Annual Report

2017

Investec annual financial statements
Volume 3

Out of the Ordinary®

Investec

The 2017 integrated annual report covers the period 1 April 2016 to 31 March 2017 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.

1

Volume 1

STRATEGIC REPORT INCORPORATING GOVERNANCE, SUSTAINABILITY AND REMUNERATION REPORT

2

Volume 2

RISK AND BASEL PILLAR III DISCLOSURES

3

Volume 3

ANNUAL FINANCIAL STATEMENTS

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

Investor Relations

Telephone (27) 11 286 7070
(44) 20 7597 5546

e-mail: Investorrelations@investec.com

Internet address:

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

Cross reference tools

1. ***Audited information***
   Denotes information in the risk and remuneration reports that forms 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

Contents

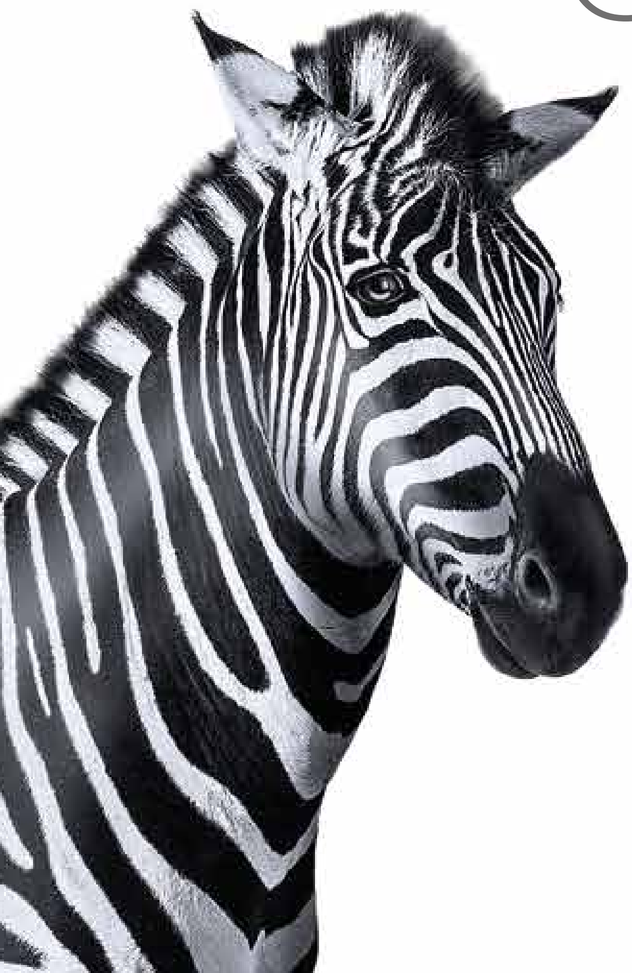
Financial statements

Directors' responsibility statement	5
Approval of financial statements	5
Declaration by the company secretary	5
Directors' report	6
Schedule A to the directors' report	10
Independent auditor's report to members of Investec plc	13
Independent auditor's report to members of Investec Limited	20
Combined consolidated income statement	24
Combined consolidated statement of comprehensive income	25
Combined consolidated balance sheet	26
Combined consolidated cash flow statement	27
Combined consolidated statement of changes in equity	28
Accounting policies	30
Notes to the annual financial statements	39
Investec plc parent company accounts – Balance sheet	132
Investec plc parent company accounts – Statement of changes in shareholders' equity	133
Notes to Investec plc parent company accounts	134
Investec Limited parent company accounts – Income statement	142
Investec Limited parent company accounts – Statement of comprehensive income	142
Investec Limited parent company accounts – Balance sheet	143
Investec Limited parent company accounts – Statement of changes in equity	144
Investec Limited parent company accounts – Cash flow statement	145
Notes to Investec Limited parent company accounts	146
Definitions	147
Contact details	148
Corporate information	IBC

01

01

Financial statements



Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on pages 13 to 23, 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 IFRS 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 23. 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 6 to 12 and pages 24 to 146, were approved by the board of directors on 9 June 2017.

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 2017

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 2017, 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 2017

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 16 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 17 to 110 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:

- 30 870 000 ordinary shares on 6 June 2016 at 448.00 pence per share
- 8 135 825 ordinary shares on 10 June 2016 at 471.00 pence per share
- 6 809 664 special converting shares on 10 June 2016 of £0.0002 each at par
- 680 936 ordinary shares on 8 December 2016 at 520.00 pence per share
- 2 991 804 special converting shares on 8 December 2016 of £0.0002 each at par

Further to announcements released by Investec plc dated (i) 20 June 2016 entitled 'Offer for Purchase of Preference Shares Issued by Investec plc' and (ii) 27 June 2016 entitled 'Offer For Purchase of Preference Shares Issued by Investec plc – Amendment to Expected Settlement Date', Investec plc made the following repurchases of non-redeemable, non-cumulative, non-participating preference shares of £0.01 each (the 'Sterling preference shares') and non-redeemable, non-cumulative, non-participating preference shares of R0.001 each (the 'Rand preference shares') (together the 'Preference shares')

- 3 806 888 Sterling preference shares for R108.56 per share on 2 August 2016
- 8 369 938 Sterling preference shares for 575.00 pence per share on 2 August 2016
- 1 994 493 Rand preference shares for R103.38 per share on 2 August 2016
- 149 736 Sterling preference shares for 575 pence per share on 4 November 2016
- 150 000 Rand preference shares for R103.38 per share on 4 November 2016

The Preference shares were cancelled following repurchase.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2017.

Investec Limited

During the year, the following shares were issued:

- 30 870 000 special convertible redeemable preference shares on 6 June 2016 at par
- 6 809 664 ordinary shares on 10 June 2016 at R105.30 per share (R0.0002 par and premium of R105.2998 per share)
- 8 135 825 special convertible redeemable preference shares on 10 June 2016 of R0.0002 each at par
- 2 991 804 ordinary shares on 8 December 2016 at R89.97 per share (R0.0002 par and premium of R89.9698 per share)
- 680 936 special convertible redeemable preference shares on 8 December 2016 of R0.0002 each at par.

On 20 March 2017, the final redemption of 333 863 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) being all the remaining issued shares in that class.

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2017.

At 31 March 2017, Investec Limited held 31 354 669 shares in treasury (2016: 24 158 289). Investec plc held 18 293 688 shares in treasury (2016: 16 141 177). The maximum number of shares held in treasury by Investec Limited during the period under review was 30 105 100 shares.

Financial results

The combined consolidated results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2017. 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:

- 10 pence per ordinary share to non-South African resident shareholders and South African resident shareholders (2016: 9.5 pence) registered on 9 December 2016 and was paid on 21 December 2016.

The directors have proposed a final dividend to shareholders registered on 28 July 2017, of 13 pence (2016: 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 10 August 2017 and, if approved, will be paid on 14 August 2017, as follows:

- 13 pence per ordinary share to non-South African resident shareholders (2016: 11.5 pence) registered on 28 July 2017.

- To South African resident shareholders registered on 28 July 2017, through a dividend paid by Investec Limited on the SA DAS share, of 7.0 pence per ordinary share and 6.0 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 178.0 cents per ordinary share (2015: 207.0 cents) was declared to shareholders registered on 9 December 2016 and was paid on 22 December 2016.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2017 of 225 cents (2016: 266 cents) per ordinary share. The final dividend will be payable on Monday, 14 August 2017 to shareholders on the register at the close of business on Friday, 28 July 2017. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Thursday, 10 August 2017.

Preference dividends

Investec plc

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

Preference dividend number 21 for the period 1 April 2016 to 30 September 2016, amounting to 7.12329 pence per share, was declared to members holding preference shares registered on 2 December 2016 and was paid on 12 December 2016.

Preference dividend number 22 for the period 1 October 2016 to 31 March 2017, amounting to 6.23288 pence per share, was declared to members holding preference shares registered on 9 June 2017 and will be paid on 19 June 2017.

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

Preference dividend number 11 for the period 1 April 2016 to 30 September 2016, amounting to 500.11644 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 2 December 2016 and was paid on 12 December 2016.

Preference dividend number 12 for the period 1 October 2016 to 31 March 2017, amounting to 497.38356 cents per share, was declared to members holding preference shares registered on 9 June 2017 and will be paid on 19 June 2017.

Investec Limited

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

Preference dividend number 24 for the period 1 April 2016 to 30 September 2016, amounting to 409.41111 cents per share, was declared to shareholders holding preference shares registered on 2 December 2016 and was paid on 12 December 2016.

Preference dividend number 25 for the period 1 October 2016 to 31 March 2017, amounting to 407.17389 cents per share, was declared to shareholders holding preference shares registered on 9 June 2017 and will be paid on 19 June 2017.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 12 for the period 1 April 2016 to 30 June 2016, amounting to 1 459.78410 cents per share, was declared to shareholders holding preference shares on 22 July 2016 and was paid on 25 July 2016.

Preference dividend number 13 for the period 1 July 2016 to 30 September 2016, amounting to 1 475.82569 cents per share, was declared to shareholders holding preference shares on 28 October 2016 and was paid on 31 October 2016.

Preference dividend number 14 for the period 1 October 2016 to 31 December 2016, amounting to 1 475.82569 cents per share, was declared to shareholders holding preference shares on 27 January 2017 and was paid on 30 January 2017.

On 20 March 2017, the remaining issued 333 863 Class ILRP1 redeemable non-participating preference shares were redeemed at R1 000.00 per share and a final dividend for the period 1 January 2017 to 19 March 2017 amounting to 1 251.24352 cents per share was declared to shareholders holding preference shares on 17 March 2017 and was paid on 20 March 2017.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 5 for the period 1 April 2016 to 30 June 2016, amounting to 1 459.78410 cents per share, was declared to shareholders holding preference shares on 22 July 2016 and was paid on 25 July 2016.

Preference dividend number 6 for the period 1 July 2016 to 30 September 2016, amounting to 1 457.82569 cents per share, was declared to shareholders holding preference shares on 28 October 2016 and was paid on 31 October 2016.

Preference dividend number 7 for the period 1 October 2016 to 31 December 2016, amounting to 1 475.82569 cents per share, was declared to shareholders holding preference shares on 27 January 2017 and was paid on 30 January 2017

Preference dividend number 8 for the period 1 January 2017 to 31 March 2017, amounting to 1443.74252 cents per share, was declared to shareholders holding preference shares on 21 April 2017 and was paid on 24 April 2017.

Redeemable cumulative preference shares

Dividends amounting to R23 190 399 (2016: R21 453 331) 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 116 and 122 in volume one.

In accordance with the UK Corporate Governance Code, the entire board with the exception of PRS Thomas who will be standing down as a director, will offer itself for re-election at the 2017 annual general meeting.

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 201 to 204 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 112 to 149 in volume one.

Share incentives

Details regarding options granted during the year are set out on page 189 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 136 to 140 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 10 August 2017.

Contracts

Refer to pages 147 to 149 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 in volume three.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 151 in volume one.

Special resolutions

Investec plc

At the annual general meeting held on 4 August 2016, 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 4 August 2016, 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
- Clause 8.2 of the Memorandum of Incorporation was amended by the deletion of the current Clause 8.2 and the substitution thereof with a new Clause 8.2

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 IFRS 101.

These policies are set out on pages 30 to 38 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 103 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 34 and 35 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 156 to 183 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 R3.5 million in 2017 (2016: R1.5 million).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.

Further information can be found on pages 156 to 183 in volume one.

Going concern

Refer to page 140 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 147 to 148 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 103 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 2017

Schedule A to the directors' report

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act 2006). This is a summary only and the relevant provisions of the Articles or the Companies Act 2006 should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2017 consists of 657 105 625 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 301 165 174 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

Schedule A to the directors' report

(continued)

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 and parent company financial statements (the '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 2017 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 2017	Balance sheet as at 31 March 2017
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 58 to the financial statements	

The financial reporting framework that has been applied for the combined consolidated financial statements 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 FRS 101 'Reduced Disclosure Framework', as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	• 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, embedded derivatives and performance fees in the Asset Management business; and • Provision for uncertain tax positions.
Audit scope	• We performed an audit of the complete financial information of eight components, specific scope procedures on two components and review procedures for the remaining component. • Our full scope components covered 95% of operating profit before impairment of goodwill and amortisation of acquired intangibles, the measure used to calculate materiality, 98% of Revenue and 99% of Total assets.
Materiality	• Overall Group materiality of £32.9 million which represents 5% of operating profit before impairment of goodwill and amortisation of 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.

Independent auditor's report to members of Investec plc

(continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Monitoring of credit quality and the appropriateness of the allowance for credit losses *Refer to the Audit Committee Report (page 140 of volume one); Accounting policies (page 38); and note 26 of the Consolidated Financial Statements (page 84).* Loans and advances to customers and the associated allowance for credit losses are significant. The appropriateness of the allowance for credit losses is subjective due to the high degree of judgement applied by management in determining the timing of recognition and estimation in size of loan impairment provisions at the balance sheet date. At year-end the group reported total gross loans and advances of £22 388 million (2016: £17 867 million) and impairment provisions of £198 million (2016: £186 million), which resulted in credit loses of £111 million (2016: £109 million). In the Specialist Bank the material portion of the impairment is specifically calculated however, for the Specialist Bank in South Africa there is also a portion of the impairment calculated using models and for the legacy business in the UK a portfolio impairment. The largest loan portfolios represent lending to High Net Worth and professional individuals, lending collateralised by property, public and non-business services and finance and insurance. The most significant impairments are for lending collateralised by property in relation to the legacy portfolio, refer to page 83 of volume one Report for the definition. The risk has remained consistent in the current year on the ongoing portfolio with the exception of industries connected to commodities and state owned entity lending which has increased. The risk 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 evaluated the appropriateness of accounting policies and assessed the loan impairment methodologies applied, and compared these to the requirements of IAS 39 Financial instruments: Recognition and Measurement. We documented and tested management's processes and controls for credit origination and monitoring, as well as for assessing, calculating and accounting for the allowance for credit losses, including the governance over the impairment process and the identification of impairment events. In particular we focused on the controls over the monitoring of loans with higher risk of default, annual loan credit file reviews and assessment and approval of impairment provisions including the valuation of collateral. For impairments determined on specific assets our audit procedures included the following: • We reviewed a sample, selected after performing a risk assessment on the portfolio, to understand the latest developments which influence performance and recoverability; • In making this assessment for the current year we also considered the impact of continued low commodity prices, including the impact on connected industries and state owned entities in South Africa. • We assessed the measurement of any impairment provision held where IAS 39 loss indicators were present. This is an inherently judgemental process and particularly important where management are pursuing bespoke work-out strategies in the legacy portfolio. Where workout strategies require additional funding to execute we obtained evidence of the approval for such funding through bank management's risk governance process as well as assessing the track record of management approving the utilisation of the additional funding. • In addition to the work performed on the non-performing and legacy portfolios we judgementally selected a sample of performing loans to assess whether all necessary impairments had been identified by management • We assessed management's assumptions about future cash flow projections and the valuation of collateral held, against our previous experience and available market information. As part of this testing we also assessed the legacy portfolio impairment. • For loans where the recovery was dependent on collateral and there were no recent external valuations or where market data was not readily available 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 and assets connected to commodities. For portfolios where model provisions are calculated, our audit procedures included the following, performed in conjunction with our risk specialists: • We tested the appropriateness of the methodologies and assumptions underlying the provisioning models; • We tested the information used in the models, back to source systems and input data. • We performed a reasonableness assessment by comparing the impairments against an independent model estimate calculated using our independent challenger models applied to the entity's historical data.	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	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition – Valuation of complex/ illiquid financial instruments, unlisted investments, embedded derivatives and performance fees in the Asset Management business *Refer to the Audit Committee Report (page 127); Accounting policies (page 38); and note 14 of the Consolidated Financial Statements (page 68).* There are £10 801 million (2016: £10 218 million) 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 profit sharing arrangements and unlisted investments or large bespoke derivative structures there is necessarily a large degree of subjectivity surrounding the various inputs to their 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. At the year-end the Group reported level 3 assets £913 (2016: £812) and level 3 liabilities £142 (2016: £122). Performance fees in the Asset Management business also were an area of focus, as due to the complexity of interpreting the performance fee agreements there is a risk of error.	We tested the design and operating effectiveness of controls for the valuation of financial instruments as well as over the performance fees. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs and key assumptions. 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. For certain unlisted investments in South Africa, management applies a portfolio valuation adjustment to account for estimation and macroeconomic risks that are not included in the model valuations. Together with our valuations specialists, we have formed independent estimates for acceptable valuation ranges of these investments and compared these to management's estimate in assessing the appropriateness of the portfolio valuation adjustment. We re-performed a sample of performance fee calculations to check that the performance fees were appropriately calculated, vouching the calculations to the underlying agreements. We performed full audit procedures over this risk area for four components, which covered 98% (2016: 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 the valuation of the level 3 positions, as disclosed in the financial statements were concluded to be within a reasonable range of appropriate outcomes. Based on our retesting of the calculation of the performance fees we concur with the fees that have been recognised as revenue by management.
Provision for uncertain tax positions *Refer to the Audit Committee Report (page 140); Accounting policies (page 38); and note 8 of the Consolidated Financial Statements (page 57).* There are certain legacy structured transactions within Investec plc where the outcome is uncertain and will only be determined upon the resolution of negotiation or, in some cases, litigation with HMRC. Consequently management make judgements about the quantum of potential liabilities which are subject to change in future periods as more information becomes available. The risk assessment of the outcome of the case has not changed from 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 advisors and between the Group and HMRC. Using our tax specialists, we 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. 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.

