income	2 163	107 868
Trading income arising from		
– customer flow	106 759	920
– balance sheet management and other trading activities	(9 651)	11 825
Other operating income	–	503
Total operating income before impairment losses on loans and advances	158 909	159 501
Impairment losses on loans and advances	–	–
Operating income	**158 909**	**159 501**
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**

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
29 571	1 368 485	99 776	(969 549)	2 578	2 756	**573 769**
–	113 871	132	4 048	76 543	935 543	**1 188 012**
–	(1 914)	(1 728)	(2 498)	(6 142)	(114 101)	**(126 387)**
–	35 755	51 886	467	(27 731)	–	**170 408**
–	–	–	2 548	–	–	**110 227**
–	8 941	2 749	(2 597)	–	110	**11 377**
–	2	67	1 678	9 840	–	**12 090**
29 571	1 525 140	152 882	(965 903)	55 088	824 308	**1 939 496**
–	(109 516)	–	–	–	–	**(109 516)**
29 571	**1 415 624**	**152 882**	**(965 903)**	**55 088**	**824 308**	**1 829 980**
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**

13. Analysis of financial assets and liabilities by category of financial instruments

At 31 March £'000	At fair value through profit or loss			
	Trading	Designated at inception	Available-for-sale	Total instruments at fair value
2016				
Assets				
Cash and balances at central banks	1 123	–	–	1 123
Loans and advances to banks	–	149 478	–	149 478
Non-sovereign and non-bank cash placements	158	–	–	158
Reverse repurchase agreements and cash collateral on securities borrowed	1 438 209	–	–	1 438 209
Sovereign debt securities	–	1 368 739	1 664 170	3 032 909
Bank debt securities	–	107 113	241 205	348 318
Other debt securities	11	141 476	550 168	691 655
Derivative financial instruments*	1 580 949	–	–	1 580 949
Securities arising from trading activities	915 981	203 093	–	1 119 074
Investment portfolio	–	599 667	61 128	660 795
Loans and advances to customers	–	666 610	–	666 610
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	147 590	–	147 590
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	331 860	49 350	–	381 210
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	4 268 291	**3 433 116**	**2 516 671**	**10 218 078**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	4 268 291	**3 433 116**	**2 516 671**	**10 218 078**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 582 847	–	–	1 582 847
Other trading liabilities	957 418	–	–	957 418
Repurchase agreements and cash collateral on securities lent	272 908	–	–	272 908
Customer accounts (deposits)	–	570 751	–	570 751
Debt securities in issue	–	591 925	–	591 925
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	120 851	–	120 851
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	32 194	–	–	32 194
	2 845 367	**1 283 527**	**–**	**4 128 894**
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 845 367	**1 283 527**		**4 128 894**
Subordinated liabilities	–	–	–	–
	2 845 367	**1 283 527**	**–**	**4 128 894**

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

For more information on hedges, please refer to note 53 on pages 118 and 119.

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance-related linked instruments at fair value	Non-financial instruments or scoped out of IAS 39	Total
–	3 006 146	–	3 006 146	–	–	3 007 269
–	2 349 107	–	2 349 107	–	–	2 498 585
–	466 415	–	466 415	–	–	466 573
–	1 058 916	–	1 058 916	–	–	2 497 125
175 953	–	–	175 953	–	–	3 208 862
296 857	251 680	–	548 537	–	–	896 855
12 486	245 809	–	258 295	–	–	949 950
–	–	–	–	–	–	1 580 949
–	–	–	–	–	–	1 119 074
–	–	–	–	–	–	660 795
–	17 014 962	–	17 014 962	–	–	17 681 572
–	437 243	–	437 243	–	–	437 243
–	321 617	–	321 617	–	–	321 617
–	12 705	–	12 705	–	–	160 295
–	–	–	–	–	267 099	267 099
–	–	–	–	–	112 135	112 135
–	1 215 965	–	1 215 965	–	495 486	2 092 661
–	–	–	–	–	90 888	90 888
–	–	–	–	–	938 879	938 879
–	–	–	–	–	368 039	368 039
–	–	–	–	–	148 280	148 280
485 296	**26 380 565**	**–**	**26 865 861**	**–**	**2 420 806**	**39 504 745**
–	–	–	–	5 847 036	–	5 847 036
485 296	**26 380 565**	**–**	**26 865 861**	**5 847 036**	**2 420 806**	**45 351 781**
–	–	2 397 403	2 397 403	–	–	2 397 403
–	–	–	–	–	–	1 582 847
–	–	–	–	–	–	957 418
–	–	698 738	698 738	–	–	971 646
–	–	23 473 530	23 473 530	–	–	24 044 281
–	–	1 707 826	1 707 826	–	–	2 299 751
–	–	85 650	85 650	–	–	85 650
–	–	–	–	–	–	120 851
–	–	–	–	–	192 255	192 255
–	–	–	–	–	55 486	55 486
–	–	1 199 976	1 199 976	–	570 797	1 802 967
–	**–**	**29 563 123**	**29 563 123**	**–**	**818 538**	**34 510 555**
–	–	–	–	5 845 503	–	5 845 503
–	–	–	–	1 533	–	1 533
–	**–**	**29 563 123**	**29 563 123**	**5 847 036**	**818 538**	**40 357 591**
–	–	1 134 883	1 134 883	–	–	1 134 883
–	**–**	**30 698 006**	**30 698 006**	**5 847 036**	**818 538**	**41 492 474**

During the year ended 31 March 2009, the group reclassified certain financial instruments out of fair value through profit or loss. These assets were originally classified as held-for-trading but the group's intentions in regard to these assets changed and the group reclassified £112.3 million and £7.8 million to the loans and receivables and available-for-sale classifications, respectively. The amount reclassified reflected the fair value of the financial assets at the date of reclassification. 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 £9.3 million (2015: £21.2 million) and the fair value is £5.9 million (2015: 21.1 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	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.*

For more information on hedges, please refer to note 53 on pages 118 and 119.

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance-related linked instruments at fair value	Non-financial instruments or scoped out of IAS 39	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**

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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. These are all classified as level 1.

Fair value disclosures on investment properties are included in the investment properties note 32 on page 88.

		Fair value category		
At 31 March £'000	**Total investments at fair value**	**Level 1**	**Level 2**	**Level 3**
2016				
Assets				
Cash and balances at central banks	1 123	1 123	–	–
Loans and advances to banks	149 478	149 478	–	–
Non-sovereign and non-bank cash placements	158	–	158	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 438 209	137 409	1 300 800	–
Sovereign debt securities	3 032 909	3 032 909	–	–
Bank debt securities	348 318	214 665	133 653	–
Other debt securities	691 655	500 583	180 142	10 930
Derivative financial instruments	1 580 949	–	1 530 790	50 159
Securities arising from trading activities	1 119 074	1 088 384	23 234	7 456
Investment portfolio	660 795	120 075	31 250	509 470
Loans and advances to customers	666 610	–	579 340	87 270
Other securitised assets	147 590	–	–	147 590
Other assets	381 210	381 210	–	–
	10 218 078	**5 625 836**	**3 779 367**	**812 875**
Liabilities				
Derivative financial instruments	1 582 847	–	1 581 492	1 355
Other trading liabilities	957 418	918 165	39 253	–
Repurchase agreements and cash collateral on securities lent	272 908	–	272 908	–
Customer accounts (deposits)	570 751	–	570 751	–
Debt securities in issue	591 925	–	591 925	–
Liabilities arising on securitisation of other assets	120 851	234	–	120 617
Other liabilities	32 194	–	32 194	–
	4 128 894	**918 399**	**3 088 523**	**121 972**
Net financial assets at fair value	**6 089 184**	**4 707 437**	**690 844**	**690 903**

14. Fair value hierarchy *(continued)*

At 31 March £'000	Total instruments 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 financial assets at fair value	**4 781 644**	**3 748 708**	**181 233**	**851 703**

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

During the year derivative financial assets and liabilities to the value of £116.9 million and £210.3 million respectively were transferred from level 1 to level 2 to reflect the level of modelling which is now being used to arrive at the fair value.

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 2016 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	Yield curves
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation	Yield curves
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Yield curves NCD curves
Other debt securities	Discounted cash flow model	Yield curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, 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, relative valuation model Comparable quoted inputs	Discount rate and fund unit price, net assets
Loans and advances to customers	Discounted cash flow model	Yield curves
LIABILITIES		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Yield curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Yield curves
Customer accounts (deposits)	Discounted cash flow model	Yield curves
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves

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 at 1 April 2014*	**869 172**	**844 027**	**25 145**
Transfers due to application of IFRS 13			
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 at 31 March 2015	**851 703**	**800 933**	**50 770**
Total gains or losses	26 006	22 841	3 165
– In the income statement	26 278	22 841	3 437
– In the statement of comprehensive income	(272)	–	(272)
Purchases	172 555	163 611	8 944
Sales	(863 789)	(861 332)	(2 457)
Issues	3 475	3 475	–
Settlements	505 707	516 570	(10 863)
Transfers into level 3	31 362	28 626	2 736
Transfers out of level 3	11 520	11 520	–
Foreign exchange adjustments	(47 636)	(50 860)	3 224
Balance at 31 March 2016	**690 903**	**635 384**	**55 519**

* *Balance at 1 April 2014 for fair value through profit or loss instruments and available-for-sale instruments have been adjusted by (£60) million and £60 million respectively.*

For the year ended 31 March 2016, £16.1 million of assets were transferred from level 3 into level 2. The valuation methodologies were reviewed and observable inputs are used to determine the fair value. In addition, (£4.6) million has been transferred into level 2 as a result of the inputs to the valuation methods becoming more observable. There were transfers from level 2 to the level 3 category to the value of £31.3 million because the significance of the unobservable inputs used to determine the fair value increased significantly to warrant a transfer.