In the prior year, our auditor's report included a risk of material misstatement in relation to inaccurate or improper accounting and financial reporting of large or complex transactions and IT security and change controls. These have been removed in the current year as a result of transactions we defined as large and complex in the current year being non-recurring and management remediating a number of the previous IT control deficiencies in the Investec Limited silo.

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, changes in the business environment and other factors such as recent Internal audit results 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 we selected all 11 components of the Group, covering entities within United Kingdom & Other 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 8 components ('full scope components') which were selected based on their size or risk characteristics. For 2 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.

Entity	Scoping
Investec Bank Plc	Full
Investec Asset Management UK	Full
PLC Consol Packs	Full
Investec International Trade Finance	Review
Investec Bank Limited	Full
Investec Property Fund	Full
Investec Asset Management SA	Full
Investec Employee Benefits	Specific
Investec Property Limited	Specific
Investec Securities Limited	Full
Limited Consol Packs	Full

The full scope reporting components where we performed audit procedures accounted for 95% (2016: 91%) of the Group's operating profit before impairment of goodwill and amortisation of acquired intangibles, 98% (2016: 98%) of the Group's Revenue and 99% (2016: 99%) of the Group's Total assets. The specific scope components contributed 4% (2016: 7%) of the Group's operating profit before impairment of goodwill and amortisation of acquired intangibles, 2% (2016: 1%) of the Group's Revenue and 1% (2016: 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.

The remaining component represents 1% (2016: 2%) of the Group's operating profit before impairment of goodwill and amortisation of acquired intangibles. For this component, 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

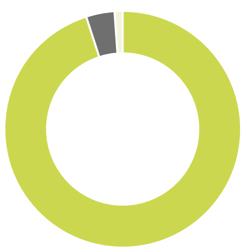
There is no change to the overall scope in the current year.

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, as the primary audit engagement team, or by component auditors from other EY global network firms and other audit firms operating under our instruction.

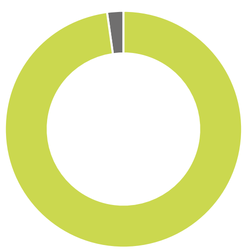
The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits each full scope component during the year. During the current year's audit cycle, visits were undertaken by the primary audit team to the UK and South Africa 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 key audit working papers on risk areas and understanding the oversight they have of any components of their audits. 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.

Operating profit before impairment of goodwill and amortisation of acquired intangibles



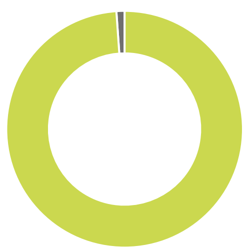
Full scope components	95.0%
Specific scope components	4.0%
Review scope components	1.0%

Revenue



Full scope components	98.0%
Specific scope components	2.0%
Review scope components	0.0%

Total assets



Full scope components	99.0%
Specific scope components	1.0%
Review scope components	0.0%

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 £32.9 million (2016: £27.0 million), which is 5% (2016: 5%) of operating profit before impairment of goodwill and amortisation of acquired intangibles. We believe that operating profit before impairment of goodwill and amortisation of 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 one, management uses to measure the overall performance. There has been no change in the basis from the prior year.

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% (2016: 50%) of our planning materiality, namely £16.4 million (2016: £13.5 million). We have set performance materiality at this percentage based on our understanding of the entity and past experience with the audit.

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 components was £1.9 million to £4.8 million (2016: £3.4 million to £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 £1.6 million (2016: £1.3 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 evaluate 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 Volume one and two of 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. Certain disclosures required by the financial reporting framework have been presented in the Investec Risk and Basel Pillar III disclosure report in volume two of the annual report, rather than in the notes of the financial statements and have been identified as audited.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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; and
- 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;

Independent auditor's report to members of Investec plc

(continued)

- based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement set out on page 112 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 Guidance 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 Guidance 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.

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 is 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	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, Directors' Report or Corporate Governance Statement set out on pages 21 – 25 of volume one, pages 6 – 9 and page 112 of volume one respectively. 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' responsibilities statement, set out on page 5, in relation to going concern, and longer term viability set out on page 147 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’ responsibilities 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 twelve 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 2017

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

Independent auditor's report to the shareholders of Investec Limited

Report on the audit of the combined consolidated and separate financial statements

Opinion

We have audited the accompanying combined consolidated annual financial statements of Investec Limited which comprise the combined consolidated statement of financial position as at 31 March 2017, and the combined consolidated income statement, the combined consolidated statement of other comprehensive income, the combined consolidated statement of changes in equity and the combined consolidated statement of cash flows for the year then ended and notes to the combined consolidated financial statements, including a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 131 in volume three, the separate Investec Limited annual financial statements, which comprise the statement of financial position as at 31 March 2017, and income statement and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes as set out on pages 142 to 146 in volume three, and specified disclosures in the risk management section within volume two, and the remuneration report within volume one that are marked as audited.

In our opinion, the combined consolidated and separate annual financial statements present fairly, in all material respects, the combined consolidated and separate financial position of Investec Limited as at 31 March 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the combined consolidated and separate financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code"), IESBA Code, and other independence requirements applicable to performing the audit of Investec Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, and in accordance with other ethical requirements applicable to performing the audit of Investec Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the combined consolidated financial statements of the current period. These matters were addressed in the context of our audit of the combined consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Monitoring of credit quality and the appropriateness of the allowance for credit losses, including the risk of management override Loans and advances to customers and the associated impairment of loans and advances to customers are significant. The appropriateness of the allowance for credit losses is subjective due to the high degree of judgement applied by management in determining the timing of recognition and estimation in size of any allowance for credit losses at the balance sheet date. Given the inherent subjectivity in the valuation, as well as the material nature of the allowance for credit losses, we have classified the appropriateness of the allowance for credit losses as a key audit matter in our audit of the combined consolidated financial statements. Collective impairments on portfolios of similar, homogenous assets are determined using sophisticated modelling techniques. The models used to determine credit impairments are complex, and certain inputs used are not fully observable. Significant judgements are applied to the modelling design and inputs. For certain portfolios, such as the legacy business in the UK, a portfolio impairment assessment is performed. Specific impairment allowances are determined on specific financial assets. Significant estimates, judgements and assumptions have been made by management to estimate recoverability, including evaluating the adequacy and accessibility of collateral and determining the expected timing and amount of future cash flows. The largest loan portfolios represent lending to High Net Worth and professional individuals, lending collateralised by property, public and non-business services and finance and insurance. The most significant impairments are for lending collateralised by property in relation to the legacy portfolio. Refer to Accounting policies (page 38); and Note 26 of the Consolidated and Separate Financial Statements (page 84).	We evaluated the appropriateness of accounting policies and assessed the loan impairment methodologies applied, and compared these to the requirements of IAS 39 Financial instruments: Recognition and Measurement. We documented and tested management's processes and controls for credit origination and monitoring, as well as for assessing, calculating and accounting for the allowance for credit losses, including the governance over the impairment process and the identification of impairment events. In particular we focused on the controls over the monitoring of loans with higher risk of default, annual loan credit file reviews and assessment and approval of impairment provisions including the valuation of collateral held for impaired exposures. For impairments determined on specific assets, our audit procedures included the following: • We selected a sample of loans and advances that had been assessed and impaired, after performing a risk assessment on the portfolio, to understand the latest developments which influence performance and recoverability. We independently assessed the valuation of the allowance for credit losses including developing our own expectation of the allowance amount. This is an inherently judgemental process and particularly important where management are pursuing bespoke work-out strategies in the legacy portfolio. 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 the utilisation of the additional funding. • We performed additional scenario and sensitivity analyses on the expected performance of certain exposures which are affected by the current macroeconomic environment. We based this on our own independent judgement and market available information to form an independent view of the appropriateness of management's loan loss allowance assessments. • We also applied our judgement in selecting additional loans that were not impaired to test whether the assessment by management was appropriate. We formed our own independent view on the appropriateness of the conclusions reached based on our own knowledge and external evidence to support our conclusions. • We assessed management's assumptions about future cash flow projections and the valuation of and rights to collateral held, against legal contracts and other supporting documents, against our previous experience and available market information. As part of this testing we also assessed the legacy portfolio impairment. • For loans where the recovery was dependent on collateral and there were no recent external valuations or where market data was not readily available we used our valuation specialists to test the collateral valuations supporting the recovery of the loans. For portfolios where impairments are determined on a model basis, our audit procedures included the following, performed in conjunction with our risk specialists: • We critically assessed the appropriateness of the methodologies and assumptions underlying the provisioning models; • We tested the information used in the models back to source systems and input data; and • We performed a reasonableness assessment by comparing the impairments against an independent model estimate calculated using our independent challenger models applied to the entity's historical data.

Independent auditor's report to members of Investec Limited

(continued)

Key audit matter	How the matter was addressed in the audit
Valuation of complex/illiquid financial instruments, unlisted investments, embedded derivatives and performance fees in the IAM business, including the risk of management override There are portfolios of financial assets that are required to be fair valued under the requirements of IAS 39. The valuation of complex/illiquid financial instruments, unlisted investments and embedded derivatives is complex, requiring a high level of judgement in applying appropriate valuation techniques, unobservable valuation inputs and assumptions. Financial instruments have an element of estimation uncertainty inherent in their balance sheet values. The estimation uncertainty is higher for the valuation of level 3 financial instruments, such as unlisted equity investments, which include significant unobservable inputs and for which there is necessarily a large degree of subjectivity surrounding the various inputs. 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. Performance fees in the Asset Management business also were an area of focus, as due to the complexity of interpreting the performance fee agreements there is a risk of error. Accordingly the valuation of complex/illiquid financial instruments, unlisted investments, embedded derivatives and performance fees in the IAM business is a key audit matter in our audit of the consolidated financial statements. *Refer to the Accounting policies (page 38); and Note 14 of the Consolidated Financial Statements (page 68).*	We tested the design and operating effectiveness of controls for the valuation of financial instruments as well as over the performance fees. Together with our valuations specialists, we performed a detailed examination of management's valuation methodologies and models and assessed the appropriateness of these against market practice and our prior experience. We assessed the appropriateness and consistency of model inputs and key assumptions for a sample of positions against our understanding of the positions and, where possible, against market observable information. Where such inputs and assumptions were not observable in the market our valuation specialists critically assessed whether they fell within an acceptable range based on relevant knowledge and experience of the market. For certain unlisted investments in South Africa, management applies a portfolio valuation adjustment to account for estimation and macroeconomic risks that are not included in the model valuations. Together with our valuations specialists, we have formed independent estimates for acceptable valuation ranges of these investments and compared these to management's estimate in assessing the appropriateness of the portfolio valuation adjustment. We re-performed a sample of performance fee calculations to check that the performance fees were appropriately calculated, vouching the calculations to the underlying agreements.
Provision for uncertain tax positions There are certain legacy structured transactions within Investec plc where the outcome is uncertain and will only be determined upon the resolution of negotiation or, in some cases, litigation with HMRC. Consequently management make judgments about the quantum of potential liabilities which are subject to change in future periods as more information becomes available. *Refer to the Accounting policies (page 38); and Note 8 of the Consolidated Financial Statements (page 57).*	We have examined the analysis performed by management which set out the basis for the judgments in relation to material tax exposures and the correspondence between the Group and its external advisors and between the Group and HMRC. Using our tax specialists, we 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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and all other information included in the annual report that is not marked as audited. Other information does not include the combined consolidated and separate financial statements and the sections marked as audited in the annual report and our auditor's report thereon.

Our opinion on the combined consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the combined consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the combined consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the combined 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 combined consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the combined consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the combined consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the combined consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the combined consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Investec Limited for 42 years.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditors
Per Farouk Mohideen
Chartered Accountant (SA)
Registered Auditor
Director

EY
102 Rivonia Road
Sandton 2196
Johannesburg

9 June 2017

Combined consolidated income statement

£'000	Notes	Year to 31 March 2017	Year to 31 March 2016
Interest income	2	2 230 765	1 705 640
Interest expense	2	(1 550 870)	(1 131 871)
Net interest income		**679 895**	**573 769**
Fee and commission income	3	1 429 588	1 188 012
Fee and commission expense	3	(158 064)	(126 387)
Investment income	4	136 203	170 408
Share of post-taxation operating profit of associates	28	18 890	1 811*
Trading income arising from			
– customer flow		158 001	110 227
– balance sheet management and other trading activities		8 218	11 377
Other operating income	5	13 483	10 279*
Total operating income before impairment losses on loans and advances		**2 286 214**	**1 939 496**
Impairment losses on loans and advances	26	(111 454)	(109 516)
Operating income		**2 174 760**	**1 829 980**
Operating costs	6	(1 513 231)	(1 287 021)
Depreciation on operating leased assets	6	(2 169)	(2 165)
Operating profit before goodwill and acquired intangibles		**659 360**	**540 794**
Impairment of goodwill	33	(4 749)	(1 577)
Amortisation of acquired intangibles	34	(17 197)	(16 248)
Operating profit		**637 414**	**522 969**
Non-operational costs arising from acquisition of subsidiary	35	–	(4 778)
Profit before taxation		**637 414**	**518 191**
Taxation on operating profit before goodwill and acquired intangibles	8	(118 488)	(103 202)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	4 070	5 197
Profit after taxation		**522 996**	**420 186**
Profit attributable to other non-controlling interests		(60 239)	(35 201)
Profit attributable to Asset Management non-controlling interests		(20 291)	(16 529)
Earnings attributable to shareholders		**442 466**	**368 456**
Earnings per share (pence)			
– Basic	9	50.8	38.5
– Diluted	9	48.8	36.7

* *Share of post-taxation operating profit of associates has been disclosed separately from other operating income in the current year.*

Combined consolidated statement of comprehensive income

£'000	Notes	Year to 31 March 2017	Year to 31 March 2016
Profit after taxation		522 996	420 186
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	53 324	(31 934)
Gains on realisation of available-for-sale assets recycled to the income statement	8	(7 781)	(1 961)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	54 863	(37 153)
Foreign currency adjustments on translating foreign operations		540 534	(240 875)
Items that will never be reclassified to the income statement			
Re-measurement of net defined benefit pension asset	8	(43 580)	4 738
Total comprehensive income		**1 120 356**	**113 001**
Total comprehensive income attributable to ordinary shareholders		892 201	84 932
Total comprehensive income/(loss) attributable to non-controlling interests		202 497	(5 123)
Total comprehensive income attributable to perpetual preferred securities		25 658	33 192
Total comprehensive income		**1 120 356**	**113 001**

Combined consolidated balance sheet

At £'000	Notes	31 March 2017	31 March 2016
Assets			
Cash and balances at central banks	17	3 351 702	3 007 269
Loans and advances to banks	18	3 191 041	2 498 585
Non-sovereign and non-bank cash placements		536 259	466 573
Reverse repurchase agreements and cash collateral on securities borrowed	19	2 358 970	2 497 125
Sovereign debt securities	20	3 804 627	3 208 862
Bank debt securities	21	639 189	896 855
Other debt securities	22	1 115 558	949 950
Derivative financial instruments	23	1 185 848	1 580 949
Securities arising from trading activities	24	1 376 668	1 119 074
Investment portfolio	25	835 899	660 795
Loans and advances to customers	26	22 189 975	17 681 572
Own originated loans and advances to customers securitised	27	517 162	437 243
Other loans and advances	26	355 248	321 617
Other securitised assets	27	148 964	160 295
Interests in associated undertakings	28	392 213	267 099
Deferred taxation assets	29	133 972	112 135
Other assets	30	1 900 480	2 092 661
Property and equipment	31	105 939	90 888
Investment properties	32	1 128 930	938 879
Goodwill	33	367 579	368 039
Intangible assets	34	143 261	148 280
Non-current assets held for sale		27 218	–
		45 806 702	**39 504 745**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	7 728 130	5 847 036
		53 534 832	**45 351 781**
Liabilities			
Deposits by banks		2 736 066	2 397 403
Derivative financial instruments	23	1 296 206	1 582 847
Other trading liabilities	37	978 911	957 418
Repurchase agreements and cash collateral on securities lent	19	690 615	971 646
Customer accounts (deposits)		29 109 428	24 044 281
Debt securities in issue	38	2 386 180	2 299 751
Liabilities arising on securitisation of own originated loans and advances	27	90 125	85 650
Liabilities arising on securitisation of other assets	27	128 838	120 851
Current taxation liabilities		227 828	192 255
Deferred taxation liabilities	29	40 408	55 486
Other liabilities	39	1 910 830	1 802 967
		39 595 435	**34 510 555**
Liabilities to customers under investment contracts	36	7 725 604	5 845 503
Insurance liabilities, including unit-linked liabilities	36	2 526	1 533
		47 323 565	**40 357 591**
Subordinated liabilities	41	1 402 638	1 134 883
		48 726 203	**41 492 474**
Equity			
Ordinary share capital	42	237	228
Perpetual preference share capital	43	31	153
Share premium	44	2 341 228	2 239 364
Treasury shares	45	(126 879)	(125 717)
Other reserves		(310 275)	(784 051)
Retained income		2 226 751	2 030 310
Shareholders' equity excluding non-controlling interests		**4 131 093**	**3 360 287**
Other additional Tier 1 securities in issue	46	32 798	26 031
Non-controlling interests	47	644 738	472 989
– Perpetual preferred securities issued by subsidiaries		91 492	72 615
– Non-controlling interests in partially held subsidiaries		553 246	400 374
Total equity		**4 808 629**	**3 859 307**
Total liabilities and equity		**53 534 832**	**45 351 781**

Combined consolidated cash flow statement

£'000	Notes	Year to 31 March 2017	Year to 31 March 2016
Profit before taxation adjusted for non-cash and non-operating items	49	835 216	730 920
Taxation paid		(126 406)	(132 134)
Increase in operating assets	49	(445 528)	(4 580 570)
Increase in operating liabilities	49	498 146	4 602 620
Net cash inflow from operating activities		**761 428**	**620 836**
Cash outflow on acquisition of group operations		(14 648)	–
Cash flow on net acquisition of associates		(8 848)	(969)
Cash flow on acquisition of property, equipment and intangible assets		(37 748)	(24 314)
Cash flow on disposal of property, equipment and intangible assets		1 629	11 358
Net cash outflow from investing activities		**(59 615)**	**(13 925)**
Dividends paid to ordinary shareholders		(216 602)	(180 009)
Dividends paid to other equity holders		(73 853)	(73 027)
Redemption of perpetual preference shares		(81 743)	–
Proceeds on issue of shares, net of related costs		228 086	35 480
Cash flow on acquisition of treasury shares, net of related costs		(112 345)	(163 277)
Proceeds on issue of other equity instruments*		29 542	153 299
Redemption of non-controlling interests		–	(142 111)
Proceeds from subordinated debt raised		432 919	81 422
Repayment of subordinated debt		(168 481)	(59 518)
Net cash inflow/(outflow) from financing activities		**37 523**	**(347 741)**
Effects of exchange rates on cash and cash equivalents		**332 092**	**(171 718)**
Net increase in cash and cash equivalents		**1 071 428**	**87 452**
Cash and cash equivalents at the beginning of the year		4 650 300	4 562 848
Cash and cash equivalents at the end of the year		**5 721 728**	**4 650 300**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		3 351 702	3 007 269
On demand loans and advances to banks		1 833 767	1 176 458
Non-sovereign and non-bank cash placements		536 259	466 573
Cash and cash equivalents at the end of the year		**5 721 728**	**4 650 300**

* *Includes equity instruments issued by subsidiaries and transactions with non-controlling interests.*

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

Combined consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 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	–	–	–	–
Acquisition 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 share premium	–	–	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)**
Movement in reserves 1 April 2016 - 31 March 2017				
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	–	–	39 159	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income	**–**	**–**	**39 159**	**–**
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	9	–	228 077	–
Repurchase of perpetual preference shares	–	(122)	(122 048)	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition/reduction of non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(40 812)	(71 533)
Transfer from share premium	–	–	(2 512)	–
Transfer to regulatory general risk reserve and other equity movements	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	70 371
At 31 March 2017	**237**	**31**	**2 341 228**	**(126 879)**

Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
Other reserves									
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**
–	–	–	–	–	442 466	442 466	–	80 530	522 996
–	–	–	53 324	–	–	53 324	–	–	53 324
–	(7 781)	–	–	–	–	(7 781)	–	–	(7 781)
–	54 863	–	–	–	–	54 863	–	–	54 863
–	–	–	260	372 381	–	411 800	6 767	121 967	540 534
–	–	–	–	–	(43 580)	(43 580)	–	–	(43 580)
–	**47 082**	**–**	**53 584**	**372 381**	**398 886**	**911 092**	**6 767**	**202 497**	**1 120 356**
–	–	–	–	–	55 961	55 961	–	–	55 961
–	–	–	–	–	(216 602)	(216 602)	–	–	(216 602)
–	–	–	–	–	(25 658)	(25 658)	3 486	6 893	(15 279)
–	–	–	–	–	–	–	(3 486)	(6 893)	(10 379)
–	–	–	–	–	–	–	–	(48 195)	(48 195)
–	–	–	–	–	–	228 086	–	–	228 086
–	–	–	–	–	40 427	(81 743)	–	–	(81 743)
–	–	–	–	–	507	507	–	16 535	17 042
–	–	–	–	–	11 588	11 588	–	912	12 500
–	–	–	–	–	–	(112 345)	–	–	(112 345)
–	–	–	–	–	2 512	–	–	–	–
–	–	729	–	–	(809)	(80)	–	–	(80)
–	–	–	–	–	(70 371)	–	–	–	–
10 973	**12 203**	**39 807**	**(54 891)**	**(318 367)**	**2 226 751**	**4 131 093**	**32 798**	**644 738**	**4 808 629**

Accounting policies

Basis of presentation

The group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2017, 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.

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 86 to 96 in volume two.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 196 to 204 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.

For further detail on the group's segmental reporting basis refer to pages 85 to 110 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.

Non-current assets held for sale

Non-current assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

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 was endorsed by the European Union in November 2016. 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 through profit or loss, fair value through other comprehensive income 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. Financial assets which are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (and whose contractual cash flows represent solely payments of principal and interest will be measured at fair value through other comprehensive income. 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 other comprehensive income. With reference to financial liabilities held at fair value, the standard requires that changes to fair value attributable to own 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, although it will implement the amended IFRS 7 hedge accounting disclosure requirements, until the macro hedge accounting project has been completed.

The regulatory capital impact of IFRS 9 could be affected by changes to the regulatory rules. The Basel Committee on Banking Supervision is considering amending the capital rules of IFRS 9, with discussions being held on transitional impacts and longer-term changes It is not clear whether any transitional capital arrangements will be in place for 1 January 2018.

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 continues to progress with documentation of the group's accounting policy and governance framework and the development of ECL models and operating and system target operating models. The committee provides updates of the status of the project to appropriate board committees. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group does not intend to restate comparatives.

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 val ue 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
- 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 this standard, 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.

The group is monitoring the IASB's project to amend IFRS 9 to the effect that basic lending arrangements with symmetrical break clauses continue to qualify for amortised cost accounting. These clauses are common features in fixed rate loans due to market practice and may result in compensation for early termination being paid by either the borrower or the group. The IASB has issued an exposure draft in April 2017 which will be effective 1 January 2018 in line with IFRS 9's effective date. Based on these anticipated amendments, we expect that we can continue to measure the impacted loans at amortised cost.

Current assessment of impairments:

As noted, the group would also shift its impairment methodology from the current incurred loss basis to expected loss. Credit risk methodologies have been defined and model build and approval is underway and nearing completion. Investec intends to perform a parallel run during 2017 and in doing so models and credit risk processes will be tested during this period to embed the changes and help improve the understanding of the new impairment models.

The group has reviewed key definitions such as significant deterioration in credit quality and default against our current asset quality classifications. A framework is being established that incorporates both quantitative and qualitative measures. Any decisions in relation to credit deterioration will be management decisions subject to approval by governing bodies.

The group will incorporate IFRS 9 requirements into our group credit risk classification and provisioning policy.

It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing is further advanced. The group intends to disclose this in the 2018 annual financial statements.

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. The standard was endorsed by the European Union in September 2016.

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 expect an impact to 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 and is expected to be endorsed by the European Union in 2017. 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 but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

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 49 to 51 in volume two.

- 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 49 to 51 in volume two.

- 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.

1. Combined consolidated segmental analysis

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Segmental business analysis – income statement					
2017					
Net interest income	5 118	11 968	662 809	–	679 895
Net fee and commission income	484 872	343 708	442 944	–	1 271 524
Investment income	143	2 269	133 791	–	136 203
Share of post taxation operating profit of associates	–	1 509	17 381	–	18 890
Trading income arising from					
– customer flow	–	1 028	156 973	–	158 001
– balance sheet management and other trading activities	2 213	87	5 918	–	8 218
Other operating income	5 644	–	7 839	–	13 483
Total operating income before impairment on loans and advances	**497 990**	**360 569**	**1 427 655**	**–**	**2 286 214**
Impairment losses on loans and advances	–	–	(111 454)	–	(111 454)
Operating income	**497 990**	**360 569**	**1 316 201**	**–**	**2 174 760**
Operating costs	(333 166)	(267 326)	(863 963)	(48 776)	(1 513 231)
Depreciation on operating leased assets	–	–	(2 169)	–	(2 169)
Operating profit/(loss) before goodwill and acquired intangibles	**164 824**	**93 243**	**450 069**	**(48 776)**	**659 360**
Profit attributable to other non-controlling interests	–	–	(60 239)	–	(60 239)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**164 824**	**93 243**	**389 830**	**(48 776)**	**599 121**
Profit attributable to Asset Management non-controlling interests	(20 291)	–	–	–	(20 291)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**144 533**	**93 243**	**389 830**	**(48 776)**	**578 830**
Selected returns and key statistics					
ROE (pre-tax)*	90.7%	35.7%	12.8%	n/a	15.9%
Return on tangible equity (pre-tax)*	179.6%	173.0%	13.0%	n/a	18.5%
Cost to income ratio	66.9%	74.1%	60.6%	n/a	66.3%
Staff compensation to operating income	47.5%	54.7%	45.2%	n/a	47.2%
Operating profit per employee (£'000)	103.1	56.6	63.8	n/a	64.1
Total assets (£'million)	638	1 886	51 011	n/a	53 535

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

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Combined consolidated segmental analysis *(continued)*					
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
Share of post taxation operating profit of associates	–	1 191	620	–	1 811
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	2	9 806	–	10 279
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)

2017

Segmental geographic analysis – income statement

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
Net interest income	289 180	390 715	679 895
Net fee and commission income	803 863	467 661	1 271 524
Investment income	59 975	76 228	136 203
Share of post taxation operating profit of associates	2 349	16 541	18 890
Trading income arising from			
– customer flow	129 707	28 294	158 001
– balance sheet management and other trading activities	8 671	(453)	8 218
Other operating income	13 195	288	13 483
Total operating income before impairment on loans and advances	**1 306 940**	**979 274**	**2 286 214**
Impairment losses on loans and advances	(74 956)	(36 498)	(111 454)
Operating income	**1 231 984**	**942 776**	**2 174 760**
Operating costs	(1 005 130)	(508 101)	(1 513 231)
Depreciation on operating leased assets	(2 141)	(28)	(2 169)
Operating profit before goodwill and acquired intangibles	**224 713**	**434 647**	**659 360**
(Profit)/loss attributable to other non-controlling interests	180	(60 419)	(60 239)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**224 893**	**374 228**	**599 121**
Profit attributable to Asset Management non-controlling interests	(11 807)	(8 484)	(20 291)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**213 086**	**365 744**	**578 830**
Impairment of goodwill	(3 134)	(1 615)	(4 749)
Amortisation of acquired intangibles	(14 386)	(2 811)	(17 197)
Net loss on disposal of subsidiaries	–	–	–
Earnings attributable to shareholders before taxation	**195 566**	**361 318**	**556 884**
Taxation on operating profit before goodwill	(39 144)	(79 344)	(118 488)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	3 305	765	4 070
Earnings attributable to shareholders	**159 727**	**282 739**	**442 466**
Selected returns and key statistics			
ROE (post-tax)*	9.4%	16.0%	12.5%
Return on tangible equity (post-tax)*	12.5%	16.3%	14.5%
Cost to income ratio	77.0%	51.9%	66.3%
Staff compensation to operating income	55.6%	36.1%	47.2%
Operating profit per employee (£'000)	56.0	70.3	64.1
Effective operational tax rate	17.6%	19.0%	18.5%
Total assets (£'million)	18 652	34 883	53 535

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

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis *(continued)*			
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
Share of post taxation operating profit/(loss) of associates	2 321	(510)	1 811
Trading income/(loss) 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	8 532	1 747	10 279
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)

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
2017			
Asset Management	91 262	73 562	164 824
Wealth & Investment	65 190	28 053	93 243
Specialist Banking	104 604	285 226	389 830
	261 056	**386 841**	**647 897**
Group costs	(36 163)	(12 613)	(48 776)
Total group	**224 893**	**374 228**	**599 121**
Other non-controlling interest – equity			60 239
Operating profit			**659 360**
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**

At 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis			
(continued)			
2017			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	2 853 570	498 132	3 351 702
Loans and advances to banks	1 102 353	2 088 688	3 191 041
Non-sovereign and non-bank cash placements	–	536 259	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	536 173	1 822 797	2 358 970
Sovereign debt securities	952 902	2 851 725	3 804 627
Bank debt securities	176 559	462 630	639 189
Other debt securities	398 278	717 280	1 115 558
Derivative financial instruments	598 959	586 889	1 185 848
Securities arising from trading activities	522 759	853 909	1 376 668
Investment portfolio	459 745	376 154	835 899
Loans and advances to customers	8 620 742	13 569 233	22 189 975
Own originated loans and advances to customers securitised	–	517 162	517 162
Other loans and advances	336 781	18 467	355 248
Other securitised assets	138 628	10 336	148 964
Interests in associated undertakings	63 390	328 823	392 213
Deferred taxation assets	89 941	44 031	133 972
Other assets	1 258 317	642 163	1 900 480
Property and equipment	60 528	45 411	105 939
Investment properties	14 500	1 114 430	1 128 930
Goodwill	355 155	12 424	367 579
Intangible assets	112 943	30 318	143 261
Non-current assets held for sale	–	27 218	27 218
	18 652 223	**27 154 479**	**45 806 702**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	7 728 130	7 728 130
	18 652 223	**34 882 609**	**53 534 832**
Liabilities			
Deposits by banks	623 144	2 112 922	2 736 066
Derivative financial instruments	547 322	748 884	1 296 206
Other trading liabilities	136 041	842 870	978 911
Repurchase agreements and cash collateral on securities lent	223 998	466 617	690 615
Customer accounts (deposits)	11 012 809	18 096 619	29 109 428
Debt securities in issue	1 861 341	524 839	2 386 180
Liabilities arising on securitisation of own originated loans and advances	–	90 125	90 125
Liabilities arising on securitisation of other assets	128 838	–	128 838
Current taxation liabilities	143 585	84 243	227 828
Deferred taxation liabilities	26 236	14 172	40 408
Other liabilities	1 258 189	652 641	1 910 830
	15 961 503	**23 633 932**	**39 595 435**
Liabilities to customers under investment contracts	–	7 725 604	7 725 604
Insurance liabilities, including unit-linked liabilities	–	2 526	2 526
	15 961 503	**31 362 062**	**47 323 565**
Subordinated liabilities	579 356	823 282	1 402 638
	16 540 859	**32 185 344**	**48 726 203**

1. Combined consolidated segmental analysis

(continued)

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
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)

Segmental business and geographic analysis – income statement

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
2017						
Net interest income	111	5 007	5 118	4 368	7 600	11 968
Net fee and commission income	308 084	176 788	484 872	267 847	75 861	343 708
Investment income	–	143	143	2 169	100	2 269
Share of post tax operating profit of associates	–	–	–	1 509	–	1 509
Trading income arising from						
– customer flow	–	–	–	740	288	1 028
– balance sheet management and other trading activities	3 221	(1 008)	2 213	215	(128)	87
Other operating income	5 312	332	5 644	–	–	–
Total operating income before impairment losses on loans and advances	**316 728**	**181 262**	**497 990**	**276 848**	**83 721**	**360 569**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**316 728**	**181 262**	**497 990**	**276 848**	**83 721**	**360 569**
Operating costs	(225 466)	(107 700)	(333 166)	(211 658)	(55 668)	(267 326)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**91 262**	**73 562**	**164 824**	**65 190**	**28 053**	**93 243**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**91 262**	**73 562**	**164 824**	**65 190**	**28 053**	**93 243**
Profit attributable to Asset Management non-controlling interests	(11 807)	(8 484)	(20 291)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**79 455**	**65 078**	**144 533**	**65 190**	**28 053**	**93 243**
Selected returns and key statistics						
Cost to income ratio	71.2%	59.4%	66.9%	76.5%	66.5%	74.1%
Staff compensation to operating income	54.0%	36.1%	47.5%	57.5%	45.7%	54.7%

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
284 701	378 108	662 809	–	–	–	679 895
227 932	215 012	442 944	–	–	–	1 271 524
57 806	75 985	133 791	–	–	–	136 203
840	16 541	17 381	–	–	–	18 890
128 967	28 006	156 973	–	–	–	158 001
5 235	683	5 918	–	–	–	8 218
7 883	(44)	7 839	–	–	–	13 483
713 364	**714 291**	**1 427 655**	**–**	**–**	**–**	**2 286 214**
(74 956)	(36 498)	(111 454)			–	(111 454)
638 408	**677 793**	**1 316 201**	**–**	**–**	**–**	**2 174 760**
(531 843)	(332 120)	(863 963)	(36 163)	(12 613)	(48 776)	(1 513 231)
(2 141)	(28)	(2 169)	–	–	–	(2 169)
104 424	**345 645**	**450 069**	**(36 163)**	**(12 613)**	**(48 776)**	**659 360**
180	(60 419)	(60 239)	–	–	–	(60 239)
104 604	**285 226**	**389 830**	**(36 163)**	**(12 613)**	**(48 776)**	**599 121**
–	–	–	–	–	–	(20 291)
104 604	**285 226**	**389 830**	**(36 163)**	**(12 613)**	**(48 776)**	**578 830**
74.8%	46.5%	60.6%	n/a	n/a	n/a	66.3%
55.6%	34.9%	45.2%	n/a	n/a	n/a	47.2%