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 transfer. For the remaining transfers, the group transfers between levels within the fair value hierarchy when the significance of the unobservable 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
2016			
Total gains or (losses) included in the income statement for the year			
Net interest income	238	238	–
Fee and commission income	4 938	4 938	–
Investment income/(loss)	30 261	158 002	(127 741)
Trading (loss)/income arising from customer flow	(9 159)	(9 863)	704
	26 278	**153 315**	**(127 037)**
Total gains or (losses) on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	3 437	3 437	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(272)	–	(272)
	3 165	**3 437**	**(272)**
2015			
Total gains or (losses) included in the income statement for the year			
Fee and commission income/(expense)	7 859	(51)	7 910
Investment income	101 304	81 979	19 325
Trading income arising from customer flow	13 999	–	13 999
Trading (loss)/income arising from balance sheet management and other trading activities	(97)	877	(974)
Other operating loss	(1 252)	–	(1 252)
	121 813	**82 805**	**39 008**
Total gains or (losses) 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**

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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 2016	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	10 930			**525**	**(796)**
		Cash flow adjustments	(1%) – 1%	525	(472)
		Other	(5%) – 5%	–	(324)
Derivative financial instruments	50 159			**8 305**	**(5 501)**
		Volatilities	(2%) – 2%	2 471	(1 015)
		Cash flow adjustments	(1%) – 1%	834	(1 701)
		Net asset value	(10%) – 10%	47	(47)
		Other	(10%) – 10%	4 953	(2 738)
Securities arising from trading activities	7 456	Cash flow adjustments	(1%) – 1%	1 380	(1 050)
Investment portfolio	477 854			**64 695**	**(49 344)**
		Price earnings multiple	(10%) – 10%	232	(355)
		Price earnings multiple	^^	5 084	(4 006)
		EBITDA	(10%) – 10%	3 971	(3 917)
		Other^	^	55 408	(41 066)
Loans and advances to customers	87 270			**1 550**	**(9 400)**
		Discount rates	(5%) – 5%	1 550	(987)
		Other	(5%) – 5%	–	(8 413)
Other securitised assets*	147 590			**2 825**	**(2 876)**
		Cash flow adjustments	(1%) – 1%	1 569	(1 727)
		Other	(1%) – 1%	1 256	(1 149)
Liabilities					
Derivative financial instruments	1 355			**1 667**	**(797)**
		Cash flow adjustments	(1%) – 1%	1 661	(790)
		Volatilities	(2%) – 2%	6	(7)
Liabilities arising on securitisation of other assets*	120 617	Cash flow adjustments	(1%) – 1%	1 356	(1 254)
Net level 3 fair value through profit or loss assets	**659 287**			**82 303**	**(71 018)**

* *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.*

^^ *The price earnings multiple has been determined on an investment by investment basis in order to obtain a favourable and unfavourable valuation.*

14. Fair value hierarchy *(continued)*

At 31 March 2016	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
Available-for-sale level 3 assets				**5 668**	**(2 300)**
Investment portfolio	31 616	EBITDA	(10%) – 10%	2 418	(1 340)
		Other	(10%) – 10%	3 250	(960)
Total net level 3 assets	**690 903**			**87 971**	**(73 318)**

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)
Net level 3 fair value through profit or loss assets	**812 761**			**234 012**	**(124 691)**

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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					
Available-for-sale level 3 assets					
Investment portfolio	38 942	EBITDA		**2 658**	**(2 058)**
			(10%) – 10% or 5x EBITDA	2 658	(2 058)
Total net level 3 assets	**851 703**			**236 670**	**(126 749)**

* *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

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.

At 31 March £'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost					
2016					
Assets					
Cash and balances at central banks	3 006 146	3 006 146	^	^	^
Loans and advances to banks	2 349 107	2 349 096	2 006 987	342 109	–
Non-sovereign and non-bank cash placements	466 415	466 415	^	^	^
Reverse repurchase agreements and cash collateral on securities borrowed	1 058 916	1 058 916	^	^	^
Sovereign debt securities	175 953	179 778	179 778	–	–
Bank debt securities	548 537	608 219	392 837	215 382	–
Other debt securities	258 295	245 060	3 269	184 975	56 816
Loans and advances to customers	17 014 962	17 042 997	863 205	8 481 605	7 698 187
Own originated loans and advances to customers securitised	437 243	437 243	^	^	^
Other loans and advances	321 617	297 611	10 412	146 349	140 850
Other securitised assets	12 705	12 705	^	^	^
Other assets	1 215 965	1 215 735	795 582	409 680	10 473
	26 865 861	**26 919 921**			
Liabilities					
Deposits by banks	2 397 403	2 418 497	454 974	1 865 344	98 179
Repurchase agreements and cash collateral on securities lent	698 738	700 875	127 118	573 757	–
Customer accounts (deposits)	23 473 530	23 512 040	13 612 786	9 899 254	–
Debt securities in issue	1 707 826	1 682 986	287 120	1 353 118	42 748
Liabilities arising on securitisation of own originated loans and advances	85 650	85 650	^	^	^
Other liabilities	1 199 976	1 199 487	782 870	374 357	42 260
Subordinated liabilities	1 134 883	1 272 087	1 272 048	39	–
	30 698 006	**30 871 622**			

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)

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	^	^	^
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.*

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.

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Sovereign debt securities	Calculation of the present value of future cash flows, discounted as appropriate.
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.
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						
2016						
Loans and advances to customers	666 610	(16 171)	(31 065)	–	–	666 610
Other securitised assets	138 909	(13 541)	(29 938)	(13 541)	(29 938)	138 909
	805 519	**(29 712)**	**(61 003)**	**(13 541)**	**(29 938)**	**805 519**
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**

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						
2016						
Customer accounts (deposits)	570 751	578 456	(2 666)	(7 705)	–	–
Debt securities in issue	591 925	600 252	(7 067)	21 284	7 406	3 632
Liabilities arising on securitisation of other assets	120 851	139 851	(6 019)	(19 549)	6 019	19 549
	1 283 527	**1 318 559**	**(15 752)**	**(5 970)**	**13 425**	**23 181**
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)**

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.

As at 31 March £'000	2016	2015
17. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	362 284	342 032
United Kingdom	2 589 086	2 146 945
Europe (excluding UK)	48 982	34 296
Other	6 917	6 289
	3 007 269	**2 529 562**

As at 31 March £'000	2016	2015
18. Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	806 795	812 111
United Kingdom	702 023	996 439
Europe (excluding UK)	413 984	604 013
Australia	76 081	99 944
Asia	114 765	66 469
United States of America	342 532	428 195
Other	42 405	38 693
	2 498 585	**3 045 864**

At 31 March £'000	2016	2015
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	1 949 135	1 473 558
Cash collateral on securities borrowed	547 990	338 598
	2 497 125	**1 812 156**
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. £850.3 million (2015: £870.0 billion) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	844 528	1 177 508
Cash collateral on securities lent	127 118	107 437
	971 646	**1 284 945**
The assets transferred and not derecognised in the above repurchase agreements are fair valued at £1.0 billion (2015: £1.3 billion). They are pledged as security for the term of the underlying repurchase agreement.		

At 31 March £'000	2016	2015
20. Sovereign debt securities		
Bonds	1 003 946	667 051
Government securities	672 998	614 378
Treasury bills	1 531 918	1 677 212
	3 208 862	**2 958 641**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	1 926 225	1 744 625
United Kingdom	1 235 317	1 196 877
Europe (excluding UK)*	17 674	16 033
Other	29 646	1 106
	3 208 862	**2 958 641**

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

At 31 March £'000	2016	2015
21. Bank debt securities		
Bonds	589 113	709 556
Debentures	–	53 784
Floating rate notes	307 742	397 715
	896 855	**1 161 055**
The country risk of the bank debt securities lies in the following geographies:		
South Africa	311 841	387 971
United Kingdom	319 726	404 862
Europe (excluding UK)	98 844	120 669
United States of America	159 027	238 555
Other	7 417	8 998
	896 855	**1 161 055**

At 31 March £'000	2016	2015
22. Other debt securities		
Bonds	779 233	501 633
Commercial paper	22 100	–
Floating rate notes	51 830	28 978
Liquid asset bills	14 101	–
Promissory notes	11	–
Asset-based securities	74 582	87 790
Other investments	8 093	8 972
	949 950	**627 373**
The country risk of other debt securities lies in the following geographies:		
South Africa	316 844	362 895
United Kingdom	204 353	118 640
Europe (excluding UK)	272 080	61 926
Australia	14 793	14 428
United States of America	58 804	17 014
Other	83 076	52 470
	949 950	**627 373**

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 positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

At 31 March £'000	2016 Notional principal amounts	2016 Positive fair value	2016 Negative fair value	2015 Notional principal amounts	2015 Positive fair value	2015 Negative fair value
23. Derivative financial instruments *(continued)*						
Foreign exchange derivatives						
Forward foreign exchange contracts	21 265 914	449 114	535 334	10 241 995	162 200	208 358
Currency swaps	2 384 726	222 163	532 032	7 103 760	403 966	736 887
OTC options bought and sold	5 742 300	83 591	55 517	5 593 003	115 279	107 165
Other foreign exchange contracts	16 413	230	–	234 362	3 640	4 840
OTC derivatives	29 409 363	755 098	1 122 883	23 173 120	685 085	1 057 250
Interest rate derivatives						
Caps and floors	2 979 226	40 059	8 981	1 412 395	30 072	1 930
Swaps	25 958 666	263 982	337 819	30 312 219	304 384	410 884
Forward rate agreements	470 038	3 525	3 466	17 341 257	9 332	8 866
OTC options bought and sold	4 733	879	726	89 016	1 502	1 502
Other interest rate contracts	6 153	5 456	1 413	27 815	9 761	5 094
OTC derivatives	29 418 816	313 901	352 405	49 182 702	355 051	428 276
Equity and stock index derivatives						
OTC options bought and sold	4 268 192	287 510	93 361	3 370 609	265 829	105 923
Equity swaps and forwards	1 501 432	18 894	34 126	867 835	4 959	14 200
OTC derivatives	5 769 624	306 404	127 487	4 238 444	270 788	120 123
Exchange traded futures	364 936	1 869	1 271	1 055 609	4 433	4 076
Exchange traded options	6 095 067	169 788	352 743	6 360 209	177 541	289 916
Warrants	199 574	321	196 454	101 076	965	139 677
	12 429 201	478 382	677 955	11 755 338	453 727	553 792
Commodity derivatives						
OTC options bought and sold	13 497	680	680	111 234	485	485
Commodity swaps and forwards	683 279	44 698	41 587	1 110 144	58 975	44 441
OTC derivatives	696 776	45 378	42 267	1 221 378	59 460	44 926
Credit derivatives	993 176	17 188	20 071	735 070	15 332	6 249
Embedded derivatives*		43 802	–		51 754	–
Cash collateral		(72 800)	(632 734)		(39 728)	(546 325)
Derivatives per balance sheet		1 580 949	1 582 847		1 580 681	1 544 168

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

At 31 March £'000	2016	2015
24. Securities arising from trading activities		
Bonds	227 047	194 841
Floating rate notes	–	2 253
Government securities	198 181	380 274
Listed equities	692 181	506 588
Unlisted equities	329	–
Other investments	1 336	2 393
	1 119 074	**1 086 349**

At 31 March £'000	2016	2015
25. Investment portfolio		
Listed equities	160 992	178 541
Unlisted equities*	499 803	769 305
	660 795	**947 846**

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

At 31 March £'000	2016	2015
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	17 867 823	16 992 064
Impairments of loans and advances to customers	(186 251)	(251 801)
Net loans and advances to customers	**17 681 572**	**16 740 263**
Gross other loans and advances	330 122	605 819
Impairments of other loans and advances	(8 505)	(30 989)
Net other loans and advances	**321 617**	**574 830**
For further analysis on loans and advances refer to pages 33 to 45 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	208 195	238 020
Charge to the income statement	142 590	115 689
Reversals and recoveries recognised in the income statement	(22 199)	(16 224)
Utilised	(173 126)	(117 394)
Disposals	–	(1 432)
Exchange adjustment	(1 445)	(10 464)
Balance at the end of the year	**154 015**	**208 195**

At 31 March £'000	2016	2015
26. Loans and advances to customers and other loans and advances *(continued)*		
Portfolio impairment		
Balance at the beginning of the year	43 606	25 703
(Release)/charge to the income statement	(9 156)	18 603
Disposals	–	(1 127)
Transfers	(1 060)	–
Exchange adjustment	(1 154)	427
Balance at the end of the year	**32 236**	**43 606**
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	30 080	88 475
(Release)/charge to the income statement	(1 914)	9 610
Utilised	(21 682)	(8 282)
Disposals	–	(56 653)
Exchange adjustment	122	(3 070)
Balance at the end of the year	**6 606**	**30 080**
Portfolio impairment		
Balance at the beginning of the year	909	117 054
(Release)/charge to the income statement	(62)	4 683
Disposals	–	(120 826)
Transfers	1 060	–
Exchange adjustment	(8)	(2)
Balance at the end of the year	**1 899**	**909**
Total specific impairments	160 621	238 275
Total portfolio impairments	34 135	44 515
Total impairments	**194 756**	**282 790**
Interest income recognised on loans that have been impaired	**3 514**	**6 480**
Reconciliation of income statement charge:		
Loans and advances to customers	**111 235**	**118 068**
Specific impairment charge to income statement	120 391	99 465
Portfolio impairment (release)/charge to income statement	(9 156)	18 603
Securitised assets (refer to note 27)	**257**	**(3 980)**
Specific impairment charge to income statement	99	3 894
Portfolio impairment charge/(release) to income statement	158	(7 874)
Other loans and advances	**(1 976)**	**14 293**
Specific impairment (release)/charge to income statement	(1 914)	9 610
Portfolio impairment charge to income statement	(62)	4 683
Total income statement charge	**109 516**	**128 381**