Notes to the annual financial statements

(continued)

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						
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
Share of post taxation operating profit of associates	–	–	–	1 191	–	1 191
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	–	2	2
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
1 130	(510)	620	–	–	–	1 811
92 348	17 563	109 911	–	–	–	110 227
(9 875)	19 075	9 200	–	–	–	11 377
9 667	139	9 806	–	–	–	10 279
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%

2. Net interest income

For the year to 31 March 2017 £'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	5 621 557	33 255	8 260 231	398 053	13 881 788	431 308
Core loans and advances	2	8 620 742	471 547	14 086 395	1 188 974	22 707 137	1 660 521
Private client		3 454 366	151 645	9 413 110	798 380	12 867 476	950 025
Corporate, institutional and other clients		5 166 376	319 902	4 673 285	390 594	9 839 661	710 496
Other debt securities and other loans and advances		735 059	58 552	735 747	58 244	1 470 806	116 796
Other interest-earning assets	3	–	–	10 336	22 140	10 336	22 140
Total interest-earning assets		**14 977 358**	**563 354**	**23 092 709**	**1 667 411**	**38 070 067**	**2 230 765**

For the year to 31 March 2017 £'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	2 708 483	(87 872)	3 104 378	(118 225)	5 812 861	(206 097)
Customer accounts (deposits)		11 012 809	(130 419)	18 096 619	(1 087 496)	29 109 428	(1 217 915)
Other interest-bearing liabilities	5	–	–	90 125	(13 050)	90 125	(13 050)
Subordinated liabilities		579 356	(55 883)	823 282	(57 925)	1 402 638	(113 808)
Total interest-bearing liabilities		**14 300 648**	**(274 174)**	**22 114 404**	**(1 276 696)**	**36 415 052**	**(1 550 870)**
Net interest income			**289 180**		**390 715**		**679 895**
Net interest margin (local currency)			**1.96%**		**1.86%****		

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. 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. No liabilities on securitisation are held at amortised cost in UK and Other.*

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

2. Net interest income
(continued)

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**
Net interest margin (local currency)			**1.82%**		**1.90%****		

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. 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.*

** *Impacted by debt funding issued by the Investec Property Fund in which the group has a 27.86% interest. Excluding this debt funding cost the net interest margin amounted to 1.99% (2016: 1.98%).*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
3. Net fee and commission income			
2017			
Asset Management and Wealth Management businesses net fee and commission income	**575 931**	**252 649**	**828 580**
Fund management fees/fees for assets under management	639 100	224 498	863 598
Private client transactional fees	56 955	39 400	96 355
Fee and commission expense	(120 124)	(11 249)	(131 373)
Specialist Banking net fee and commission income	**227 932**	**215 012**	**442 944**
Corporate and institutional transactional and advisory services	206 407	196 246	402 653
Private client transactional fees	29 684	37 298	66 982
Fee and commission expense	(8 159)	(18 532)	(26 691)
Net fee and commission income	**803 863**	**467 661**	**1 271 524**
Annuity fees (net of fees payable)	581 895	383 355	965 250
Deal fees	221 968	84 306	306 274
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

Trust and fiduciary fees amounted to £0.3 million (2016: £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			
2017			
Realised	50 335	51 070	101 405
Unrealised^	(9 271)	6 940	(2 331)
Dividend income	12 339	18 540	30 879
Funding and other net related income/(costs)	6 572	(322)	6 250
Investment income	**59 975**	**76 228**	**136 203**
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**

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

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
2017					
UK and Other					
Realised	38 533	(8 482)	18 337	1 947	50 335
Unrealised^	(3 086)	5 138	(10 008)	(1 315)	(9 271)
Dividend income	12 339	–	–	–	12 339
Funding and other net related income	–	–	–	6 572	6 572
	47 786	**(3 344)**	**8 329**	**7 204**	**59 975**
Southern Africa					
Realised	20 483	6 360	22 003	2 224	51 070
Unrealised^	(13 504)	2 255	22 989	(4 800)	6 940
Dividend income	18 102	–	–	438	18 540
Funding and other net related (costs)/income	(3 768)	–	–	3 446	(322)
	21 313	**8 615**	**44 992**	**1 308**	**76 228**
Total investment income	**69 099**	**5 271**	**53 321**	**8 512**	**136 203**
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 (costs)/income	(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**

* *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.*

Notes to the annual financial statements

(continued)

For the year to 31 March £'000	2017	2016
5. Other operating income		
Rental income from properties	3 732	5 807
Gains on realisation of properties	337	26
Unrealised gains on other investments	6 940	2 257
Income from operating leases	2 474	2 189
	13 483	**10 279**

For the year to 31 March £'000	2017	2016
6. Operating costs		
Staff costs	1 079 701	912 435
– Salaries and wages (including directors' remuneration)	900 099	766 983
– Training and other costs	24 703	17 732
– Share-based payment expense	61 836	51 061
– Social security costs	51 382	42 870
– Pensions and provident fund contributions	41 681	33 789
Premises expenses (excluding depreciation)	80 083	58 846
Equipment expenses (excluding depreciation)	82 928	57 780
Business expenses*	177 057	177 643
Marketing expenses	70 625	59 736
Depreciation, amortisation and impairment on property, equipment and intangibles	22 837	20 581
	1 513 231	1 287 021
Depreciation on operating leased assets	2 169	2 165
	1 515 400	**1 289 186**
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	601	549
Fees payable to the companies' auditors and its associates for other services:		
– Audit of the companies subsidiaries pursuant to legislation	4 409	4 026
– Audit related assurance services	670	424
– Tax compliance services	400	199
– Tax advisory services	210	422
– Service related to corporate finance transactions	760	–
– Other assurance services	80	96
	7 130	**5 716**
KPMG fees		
Fees payable to the companies' auditors for the audit of the companies' accounts	1 210	1 136
Fees payable to the companies' auditors and its associates for other services:		
– Audit of the companies subsidiaries pursuant to legislation	950	975
– Audit related assurance services	450	64
– Tax compliance services	130	140
– Tax advisory services	–	255
– Services related to corporate finance transactions	180	–
– Other assurance services	–	161
	2 920	**2 731**
Total	**10 050**	**8 447**

* *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 196 to 204 in volume one.

7. Share-based payments

The group operates share option and long-term share incentive plans for employees, 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 222 to 223 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					
2017					
Equity-settled	2 988	7 211	47 018	4 619	61 836
Total income statement charge	**2 988**	**7 211**	**47 018**	**4 619**	**61 836**
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**

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 £nil (2016: £0.02 million).

For the year to 31 March £'000	2017	2016
Weighted average fair value of options granted in the year		
UK schemes	29 213	29 344
South African schemes	31 806	36 634

	UK schemes				South African schemes			
	2017		2016		2017		2016	
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	28 760 479	0.07	32 430 764	0.06	37 773 545	–	41 633 973	–
Granted during the year	6 501 494	0.01	6 810 928	0.12	6 527 507	–	8 431 958	–
Exercised during the year^	(8 239 897)	0.03	(9 203 122)	0.01	(7 328 694)	–	(10 977 407)	–
Expired during the year	–	–	–	–	(1 027 427)	–	(1 314 979)	–
Options forfeited during the year	(1 030 469)	0.30	(1 278 091)	0.44	–	–	–	–
Outstanding at the end of the year	**25 991 607**	**0.06**	**28 760 479**	**0.07**	**35 944 931**	**–**	**37 773 545**	
Vested and exercisable at the end of the year	**12 250**	**–**	**70 987**	**–**	**9 413**	**–**	**10 878**	**–**

^ *The weighted average share price for options exercised during the year was £5.09 (2016: £5.34) and R94.43 (2016: R108.32) for the South African schemes.*

7. Share-based payments

(continued)

Additional information relating to options	UK schemes 2017	UK schemes 2016	South African schemes 2017	South African schemes 2016
Additional information relating to options				
Options with strike prices				
Exercise price range	£3.29 – £6.00	£3.29 – £6.00	n/a	n/a
Weighted average remaining contractual life	1.72 years	2.09 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	1.72 years	1.77 years	1.76 Years	2.04 Years
Weighted average fair value of options and long-term grants at measurement date	£4.49	£4.31	R98.30	R84.62
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	£4.36 – £5.20	£5.68 – £6.00	R89.97 – R105.30	R109.98 – R120.88
– Exercise price	£nil, £4.36 – £5.20	£nil, £5.68 – £6.00	R nil	R nil
– Expected volatility	30%	30%	n/a	30%
– Option life	2.5 – 5 Years	3 – 5.5 Years	4.5 – 5 Years	4 – 5 Years
– Expected dividend yields	5.90% – 6.75%	4.50% – 4.67%	n/a	4.02% – 4.19%
– Risk-free rate	0.82% – 1.44%	1.28% – 1.31%	n/a	7.49 % – 7.66%

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	2017	2016
8. Taxation		
Income statement tax charge		
Current taxation		
UK		
Current tax on income for the year	49 387	40 497
Adjustments in respect of prior years	(5 238)	4 420
Corporation tax before double tax relief	44 149	44 917
– Double taxation relief	(308)	(217)
	43 841	**44 700**
Southern Africa		
– in respect of current year	115 525	78 756
– in respect of prior year adjustments	(6 844)	–
	108 681	**78 756**
Europe	2 474	2 694
Australia	976	1 117
Other	932	3 866
Withholding tax on companies	826	327
Total current taxation	**157 730**	**131 460**
Deferred taxation		
UK	(14 597)	(9 389)
Southern Africa	(30 928)	(11 713)
Europe	263	(9 746)
Australia	(11)	1 081
Other	1 961	(3 688)
Total deferred taxation	**(43 312)**	**(33 455)**
Total taxation charge for the year	**114 418**	**98 005**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	118 488	103 202
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(4 070)	(5 197)
	114 418	**98 005**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(42 192)	(25 491)
Changes in tax rates	(971)	(8 394)
Adjustment in respect of prior years	(149)	430
	(43 312)	**(33 455)**

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

Notes to the annual financial statements

(continued)

For the year to 31 March £'000	2017	2016
8. Taxation *(continued)*		
The rates of corporation tax for the relevant years are:	%	%
UK	20	20
South Africa	28	28
Europe (average)	10	10
Australia	30	30
Profit before taxation	**637 414**	**518 191**
Taxation on profit before taxation	**114 418**	**98 005**
Effective tax rate (%)	**17.95**	**18.91**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 20% (2016: 20%)	127 483	103 638
Taxation adjustments relating to foreign earnings	(7 731)	(12 793)
Goodwill and non-operating items	767	1 062
Taxation relating to prior years	(5 387)	4 849
Share options accounting expense	(171)	6 924
Share options exercised during the year	–	(9 918)
Unexpired share options future tax deduction	–	2 778
Non-taxable income	(2 054)	222
Net other permanent differences	20 526	12 723
Unrealised capital losses	(5 402)	(3 086)
Utilisation of brought forward trading losses	(12 642)	(8 394)
Change in tax rate	(971)	–
Total taxation charge as per income statement	**114 418**	**98 005**
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	53 324	(31 934)
Pre-taxation	72 072	(53 116)
Taxation effect	(18 748)	21 182
Gains on realisation of available-for-sale assets recycled through the income statement	(7 781)	(1 961)
Pre-taxation	(4 627)	(3 700)
Taxation effect	(3 154)	1 739
Fair value movements on available-for-sale assets taken directly to other comprehensive income	54 863	(37 153)
Pre-taxation	59 924	(42 269)
Taxation effect	(5 061)	5 116
Re-measurement of net defined pension asset	(43 580)	4 738
Pre-taxation	(53 575)	5 695
Taxation effect	9 995	(957)
Statement of changes in equity taxation effects		
Share-based payment adjustment	55 961	56 216
Pre-taxation IFRS 2 option reserve	55 892	51 520
Taxation effect	69	4 696

9. Earnings per share

	31 March 2017	31 March 2016
Earnings	**£'000**	**£'000**
Earnings attributable to shareholders	442 466	368 456
Preference dividends paid	(25 658)	(33 192)
Gain on redemption of preference shares	40 427	–
Earnings and diluted earnings attributable to ordinary shareholders	**457 235**	**335 264**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	947 161 346	906 490 426
Weighted average number of treasury shares	(46 715 508)	(35 964 483)
Weighted average number of shares in issue during the year	900 445 838	870 525 943
Weighted average number of shares resulting from future dilutive potential shares	36 895 311	42 748 491
Adjusted weighted number of shares potentially in issue	**937 341 149**	**913 274 434**
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.	**50.8**	**38.5**
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 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.	**48.8**	**36.7**
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.	**48.3**	**41.3**
	£'000	**£'000**
Earnings attributable to shareholders	442 466	368 456
Impairment of goodwill	4 749	1 577
Amortisation of acquired intangibles	17 197	16 248
Net loss on disposal of subsidiaries	–	4 778
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(4 070)	(5 197)
Preference dividends paid	(25 658)	(33 192)
Accrual adjustment on earnings attributable to other equity holders*	(180)	7 062
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**434 504**	**359 732**

* *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.*

	31 March 2017	31 March 2016
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 Listing Requirements, and in terms of circular 2/2015 issued by the South African Institute of Chartered Accountants	**48.2**	**38.5**
	£'000	**£'000**
Earnings attributable to shareholders	442 466	368 456
Impairment of goodwill	4 749	1 577
Net loss on disposal of subsidiaries	–	4 778
Preference dividends paid	(25 658)	(33 192)
Gain on redemption of preference shares	40 427	–
Property revaluation, net of taxation and non-controlling interests**	(21 777)	(10 030)
Gains on available-for-sale instruments recycled through the income statement**	(7 781)	(1 961)
Loss on non current assets held for sale**	1 999	5 092
Headline earnings attributable to ordinary shareholders**	**434 425**	**334 720**

** *Taxation on headline earnings adjustments amounted to £7.4 million (2016: £1.9 million) with an impact of £26 .6 million (2016: £9.4 million) on earnings attributable to non-controlling interests.*

	2017		2016	
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	123 341	11.5	97 896
Interim dividend for current year	10.0	93 261	9.5	82 113
Total dividend attributable to ordinary shareholders recognised in current financial year	**21.5**	**216 602**	**21.0**	**180 009**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2017 of 13.0 pence per ordinary share (31 March 2016: 11.5 pence).

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 225 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 13.0 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 6.0 pence per ordinary share and through a dividend payment on the SA DAS share of 7.0 pence per ordinary share.

The final dividend to shareholders registered on 28 July 2017 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 10 August 2017 and, if approved, will be paid on 14 August 2017.

For the year to 31 March £'000	2017	2016
10. Dividends *(continued)*		
Perpetual preference dividend		
Final dividend for prior year	10 403	10 910
Interim dividend for current year	11 769	9 424
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**22 172**	**20 334**

* *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 2017 of 6.23288 pence (Investec plc shares traded on the JSE Limited) and 6.23288 pence (Investec plc shares traded on the International Stock Exchange), 497.38356 cents (Investec plc Rand-denominated shares), 407.17389 cents (Investec Limited) and 436.28392 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, 9 June 2017.

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

The €200 000 000 fixed/floating rate guaranteed, non-voting, non-cumulative perpetual preferred securities paid dividends of 7.075% in the 2016 year but were redeemed in full on 24 June 2015.