27. Securitised assets and liabilities arising on securitisation

At 31 March £'000	2016	2015
Gross own originated loans and advances to customers securitised	437 542	448 921
Impairments of own originated loans and advances to customers securitised	(299)	(274)
Net own originated loans and advances to customers securitised	**437 243**	**448 647**
Other securitised assets are made up of the following categories of assets:		
– Cash and cash equivalents	12 705	152 668
– Loans and advances to customers	138 910	627 928
– Other debt securities	8 680	–
Total other securitised assets	**160 295**	**780 596**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	85 650	109 953
Liabilities arising on securitisation of other assets	120 851	616 909
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments of assets that have been securitised:		
Specific impairment		
Balance at the beginning of the year	153	(3 266)
Charge to the income statement	111	3 984
Reversals and recoveries recognised in the income statement	(12)	(90)
Utilised	(251)	(5 206)
Disposals	–	4 734
Exchange adjustment	15	(3)
Balance at the end of the year	**16**	**153**
Portfolio impairment		
Balance at the beginning of the year	121	30 652
Charge/(release) to the income statement	158	(7 874)
Disposals	–	(22 631)
Exchange adjustment	4	(26)
Balance at the end of the year	**283**	**121**
Total portfolio and specific impairments on balance sheet	**299**	**274**

At 31 March £'000	2016	2015
28. Interests in associated undertakings		
Associated undertakings comprise unlisted investments.		
Analysis of the movement in interests in associated undertakings:		
At the beginning of the year	25 244	24 316
Exchange adjustments	(6 333)	674
Disposals	–	(255)
Acquisitions*	247 325	124
Acquisition of non-contolling interests	969	
Operating income from associates (included in other operating income)	1 811	1 933
Dividends received	(1 917)	(1 548)
At the end of the year	**267 099**	**25 244**

* *In South Africa a new investment vehicle, Investec Equity Partners (Pty) Ltd (IEP), was created on 11 January 2016 in which Investec holds a 45% stake alongside other strategic investors who hold the remaining 55%. Investec Principal Investments transferred certain portfolio investments to the value of £369.7 million (R7.6 billion) to IEP. In exchange, Investec received £122.4 million (R2.5 billion) in cash and 45% of the shares in IEP (£247.3 million, R5.1 billion), reflected as an associate.*

At reporting date, summarised financial information of IEP is not available and the purchase price allocation is provisional.

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At 31 March £'000	2016	2015
29. Deferred taxation		
Deferred taxation assets	112 135	99 301
Deferred taxation liabilities	(55 486)	(76 481)
Net deferred taxation assets	**56 649**	**22 820**
The net deferred taxation assets arise from:		
Deferred capital allowances	34 517	30 540
Income and expenditure accruals	23 753	50 102
Asset in respect of unexpired options	26 766	23 052
Unrealised fair value adjustments on financial instruments	6 788	(46 180)
Losses carried forward	15 144	11 861
Liability in respect of pensions surplus	(8 365)	(6 553)
Deferred tax on acquired intangibles	(25 929)	(25 617)
Revaluation of property	(18 524)	(14 277)
Debt buyback	–	(170)
Finance lease accounting	2 650	3 394
Other temporary differences	(151)	812
Fair value on cash flow hedges	–	(4 144)
Net deferred taxation assets	**56 649**	**22 820**
Reconciliation of net deferred taxation assets/(liabilities):		
At the beginning of the year	22 820	34 026
Charge to income statement – current year taxation	33 455	(14 766)
Charge directly in other comprehensive income	2 883	(324)
Acquisition	(5 994)	–
Other	641	2 957
Exchange adjustments	2 844	927
At the end of the year	**56 649**	**22 820**

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 £189.4 million (2015: £106.4 million), capital losses carried forward of £27.4 million (2015: £37.8 million) and excess management expenses of £11.4 million (2015: £11.4 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 2015 reduced the main rate of corporate taxation to 19.1% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015. The effect of these legislative reductions is reflected in the above calculation of the deferred taxation asset as the rate was substantively enacted before 31 March 2016.

On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020. This change has not yet been substantively enacted and is therefore not reflected in the above deferred tax asset. The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 17% is expected to be £1.6 million (£1.4 million for the company).

At 31 March £'000	2016	2015
30. Other assets		
Settlement debtors	976 979	1 059 205
Trading properties	213 902	216 049
Prepayments and accruals	133 013	71 882
Pension assets (refer to note 40)	46 472	35 900
Trading initial margin	331 860	61 179
Investec Import Solutions debtors	68 919	–
Other	321 516	297 498
	2 092 661	**1 741 713**

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31. Property and equipment

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
2016						
Cost						
At the beginning of the year	49 039	57 561	20 512	85 840	25 935	238 887
Exchange adjustments	–	1 369	18	(2 609)	–	(1 222)
Acquisition of a subsidiary undertaking	–	–	53	1 277	–	1 330
Additions	–	6 223	959	10 869	2 360	20 411
Disposals	–	(5 577)	(228)	(7 085)	(19 075)	(31 965)
At the end of the year	**49 039**	**59 576**	**21 314**	**88 292**	**9 220**	**227 441**
Accumulated depreciation						
At the beginning of the year	(2 282)	(30 788)	(18 434)	(67 002)	(18 027)	(136 533)
Exchange adjustments	–	(302)	(2)	(3 269)	–	(3 573)
Disposals	–	(2)	139	5 738	14 902	20 777
Depreciation charge for the year	(534)	(5 700)	(644)	(8 181)	(2 165)	(17 224)
At the end of the year	**(2 816)**	**(36 792)**	**(18 941)**	**(72 714)**	**(5 290)**	**(136 553)**
Net carrying value	**46 223**	**22 784**	**2 373**	**15 578**	**3 930**	**90 888**
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**

* *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	2016	2015
32. Investment properties		
At the beginning of the year	617 898	509 228
Additions	404 555	109 662
Disposals	(7 878)	(3 497)
Fair value movement	12 789	18 895
Exchange adjustment	(88 485)	(16 390)
At the end of the year	**938 879**	**617 898**

All investment properties are classified as level 3 in the fair value hierarchy.

For total gains and losses recognised in the income statement, refer to note 4.

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.

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 47 to 49 in volume two.

The table below includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Significant unobservable inputs	Definitions
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 and the equivalent yield. However, a lower/(higher) vacancy rate would increase/(decrease) the ERV for a property.

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.

At 31 March £'000	2016	2015
33. Goodwill		
Cost		
At the beginning of the year	406 246	556 414
Acquisition of subsidiaries	8 189	180
Disposal of subsidiaries	–	(145 688)
Exchange adjustments	(15 931)	(4 660)
At the end of the year	**398 504**	**406 246**
Accumulated impairments		
At the beginning of the year	(44 719)	(122 843)
Income statement amount	(1 577)	(5 337)
Disposals of subsidiaries	–	80 229
Exchange adjustments	15 831	3 232
At the end of the year	**(30 465)**	**(44 719)**
Net carrying value	**368 039**	**361 527**
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	242 672	242 126
Specialist Banking	26 277	25 919
	356 994	**356 090**
South Africa		
Asset Management	1 149	3 320
Wealth & Investment	1 616	1 877
Specialist Banking	8 280	240
	11 045	**5 437**
Total group	**368 039**	**361 527**

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 two most significant cash-generating units giving rise to goodwill are Investec Asset Management and Investec Wealth & Investment, which includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group).

For Investec 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 8.9% (2015: 9.9%), which incorporate an expected revenue growth rate of 2% in perpetuity (March 2015: 2%). The valuation is based on the value in use of the business.

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, goodwill of £88.0 million has been tested for impairment on the basis of a valuation of the business based on 3% of funds under management. 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. The valuation is based on management's assessment of appropriate external benchmarks to estimate the fair value less cost to sell the business. Valuing an asset management business as a percentage of funds under management, taking into account asset mix, is in line with market practice and the percentage used by management reflects external transactions that are comparable to Investec Asset Management. The valuation would be level 3 in the fair value hierarchy.

SOUTH AFRICA

Goodwill attributed to the South African operations relates to the acquisition of the Investec Import Solutions group, previously Blue Strata group, in the current year and Investec Asset Management in prior years. Goodwill from Investec Asset Management relates 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, the budgeted profits and funds under management. The valuation is based on managements assessment of appropriate profit forecast and a discount rate to estimate the fair value less cost to sell the business. The discount rate applied of 12.36% is determined using the South African risk-free rate adjusted for the risk-related to the cash-generating unit.

MOVEMENT IN GOODWILL

2016

Goodwill arising from acquisitions of £8.2 million relates to the acquisition of Investec Import Solutions group July 2015 (as detailed in note 35).

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).

FINANCIAL STATEMENTS

At 31 March £'000	Acquired software	Internally generated software	Intellectual property	Management contracts	Client relationships	Total
34. Intangible assets						
2016						
Cost						
At the beginning of the year	64 781	4 773	–	727	187 956	258 237
Exchange adjustments	(946)	–	–	69	(2 392)	(3 269)
Acquisition of a subsidiary undertaking	–	–	–	–	21 562	21 562
Additions	3 903	915	–	–	–	4 818
Disposals	(213)	–	–	(276)	–	(489)
At the end of the year	**67 525**	**5 688**	**–**	**520**	**207 126**	**280 859**
Accumulated amortisation and impairments						
At the beginning of the year	(51 127)	(3 811)	–	(313)	(55 759)	(111 010)
Exchange adjustments	(110)	–	–	(30)	(135)	(275)
Disposals	200	–	–	276	–	476
Amortisation	(5 296)	(226)	–	(129)	(16 119)	(21 770)
At the end of the year	**(56 333)**	**(4 037)**	**–**	**(196)**	**(72 013)**	**(132 579)**
Net carrying value	**11 192**	**1 651**	**–**	**324**	**135 113**	**148 280**
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**

Client relationships relate to the acquisition of Rensburg Sheppards plc in June 2010 and Evolution Group in December 2011, Investec Capital Asia Limited in April 2011, NCB Group in June 2012 and Investec Import Solutions group in July 2015.

35. Acquisitions and disposals

2016

ACQUISITIONS

On 1 July 2015, Investec Bank Limited concluded transaction agreements with the management and shareholders of the Investec Import Solutions group, previously Blue Strata group, for the acquisition of the remaining 51.5% of the Blue Strata group, not already owned by it. Investec and Blue Strata have had a fruitful partnership over the past 13 years since Blue Strata's founding in 2002.