Dividends attributable to Additional Tier 1 securities in issue	**3 486**	**2 801**

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	**25 658**	**33 192**

For the year to 31 March £'000	2017	2016
11. Miscellaneous items		
Operating lease expenses recognised in operating costs:		
Minimum lease payments	48 257	31 752
Sublease payments	(3 070)	–
	45 187	**31 752**
Operating lease income recognised in income:		
Minimum lease payments	93 208	42 996
Sublease payments	–	48
	93 208	**43 044**
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		
Less than one year	84 403	75 156
One to five years	200 584	204 098
Greater than five years	59 830	74 196
	344 817	**353 450**

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
2017		
Net interest income	36 083	76 169
Fee and commission income	48 933	(612)
Fee and commission expense	–	(411)
Investment income	(17 367)	96 701
Share of post taxation operating profit of associates	–	–
Trading income arising from		
– customer flow	153 901	6 285
– balance sheet management and other trading activities	21 609	(21 918)
Other operating income	–	5 596
Total operating income before impairment losses on loans and advances	**243 159**	**161 810**
Impairment losses on loans and advances	–	–
Operating income	**243 159**	**161 810**
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
Share of post taxation operating profit of associates	–	–
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**

Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
36 843	1 743 639	126 068	(1 340 180)	1 273	–	**679 895**
–	139 587	–	88 268	36 828	1 116 584	**1 429 588**
–	(3 861)	–	(5 611)	353	(148 534)	**(158 064)**
–	(8 357)	12 202	34 648	18 376	–	**136 203**
–	–	–	–	18 890	–	**18 890**
–	–	15	(2 200)	–	–	**158 001**
–	10 511	(54)	(1 912)	(18)	–	**8 218**
–	18	–	1 346	6 523	–	**13 483**
36 843	**1 881 537**	**138 231**	**(1 225 641)**	**82 225**	**968 050**	**2 286 214**
–	(111 454)	–	–	–	–	**(111 454)**
36 843	**1 770 083**	**138 231**	**(1 225 641)**	**82 225**	**968 050**	**2 174 760**
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**
–	–	–	–	1 811	–	**1 811**
–	–	–	2 548	–	–	**110 227**
–	8 941	2 749	(2 597)	–	110	**11 377**
–	2	67	1 678	8 029	–	**10 279**
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**

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

At 31 March £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
2017				
Assets				
Cash and balances at central banks	2 497	–	–	2 497
Loans and advances to banks	–	200 364	–	200 364
Non-sovereign and non-bank cash placements	10	–	–	10
Reverse repurchase agreements and cash collateral on securities borrowed	1 167 255	–	–	1 167 255
Sovereign debt securities	–	2 298 331	1 307 654	3 605 985
Bank debt securities	–	–	327 888	327 888
Other debt securities	13	111 112	625 933	737 058
Derivative financial instruments*	1 185 848	–	–	1 185 848
Securities arising from trading activities	1 123 200	253 468	–	1 376 668
Investment portfolio	–	782 370	53 529	835 899
Loans and advances to customers	–	921 991	–	921 991
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	138 628	–	138 628
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	217 667	65 545	–	283 212
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Non-current assets held for sale**	–	27 218	–	27 218
	3 696 490	**4 799 027**	**2 315 004**	**10 810 521**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 696 490	**4 799 027**	**2 315 004**	**10 810 521**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 296 206	–	–	1 296 206
Other trading liabilities	978 911	–	–	978 911
Repurchase agreements and cash collateral on securities lent	137 861	–	–	137 861
Customer accounts (deposits)	–	2 046 340	–	2 046 340
Debt securities in issue	–	640 557	–	640 557
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	128 838	–	128 838
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	43 813	–	–	43 813
	2 456 791	**2 815 735**	**–**	**5 272 526**
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 456 791	**2 815 735**	**–**	**5 272 526**
Subordinated liabilities	–	–	–	–
	2 456 791	**2 815 735**	**–**	**5 272 526**

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

** *Non-current assets held for sale relates to an acquisition of a non-controlling interest in and entity management have entered into negotiations to dispose of this interest.*

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	Financial assets linked to investment contract liabilities	Non-financial instruments or scoped out of IAS 39	Total
–	3 349 205	–	3 349 205	–	–	3 351 702
–	2 990 677	–	2 990 677	–	–	3 191 041
–	536 249	–	536 249	–	–	536 259
–	1 191 715	–	1 191 715	–	–	2 358 970
198 642	–	–	198 642	–	–	3 804 627
104 584	206 717	–	311 301	–	–	639 189
12 309	366 191	–	378 500	–	–	1 115 558
–	–	–	–	–	–	1 185 848
–	–	–	–	–	–	1 376 668
–	–	–	–	–	–	835 899
–	21 267 984	–	21 267 984	–	–	22 189 975
–	517 162	–	517 162	–	–	517 162
–	355 248	–	355 248	–	–	355 248
–	10 336	–	10 336	–	–	148 964
–	–	–	–	–	392 213	392 213
–	–	–	–	–	133 972	133 972
–	1 165 779	–	1 165 779	–	451 489	1 900 480
–	–	–	–	–	105 939	105 939
–	–	–	–	–	1 128 930	1 128 930
–	–	–	–	–	367 579	367 579
–	–	–	–	–	143 261	143 261
–	–	–	–	–	–	27 218
315 535	**31 957 263**	**–**	**32 272 798**	**–**	**2 723 383**	**45 806 702**
–	–	–	–	7 728 130	–	7 728 130
315 535	**31 957 263**	**–**	**32 272 798**	**7 728 130**	**2 723 383**	**53 534 832**
–	–	2 736 066	2 736 066	–	–	2 736 066
–	–	–	–	–	–	1 296 206
–	–	–	–	–	–	978 911
–	–	552 754	552 754	–	–	690 615
–	–	27 063 088	27 063 088	–	–	29 109 428
–	–	1 745 623	1 745 623	–	–	2 386 180
–	–	90 125	90 125	–	–	90 125
–	–	–	–	–	–	128 838
–	–	–	–	–	227 828	227 828
–	–	–	–	–	40 408	40 408
		1 135 721	1 135 721		731 296	1 910 830
–	**–**	**33 323 377**	**33 323 377**	**–**	**999 532**	**39 595 435**
–	–	–	–	7 725 604	–	7 725 604
–	–	–	–	2 526	–	2 526
–	**–**	**33 323 377**	**33 323 377**	**7 728 130**	**999 532**	**47 323 565**
–	–	1 402 638	1 402 638	–	–	1 402 638
–	**–**	**34 726 015**	**34 726 015**	**7 728 130**	**999 532**	**48 726 203**

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 £9.2 million (2016: £9.3 million) and the fair value is £3.5 million (2016: £5.9 million).

13. Analysis of financial assets and liabilities by category of financial instruments *(continued)*

At 31 March £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
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	Financial assets linked to investment contract liabilities	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**

14. Financial instruments at fair value

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 category		
At 30 March £'000	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
2017				
Assets				
Cash and balances at central banks	2 497	2 497	–	–
Loans and advances to banks	200 364	200 364	–	–
Non-sovereign and non-bank cash placements	10	–	10	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 167 255	176 189	991 066	–
Sovereign debt securities	3 605 985	3 605 985	–	–
Bank debt securities	327 888	245 015	82 873	–
Other debt securities	737 058	385 999	344 628	6 431
Derivative financial instruments	1 185 848	–	1 126 751	59 097
Securities arising from trading activities	1 376 668	1 341 112	26 485	9 071
Investment portfolio	835 899	209 584	39 988	586 327
Loans and advances to customers	921 991	–	835 509	86 482
Other securitised assets	138 628	–	–	138 628
Other assets	283 212	283 212	–	–
Non-current assets held for sale	27 218	–	–	27 218
	10 810 521	**6 449 957**	**3 447 310**	**913 254**
Liabilities				
Derivative financial instruments	1 296 206	1 676	1 293 482	1 048
Other trading liabilities	978 911	900 355	78 556	–
Repurchase agreements and cash collateral on securities lent	137 861	–	137 861	–
Customer accounts (deposits)	2 046 340	–	2 046 340	–
Debt securities in issue	640 557	–	627 875	12 682
Liabilities arising on securitisation of other assets	128 838	–	–	128 838
Other liabilities	43 813	–	43 813	–
	5 272 526	**902 031**	**4 227 927**	**142 568**
Net financial assets/(liabilities) at fair value	**5 537 995**	**5 547 926**	**(780 617)**	**770 686**

At 31 March £'000	Total investments at fair value	Fair value category Level 1	Level 2	Level 3
14. Financial instruments at fair value *(continued)*				
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**

Transfers between level 1 and level 2

During the 2016 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.

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

14. Financial instruments at fair value *(continued)*

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2017 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 Adjusted quoted price	Interest rate curves, implied bond spreads, equity volatilities Liquidity adjustment
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. Financial instruments at fair value *(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
Balance at 1 April 2015	**851 703**
Total gains or losses	26 006
– In the income statement	26 278
– In the statement of comprehensive income	(272)
Purchases	172 555
Sales	(863 789)
Issues	3 475
Settlements	505 707
Transfers into level 3	31 362
Transfers out of level 3	11 520
Foreign exchange adjustments	(47 636)
Balance at 31 March 2016	**690 903**
Total gains or losses	74 898
– In the income statement	77 099
– In the statement of comprehensive income	(2 201)
Purchases	170 894
Sales	(167 297)
Issues	(16 226)
Settlements	(51 847)
Transfers into level 3	6 168
Transfers out of level 3	(16 312)
Foreign exchange adjustments	79 505
Balance at 31 March 2017	**770 686**

For the year ended 31 March 2017, a level 3 investment of £16.3 million has been transferred to level 2 due to the nature of the asset changing, resulting in a change in valuation method. In addition £6.2 million has been transferred to level 3 due to valuation inputs becoming unobservable.

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 were 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.

The group transfers between levels within the fair value hierarchy when the significance of the unobservable inputs change or if the valuation methods changes.

14. Financial instruments at fair value *(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**
2017			
Total gains included in the income statement for the year			
Net interest income	1 831	1 831	–
Fee and commission income	11 732	11 443	289
Investment income	36 887	35 527	1 360
Trading income arising from customer flow	26 649	16	26 633
	77 099	**48 817**	**28 282**
Total gains or (losses) on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	16 377	16 377	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(2 201)	–	(2 201)
	14 176	**16 377**	**(2 201)**
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)**

14. Financial instruments at fair value *(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:

31 March 2017	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	6 431	Effect on income statement			
		Price earnings multiple	(10%)/10%	965	(129)
Derivative financial instruments	59 097	Effect on income statement		6 692	(5 016)
		Volatilities	4% – 9.5%	2 465	(1 537)
		EBITDA	5% – 6 %	63	–
		Cash flow adjustments	CPR 6.25% – 8.4%	648	(1 086)
		Property values	(10%)/10%	60	(60)
		Other^	^	3 456	(2 333)
Securities arising from trading activities		Effect on income statement			
	9 071	Cash flow adjustments	CPR 9%	1 290	(1 074)
Investment portfolio	586 327	Effect on income statement		81 819	(76 204)
		Price Earnings multiple	3 x – 10.3 x	5 430	(5 788)
		Precious and industrial metal prices	(10%)/10%	15 403	(17 215)
		EBITDA	^^	20 862	(17 532)
		Other^	^	40 124	(35 669)
		Effect on other comprehensive income		6 228	(2 655)
		Price Earnings multiple	4.0 x – 4.5 x	630	(301)
		Other^	^	5 598	(2 354)
Loans and advances to customers	86 482	Effect on income statement		9 825	(9 716)
		EBITDA	10%	5 681	(5 681)
		Other^	^	4 144	(4 035)
Other securitised assets*	138 628	Effect on income statement			
		Cash flow adjustments	CPR 6.25%	48	(38)
Non current assets held for sale	27 218	Effect on income statement			
		Price earnings multiple	(10%)/10%	3 876	(3 459)
Liabilities					
Derivative financial instruments	1 048	Effect on income statement			
		Cash flow adjustments	CPR 8.4%	983	(794)
Debt securities in issue		Effect on income statement			
	12 682	Volatilities	7%	401	(608)
Liabilities arising on securitisation of other assets*		Effect on income statement			
	128 838	Cash flow adjustments	CPR 6.25%	931	(847)
Net level 3 assets	**770 686**			**113 058**	**(100 540)**

* *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 EBITDA has been stressed on an investment by investment basis in order to obtain a favourable and unfavourable valuation.*

14. Financial instruments at fair value *(continued)*

At 31 March 2016	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	10 930	Effect on income statement		**525**	**(796)**
		Cash flow adjustments	CPR 9%	525	(472)
		Other^	^	–	(324)
Derivative financial instruments	50 159	Effect on income statement		**8 305**	**(5 501)**
		Volatilities	3.75% – 9%	2 471	(1 015)
		Cash flow adjustments	CPR 5% – 7.4%	834	(1 701)
		Net asset value	(10%) – 10%	47	(47)
		Other^	^	4 953	(2 738)
Securities arising from trading activities	7 456	Effect on income statement			
		Cash flow adjustments	CPR 6.5% – 9%	1 380	(1 050)
Investment portfolio	509 470	Effect on income statement		**64 695**	**(49 344)**
		Price earnings multiple	(10%) – 10%	4 203	(4 272)
		Price earnings multiple	^^	5 084	(4 006)
		Other^	^	55 408	(41 066)
		Effect on other comprehensive income		**5 668**	**(2 300)**
		EBITDA	42x	2 418	(1 340)
		Other^	^	3 250	(960)
Loans and advances to customers	87 270	Effect on income statement		**1 550**	**(9 400)**
		Discount rates	16%	1 550	(987)
		Other^	^	–	(8 413)
Other securitised assets*	147 590	Effect on income statement		**2 825**	**(2 876)**
		Cash flow adjustments	CPR 5%	1 569	(1 727)
		Other^	^	1 256	(1 149)
Liabilities					
Derivative financial instruments	1 355	Effect on income statement		**1 667**	**(797)**
		Cash flow adjustments	CPR 7.1%	1 661	(790)
		Volatilities	9%	6	(7)
Liabilities arising on securitisation of other assets*	120 617	Effect on income statement			
		Cash flow adjustments	CPR 5%	1 356	(1 254)
Net level 3 assets	**690 903**			**87 971**	**(73 318)**

* *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. Financial instruments at fair value *(continued)*

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.

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.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement.

EBITDA

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

Price earnings multiple

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

Precious and industrial metals

The price of precious and industrial metals in a key driver of future cash flows on certain investments.

15. Fair value of financial instruments at amortised cost

At 31 March £'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
2017					
Assets					
Reverse repurchase agreements and cash collateral on securities borrowed	1 191 715	1 191 744	523 896	667 848	–
Sovereign debt securities	198 642	193 693	193 693	–	–
Bank debt securities	311 301	326 488	162 533	163 955	–
Other debt securities	378 500	373 209	4 016	275 917	93 276
Loans and advances to customers	21 267 984	21 262 727	304 340	12 349 034	8 609 353
Other loans and advances	355 248	337 419	22 760	186 907	127 752
Other assets	1 165 779	1 165 721	776 559	261 991	127 171
Liabilities					
Deposits by banks	2 736 066	2 771 467	390 490	2 380 977	–
Repurchase agreements and cash collateral on securities lent	552 754	554 915	400 270	154 645	–
Customer accounts (deposits)	27 063 088	27 157 559	15 237 228	11 903 738	16 593
Debt securities in issue	1 745 623	1 777 485	479 288	1 291 766	6 431
Other liabilities	1 135 721	1 135 426	762 252	333 595	39 579
Subordinated liabilities	1 402 638	1 575 574	1 575 536	39	–

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
2016					
Assets					
Loans and advances to banks	2 349 107	2 349 096	2 006 987	342 109	–
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
Other loans and advances	321 617	297 611	10 412	146 349	140 850
Other assets	1 215 965	1 215 735	795 582	409 680	10 473
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
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	–

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:

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.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
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						
2017						
Loans and advances to customers	921 991	(6 090)	(23 795)	–	–	921 991
Other securitised assets	138 628	5 222	(18 095)	5 222	(18 095)	138 628
	1 060 619	**(868)**	**(41 890)**	**5 222**	**(18 095)**	**1 060 619**
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**

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						
2017						
Customer accounts (deposits)	2 046 340	2 041 032	15 015	5 307	–	–
Debt securities in issue	640 557	641 766	38 821	46 578	10 453	4 691
Liabilities arising on securitisation of other assets	128 838	139 572	(6 563)	10 998	(6 563)	10 998
	2 815 735	**2 822 370**	**47 273**	**62 883**	**3 890**	**15 689**
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**

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	2017	2016
17. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	487 172	362 284
United Kingdom	2 797 953	2 589 086
Europe (excluding UK)	55 618	48 982
Other	10 959	6 917
	3 351 702	**3 007 269**

As at 31 March £'000	2017	2016
18. Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	960 599	806 795
United Kingdom	812 957	702 023
Europe (excluding UK)	531 617	413 984
Australia	67 091	76 081
Asia	115 297	114 765
United States of America	522 457	342 532
Other	181 023	42 405
	3 191 041	**2 498 585**

As at 31 March £'000	2017	2016
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	1 728 937	1 949 135
Cash collateral on securities borrowed	630 033	547 990
	2 358 970	**2 497 125**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. £689.8 million (2016: £850 million) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	543 772	844 528
Cash collateral on securities lent	146 843	127 118
	690 615	**971 646**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £536.6 million (2016: £1 billion). They are pledged as security for the term of the underlying repurchase agreement.

As at 31 March £'000	2017	2016
20. Sovereign debt securities		
Bonds	1 037 799	1 003 946
Government securities	191 480	672 998
Treasury bills	2 575 348	1 531 918
	3 804 627	**3 208 862**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	2 825 481	1 926 225
United Kingdom	613 605	1 235 317
Europe (excluding UK)*	12 127	17 674
United States of America	327 170	–
Other	26 244	29 646
Total	**3 804 627**	**3 208 862**

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

As at 31 March £'000	2017	2016
21. Bank debt securities		
Bonds	358 908	589 113
Floating rate notes	250 123	307 742
Asset-based securities	30 158	–
	639 189	**896 855**
The country risk of the bank debt securities lies in the following geographies:		
South Africa	259 021	311 841
United Kingdom	208 882	319 726
Europe (excluding UK)	98 994	98 844
United States of America	62 947	159 027
Other	9 345	7 417
Total	**639 189**	**896 855**

As at 31 March £'000	2017	2016
22. Other debt securities		
Bonds	805 545	779 233
Commercial paper	24 531	22 100
Floating rate notes	151 043	51 830
Liquid asset bills	17 770	14 101
Promissory notes	–	11
Asset-based securities	109 164	74 582
Other investments	7 505	8 093
	1 115 558	**949 950**
The country risk of other debt securities lies in the following geographies:		
South Africa	404 126	316 844
United Kingdom	189 386	204 353
Europe (excluding UK)	328 825	272 080
Australia	11 789	14 793
United States of America	94 024	58 804
Other	87 408	83 076
	1 115 558	**949 950**

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	2017 Notional principal amounts	2017 Positive fair value	2017 Negative fair value	2016 Notional principal amounts	2016 Positive fair value	2016 Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	18 610 552	297 618	246 584	21 265 914	449 114	535 334
Currency swaps	1 613 133	219 907	341 284	2 384 726	222 163	532 032
OTC options bought and sold	14 323 079	87 271	54 704	5 742 300	83 591	55 517
Other foreign exchange contracts	57	208	189	16 413	230	–
OTC derivatives	**34 546 821**	**605 004**	**642 761**	**29 409 353**	**755 098**	**1 122 883**
Interest rate derivatives						
Caps and floors	5 898 931	27 422	11 025	2 979 226	40 059	8 981
Swaps	30 156 329	209 890	258 866	25 958 666	263 982	337 819
Forward rate agreements	77 522	944	1 163	470 038	3 525	3 466
OTC options bought and sold	^	1 415	1 399	4 733	879	726
Other interest rate contracts	373 614	26 905	2 040	6 153	5 456	1 413
OTC derivatives	**36 506 396**	**266 576**	**274 493**	**29 418 816**	**313 901**	**352 405**
Equity and stock index derivatives						
OTC options bought and sold	21 144 620	256 441	260 862	4 268 192	287 510	93 361
Equity swaps and forwards	2 004 532	20 695	57 279	1 501 432	18 894	34 126
OTC derivatives	23 149 152	277 136	318 141	5 769 624	306 404	127 487
Exchange traded futures	277 250	107	–	364 936	1 869	1 271
Exchange traded options	7 208 932	3 440	–	6 095 067	169 788	352 743
Warrants	184 179	479	305 526	199 574	321	196 454
	30 819 513	**281 162**	**623 667**	**12 429 201**	**478 382**	**677 955**
Commodity derivatives						
OTC options bought and sold	39 026	518	477	13 497	680	680
Commodity swaps and forwards	652 431	23 353	14 905	683 279	44 698	41 587
OTC derivatives	**691 457**	**23 871**	**15 382**	**696 776**	**45 378**	**42 267**
Credit derivatives	**1 195 882**	**16 673**	**17 479**	**993 176**	**17 188**	**20 071**
Embedded derivatives*		**30 886**			**43 802**	
Cash collateral		**(38 324)**	**(277 576)**		**(72 800)**	**(632 734)**
Derivatives per balance sheet		**1 185 848**	**1 296 206**		**1 580 949**	**1 582 847**

* Mainly includes profit shares received as part of lending transactions.
^ Less than £1 000.

As at 31 March £'000	2017	2016
24. Securities arising from trading activities		
Bonds	233 758	227 047
Floating rate notes	377	–
Government securities	130 714	198 181
Listed equities	1 006 080	692 181
Unlisted equities	5 739	329
Other investments	–	1 336
	1 376 668	**1 119 074**

As at 31 March £'000	2017	2016
25. Investment portfolio		
Listed equities	237 369	160 992
Unlisted equities*	598 530	499 803
	835 899	**660 795**

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

As at 31 March £'000	2017	2016
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	22 388 641	17 867 823
Impairments of loans and advances to customers	(198 666)	(186 251)
Net loans and advances to customers	**22 189 975**	**17 681 572**
Gross other loans and advances to customers	364 419	330 122
Impairments of other loans and advances to customers	(9 171)	(8 505)
Net other loans and advances to customers	**355 248**	**321 617**
For further analysis on loans and advances refer to pages 35 to 46 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 beginning of year	154 015	208 195
Charged to the income statement	97 543	142 590
Reversals and recoveries recognised in the income statement	(13 389)	(22 199)
Utilised	(115 782)	(173 126)
Transfers	445	–
Exchange adjustment	13 316	(1 445)
Balance at end of year	**136 148**	**154 015**

As at 31 March £'000	2017	2016
26. Loans and advances to customers and other loans and advances *(continued)*		
Portfolio impairment		
Balance at the beginning of the year	32 236	43 606
Charge to the income statement	27 209	(9 156)
Transfers	(258)	(1 060)
Exchange adjustment	3 331	(1 154)
Balance at the end of the year	**62 518**	**32 236**
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	6 606	30 080
Release to the income statement	(64)	(1 914)
Utilised	(126)	(21 682)
Transfers	5	–
Exchange adjustment	808	122
Balance at the end of the year	**7 229**	**6 606**
Portfolio impairment		
Balance at the beginning of the year	1 899	909
Release to the income statement	(57)	(62)
Transfers	(192)	1 060
Exchange adjustment	292	(8)
Balance at the end of the year	**1 942**	**1 899**
Total specific impairments	143 377	160 621
Total portfolio impairments	64 460	34 135
Total impairments	**207 837**	**194 756**
Interest income recognised on loans that have been impaired	**1 857**	**3 514**
Reconciliation of income statement charge:		
Loans and advances to customers	**111 363**	**111 235**
Specific impairment charge to income statement	84 154	120 391
Portfolio impairment charge/(release) to income statement	27 209	(9 156)
Securitised assets (refer to note 27)	**212**	**257**
Specific impairment charge to income statement	225	99
Portfolio impairment (release)/charge to income statement	(13)	158
Other loans and advances	**(121)**	**(1 976)**
Specific impairment release to income statement	(64)	(1 914)
Portfolio impairment release to income statement	(57)	(62)
Total income statement charge	**111 454**	**109 516**

As at 31 March £'000	2017	2016
27. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	517 524	437 542
Impairments of own originated loans and advances to customers securitised	(362)	(299)
Net own originated loans and advances to customers securitised	**517 162**	**437 243**
Other securitised assets are made up of the following categories of assets:		
– Cash and cash equivalents	10 336	12 705
– Loans and advances to customers	131 370	138 910
– Other debt securities	7 258	8 680
Total other securitised assets	**148 964**	**160 295**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	**90 125**	**85 650**
Liabilities arising on securitisation of other assets	**128 838**	**120 851**
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	16	153
Charge to the income statement	225	111
Reversals and recoveries recognised in the income statement	–	(12)
Utilised	(280)	(251)
Exchange adjustment	68	15
Balance at the end of the year	**29**	**16**
Portfolio impairment		
Balance at the beginning of the year	283	121
(Release)/charge to the income statement	(13)	158
Exchange adjustment	63	4
Balance at the end of the year	**333**	**283**
Total portfolio and specific impairments on balance sheet	**362**	**299**

As at 31 March £'000	2017	2016
28. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	384 802	260 076
Goodwill	7 411	7 023
Investment in associated undertakings	**392 213**	**267 099**
Analysis of the movement in interests in associated undertakings:		
At the beginning of the year	267 099	25 244
Exchange adjustments	65 800	(6 333)
Disposals	(6 141)	–
Acquisitions*	–	247 325
Acquisition of non-controlling interests	5 528	969
Transfer from investment portfolio^	43 362	–
Operating income from associates	18 890	1 811
Dividends received	(2 325)	(1 917)
At the end of the year	**392 213**	**267 099**

* *In South Africa a new investment vehicle, IEP Group (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 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.*

^ *The increase in the associates during the year is due to the reclassification of an investment which was previously held at fair value in the investment portfolio. If this associate had been accounted for in this way in the March 2016 accounts the interests in associated undertakings would have increased by £30.5 million. There would have been no change to the income statement or any other balance sheet line.*

As at 31 March £'000	2017
Details of material associated companies	
IEP Group (Pty) Ltd	
Carrying value of interest – equity method	322 804
Net asset value	282 172
Goodwill	40 632
Effective interest in issued share capital	45%
Summarised financial information:	
Revenue	310 191
Proft after taxation	36 510
Total comprehensive income	36 510
Asset and liabilities	
Non-current assets	1 187 330
Current assets	315 324
Non-current liabilities	458 874
Current liabilities	303 135
Net asset value	**740 645**
Non-controlling interest	113 596
Shareholders' equity	627 049

For the year ended 31 March 2016, summarised financial information of IEP Group is not available as the company was only incorporated during 2016.

As at 31 March £'000	2017	2016
29. Deferred taxation		
Deferred taxation assets	133 972	112 135
Deferred taxation liabilities	(40 408)	(55 486)
Net deferred taxation assets	**93 564**	**56 649**
The net deferred taxation assets arise from:		
Deferred capital allowances	33 098	34 517
Income and expenditure accruals	50 538	23 753
Asset in respect of unexpired options	23 584	26 766
Unrealised fair value adjustments on financial instruments	4 128	6 788
Losses carried forward	18 923	15 144
Liability in respect of pensions surplus	(7 883)	(8 365)
Asset in respect of pension contributions	8 675	–
Deferred tax on acquired intangibles	(22 468)	(25 929)
Revaluation of property	(24 445)	(18 524)
Finance lease accounting	3 804	2 650
Other temporary differences	5 610	(151)
Net deferred taxation assets	**93 564**	**56 649**
Reconciliation of net deferred taxation assets/(liabilities):		
At the beginning of the year	56 649	22 820
Charge to income statement – current year taxation	43 312	33 455
Charge directly in other comprehensive income	1 831	2 883
Acquisition	(4 939)	(5 994)
Other	49	641
Exchange adjustments	(3 338)	2 844
At the end of the year	**93 564**	**56 649**

The tax reconciling item for taxation adjustments relating to foreign earnings in 2016 contains mark to market movements and loss utilisation which have been included under more appropriate headings in 2017.

The effective tax rate is lower in 2017 than in 2016. The main reason for this is because of utilisation of losses in 2017 that have not been previous recognised.

Deferred taxation 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 £216.1 million (2016: £189.4 million), capital losses carried forward of £41.9 million (2016: £27.4 million) and excess management expenses of £9.5 million (2016: £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% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015.

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. The effect of these legislative changes is reflected in the above calculation of the deferred taxation asset as the rate was substantially enacted before 31 March 2017.

As at 31 March £'000	2017	2016
30. Other assets		
Settlement debtors	879 803	976 979
Dealing properties	280 039	213 902
Prepayments and accruals	152 547	133 013
Pension assets (refer to note 40)	2 076	46 472
Trading initial margin	194 518	331 860
Investec Import Solutions debtors	111 038	68 919
Corporate tax assets	10 196	80 284
Other	270 263	241 232
	1 900 480	**2 092 661**

31. Property and equipment

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
2017						
Cost						
At the beginning of the year	49 039	59 576	21 314	88 292	9 220	227 441
Exchange adjustments	–	4 367	75	5 052	–	9 494
Additions	–	9 485	1 676	11 638	3 197	25 996
Disposals	–	(1 283)	(989)	(11 971)	(2 871)	(17 114)
At the end of the year	**49 039**	**72 145**	**22 076**	**93 011**	**9 546**	**245 817**
Accumulated depreciation						
At the beginning of the year	(2 816)	(36 792)	(18 941)	(72 714)	(5 290)	(136 553)
Exchange adjustments	–	(676)	(6)	4 437	–	3 755
Disposals	–	538	766	8 147	2 524	11 975
Depreciation for the year	(632)	(7 092)	(1 614)	(7 548)	(2 169)	(19 055)
At the end of the year	**(3 448)**	**(44 022)**	**(19 795)**	**(67 678)**	**(4 935)**	**(139 878)**
Net carrying value	**45 591**	**28 123**	**2 281**	**25 333**	**4 611**	**105 939**
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 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**

* *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.

As at 31 March £'000	2017	2016
32. Investment properties		
At the beginning of the year	938 879	617 898
Additions	48 239	404 555
Disposals	(115 453)	(7 878)
Fair value movement	22 989	12 789
Exchange adjustment	234 276	(88 485)
At the end of the year	**1 128 930**	**938 879**

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 cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property, the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

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 49 to 51 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.

As at 31 March £'000	2017	2016
33. Goodwill		
Cost		
At the beginning of the year	398 504	406 246
Acquisition of subsidiaries	148	8 189
Exchange adjustments	23 602	(15 931)
At the end of the year	**422 254**	**398 504**
Accumulated impairments		
At the beginning of the year	(30 465)	(44 719)
Income statement amount	(4 749)	(1 577)
Exchange adjustments	(19 461)	15 831
At the end of the year	**(54 675)**	**(30 465)**
Net carrying value	**367 579**	**368 039**
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	243 169	242 672
Specialist Banking	23 941	26 277
	355 155	**356 994**
South Africa		
Asset Management	–	1 149
Wealth & Investment	2 061	1 616
Specialist Banking	10 363	8 280
	12 424	**11 045**
Total group	**367 579**	**368 039**

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) which was merged with IWI in August 2012.

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 8.8% (2016: 8.9%), which incorporate an expected revenue growth rate of 2% in perpetuity (March 2016: 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. 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.

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.

South Africa

Goodwill attributed to the South African operations relates to Investec Import Solutions group and Investec Asset Management. 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 has been tested for impairment, taking into account profitability, being the current year profits, the budgeted profits and funds under management if applicable. The valuation is based on managements assessment of the 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. The valuation would be level 3 in the fair value hierarchy.

Movement in goodwill

2017
An impairment of £3.1 million was recognised in relation to a historic acquisition in the Specialist Banking businesses, due to a change in the nature of the ongoing business. An impairment of £1.6 million was recognised in the Asset Management business in South Africa.

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).

34. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Management contracts	Client relationships	Total
2017					
Cost					
At the beginning of the year	67 525	5 688	520	207 126	280 859
Exchange adjustments	122	–	63	5 809	5 994
Additions	9 370	2 382	–	–	11 752
Disposals	(548)	(28)	–	–	(576)
At the end of the year	**76 469**	**8 042**	**583**	**212 935**	**298 029**
Accumulated amortisation and impairments					
At the beginning of the year	(56 333)	(4 037)	(196)	(72 013)	(132 579)
Exchange adjustments	(107)	–	(37)	678	534
Disposals	397	28	–	–	425
Amortisation	(5 693)	(258)	(139)	(17 058)	(23 148)
At the end of the year	**(61 736)**	**(4 267)**	**(372)**	**(88 393)**	**(154 768)**
Net carrying value	**14 733**	**3 775**	**211**	**124 542**	**143 261**
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**

Client relationships all 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

2017

There were no significant acquisitions or disposals of subsidiaries during the year ended 31 March 2017.

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.

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 2016 year, the increase in operating income and profit before taxation of the group would have been £13.0 million and £4.5 million respectively. At 31 March 2016, Goodwill has not been impaired.

During the 2016 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.

As at 31 March £'000	2017	2016
36. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Employee Benefits Limited (IEB)	32 857	27 493
Investec Assurance Limited	7 692 747	5 818 010
Insurance liabilities, including unit-linked liabilities – IEB	2 526	1 533
	7 728 130	**5 847 036**
Investec Employee Benefits Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	35 383	29 026
	35 383	**29 026**
Investments above comprise:		
Interest-bearing securities	8 587	9 040
Stocks, shares and unit trusts	10 913	10 365
Deposits	15 883	9 621
	35 383	**29 026**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	7 630 368	5 759 684
Debtors and prepayments	27 746	36 081
Other assets	34 633	22 245
	7 692 747	**5 818 010**
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	1 993 067	1 309 942
Stocks, shares and unit trusts	5 107 676	3 699 797
Deposits	529 625	749 945
	7 630 368	**5 759 684**

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.

As at 31 March £'000	2017	2016
37. Other trading liabilities		
Deposits	78 557	39 254
Short positions		
– Equities	831 417	736 421
– Gilts	68 937	181 743
	978 911	**957 418**

As at 31 March £'000	2017	2016
38. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	66 299	229 272
Three months to one year	359 991	151 758
One to five years	1 173 080	1 176 639
Greater than five years	786 810	742 082
	2 386 180	**2 299 751**

As at 31 March £'000	2017	2016
39. Other liabilities		
Settlement liabilities	897 977	994 682
Other creditors and accruals	748 617	588 176
Other non-interest-bearing liabilities	264 236	220 109
	1 910 830	**1 802 967**

As at 31 March £'000	2017	2016
40. Pension commitments		
Income statement charge		
Defined benefit obligations net income included in net interest income	(1 631)	(1 208)
Defined benefit net costs included in administration costs	998	647
Cost of defined contribution schemes included in staff costs	41 681	33 789
Net income statement charge in respect of pensions	**41 048**	**33 228**

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 2017 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.

In November 2016, the trustees of the GM scheme entered into a 'buy-in' insurance agreement with Aviva Annuity UK Ltd ('Aviva'). As a result Aviva provide the accrued pension benefits of members of the scheme, as the previous assets held in the scheme are now replaced by this insurance agreement. As a result the group has reduced its exposure to the risks associated with the scheme. The administrative transition between the scheme trustees and Aviva is ongoing.