As import regulations and complexities increase, Investec Import Solutions offers a compelling value proposition to clients by simplifying the import process, and Investec foresees exciting benefits unfolding in offering Investec Import Solution's services to more of Investec's existing client base. The group believes that the full integration of the business into Investec offers the opportunity to unlock substantial benefits and will allow Investec Import Solutions to accelerate its growth.

The assets and liabilities at the date of acquisition, goodwill arising and total consideration paid are shown below:

£'000	Fair value of assets and liabilities
Loans and advances to banks	3 690
Investment portfolio	2 241
Deferred taxation assets	338
Other assets	75 288
Property and equipment	1 330
Intangible assets	21 562
Current taxation assets	14
Assets	**104 463**
Deferred taxation liabilities	6 332
Other liabilities	13 431
Liabilities	**19 763**
Net fair value of assets acquired	**84 700**
Fair value of existing 48.5% equity interest held in Investec Import Solutions	18 648
Issue of Investec Limited shares	19 240
Loan eliminated on consolidation	55 001
Fair value of consideration	**92 889**
Goodwill	**8 189**

For the post-acquisition period of 1 July 2015 to 31 March 2016, the operating income of Investec Import Solutions was £9.5 million and the profit before taxation amounted to £3.2 million. If the acquisition of Investec Import Solutions had occurred at the beginning of the current year, the increase in operating income and profit before taxation of the group would be £13.0 million and £4.5 million respectively. At 31 March 2016, goodwill has not been impaired.

During the year, the group acquired an interest in associated undertakings. For further information on the associate refer to note 28.

DISPOSALS

There were no significant disposals of subsidiaries during the year ended 31 March 2016. As part of the sale of Kensington Group plc, a final net settlement was paid after the 31 March 2015 year end. As a result of this payment, a further loss before taxation of £4.8 million was recognised during the 2016 financial year.

35. Acquisitions and disposals *(continued)*

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**
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 amounted to £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 (Kensington) 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 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 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)*

The breakdown of significant balance sheet line items derecognised are shown below:

£'000	Book value of assets and liabilities IBAL	Book value of assets and liabilities Kensington and Start	Book value of assets and liabilities Total
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 2015 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.

At 31 March £'000	2016	2015
36. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	27 493	34 227
Investec Assurance Limited	5 818 010	6 301 099
Insurance liabilities, including unit-linked liabilities – IEB	1 533	1 823
	5 847 036	**6 337 149**
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	29 026	36 050
	29 026	**36 050**
Investments above comprise:		
Interest-bearing securities	9 040	12 740
Stocks, shares and unit trusts	10 365	12 796
Deposits	9 621	10 514
	29 026	**36 050**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	5 759 684	6 272 215
Debtors and prepayments	36 081	7 895
Other assets	22 245	20 989
	5 818 010	**6 301 099**
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	1 309 942	1 528 063
Stocks, shares and unit trusts	3 699 797	4 058 834
Deposits	749 945	685 318
	5 759 684	**6 272 215**

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	2016	2015
37. Other trading liabilities		
Deposits	39 254	44 356
Short positions		
– Equities	736 421	632 574
– Gilts	181 743	208 073
	957 418	**885 003**

At 31 March £'000	2016	2015
38. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	229 272	68 267
Three months to one year	151 758	260 760
One to five years	1 176 639	997 568
Greater than five years	742 082	382 774
	2 299 751	**1 709 369**

At 31 March £'000	2016	2015
39. Other liabilities		
Settlement liabilities	994 682	1 063 371
Other creditors and accruals	588 176	575 607
Other non-interest-bearing liabilities	220 109	206 701
	1 802 967	**1 845 679**

At 31 March £'000	2016	2015
40. Pension commitments		
Income statement charge		
Defined benefit obligations net (income)/expense included net interest income	(1 208)	(1 219)
Defined benefit net costs included in administration costs	647	442
Cost of defined contribution schemes included in staff costs	33 789	35 197
Net income statement charge in respect of pensions	**33 228**	**34 420**

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of two schemes in the United Kingdom being the Guinness Mahon Pension Fund scheme (GM scheme) and the Investec Asset Management Pension scheme (IAM scheme). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The plan is subject to UK regulations, which require the trustees to agree a funding strategy and contribution schedule for the plan. The role of the trustees is to ensure that the schemes are administered in accordance with the scheme rules and relevant legislation, and to safeguard the assets in the best 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 2016 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:	2016	2015
Discount rate	3.40%	3.20%
Rate of increase in salaries	2.90%	3.00%
Rate of increase in pensions in payment	1.80% – 3.00%	1.80% – 3.00%
Inflation (RPI)	2.90%	3.00%
Inflation (CPI)	1.90%	2.00%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the S1PA base tables with allowance for future improvements in line with CMI 2014 core projections and a long-term improvement of 1.25% per annum. The life expectancies underlying the valuation are as follows:

	Years	Years
Male aged 65	88.3	87.8
Female aged 65	90.9	89.8
Male aged 45	90.1	89.7
Female aged 45	92.8	91.2

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 £5 429 000 (increase by £5 798 000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £2 173 000 (decrease by £2 530 000). 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 £209 000 (decrease by £205 000) if all the other assumptions remained unchanged.

40. Pension commitments *(continued)*

Sensitivity analysis of assumptions *(continued)*

If the deferred revaluation assumption was 0.25% higher (lower) the scheme liabilities would increase by £778 000 (decrease by £761 000) if all the other assumptions remained unchanged.

If the pension increases assumptions were 0.25% higher (lower), the scheme liabilities would increase by approximately £1 813 000 (decrease by £1 721 000) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by one year, the scheme liabilities would increase by approximately £4 317 000 (decrease by £3 822 000) if all the other assumptions remained unchanged.

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 to which the pension schemes expose Investec can be found in the Risk Management report on page 79. 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.

At 31 March £'000	2016	2015
GM scheme		
Gilts	168 451	165 729
Cash	2 792	2 600
Total market value of assets	**171 243**	**168 329**
IAM scheme		
Managed funds	21 887	24 442
Cash	84	49
Total market value of assets	**21 971**	**24 491**

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 2016, 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 Trustee's 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.

40. Pension commitments

(continued)

At 31 March £'000	2016 GM	2016 IAM	2016 Total	2015 GM	2015 IAM	2015 Total
Recognised in the balance sheet						
Fair value of fund assets (restated)	171 243	21 971	193 214	168 329	24 491	192 820
Present value of obligations	(129 467)	(17 275)	(146 742)	(137 947)	(18 973)	(156 920)
Net asset (recognised in other assets)	**41 776**	**4 696**	**46 472**	**30 382**	**5 518**	**35 900**
Recognised in the income statement						
Net interest income	1 033	175	1 208	947	272	1 219
Administration costs	(535)	(112)	(647)	(377)	(65)	(442)
Net amount recognised in the income statement	**498**	**63**	**561**	**570**	**207**	**777**
Recognised in the statement of comprehensive income						
Return on plan assets (excluding amounts in net interest income)	339	2 169	2 508	(28 219)	(1 982)	(30 201)
Actuarial (gain)/loss arising from changes in financial assumptions	(5 317)	(814)	(6 131)	22 106	2 956	25 062
Actuarial loss arising from changes in demographic assumptions	2 393	243	2 636	–	–	–
Actuarial gain arising from experience adjustments	(3 995)	(713)	(4 708)	(33)	(75)	(108)
Remeasurement of defined benefit asset	(6 580)	885	(5 695)	(6 146)	899	(5 247)
Deferred tax	1 222	(265)	957	(1 229)	136	(1 093)
Remeasurement of net defined benefit asset	**(5 358)**	**620**	**(4 738)**	**(7 375)**	**1 035**	**(6 340)**

At 31 March £'000	GM	IAM	Total
Changes in the net asset recognised in the balance sheet			
Opening balance sheet asset at 1 April 2014	**19 350**	**6 210**	**25 560**
Expenses charged to the income statement	570	207	777
Amount recognised in other comprehensive income	6 146	(899)	5 247
Contributions paid	4 316	–	4 316
Opening balance sheet asset at 1 April 2015	**30 382**	**5 518**	**35 900**
Expenses charged to the income statement	498	63	561
Amount recognised in other comprehensive income	6 580	(885)	5 695
Contributions paid	4 316	–	4 316
Closing balance sheet asset at 31 March 2016	**41 776**	**4 696**	**46 472**

40. Pension commitments *(continued)*

At 31 March £'000	GM	IAM	Total
Changes in the present value of defined benefit obligations			
Opening 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 loss arising from experience adjustments	(33)	(75)	(108)
Benefits and expenses paid	(5 202)	(705)	(5 907)
Opening defined benefit obligation at 1 April 2015	**137 947**	**18 973**	**156 920**
Interest expense	4 320	588	4 908
Remeasurement gains and losses:			
– Actuarial gain arising from demographic assumptions	2 393	243	2 636
– Actuarial loss arising from changes in financial assumptions	(5 317)	(814)	(6 131)
– Actuarial loss arising from experience adjustments	(3 995)	(713)	(4 708)
Benefits and expenses paid	(5 881)	(1 002)	(6 883)
Closing defined benefit obligation at 31 March 2016	**129 467**	**17 275**	**146 742**
Changes in the fair value of plan assets			
Opening fair value of plan assets at 1 April 2014	**135 433**	**22 314**	**157 747**
Interest income	5 940	965	6 905
Remeasurement (loss)/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)
Opening fair value of plan assets at 1 April 2015	**168 329**	**24 491**	**192 820**
Interest income	5 353	763	6 116
Remeasurement gain/loss:			
– Return on plan assets (excluding amounts in net interest income)	(339)	(2 169)	(2 508)
Contributions by the employer	4 316	–	4 316
Benefits and expenses paid	(5 881)	(1 002)	(6 883)
Administration expenses	(535)	(112)	(647)
Closing fair value of plan assets at 31 March 2016	**171 243**	**21 971**	**193 214**

There is no restriction on the pension surpluses as Investec has an unconditional right to a refund of the surpluses assuming the gradual settlement of the plan over time until all members have left the plan.

The triennial funding valuation of the schemes was carried out as at 31 March 2015. Contributions requirements, including any deficit recovery plans, were agreed between the group and the Trustees in March 2013 and March 2016 to address the scheme deficit. Under the agreed contribution plan deficit contributions of £4.3 million were paid into the GM scheme in the year to March 2016 and the group expects to make £4.3 million of contributions to the defined benefit schemes in the 2016/17 financial year, with the total agreed contributions for the years ending March 2017 to March 2021 totalling £10.8 million. The IAM scheme is fully funded.

The weighted average duration of the GM scheme's liabilities at 31 March 2016 is 17 years (31 March 2015: 19 years). This includes average duration of active members of 21 years, average duration of deferred pensioners of 22 years and average duration of pensioners in payment of 12 years. The weighted average duration of the IAM scheme's liabilities at 31 March 2016 is 18 years (31 March 2015: 19 years). This includes average duration of deferred pensioners of 20.4 years and average duration of pensioners in payment of 12.8 years.

At 31 March £'000	2016	2015
41. Subordinated liabilities		
Issued by Investec Finance plc		
Guaranteed undated subordinated callable step-up notes	18 272	18 510
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes	579 037	578 413
Issued by Investec Bank Limited		
IV08 13.735% subordinated unsecured callable upper tier 2 bonds	9 466	11 127
IV09 variable rate subordinated unsecured callable upper tier 2 bonds	9 466	11 127
IV013 variable rate subordinated unsecured callable bonds	–	2 782
IV014 10.545% subordinated unsecured callable bonds	–	6 954
IV015 variable rate subordinated unsecured callable bonds	28 445	75 108
IV016 variable rate subordinated unsecured callable bonds	15 382	18 081
IV017 indexed rate subordinated unsecured callable bonds	103 868	114 825
IV019 indexed rate subordinated unsecured callable bonds	4 359	4 771
IV019A indexed rate subordinated unsecured callable bonds	16 061	17 624
IV022 variable rate subordinated unsecured callable bonds	30 200	55 468
IV023 variable rate subordinated unsecured callable bonds	40 703	47 846
IV024 variable rate subordinated unsecured callable bonds	5 017	5 897
IV025 variable rate subordinated unsecured callable bonds	47 329	55 635
IV026 variable rate subordinated unsecured callable bonds	35 497	41 726
IV030 indexed rate subordinated unsecured callable bonds	17 271	19 055
IV030A indexed rate subordinated unsecured callable bonds	18 560	20 467
IV031 variable rate subordinated unsecured callable bonds	23 665	27 818
IV032 variable rate subordinated unsecured callable bonds	38 337	45 065
IV033 variable rate subordinated unsecured callable bonds	7 525	–
IV034 fixed rate subordinated unsecured callable bonds	4 780	–
IV035 variable rate subordinated unsecured callable bonds	52 062	–
Issued by Investec Limited		
INLV02 variable rate subordinated unsecured callable bonds	13 063	–
INLV03 variable rate subordinated unsecured callable bonds	4 449	–
INLV04 fixed rate subordinated unsecured callable bonds	12 069	–
	1 134 883	**1 178 299**
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	18 272	9 736
In more than one year, but not more than two years	–	18 510
In more than two years, but not more than five years	138 679	22 254
In more than five years	977 932	1 127 799
	1 134 883	**1 178 299**

41. Subordinated liabilities *(continued)*

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 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).

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.

IV013 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

Rnil (2015: 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 had the option to call the bonds from 22 June 2015. The bonds were called on 22 June 2015.

IV014 10.545% SUBORDINATED UNSECURED CALLABLE BONDS

Rnil (2015: 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 had the option to call the bonds from 22 June 2015. The bonds were called on 22 June 2015.

IV015 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R601 million (2015: 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. R749 million IV015 bonds were repurchased by Investec Bank Limited during the current financial year.

41. Subordinated liabilities *(continued)*

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 194 million (2015: R2 063 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

R92 million (2015: R86 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

R339 million (2015: R317 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 or from 3 April 2023.

IV022 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R638 million (2015: 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 or from 2 April 2017. R359 million IV022 bonds were repurchased by Investec Bank Limited during the current year.

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 or 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 or 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 or 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.

41. Subordinated liabilities *(continued)*

IV030 INDEXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R364 million (2015: R342 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

R392 million (2015: R368 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.

IV033 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R159 million (2015: Rnil) Investec Bank Limited IV033 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

IV034 FIXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R101 million (2015: Rnil) Investec Bank Limited IV034 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable semi-annually on 11 February and 11 August at a rate equal to 12.47% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

IV035 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R1 100 million (2015: Rnil) Investec Bank Limited IV035 locally registered subordinated unsecured callable bonds are due in April 2027. Interest is payable quarterly on 7 April, 7 July, 7 October and 7 January at a rate equal to the three-month JIBAR plus 4.65% up to and excluding 7 April 2027. The maturity date is 7 April 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 7 April 2022.

INLV02 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R276 million (2015: Rnil) Investec Limited INVL02 locally registered subordinated unsecured callable bonds are due in October 2025. Interest is payable quarterly on 20 January, 20 April, 20 July and 20 October at a rate equal to the three-month JIBAR plus 3.7% up to and excluding 20 October 2025. The maturity date is 20 October 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 October 2020.

41. Subordinated liabilities *(continued)*

INVL03 VARIABLE RATE SUBORDINATED UNSECURED CALLABLE BONDS

R94 million (2015: Rnil) Investec Limited INVL03 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.35% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

INVL04 FIXED RATE SUBORDINATED UNSECURED CALLABLE BONDS

R255 million (2015: Rnil) Investec Limited INVL04 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to 12.77% up to and excluding 7 April 2027. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

At 31 March	2016	2015
42. Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	613 609 642	608 756 343
Issued during the year	3 809 222	4 853 299
At the end of the year	**617 418 864**	**613 609 642**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	123	122
Issued during the year	1	1
At the end of the year	**124**	**123**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	285 748 623	282 934 529
Issued during the year	5 615 083	2 814 094
At the end of the year	**291 363 706**	**285 748 623**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	57	56
Issued during the year	1	1
At the end of the year	**58**	**57**
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	2016	2015

42. Ordinary share capital *(continued)*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2015: R1 960 002), comprising 450 000 000 (2015: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2015: 47 000 000) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2015: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2015: 1 500 000) Class ILRP 2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2015: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2015: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2015: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2015: 1) Dividend Access (South African resident) redeemable preference share of R1.1 (2015: 1) Dividend Access (non-South African resident) redeemable preference share of R1 700 000 000 (2015: 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	285 748 623	282 934 529
Issued during the year	5 615 083	2 814 094
At the end of the year	**291 363 706**	**285 748 623**

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	613 609 642	608 756 343
Issued during the year	3 809 222	4 853 299
At the end of the year	**617 418 864**	**613 609 642**

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	2016	2015

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	233	231
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(3)	(3)
Total called up share capital	**228**	**226**

* *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 are 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 2016	Number 2015
Opening balance	74 064 737	87 352 252
Issued during the year	15 242 886	17 440 425
Exercised	(20 180 529)	(27 868 776)
Lapsed	(2 593 070)	(2 859 164)
Closing balance	**66 534 024**	**74 064 737**

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 groups' share price.

At present, the practice of the group is to grant 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 scheme is detailed on pages 177 to 179 and 199 to 201 in volume one.

At 31 March £'000	2016	2015
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 (2015: 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.		
Issued by Investec plc		
9 381 149 (2015: 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 (2015: 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.		

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At 31 March £'000	2016	2015
43. Perpetual preference shares of holding company *(continued)*		
Issued by Investec plc – Rand-denominated		
1 859 900 (2015: 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 (2015: 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-denominated preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	377 659	**377 659**

* *Less than £1 000.*

At 31 March £'000	2016	2015
44. Share premium		
Share premium account – Investec plc	1 226 659	1 203 855
Share premium account – Investec Limited	635 199	676 787
Perpetual preference share premium	377 506	377 506
	2 239 364	**2 258 148**

At 31 March	2016	2015

45. Treasury shares

	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	**125 717**	**68 065**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	16 141 177	8 325 971
Investec Limited ordinary shares held by subsidiaries	24 158 289	21 162 694
Investec plc and Investec Limited shares held by subsidiaries	**40 299 466**	**29 488 665**
Reconciliation of treasury shares:	**Number**	**Number**
At the beginning of the year	29 488 665	29 661 471
Purchase of own shares by subsidiary companies	18 895 630	22 500 856
Shares disposed of by subsidiaries	(8 084 829)	(22 673 662)
At the end of the year	**40 299 466**	**29 488 665**
Market value of treasury shares:	**£'000**	**£'000**
Investec plc	82 724	46 709
Investec Limited	123 811	118 723
	206 535	**165 432**

At 31 March £'000	2016	2015

46. Other Additional Tier 1 securities in issue

Issued by Investec Limited		
INVO1 variable rate subordinated unsecured callable bonds	26 031	30 599
	26 031	**30 599**

R550 000 000 Other Additional Tier 1 floating rate notes pay dividends 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	2016	2015
47. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	72 615	229 957
Non-controlling interests in partially held subsidiaries	400 374	279 102
	472 989	**509 059**
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries	–	144 598
€nil (2015: €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%.		
These notes were redeemed in full by the issuer on 24 June 2015.		
Issued by an Investec Limited subsidiary	72 615	85 359
15 447 630 (2015: 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.		
	72 615	**229 957**

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*	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Non-controlling interests (NCI) (%)	15.0%	15.0%	15.0%	15.0%	71.4%	66.9%
Summarised financial information (£'000)						
Total assets	5 968 829	6 470 270	380 891	411 419	792 827	489 673
Total liabilities	5 896 719	6 389 234	283 817	309 501	267 703	121 603
Revenue	145 551	167 010	276 063	269 048	53 444	51 583
Profit before taxation	40 214	73 484	66 015	75 491	52 911	49 223
Carrying amount of NCI	10 958	12 690	14 763	15 180	374 157	244 952
Profit allocated to NCI	6 266	8 131	10 263	10 053	37 572	31 658

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

The reduction in the shareholding of IPF is as a result of rights issues made to fund investment property acquisitions which increased the net asset value of the business.

48. Finance lease disclosures

At 31 March £'000	2016 Total future minimum payments	2016 Present value	2015 Total future minimum payments	2015 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	243 852	193 467	238 618	189 766
One to five years	372 821	324 064	347 125	301 452
Greater than five years	5 488	5 244	4 510	4 289
	622 161	**522 775**	**590 253**	**495 507**
Unearned finance income	**99 386**		**94 746**	

At 31 March 2016, unguaranteed residual values accruing to the benefit of Investec were £2.4 million (2015: £2.7 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

For the year to 31 March £'000	2016	2015
49. Notes to the cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	**518 191**	**391 991**
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	1 577	5 337
Amortisation of intangible assets	16 248	14 497
Net gain on disposal of subsidiaries	–	93 033
Depreciation and impairment of property, equipment and intangibles	22 746	26 264
Write down of non-current assets held for sale	6 320	–
Impairment of loans and advances	109 516	128 381
Operating income from associates	(1 811)	(1 933)
Dividends received from associates	1 917	1 548
Share-based payment charges	56 216	63 475
Profit before taxation adjusted for non-cash items	**730 920**	**722 593**
Increase in operating assets		
Loans and advances to banks	5 720	11 787
Reverse repurchase agreements and cash collateral on securities borrowed	(802 965)	(434 659)
Sovereign debt securities	(519 888)	69 913
Bank debt securities	139 269	228 303
Other debt securities	(343 916)	(21 744)
Derivative financial instruments	(154 284)	(93 786)
Securities arising from trading activities	(99 523)	(224 105)
Investment portfolio	(63 494)	(139 098)
Loans and advances to customers	(2 131 051)	(1 879 036)
Securitised assets	564 836	1 218 650
Other assets	(331 889)	(312 563)
Investment properties	(407 495)	(120 093)
Assurance assets	(464 890)	(615 861)
Non-current assets classified as held for sale	29 000	–
	(4 580 570)	**(2 312 292)**
Increase in operating liabilities		
Deposits by banks	751 364	(471 593)
Derivative financial instruments	140 077	405 070
Other trading liabilities	170 683	36 059
Repurchase agreements and cash collateral on securities lent	(222 267)	(14 530)
Customer accounts (deposits)	3 117 091	1 580 234
Debt securities in issue	670 569	196 794
Securitised liabilities	(504 897)	(1 180 257)
Other liabilities	15 110	1 123 494
Assurance liabilities	464 890	615 861
	4 602 620	**2 291 132**

At 31 March £'000	2016	2015
50. Commitments		
Undrawn facilities	3 270 641	3 267 814
Other commitments	104 016	38 226
	3 374 657	**3 306 040**

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.