The major assumptions used were:	2017	2016
Discount rate	2.50%	3.40%
Rate of increase in salaries	3.20%	2.90%
Rate of increase in pensions in payment	1.80% – 3.00%	1.80% – 3.00%
Inflation (RPI)	3.20%	2.90%
Inflation (CPI)	2.10%	1.90%

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	88.4	88.3
Female aged 65	91.0	90.9
Male aged 45	90.2	90.1
Female aged 45	92.9	92.8

40. Pension commitments *(continued)*

Sensitivity analysis of assumptions

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

If the discount rate was 0.25% higher (lower), the scheme liabilities would decrease by approximately £6 801 000 (increase by £7 284 000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £3 047 000 (decrease by £2 877 000). 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 £274 000 (decrease by £269 000) if all the other assumptions remained unchanged.

If the deferred revaluation assumption was 0.25% higher (lower) the scheme liabilities would increase by £890 000 (decrease by £872 000) if all the other assumptions remained unchanged.

If the pension increases assumptions were 0.25% higher (lower), the scheme liabilities would increase by approximately £2 426 000 (decrease by £2 296 000) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by approximately £6 257 000 (decrease by £5 455 000) 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 which the pension schemes expose Investec can be found in the Risk Management report on page 80 in volume two. The group ultimately underwrites the risks relating to the defined benefit plans. If the contributions currently agreed are insufficient to pay the benefits due, the group will need to make further contributions to the plans.

At 31 March £'000	2017	2016
GM scheme		
Gilts	–	168 451
Bulk annuity insurance agreement	141 419	–
Cash	2 914	2 792
Total market value of assets	**144 333**	**171 243**
IAM scheme		
Managed funds	21 637	21 887
Cash	12	84
Total market value of assets	**21 649**	**21 971**

There are no assets in the IAM scheme which are unquoted.

None of the group's own assets or properties occupied or used by the group held within the assets of the scheme. The investment strategy previously in place for the GM scheme was 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, 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. However, as set out above during the year to 31 March 2017 the trustees have converted to a buy-in insurance agreement. 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 associate with lower than expected returns.

40. Pension commitments

(continued)

At 31 March £'000	2017 GM	2017 IAM	2017 Total	2016 GM	2016 IAM	2016 Total
Recognised in the balance sheet						
Fair value of fund assets (restated)	144 333	21 649	165 982	171 243	21 971	193 214
Present value of obligations	(148 862)	(19 573)	(168 435)	(129 467)	(17 275)	(146 742)
Net (liability)/asset (recognised in other liabilities/other assets)	**(4 529)**	**2 076**	**(2 453)**	**41 776**	**4 696**	**46 472**
Recognised in the income statement						
Net interest income	1 473	158	1 631	1 033	175	1 208
Administration costs	(887)	(111)	(998)	(535)	(112)	(647)
Net amount recognised in the income statement	**586**	**47**	**633**	**498**	**63**	**561**
Recognised in the statement of comprehensive income						
Return on plan assets (excluding amounts in net interest income)	27 769	(886)	26 883	339	2 169	2 508
Actuarial loss/(gain) arising from changes in financial assumptions	23 139	3 553	26 692	(5 317)	(814)	(6 131)
Actuarial loss arising from changes in demographic assumptions	–	–	–	2 393	243	2 636
Actuarial gain arising from experience adjustments	–	–	–	(3 995)	(713)	(4 708)
Remeasurement of defined benefit liability/asset	50 908	2 667	53 575	(6 580)	885	(5 695)
Deferred tax	(9 497)	(498)	(9 995)	1 222	(265)	957
Remeasurement of net defined benefit liability	**41 411**	**2 169**	**43 580**	**(5 358)**	**620**	**(4 738)**

At 31 March £'000	GM	IAM	Total
Changes in the net asset/(liability) recognised in the balance sheet			
Opening balance sheet asset/(liability) 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
Opening balance sheet asset/(liability) at 1 April 2016	**41 776**	**4 696**	**46 472**
Expenses charged to the income statement	586	47	633
Amount recognised in other comprehensive income	(50 908)	(2 667)	(53 575)
Contributions paid	4 017	–	4 017
Closing balance sheet asset/(liability) at 31 March 2017	**(4 529)**	**2 076**	**(2 453)**

At 31 March £'000	GM	IAM	Total
40. Pension commitments *(continued)*			
Changes in the present value of defined benefit obligations			
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)
Opening defined benefit obligation at 1 April 2016	**129 467**	**17 275**	**146 742**
Interest expense	4 266	568	4 834
Remeasurement gains and losses:			
– Actuarial gain/(loss) arising from changes in financial assumptions	23 139	3 553	26 692
Benefits and expensed paid	(8 010)	(1 823)	(9 833)
Closing defined benefit obligation at 31 March 2017	**148 862**	**19 573**	**168 435**
Changes in the fair value of plan assets			
Opening fair value of plan assets at 1 April 2015	**168 329**	**24 491**	**192 820**
Interest income	5 353	763	6 116
Remeasurement losses:			
– 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)
Opening fair value of plan assets at 1 April 2016	**171 243**	**21 971**	**193 214**
Interest income	5 739	726	6 465
Remeasurement gain/loss:			
– Return on plan assets (excluding amounts in net interest income)	(27 769)	886	(26 883)
Contributions by the employer	4 017	–	4 017
Benefits and expenses paid	(8 010)	(1 934)	(9 944)
Administration expenses	(887)	–	(887)
Closing fair value of plan assets at 31 March 2017	**144 333**	**21 649**	**165 982**

There is no restriction on the pension surplus 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 scheme.

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 £4.0 million were paid into the GM scheme in the year to March 2017 and the group will make an additional contribution to the GM scheme in the 2017/18 financial year when the finalisation of the transfer of the administration from the trustees to Aviva is completed. The IAM scheme is fully funded.

The weighted average duration of the GM scheme's liabilities at 31 March 2017 is 18 years (31 March 2016: 17 years). This includes average duration of active members of 22 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 2017 is 19 years (31 March 2016: 18 years). This includes average duration of deferred pensioners of 22.3 years and average duration of pensioners in payment of 13.5 years.

As at 31 March £'000	2017	2016
41. Subordinated liabilities		
Issued by Investec Finance plc		
Guaranteed undated subordinated callable step-up notes	–	18 272
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes	579 356	579 037
Issued by Investec Bank Limited		
IV08 13.735% subordinated unsecured callable upper tier 2 bonds	11 926	9 466
IV09 variable rate subordinated unsecured callable upper tier 2 bonds	11 926	9 466
IV015 variable rate subordinated unsecured callable bonds	35 839	28 445
IV016 variable rate subordinated unsecured callable bonds	–	15 382
IV017 indexed rate subordinated unsecured callable bonds	–	103 868
IV019 indexed rate subordinated unsecured callable bonds	6 162	4 359
IV019A indexed rate subordinated unsecured callable bonds	21 732	16 061
IV022 variable rate subordinated unsecured callable bonds	38 050	30 200
IV023 variable rate subordinated unsecured callable bonds	51 284	40 703
IV024 variable rate subordinated unsecured callable bonds	6 321	5 017
IV025 variable rate subordinated unsecured callable bonds	59 632	47 329
IV026 variable rate subordinated unsecured callable bonds	44 724	35 497
IV030 indexed rate subordinated unsecured callable bonds	23 726	17 271
IV030A indexed rate subordinated unsecured callable bonds	25 023	18 560
IV031 variable rate subordinated unsecured callable bonds	29 816	23 665
IV032 variable rate subordinated unsecured callable bonds	48 302	38 337
IV033 variable rate subordinated unsecured callable bonds	9 482	7 525
IV034 fixed rate subordinated unsecured callable bonds	6 023	4 780
IV035 variable rate subordinated unsecured callable bonds	87 540	52 062
IV036 variable rate subordinated unsecured callable bonds	1 908	–
IV037 variable rate subordinated unsecured callable bonds	74 844	–
IV038 variable rate subordinated unsecured callable bonds	20 871	–
IV039 indexed rate subordinated unsecured callable bonds	9 205	–
IV040 variable rate subordinated unsecured callable bonds	35 123	–
IV041 fixed rate subordinated unsecured callable bonds	11 330	–
IV042 variable rate subordinated unsecured callable bonds	2 982	–
IV043 fixed rate subordinated unsecured callable bonds	8 945	–
IV044 fixed rate subordinated unsecured callable bonds	14 312	–
IV045 indexed rate subordinated unsecured callable bonds	88 984	–
Issued by Investec Limited		
INLV02 variable rate subordinated unsecured callable bonds	16 459	13 063
INLV03 variable rate subordinated unsecured callable bonds	5 605	4 449
INLV04 fixed rate subordinated unsecured callable bonds	15 206	12 069
	1 402 638	**1 134 883**
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	131 490	18 272
In more than one year, but not more than two years	23 852	–
In more than two years, but not more than five years	997 550	138 679
In more than five years	249 746	977 932
	1 402 638	**1 134 883**

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

On 23 January 2017, Investec Finance plc redeemed at par the entire issue £17 861 000 of 6.25% guaranteed undated subordinated step-up notes callable in January 2017. The notes had been guaranteed by Investec Bank plc and listed on the Luxembourg Stock Exchange.

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 fixed rate 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.

IV015 variable rate subordinated unsecured callable bonds

R601 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.

41. Subordinated liabilities *(continued)*

IV016 variable rate subordinated unsecured callable bonds

Rnil (2016: 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. The bonds were called on 6 December 2016.

IV017 indexed rate subordinated unsecured callable bonds

Rnil (2016: R2 194 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. The bonds were called on 31 January 2017.

IV019 indexed rate subordinated unsecured callable bonds

R103 million (2016: R92 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

R364 million (2016: R339 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 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.

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

R398 million (2016: R364 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

R420 million (2016: R392 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 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 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 468 million (2016: R1 100 million) 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.

IV036 variable rate subordinated unsecured callable bonds

R32 million (2016: Rnil) Investec Bank Limited IV036 locally registered subordinated unsecured callable bonds are due in April 2026. Interest is payable quarterly on 22 April, 22 July, 22 October and 22 January at a rate equal to the three-month Jibar plus 4.25% up to and excluding 22 July 2026. The maturity date is 22 July 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 22 July 2021.

IV037 variable rate subordinated unsecured callable bonds

$125 million (2016: $nil) Investec Bank Limited IV037 locally registered subordinated unsecured Tier II callable bonds are due in October 2026 and were issued at an issue price of $91 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being the 19 October 2021. The implied zero coupon yield is 6.29961713% nacq (ACT/360) up until the 19 October 2021. If the Issuer does not exercise the option to redeem the notes on 19 October 2021, then interest on the floating rate notes shall commence on 19 October 2021 and is payable quarterly on 19 January, 19 July, 19 April and 19 October at a rate equal to the three-month USD Libor plus 5.5% up to and excluding 19 October 2026. The maturity date is 19 October 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 19 October 2021.

IV038 variable rate subordinated unsecured callable bonds

R350 million (2016: Rnil) Investec Bank Limited IV038 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 23 March, 23 June, 23 September and 23 December at a rate equal to the three-month Jibar plus 4.25% up to and excluding 23 September 2026. The maturity date is 23 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 23 September 2021.

41. Subordinated liabilities *(continued)*

IV039 indexed rate subordinated unsecured callable bonds

R154 million (2016: Rnil) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds are due in January 2027. Interest on these inflation-linked bonds is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV039 is a replica of the R212 South African government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV040 variable rate subordinated unsecured callable bonds

R589 million (2016: Rnil) Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month Jibar plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

IV041 fixed rate subordinated unsecured callable bonds

R190 million (2016: Rnil) Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate of 11.97% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

IV042 variable rate subordinated unsecured callable bonds

R50 million (2016: Rnil) Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 18 February, 18 May, 18 August and 18 November at a rate equal to the three-month Jibar plus 4.25% up to and excluding 18 November 2026. The maturity date is 18 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

IV043 fixed rate subordinated unsecured callable bonds

R150 million (2016: Rnil) Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 21 February, 21 May, 21 August and 21 November at a rate of 12.50% up to and excluding 21 November 2026. The maturity date is 21 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 21 November 2021.

IV044 variable rate subordinated unsecured callable bonds

R240 million (2016: Rnil) Investec Bank Limited IV044 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month Jibar plus 4.15% up to and excluding 31 January 2027. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV045 indexed rate subordinated unsecured callable bonds

R1 492 million (2016: Rnil) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds are due in January 2027. Interest on these inflation-linked bonds is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV045 is a replica of the R212 South African government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

INLV02 variable rate subordinated unsecured callable bonds

R276 million 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.

INVL03 variable rate subordinated unsecured callable bonds

R94 million 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 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	2017	2016
42. Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	617 418 864	613 609 642
Issued during the year	39 686 761	3 809 222
At the end of the year	**657 105 625**	**617 418 864**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	124	123
Issued during the year	8	1
At the end of the year	**132**	**124**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	291 363 706	285 748 623
Issued during the year	9 801 468	5 615 083
At the end of the year	**301 165 174**	**291 363 706**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	58	57
Issued during the year	1	1
At the end of the year	**59**	**58**
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	2017	2016

42. Ordinary share capital *(continued)*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2016: R1 960 002), comprising 450 000 000 (2016: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2016: 48 091 681) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2016 =: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2016: 1 500 000) Class ILRP 2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2016: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2016: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2016: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2016: 1) Dividend Access (South African resident) redeemable preference share of R1.1 (2016: 1) Dividend Access (non-South African resident) redeemable preference share of R1 700 000 000 (2016: 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	291 363 706	285 748 623
Issued during the year	9 801 468	5 615 083
At the end of the year	**301 165 174**	**291 363 706**
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	617 418 864	613 609 642
Issued during the year	39 686 761	3 809 222
At the end of the year	**657 105 625**	**617 418 864**
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	2017	2016
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	242	233
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(3)	(3)
Total called up share capital	**237**	**228**

* *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 2017	Number 2016
Opening balance	66 534 024	74 064 737
Issued during the year	13 029 001	15 242 886
Exercised	(15 568 591)	(20 180 529)
Lapsed	(2 057 896)	(2 593 070)
Closing balance	**61 936 538**	**66 534 024**

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 201 to 204 and 224 to 226 in volume one.

As at 31 March £'000	2017	2016
43. Perpetual preference shares of holding company		
Perpetual preference share capital	31	153
Perpetual preference share premium (refer to note 44)	252 850	377 506
	252 881	**377 659**
Issued by Investec Limited		
32 214 499 (2016: 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		
2 754 587 (2016: 15 081 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Preference share capital	29	151
– Preference share premium	23 635	129 407
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.		
On the 27 July 2016 the company announced that 12 176 826 sterling Preference Shares had been purchased for cash consideration resulting from the company's tender offer to the preference shareholders. The sterling purchase price of GBP5.75096 comprised of a principle amount of GBP5.70 per share and an amount equal to the accrued but undeclared and unpaid dividend from 1 April 2016 to settlement date. The purchased shares have been cancelled.		
A further 149 736 sterling preference shares were purchased under the same terms as above on 2 November 2016.		

As at 31 March £'000	2017	2016
43. Perpetual preference shares of holding company *(continued)*		
Issued by Investec plc – Rand-denominated		
131 447 (2016: 2 275 940) non-redeemable, non-cumulative, non-participating perpetual preference shares of R0.001 each, issued at an average premium of R99.999 per share.		
– Preference share capital	*	*
– Preference share premium	1 158	20 042
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.		
On the 27 July 2016 the company announced that 1 994 493 Rand Preference Shares had been purchased for cash consideration resulting from the company's tender offer to the preference shareholders. The sterling purchase price of R103.38877 comprised of a principle amount of R100 per share and an amount equal to the accrued but undeclared and unpaid dividend from 1 April 2016 to settlement date. The purchased shares have been cancelled.		
A further 150 000 Rand preference shares were purchased under the same terms as above on 2 November 2016.		
	252 881	**377 659**

* *Less than £1 000.*

As at 31 March £'000	2017	2016
44. Share premium		
Share premium account – Investec plc	1 403 338	1 226 659
Share premium account – Investec Limited	685 040	635 199
Perpetual preference share premium	252 850	377 506
	2 341 228	**2 239 364**

At 31 March	2017	2016
45. Treasury shares		
	£'000	**£'000**
Treasury shares held by subsidiaries of Investec Limited and Investec plc	**126 879**	**125 717**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	18 293 688	16 141 177
Investec Limited ordinary shares held by subsidiaries	31 354 669	24 158 289
Investec plc and Investec Limited shares held by subsidiaries	**49 648 357**	**40 299 466**
Reconciliation of treasury shares:	**Number**	**Number**
At the beginning of the year	40 299 466	29 488 665
Purchase of own shares by subsidiary companies	26 622 616	18 895 630
Shares disposed of by subsidiaries	(17 273 725)	(8 084 829)
At the end of the year	**49 648 357**	**40 299 466**
Market value of treasury shares:	**£'000**	**£'000**
Investec plc	99 518	82 724
Investec Limited	170 569	123 811
	270 087	**206 535**

As at 31 March £'000	2017	2016
46. Other Additional Tier 1 securities in issue		
Issued by Investec Limited		
INVO1 variable rate subordinated unsecured callable bonds	32 798	26 031
	32 798	**26 031**

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.