	2016	2015
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	45 741	48 923
One to five years	204 602	185 025
Greater than five years	144 031	122 034
	394 374	**355 982**

	Carrying amount of pledged asset		Related liability	
£'000	**2016**	**2015**	**2016**	**2015**
Pledged assets				
Loans and advances to customers	374 394	–	176 479	–
Other loans and advances	6 731	25 253	5 246	25 253
Loans and advances to banks	174 353	210 061	157 752	164 661
Sovereign debt securities	183 881	433 059	169 587	596 527
Bank debt securities	362 382	474 899	329 914	285 130
Other debt securities	434 368	171 548	352 835	95 222
Securities arising from trading activities	454 825	599 992	521 219	594 401
Reverse repurchase agreements and cash collateral on securities borrowed	–	38 808	–	26 254
	1 990 934	**1 953 620**	**1 713 032**	**1 787 448**

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

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At 31 March £'000	2016	2015
51. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	1 086 066	1 061 266
	1 086 066	**1 061 266**

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, 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. These claims are currently the subject of appeals before the Judicial Committee of the Privy Council. 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	2016	2015
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	37 215	33 472
Increase in loans	3 870	14 461
Repayment of loans	(6 775)	(10 024)
Exchange adjustment	(248)	(694)
At the end of the year	**34 062**	**37 215**
Guarantees		
At the beginning of the year	8 512	4 409
Additional guarantees granted	3 748	6 062
Guarantees cancelled	(449)	(1 876)
Exchange adjustment	(481)	(83)
At the end of the year	**11 330**	**8 512**
Deposits		
At the beginning of the year	(35 537)	(27 668)
Increase in deposits	(12 189)	(27 261)
Decrease in deposits	21 317	19 245
Exchange adjustment	698	147
At the end of the year	**(25 711)**	**(35 537)**

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	2016	2015
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	**32 013**	**25 734**
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.		
During the period the group made an investment in a private equity vehicle in which one of the Investec Directors has significant influence. The group made an investment of £30.5 million during the year and have committed further funding of £69.5 million to the vehicle. The terms and conditions of the transaction were no more favourable than those available, or which might be expected to be available on similar transactions to non-related entities on an arm's length basis.		
Transactions with associates		
Amounts due from associates	**8 401**	**9 069**
Interest income from loans to associates	**1 024**	**1 218**
Fees and commission income from associates	**262**	**202**

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, 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 being hedged	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
2016						
Assets	Interest rate swap	(39 291)	(21 697)	(12 816)	19 152	9 931
	Interest rate swap	(136 927)	(136 927)	(33 458)	123 413	32 182
Liabilities	Interest rate swap	11 088	11 088	2 812	(11 003)	(2 841)
		(165 130)	**(147 536)**	**(43 462)**	**131 562**	**39 272**
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**

53. Hedges *(continued)*

CASH FLOW HEDGES

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified 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 being hedged	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
2016			
Assets	Cross-currency swap	236 426	Three months
	Forward exchange contract	–	Within a year
		236 426	
2015			
Assets	Cross-currency swap	242 346	Three months
	Forward exchange contract	21	Within a year
		242 367	

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.

Hedges of net investments in foreign operations

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
2016	**(45 320)**
2015	(19 531)

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

The balances in the table below 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.

At 31 March £'000	Demand	Up to one month
2016		
Liabilities		
Deposits by banks	140 356	315 833
Derivative financial instruments	675 720	51 003
– held for trading	657 556	–
– held for hedging risk	18 164	51 003
Other trading liabilities	961 180	–
Repurchase agreements and cash collateral on securities lent	354 762	156 959
Customer accounts (deposits)	8 291 561	3 318 085
Debt securities in issue	–	82 755
Liabilities arising on securitisation of own originated loans and advances	–	444
Liabilities arising on securitisation of other assets	–	–
Other liabilities	299 482	939 211
Subordinated liabilities	–	4 131
Total on balance sheet liabilities	**10 723 061**	**4 868 421**
Contingent liabilities	92 329	28 288
Commitments	399 961	61 196
Total liabilities	**11 215 351**	**4 957 905**
2015		
Liabilities		
Deposits by banks	112 346	140 209
Derivative financial instruments	783 784	24 557
– held for trading	781 051	–
– 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**

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
90 552	123 553	448 530	1 180 103	126 507	2 425 434
94 175	31 471	21 617	833 526	60 056	1 767 568
35	127	28	4 371	10 307	672 424
94 140	31 344	21 589	829 155	49 749	1 095 144
–	–	–	–	–	961 180
59 460	173	180 154	226 754	–	978 262
3 895 566	2 983 539	2 124 225	3 518 825	168 889	24 300 690
200 943	129 892	288 602	1 300 879	451 986	2 455 057
1 796	1 815	3 591	36 009	85 206	128 861
3 922	4 727	10 557	73 141	97 580	189 927
302 144	26 422	21 629	165 831	48 559	1 803 278
5 490	11 611	134 926	744 742	683 817	1 584 717
4 654 048	**3 313 203**	**3 233 831**	**8 079 810**	**1 722 600**	**36 594 974**
396 790	12 961	100 310	603 261	97 726	1 331 665
317 889	130 427	398 080	1 160 306	914 152	3 382 011
5 368 727	**3 456 591**	**3 732 221**	**9 843 377**	**2 734 478**	**41 308 650**
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	1 981 077
17 512	9 639	75 734	573 739	1 090 563	1 770 629
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**

55. Principal subsidiaries and associated companies – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest 2016	Interest 2015
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 Management Limited	Asset management	England and Wales	85.0%	85.0%
Investec Bank plc	Banking institution	England and Wales	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment banking	Hong Kong	100.0%	100.0%
Investec Capital & Investments (Ireland) Limited	Financial services	Ireland	100.0%	100.0%
Investec Finance plc	Debt issuer	England and Wales	100.0%	100.0%
Investec Group (UK) plc	Holding company	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec 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	Investment management services	England and Wales	100.0%	100.0%
Reichmans Geneva SA	Trade finance	Switzerland	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are 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 as required by the Companies Act 2006 is included in note i to the Investec plc company accounts on pages 137 to 139.

At 31 March	Principal activity	Country of incorporation	Interest 2016	Interest 2015
Principal associated companies				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0%	35.0%

For more details on associated companies refer to note 28.

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

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
Landmark Mortgage Securities No 2 plc	Securitised residential mortgages
Residential Mortgage Securities 23 plc	Securitised residential mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 1 plc	Securitised receivables
Temese Funding 2 Plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

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 50 to 52 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 a portfolio of medium-term lease and hire purchase receivables. These structured entities are consolidated as the group has retained the equity notes and control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained.

OTHER STRUCTURED ENTITIES – COMMERCIAL OPERATIONS

The group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds where the group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity-like returns and ability to influence the strategic and financial decision-making.

The group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £231.1 million (2015: £169.1 million).

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

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.

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.

31 March 2016	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	68 904	Limited to the carrying value	Investment income	4 308

31 March 2015	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

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

UNCONSOLIDATED STRUCTURED ENTITIES

At 31 March 2016

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 28 to 36.

Type of structured entity	Nature and purpose	Interest held by the group
Investment funds	To generate fees from managing assets on behalf of third party investors.	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors through providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors.	

The table below sets out an analysis of the carrying amounts of interests held by the group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

At 31 March 2016	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	5 245	Limited to the carrying value	185 724	Investment expense	1
Residential mortgage securitisations	Other debt securities	9 734	Limited to the carrying value	105 258	Investment income	113
					Net interest income	94
	Other loans and advances	15 490	Limited to the carrying value	343 604	Investment income	20
					Net interest income	(75)

At 31 March 2015	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	5 015	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	Investment income	260
					Net interest income	120
	Other loans and advances	77 628	Limited to the carrying value	1 642 784	Net interest income	9 057

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

FINANCIAL SUPPORT PROVIDED TO THE UNCONSOLIDATED STRUCTURED ENTITIES

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

	2016 **Structured CDO and CLO securitisations**	2015 **Structured CDO and CLO securitisations**
Why its 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.	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.
Income amount and type	Nil	Nil
Carrying amount of all assets transferred	£222 million of CDO and CLO assets	£222 million of CDO and CLO assets

INTERESTS IN STRUCTURED ENTITIES WHICH THE GROUP HAS NOT SET UP

Purchased securitisation positions

The group buys and sells interest in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases, the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset. Details of the value of these interests is included in the risk management report on pages 50 and 51 in volume two.

56. Principal subsidiaries and associated companies – Investec Limited

At 31 March	Principal activity	Country of incorporation	Interest 2016	Interest 2015
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	85.0%	85.0%
Investec Bank Limited	Banking	South Africa	100.0%	100.0%
Investec Employee Benefits Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Holdings (Gibraltar) Limited	Investment holding	Gibraltar	100.0%	100.0%
Investec Securities (Pty) Ltd	Registered stockbroker	South Africa	100.0%	100.0%
Fedsure International Limited	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 Fund Managers SA (RF) (Pty) Ltd	Unit trust management	South Africa	85.0%	85.0%
Investec Bank (Mauritius) Limited	Banking	Mauritius	100.0%	100.0%
Investec Property (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	28.6%	33.1%
Investec Import Solutions (Pty) Ltd	Import logistics and trade finance	South Africa	100.0%	48.5%

At 31 March	Principal activity	Country of incorporation	Interest 2016	Interest 2015
Principal associated companies				
Investec Equity Partners (Pty) Ltd	Private equity	South Africa	45.0%	–

For additional details on associated companies refer to note 28.

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 50 and 51 in volume two.

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.

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56. Principal subsidiaries and associated companies – Investec Limited

(continued)

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) Limited	Securitised residential mortgages
Fox Street 1 (RF) Limited	Securitised residential mortgages
Fox Street 2 (RF) Limited	Securitised residential mortgages
Fox Street 3 (RF) Limited	Securitised residential mortgages
Fox Street 4 (RF) Limited	Securitised residential mortgages
Fox Street 5 (RF) Limited	Securitised residential mortgages
Integer Home Loans (Pty) Ltd	Securitised third party originated residential mortgages

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. Any change in the holding in Investment Property Fund Limited would require a reassessment 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 has 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.

57. Offsetting

At 31 March R'million	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
2016						
Assets						
Cash and balances at central banks	3 007 269	–	3 007 269	–	–	3 007 269
Loans and advances to banks	3 131 319	(632 734)	2 498 585	–	(159 775)	2 338 810
Non-sovereign and non-bank cash placements	466 573	–	466 573	–	–	466 573
Reverse repurchase agreements and cash collateral on securities borrowed	2 497 210	(85)	2 497 125	(281 482)	(849)	2 214 794
Sovereign debt securities	3 208 862	–	3 208 862	(183 881)	–	3 024 981
Bank debt securities	896 855	–	896 855	(362 382)	–	534 473
Other debt securities	949 950	–	949 950	(434 368)	–	515 582
Derivative financial instruments	1 760 999	(180 050)	1 580 949	(604 625)	(267 660)	708 664
Securities arising from trading activities	1 119 074	–	1 119 074	(464 764)	–	654 310
Investment portfolio	660 795	–	660 795	–	–	660 795
Loans and advances to customers	17 789 184	(107 612)	17 681 572	–	–	17 681 572
Own originated loans and advances to customers securitised	437 243	–	437 243	–	–	437 243
Other loans and advances	321 617	–	321 617	–	(7 933)	313 684
Other securitised assets	160 295	–	160 295	–	–	160 295
Other assets	2 092 777	(116)	2 092 661	(11 074)	(183 115)	1 898 472
	38 500 022	**(920 597)**	**37 579 425**	**(2 342 576)**	**(619 332)**	**34 617 517**
Liabilities						
Deposits by banks	2 470 203	(72 800)	2 397 403	–	(69 276)	2 328 127
Derivative financial instruments	2 322 831	(739 984)	1 582 847	(604 625)	(518 932)	459 290
Other trading liabilities	957 418	–	957 418	(221 151)	–	736 267
Repurchase agreements and cash collateral on securities lent	971 646	–	971 646	(971 192)	(454)	–
Customer accounts (deposits)	24 151 893	(107 612)	24 044 281	–	(16 118)	24 028 163
Debt securities in issue	2 299 751	–	2 299 751	(386 022)	(1 057)	1 912 672
Liabilities arising on securitisation of own originated loans and advances	85 650	–	85 650	–	–	85 650
Liabilities arising on securitisation of other assets	120 851	–	120 851	–	–	120 851
Other liabilities	1 803 168	(201)	1 802 967	(84 481)	–	1 718 486
Subordinated liabilities	1 134 883	–	1 134 883	–	–	1 134 883
	36 318 294	**(920 597)**	**35 397 697**	**(2 267 471)**	**(605 837)**	**32 524 389**

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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 *(continued)*						
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.*

58. Derecognition

TRANSFERS OF FINANCIAL ASSETS THAT DO NOT RESULT IN DERECOGNITION

The group has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2016		2015	
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	657 947	(42 748)	542 057	(110 067)
Other loans and advances	153 551	–	172 582	–
Other securitised assets	–	–	231 979	(197 208)
	811 498	**(42 748)**	**946 618**	**(307 275)**

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

59. Post balance sheet events

Investec plc issued 30 870 000 new ordinary shares at a price of £4.48 per share issued, raising gross proceeds of approximately £138.3 million. It is the intention of the group to utilise the proceeds raised to fund a tender offer for the perpetual preference shares issued by Investec plc (refer to note 43).

Balance sheet

At 31 March £'000	Notes	2016	2015
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 817 840	1 817 840
Current assets			
Amounts owed by group undertakings		481 494	473 982
Taxation		15 433	20 207
Other debtors		–	23
Prepayments and accrued income		75	259
Cash at bank and in hand			
– with subsidiary undertakings		35 414	–
– balances with other banks		469	563
		532 885	**495 034**
Current liabilities			
Creditors: amounts falling due within one year			
Bank loans			
– with subsidiary undertaking		–	66 710
Derivative financial instruments		15	104
Amounts owed to group undertakings		478 316	630 817
Other liabilities		992	721
Accruals and deferred income		6 326	4 539
Net current assets/(liabilities)		**47 236**	**(207 857)**
Creditors amounts falling due after one year			
Debt securities in issue	c	329 544	18 078
Net assets		**1 535 532**	**1 591 905**
Capital and reserves			
Called-up share capital	d	182	180
Perpetual preference shares	d	151	151
Share premium account	d	1 194 257	1 171 441
Capital reserve	d	180 483	180 483
Retained income	d	160 459	239 650
Total capital and reserves		**1 535 532**	**1 591 905**

The notes on pages 134 to 139 form an integral part of the financial statements.

Approved and authorised for issue by the board of directors on 9 June 2016 and signed on its behalf by:

Stephen Koseff
Chief executive officer

9 June 2016

Statement of changes in shareholders' equity

£000	Share capital	Perpetual preference shares	Share premium	Capital reserve	Profit and loss account	Total shareholders' equity
Balance at 31 March 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	–
Total comprehensive income	–	–	–	–	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**
Issue of ordinary shares	2	–	22 816	–	–	22 818
Total comprehensive income	–	–	–	–	27 803	27 803
Dividends paid to preference shareholders	–	–	–	–	(3 203)	(3 203)
Dividends paid to ordinary shareholders	–	–	–	–	(103 791)	(103 791)
At 31 March 2016	**182**	**151**	**1 194 257**	**180 483**	**160 459**	**1 535 532**

a Accounting policies

BASIS OF PREPARATION

The parent accounts of Investec plc are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company is incorporated and domiciled in England and Wales and the company's accounts are presented in Pounds Sterling and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

The accounts have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101 where applicable to the company:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Investec plc in which the entity is consolidated
- The requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D,111 and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) – 134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in consolidated financial statements of the group.

For all periods up to and including the year ended 31 March 2015 the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 March 2016, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2014 and the significant accounting policies meeting those requirements are described in the relevant notes. In preparing these financial statements, the company has started from an opening balance sheet as at 1 April 2014 the company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101.

This transition is not considered to have had a material effect on the financial statements and hence no adjustment has been made to the balance sheet at 1 April 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6 – 33 of IFRS 1 First-time adoption of International Financial Reporting Standards.

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 in subsidiaries and interests in associated undertakings are stated at cost less any accumulated impairment in value.

INCOME

Dividends from subsidiaries are recognised when received. Interest is recognised on an accrual basis.

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.

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.

FINANCIAL ASSETS

Financial assets are recorded at amortised cost applying the effective interest rate method where they are classified as loans and receivables or fair value through profit and loss.

FINANCIAL LIABILITIES

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

b Investments in subsidiary undertakings

£000	2016	2015
At the beginning and end of the year	1 817 840	1 817 840

c Debt securities in issue

On 5 May 2015, the company issued £300 million, 4.50% Senior Unsecured Notes from its European Medium-Term Note programme (EMTN).

The notes mature on 5 May 2022 and pay interest at a fixed rate annually in arrears.

The company also has in issue a Euro-denominated note of €25 million issued on 14 February 2014. The notes mature on 29 September 2017 and pay interest at a fixed rate of 3.48% semi-annually in arrears.

d Parent company profit and loss account

The company's profit for the year, determined in accordance with the Companies Act 2006, was £27 803 000 (2015: £161 330 000).

e Audit fees

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

f Dividends

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

g Share capital

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

h Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included within the independent auditor's report to the members of Investec plc within the combined consolidated Investec annual financial statements of Investec plc and Investec Limited for the year ended 31 March 2016.

i Subsidiaries

At 31 March 2016	Principal activity	Country of Incorporation	Interest held
Investec 1 Limited	Investment holding	England and Wales	100%
Investec Finance (Jersey) Ltd	Share trust	Jersey	100%
Investec Holding Company Limited	Investment holding	England and Wales	100%
Curacao Investec Finance NV	Dormant	Curacao	100%
Investec Finance SARL	Dormant	Luxembourg	100%
TML Financial Solutions Ltd	Holding company	Ireland	100%
TML Financial Solutions (Two) Ltd	Holding company	Ireland	100%
The Mortgage Lender Ltd	Holding company	Ireland	100%
Investec Investments Limited	Investment holding	England and Wales	100%
Investec (UK) Limited	Holding company	England and Wales	100%
Investec Asset Management Limited	Investment management services	England and Wales	85%
Investec Asset Management Luxembourg S.A.	Management company	Luxembourg	100%
Investec Asset Management Guernsey Limited	Management company and global distributor	Guernsey	100%
Guinness Flight (Guernsey Nominees) Limited	Nominee company	Guernsey	100%
Investec Africa Frontier Private Equity Fund GP Limited	General partner to funds	Guernsey	100%
Investec Asset Management Australia Pty Limited	Sales and distribution	Australia	100%
Investec Asset Management Hong Kong Limited	Sales and distribution	Hong Kong	100%
Investec Asset Management Singapore Pte. Limited	Sales and distribution	Singapore	100%
Investec Asset Management Taiwan Limited	Sales and distribution	Taiwan	100%
Investec Africa Private Equity Fund 2 GP Limited	General partner to funds	Guernsey	100%
Growthpoint Investec African Property Management Limited	Dormant	Guernsey	100%
Investec Asset Management North America, Inc.	Sales and distribution	USA	100%
Investec Asset Management Switzerland GmbH	Sales and distribution	Switzerland	100%
Investec Fund Managers Limited	Management company	England and Wales	100%
Investec Captive Insurance Limited	Captive insurance company	Guernsey	100%
Reichmans Geneva SA	Investment holding	Switzerland	100%
Investec Group (UK) Plc	Holding company	England and Wales	100%
Guinness Mahon Group Ltd	Holding company	England and Wales	100%
Guinness Mahon Group Services Ltd	Holding company	England and Wales	100%
Investec Property Investments (South East) Ltd	Dormant property company	England and Wales	100%
Investec Property Investments (Yorkshire) Ltd	Dormant property company	England and Wales	100%
Guinness Mahon Pension Fund Trustees Ltd	Pension fund trustee	England and Wales	100%
Guinness Mahon Holdings Ltd	Holding company	England and Wales	100%
Investec USA Holdings Corporation Inc	Holding company	USA	100%
Investec Inc	Investment holding	USA	100%
Fuel Cell IP 1 LLC	Investment holding	USA	100%
Fuel Cell IP 2 LLC	Investment holding	USA	100%
Investec Securities (US) LLC	Financial services	USA	100%
Investec Bank plc	Banking institution	England and Wales	100%
Rensburg Sheppards Plc	Holding company	England and Wales	100%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100%
Anston Trustees Limited	Non-trading	England and Wales	100%
Bell Nominees Limited	Non-trading	England and Wales	100%
Carr Investment Services Nominees Limited	Non-trading	England and Wales	100%
Carr PEP Nominees Limited	Non-trading	England and Wales	100%
CFC Partners Limited	Venture fund advice	England and Wales	100%
Click Nominees Limited	Non-trading	England and Wales	100%
Ferlim Nominees Limited	Nominee services	England and Wales	100%
Hero Nominees Limited	Nominee services	Guernsey	100%
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	Guernsey	100%
Investec Click & Invest Limited	Non-trading	England and Wales	100%
Investec Wealth & Investment Trustees Limited	Trustee services	England and Wales	100%
Investment Administration Nominees Limited	Non-trading	England and Wales	100%
IWI Fund Management Limited	Non-trading	England and Wales	100%
PEP Services (Nominees) Limited	Non-trading	England and Wales	100%
R & R Nominees Limited	Non-trading	England and Wales	100%

i Subsidiaries *(continued)*

At 31 March 2016	Principal activity	Country of Incorporation	Interest held
R S Trustees Limited	Non-trading	England and Wales	100%
Rensburg Client Nominees Limited	Nominee services	England and Wales	100%
Scarwood Nominees Limited	Non-trading	England and Wales	100%
Spring Nominees Limited	Non-trading	England and Wales	100%
Torch Nominees Limited	Nominee services	Guernsey	100%
Tudor Nominees Limited	Non-trading	England and Wales	100%
Williams de Broë Limited	Non-trading	England and Wales	100%
Rensburg Investment Management Limited	Non-trading	England and Wales	100%
Investec Australia Property Holdings Pty Ltd	Holding company	Australia	100%
Investec Propco Pty Ltd	Property fund trustee	Australia	100%
Investec Property Ltd	Property fund trustee	Australia	100%
Investec Property Management Pty Ltd	Property fund manager	Australia	100%
Investec Wentworth Pty Limited	Security trustee	Australia	100%
Investec Holdings Australia Limited	Holding company	Australia	100%
Investec Australia Property Investments Pty Ltd	Investment company	Australia	100%
Investec Australia Finance Pty Limited	Lending company	Australia	100%
Investec Australia Limited	Financial services	Australia	100%
Bowden (Lot 32) Holdings Pty Ltd	Holding company	Australia	100%
Bowden (Lot 32) Pty Ltd	Development company	Australia	100%
Investec Australia Direct Investment Pty Limited	Investment company	Australia	100%
Investec CWFIH Pty Limited	Dormant	Australia	100%
Mannum Powerco Pty Limited	Dormant	Australia	100%
Tungkillo Powerco Pty Limited	Dormant	Australia	100%
Investec Australia Financial Markets Pty Limited	Dormant	Australia	100%
Investec Australia Funds Management Limited	Aviation trustee company	Australia	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	Australia	100%
Investec Wentworth Private Equity Pty Limited	Inactive private equity	Australia	100%
IWPE Nominees Pty Limited	Custodian	Australia	100%
Wentworth Associates Pty Limited	Dormant	Australia	100%
Sure Park Investments Pty Limited	Holding company	Australia	100%
Sure Park Private Pty Limited	Infrastructure company	Australia	100%
Sure Park Pty Limited	Infrastructure company	Australia	100%
Aksala Limited	Property company	Ireland	100%
Investec Holdings (Ireland) Ltd	Holding company	Ireland	100%
Investec Financial Management Ltd	Financial services	Ireland	100%
Investec Ireland Ltd	Financial services	Ireland	100%
Investec International Ltd	Aircraft leasing	Ireland	100%
Neontar Limited	Holding company	Ireland	100%
Investec Securities Holdings Ireland Ltd	Holding company	Ireland	100%
Investec Capital & Investments (Ireland) Ltd	Wealth management and investment services	Ireland	100%
Aurum Nominees Ltd	Nominee company	Ireland	100%
Investec (Airtricity) Nominees Ireland Ltd	Nominee company	Ireland	100%
Investec (CapVest) Ireland Ltd	Nominee company	Ireland	100%
Investec (Development) Nominees Ireland Ltd	Nominee company	Ireland	100%
Investec (Placings) Ireland Ltd	Nominee company	Ireland	100%
Investec (Thomas Street) Nominees No 2 Ltd	Nominee company	Ireland	100%
Investec Broking Nominees Ireland Ltd	Nominee company	Ireland	100%
Investec Corporate Finance (Ireland) Limited	Corporate finance (inactive)	Ireland	100%
Investec Ventures Ireland Limited	Venture capital	Ireland	100%
Venture Fund Principals Limited	Special partner	Ireland	100%
Investec Personal Portfolio Ireland Limited	Investment services	Ireland	100%
Nua HomeLoans Ltd	Mortgage services (inactive)	Ireland	100%
Nua Mortgages Ltd	Mortgage origination (inactive)	Ireland	100%
Beeson Gregory Index Nominees Limited	Dormant nominee company	England and Wales	100%
CF Corporate Finance Limited	Leasing company	England and Wales	100%
EVO Nominees Limited	Dormant nominee company	England and Wales	100%

i Subsidiaries *(continued)*

At 31 March 2016	Principal activity	Country of Incorporation	Interest held
Evolution Securities Nominees Limited	Dormant nominee company	England and Wales	100%
Investec Asia Limited	Investment banking	Hong Kong	100%
Investec (Beijing) Limited	Investment banking	People's Republic of China	100%
Investec Asset Finance (Capital No. 3) Limited	Leasing company	England and Wales	100%
Investec Asset Finance (Management) Limited	Leasing company	England and Wales	100%
Investec Asset Finance Plc	Leasing company	England and Wales	100%
Mann Island Finance Limited	Leasing company	England and Wales	100%
MI Vehicle Finance Limited	Leasing company	England and Wales	100%
The Leasing Acquisition General Partnership	Leasing partnership	England and Wales	
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	Guernsey	100%
Investec Bank (Nominees) Limited	Nominee company	England and Wales	100%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100%
Investec Capital Asia Limited	Investment banking	Hong Kong	100%
Investec Capital Markets Limited	Investment banking	Hong Kong	100%
Investec Finance plc	Debt issuance	England and Wales	100%
Investec Group Investments (UK) Limited	Investment holding company	England and Wales	100%
ICF Investments Limited	Investment holding company	England and Wales	100%
Investec GP (Jersey) Limited	Investment holding company	Jersey	100%
Investec Trust Holdings AG	Investment holding company	Switzerland	100%
GFT Holdings Limited	Holding company	England and Wales	100%
Bayeux Trustees Limited	Corporate trustee	Guernsey	100%
Finistere Directors Limited	Corporate director	British Virgin Islands	100%
Finistere Limited	Corporate nominee	Guernsey	100%
Finistere Nominees Limited	Corporate nominee	Guernsey	100%
Finistere Secretaries Limited	Corporate secretary	Guernsey	100%
GFT Directors Limited	Corporate director	British Virgin Islands	100%
ITG Limited	Trust and company admin	Guernsey	100%
Investec Investment Trust Plc	Debt issuer	England and Wales	100%
Investec Investments (UK) Limited	Investment holding company	England and Wales	100%
Evolution Capital Investments Limited	Investment holding company	Jersey	100%
Canada Water (Developments) Limited	Property company	England and Wales	100%
Curlew Investments Limited	Investment holding company	British Virgin Islands	100%
Curlew Group Holdings Limited	Investment holding company	Canada	42,50%
Investec Securities Limited	Investment holding company	England and Wales	100%
Guinness Mahon Leasing Limited	Leasing company	England and Wales	100%
HEV Guernsey Limited	Investment holding company	Guernsey	100%
Investec Capital Services (India) Private Limited	Trading company	India	75%
Investec Pallinghurst (Cayman) LP	Investment holding partnership	Cayman Islands	58,30%
Investec North America Limited	Trading company	Canada	100%
Investec Property Developments Limited	Dormant company	England and Wales	100%
PEA Leasing Limited	Leasing company	England and Wales	100%
Quantum Funding Limited	Leasing company	England and Wales	100%
Quay Nominees Limited	Nominee company	England and Wales	100%
Technology Nominees Limited	Nominee	England and Wales	100%
Torteval LM Limited	Investment holding company	England and Wales	100%
Torteval Funding LLP	Financing company	England and Wales	100%
Tudor Tree Properties Limited	Property company	England and Wales	100%
Willbrow Nominees Limited	Nominee company	England and Wales	100%
Associates			
Gerber Finance Inc	Trade Finance	USA	50%
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35%
Virtual lease Services	Lease services provider	England and Wales	49%
imarkets (Holdings) Limited	Online trading platform	Hong Kong	33%
Investec GLL Global special Opportunities Real Estate Fund	Property development	Luxembourg	5%
Trust Project No. 9 Unit Trust	Property development	Australia	50%

Income statement

For the year to 31 March R'million	2016	2015
Interest income	53	101
Interest expense	(77)	(47)
Net interest income	**(24)**	**54**
Fee and commission income	–	–
Fee and commission expense	(1)	(1)
Investment income	871	1 279
Trading income arising from balance sheet management and other trading activities	–	(2)
Operating income	**846**	**1 330**
Operating costs	(145)	111
Operating profit	**701**	**1 441**
Non-operational costs arising from disposal of subsidiary	–	–
Profit before taxation	**701**	**1 441**
Taxation	(3)	(26)
Profit after taxation	**698**	**1 415**

Statement of comprehensive income

For the year to 31 March R'million	2016	2015
Profit after taxation	698	1 415
Total comprehensive income	**698**	**1 415**
Total comprehensive income attributable to ordinary shareholders	408	1 164
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities	290	251
Total comprehensive income	**698**	**1 415**

Balance sheet

At 31 March R'million	Notes	2016	2015
Assets			
Loans and advances to banks		35	34
Investment in subsidiaries	b	15 605	15 854
		15 640	**15 888**
Liabilities			
Debt securities in issue		916	913
Current taxation liabilities		103	118
Other liabilities		333	170
Subordinated liabilities		625	–
		1 977	**1 201**
Equity			
Ordinary share capital	c	1	1
Share premium		10 958	10 347
Other reserves		62	62
Retained income		2 092	3 727
Shareholders' equity excluding Additional Tier 1 securities in issue		13 113	14 137
Other Additional Tier 1 securities in issue		550	550
Total equity		**13 663**	**14 687**
Total liabilities and shareholders' equity		**15 640**	**15 888**

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 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 and Other Additional Tier 1 security holders	–	–	–	(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**
Total comprehensive income	–	–	–	698	698	–	698
Share-based payments adjustments	–	–	–	(365)	(365)	–	(365)
Dividends paid to ordinary shareholders	–	–	–	(1 678)	(1 678)	–	(1 678)
Dividends paid to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	(290)	(290)	–	(290)
Issue of ordinary shares	–	611	–	–	611	–	611
At 31 March 2016	**1**	**10 958**	**62**	**2 092**	**13 113**	**550**	**13 663**

Cash flow statement

For the year to 31 March R'million	2016	2015
Cash flows from operating activities		
Cash generated by operating activities	336	762
Taxation paid	(18)	(15)
Decrease in operating liabilities	166	156
Increase in income-earning assets	–	8
Net cash inflow from operating activities	**484**	**911**
Cash flows from financing activities		
Proceeds on issue of ordinary shares	611	253
Proceeds on issue of Other Additional Tier 1 securities	–	550
Dividends paid	(1 968)	(1 577)
Proceeds on subordinated debt raised	625	–
Net decrease/(increase) in subsidiaries and loans to group companies	249	(134)
Net cash outflow from financing activities	**(483)**	**(908)**
Net increase in cash and cash equivalents	1	3
Cash and cash equivalents at the beginning of the year	34	31
Cash and cash equivalents at the end of the year	**35**	**34**
Cash and cash equivalents is defined as including:		
On demand loans and advances to banks	35	34
Cash and cash equivalents at the end of the year	**35**	**34**

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

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 28 to 36 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	2016	2015
At the beginning of the year	15 854	15 720
(Decrease)/Increase in loans to subsidiaries	(249)	134
At the end of the year	**15 605**	**15 854**

A list of the companies principal subsidiaries is detailed in note 56 of the group accounts on page 127.

c. The company's called up share capital is detailed in note 42 of the group accounts on pages 107 and 108.

d. The company's perpetual preference shares is detailed in note 43 of the group accounts on page 109.

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.

ADJUSTED EARNINGS PER ORDINARY SHARE BEFORE GOODWILL, ACQUIRED INTANGIBLES AND NON-OPERATING ITEMS

Refer to page 57

ADJUSTED SHAREHOLDERS' EQUITY

Refer to calculation on page 64 in volume one

CORE LOANS AND ADVANCES

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 33 in volume two

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

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 57

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 62 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 68 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 64 in volume one

RETURN ON AVERAGE ADJUSTED TANGIBLE SHAREHOLDERS' EQUITY

Refer to calculation on page 64 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 90 in volume two

STAFF COMPENSATION TO OPERATING INCOME RATIO

All employee-related costs expressed as a percentage of operating income

THIRD PARTY ASSETS UNDER ADMINISTRATION

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

TOTAL CAPITAL RESOURCES

Includes shareholders' equity, subordinated liabilities and non-controlling interests

TOTAL EQUITY

Total shareholders' equity including non-controlling interests

WEIGHTED NUMBER OF ORDINARY SHARES IN ISSUE

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 57

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Fani Titi (chairman)
Zarina BM Bassa
Laurel C Bowden
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
David Friedland
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Bradley Fried resigned effective 31 March 2016 and Haruko Fukuda OBE resigned effective 6 August 2015.

For contact details for Investec offices internationally refer to pages 146 to 148.