As at 31 March £'000	2017	2016
47. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	91 492	72 615
Non-controlling interests in partially held subsidiaries	553 246	400 374
	644 738	**472 989**
Perpetual preferred securities issued by subsidiaries		
Issued by an Investec Limited subsidiary	91 492	72 615
15 447 630 (2016: 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.		
	91 492	**72 615**

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*	
	2017	2016	2017	2016	2017	2016
Non-controlling interests (NCI) (%)	16.0%	15.0%	16.0%	15.0%	72.1%	71.4%
Summarised financial information (£'000)						
Total assets	7 874 880	5 968 829	409 429	380 891	1 105 719	792 827
Total liabilities	7 799 941	5 896 719	301 526	283 817	380 233	267 703
Revenue	181 261	145 551	316 729	276 063	85 321	53 444
Profit before taxation	51 591	40 214	76 041	66 015	84 237	52 911
Carrying amount of NCI	14 700	10 958	17 000	14 763	521 193	374 157
Profit allocated to NCI	8 484	6 266	11 807	10 263	59 865	37 572

* *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.*

During the year the group sold an additional 1% of its Asset Management business to the senior management of the business, on the exercise of the option granted in July 2013 as part of the sale of the original 15% stake.

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.

At 31 March £'000	2017 Total future minimum payments	2017 Present value	2016 Total future minimum payments	2016 Present value
48. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	295 110	236 651	243 852	193 467
One to five years	417 092	363 155	372 821	324 064
Greater than five years	6 780	5 987	5 488	5 244
	718 982	**605 793**	**622 161**	**522 775**
Unearned finance income	**113 189**		**99 386**	

At 31 March 2017, unguaranteed residual values accruing to the benefit of Investec were £2.0 million (2016: £2.4 million).
Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

As at 31 March £'000	2017	2016
49. Notes to the cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	**637 414**	**518 191**
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	4 749	1 577
Amortisation of intangible assets	17 197	16 248
Depreciation and impairment of property, equipment and intangibles	25 006	22 746
Write down of non-current assets held for sale	–	6 320
Impairment of loans and advances	111 454	109 516
Operating income from associates	(18 890)	(1 811)
Dividends received from associates	2 325	1 917
Share-based payment charges	55 961	56 216
Profit before taxation adjusted for non-cash items	**835 216**	**730 920**
Increase in operating assets		
Loans and advances to banks	205 423	5 720
Reverse repurchase agreements and cash collateral on securities borrowed	603 154	(802 965)
Sovereign debt securities	(53 465)	(519 888)
Bank debt securities	395 694	139 269
Other debt securities	(27 237)	(343 916)
Derivative financial instruments	612 250	(154 284)
Securities arising from trading activities	(93 633)	(99 523)
Investment portfolio	(95 222)	(63 494)
Loans and advances to customers	(2 054 965)	(2 131 051)
Securitised assets	44 414	564 836
Other assets	315 187	(331 889)
Investment properties	56 502	(407 495)
Assurance assets	(328 846)	(464 890)
Non-current assets classified as held for sale	(24 784)	29 000
	(445 528)	**(4 580 570)**
Increase in operating liabilities		
Deposits by banks	(130 107)	751 364
Derivative financial instruments	(449 113)	140 077
Other trading liabilities	(161 518)	170 683
Repurchase agreements and cash collateral on securities lent	(416 135)	(222 267)
Customer accounts (deposits)	1 464 461	3 117 091
Debt securities in issue	(48 527)	670 569
Securitised liabilities	(8 246)	(504 897)
Other liabilities	(81 515)	15 110
Assurance liabilities	328 846	464 890
	498 146	**4 602 620**

As at 31 March £'000	2017	2016

50. Commitments

	2017	2016
Undrawn facilities	3 913 541	3 270 641
Other commitments	111 662	104 016
	4 025 203	**3 374 657**

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

	2017	2016
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	57 087	45 741
One to five years	225 346	204 602
Greater than five years	119 537	144 031
	401 970	**394 374**

	Carrying amount of pledged asset		Related liability	
£'000	**2017**	**2016**	**2017**	**2016**
Pledged assets				
Other loans and advances	351 650	6 731	209 550	5 246
Loans and advances to customers	5 031	374 394	2 998	176 479
Loans and advances to banks	112 096	174 353	65 907	157 752
Sovereign debt securities	401 852	183 881	346 050	169 587
Bank debt securities	61 947	362 382	50 478	329 914
Other debt securities	47 987	434 368	38 412	352 835
Securities arising from trading activities	434 128	454 825	436 483	521 219
	1 414 691	**1 990 934**	**1 149 878**	**1 713 032**

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

As at 31 March £'000	2017	2016
51. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	1 551 735	1 086 066
	1 551 735	**1 086 066**

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 £1.4 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.

As at 31 March £'000	2017	2016
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	34 062	37 215
Increase in loans	6 352	3 870
Repayment of loans	(10 232)	(6 775)
Exchange adjustment	(3 467)	(248)
At the end of the year	**26 715**	**34 062**
Guarantees		
At the beginning of the year	11 330	8 512
Additional guarantees granted	80	3 748
Guarantees cancelled	(5 884)	(449)
Exchange adjustment	566	(481)
At the end of the year	**6 092**	**11 330**
Deposits		
At the beginning of the year	(25 711)	(35 537)
Increase in deposits	(21 130)	(12 189)
Decrease in deposits	12 023	21 317
Exchange adjustment	(1 420)	698
At the end of the year	**(36 238)**	**(25 711)**

The above transactions were made in the ordinary course of business and are on 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	2017	2016
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	**32 899**	**29 450**
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 prior year the group made an investment in a private equity vehicle in which Bradley Fried an Investec Director, has significant influence. Bradley Fried resigned from the board on 31 March 2016. The group has an investment of £36.3 million (2016: £30.5 million) and has committed further funding of £63.7 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 and its subsidiaries	**278 764**	**8 401**
Interest income from loans to associates	**5 463**	**1 024**
Fees and commission income from associates	**–**	**262**

The above outstanding balances arose from the ordinary course of business and are on 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
2017						
Assets	Interest rate swap	(66 210)	(56 631)	92 717	50 706	(78 434)
Liabilities	Interest rate swap	6 661	6 661	(4 427)	(6 578)	4 424
		(59 549)	**(49 970)**	**88 290**	**44 218**	**(74 010)**
2016						
Assets	Interest rate swap	(176 218)	(158 624)	(46 274)	142 565	42 113
Liabilities	Interest rate swap	11 088	11 088	2 812	(11 003)	(2 841)
		(165 130)	**(147 536)**	**(43 462)**	**131 562**	**39 272**

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.

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
2017			
Assets	Cross-currency swap	(70 905)	Three months
		(70 905)	
2016			
Assets	Cross-currency swap	236 426	Three months
		236 426	

There was no ineffective portion recognised in the income statement.

Releases to the income statement for cash flow hedges of £174.3 million (2016: £11.1 million) 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 £'000	Hedging instrument fair value
2017	**(8 911)**
2016	(45 320)

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

During the current year the Investec Bank plc has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	Hedging instrument negative fair value
2017	**36**
2016	–

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

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

At 31 March £'000	Demand	Up to one month
2017		
Liabilities		
Deposits by banks	228 322	200 227
Derivative financial instruments	825 233	21 294
– held for trading	812 150	–
– held for hedging risk	13 083	21 294
Other trading liabilities	978 911	–
Repurchase agreements and cash collateral on securities lent	284 705	253 487
Customer accounts (deposits)	10 845 458	3 751 590
Debt securities in issue	85	53 602
Liabilities arising on securitisation of own originated loans and advances	–	–
Liabilities arising on securitisation of other assets	–	–
Other liabilities	408 640	842 538
Subordinated liabilities	–	45 214
Total on balance sheet liabilities	**13 571 354**	**5 167 952**
Contingent liabilities	78 049	2 636
Commitments	549 440	106 819
Total liabilities	**14 198 843**	**5 277 407**
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**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

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
108 994	83 768	398 444	1 609 403	129 431	2 758 589
51 392	21 077	35 991	243 033	146 639	1 344 659
–	–	–	–	–	812 150
51 392	21 077	35 991	243 033	146 639	532 509
–	–	–	–	–	978 911
171	8 462	57 485	82 829	5 965	693 104
5 471 723	2 342 119	2 417 644	4 188 633	376 280	29 393 447
111 358	389 172	249 461	1 209 818	604 763	2 618 259
516	–	–	–	89 668	90 184
7 644	3 521	5 851	66 081	86 891	169 988
335 355	52 551	35 456	175 881	60 991	1 911 412
8 162	110 158	81 761	1 400 009	279 826	1 925 130
6 095 315	**3 010 828**	**3 282 093**	**8 975 687**	**1 780 454**	**41 883 683**
410 182	251 655	83 177	675 781	105 537	1 607 017
388 612	117 129	239 639	1 332 705	1 290 829	4 025 173
6 894 109	**3 379 612**	**3 604 909**	**10 984 173**	**3 176 820**	**47 515 873**
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
1796	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**

55. Principal subsidiaries and associated companies – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest 2017	Interest 2016
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	84.0%	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 Limited (previously Investec Finance plc)	Debt issuer	England and Wales	100.0%	100.0%
Investec Group (UK) Limited (previously Investec Group (UK) plc)	Holding company	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holdings (Australia) Limited	Holding company	Australia	100.0%	100.0%
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Ireland Limited	Financial services	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%
Investec Trust Holdings AG	Investment holding	Switzerland	100.0%	100.0%
Investec Wealth & Investment Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%
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. There have been no changes to the subsidiaries listed above as a result of the adoption of IFRS 10 as control over these entities continues to be demonstrated through the ownership of the majority of voting equity shares.

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 h to the Investec plc company accounts on pages 137 to 141.

At 31 March	Principal activity	Country of incorporation	Interest 2017	Interest 2016
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 52 to 53 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 £130.0 million (2016: £231.1 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 81 and 82 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 note 27.

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 These vehicles are financed through the issue of units to investors	Investments in units issued by the fund 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 2017	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	19 963	Limited to the carrying value	Investment income	3 302

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

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

Unconsolidated structured entities

At 31 March 2017

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 30 to 38.

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. These vehicles are financed through the issue of units to investors	Investments in units issued by the fund Management fees
Residential mortgage securitisations	To generate a return for investors through providing exposure to residential mortgage risk These vehicles are financed through the issue of notes to investors.	Investments in notes

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 2017	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	4 916	Limited to the carrying value	166 896	Investment expense	329
Residential mortgage securitisations	Other debt securities	15 349	Limited to the carrying value	214 081	Investment income	530
					Net interest income	12
	Other loans and advances	31 641	Limited to the carrying value	271 591	Investment income	–
					Net interest income	112

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)

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

	2017 Structured CDO and CLO securitisations	2016 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 do 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 do 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 interest is included in the risk management report on pages 52 and 53 in volume two.

56. Principal subsidiaries and associated companies – Investec Limited

At 31 March	Principal activity	Country of incorporation	Interest 2017	Interest 2016
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	84.0%	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 International Holdings (Gibraltar) Limited	Investment holding	Gibraltar	100.0%	100.0%
Investec Securities (Pty) Ltd	Registered stockbroker	South Africa	100.0%	100.0%
Fedsure International (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Property Group Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Investments (Pty) Ltd	Investment company	South Africa	100.0%	100.0%
Investec Specialist Investments (RF) Limited	Investment holding	South Africa	100.0%	–
Indirect subsidiaries of Investec Limited				
Investec Asset Management (Pty) Ltd	Asset management	South Africa	84.0%	85.0%
Investec Fund Managers SA (RF) (Pty) Ltd	Unit trust management	South Africa	84.0%	85.0%
Investec Bank (Mauritius) Ltd	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 Life Limited	Long-term insurance	South Africa	100.0%	100.0%
Investec Assurance Limited	Insurance company	South Africa	84.0%	85.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	27.9%	28.6%
Investec Import Solutions (Pty) Ltd	Import logistics and trade finance	South Africa	100.0%	100.0%

At 31 March	Principal activity	Country of incorporation	Interest 2017	Interest 2016
Principal associated companies				
IEP Group (Pty) Ltd	Private equity	South Africa	45.0%	45.0%

For additional details on associated companies refer to note 28.

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.

The group considers that it has control over Investec Property Fund Limited as a result of a number of common directors with the holding company and the impact this has on the beneficial returns. Any change in the holding in Investec Property Fund Limited would require a reassessment of the facts and circumstances.

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
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

Private Mortgages 1 (RF) (Pty) Ltd, Private Mortgages 2 (RF) (Pty) Ltd and Private Residential Mortgages (RF) Limited have been wound up during the current year.

The key assumptions for the main types of structured within 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.

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 52 and 53 in volume two.

At 31 March £'000	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		
2017						
Assets						
Cash and balances at central banks	3 351 702	–	3 351 702	–	–	3 351 702
Loans and advances to banks	3 468 617	(277 576)	3 191 041	–	(195 242)	2 995 799
Non-sovereign and non-bank cash placements	536 259	–	536 259	–	–	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	2 358 970	–	2 358 970	(131 867)	(53 187)	2 173 916
Sovereign debt securities	3 804 627	–	3 804 627	(276 180)	–	3 528 447
Bank debt securities	639 189	–	639 189	(61 949)	–	577 240
Other debt securities	1 115 558	–	1 115 558	(47 988)	–	1 067 570
Derivative financial instruments	1 381 688	(195 840)	1 185 848	(375 960)	(188 518)	621 370
Securities arising from trading activities	1 376 668	–	1 376 668	(425 548)	–	951 120
Investment portfolio	835 899	–	835 899	–	–	835 899
Loans and advances to customers	22 290 621	(100 646)	22 189 975	–	–	22 189 975
Own originated loans and advances to customers securitised	517 162	–	517 162	–	–	517 162
Other loans and advances	355 248	–	355 248	–	–	355 248
Other securitised assets	148 964	–	148 964	–	–	148 964
Other assets	1 901 247	(767)	1 900 480	–	–	1 900 480
	44 082 419	**(574 829)**	**43 507 590**	**(1 319 492)**	**(436 947)**	**41 751 151**
Liabilities						
Deposits by banks	2 774 390	(38 324)	2 736 066	–	(211 802)	2 524 264
Derivative financial instruments	1 731 297	(435 091)	1 296 206	(375 960)	(66 240)	854 006
Other trading liabilities	978 911	–	978 911	(131 867)	–	847 044
Repurchase agreements and cash collateral on securities lent	691 125	(510)	690 615	(529 670)	(21 404)	139 541
Customer accounts (deposits)	29 210 074	(100 646)	29 109 428	–	(21 145)	29 088 283
Debt securities in issue	2 386 180	–	2 386 180	(263 236)	(40 264)	2 082 680
Liabilities arising on securitisation of own originated loans and advances	90 125	–	90 125	–	–	90 125
Liabilities arising on securitisation of other assets	128 838	–	128 838	–	–	128 838
Other liabilities	1 911 087	(258)	1 910 830	–	–	1 910 830
Subordinated liabilities	1 402 638	–	1 402 638	–	–	1 402 638
	41 304 665	**(574 829)**	**40 729 837**	**(1 300 733)**	**(360 855)**	**39 068 249**

57. Offsetting

57. Offsetting

At 31 March £'000	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		
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**

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. The associated liabilities represent the amount of external notes in issue.

	2017		2016	
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	295 182	–	657 947	(42 748)
Other loans and advances	141 136	–	153 551	–
	436 318	**–**	**811 498**	**(42 748)**

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

Balance sheet

At 31 March £'000	Notes	2017	2016
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 817 840	1 817 840
Current assets			
Amounts owed by group undertakings		488 592	481 494
Taxation		12 867	15 433
Prepayments and accrued income		22	75
Cash at bank and in hand			
– with subsidiary undertakings		104 978	35 414
– balances with other banks		605	469
		607 064	**532 885**
Current liabilities			
Creditors: amounts falling due within one year			
Derivative financial instruments		6	15
Amounts owed to group undertakings		477 161	478 316
Other liabilities		1 130	992
Accruals and deferred income		8 297	6 326
Net current assets/(liabilities)		**120 470**	**47 236**
Creditors: amounts falling due after one year			
Debt securities in issue	c	324 089	329 544
Net assets		**1 614 221**	**1 535 532**
Capital and reserves			
Called-up share capital	d	191	182
Perpetual preference shares	d	29	151
Share premium account	d	1 246 282	1 194 257
Capital reserve	d	180 606	180 483
Retained income	d	187 113	160 459
Total capital and reserves		**1 614 221**	**1 535 532**

The notes on pages 134 to 141 form an integral part of the financial statements.

The company's profit for the year, determined in accordance with the Companies Act 2006, was £93 027 000 (2016: £27 803 000).

Approved and authorised for issue by the board of directors on 9 June 2017 and signed on its behalf by:

SKoeff

Stephen Koseff
Chief executive officer

9 June 2017

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 2015	**180**	**151**	**1 171 441**	**180 483**	**239 650**	**1 591 905**
Issue of ordinary shares						
Release of capital reserve to profit and loss	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**
Issue of ordinary shares	9	–	174 073	–	–	174 082
Redemption of preference shares	–	(122)	(122 048)	123	40 427	(81 620)
Total comprehensive income	–	–	–	–	93 816	93 816
Dividends paid to preference shareholders	–	–	–	–	(1 862)	(1 862)
Dividends paid to ordinary shareholders	–	–	–	–	(105 727)	(105 727)
At 31 March 2017	**191**	**29**	**1 246 282**	**180 606**	**187 113**	**1 614 221**

a Accounting policies

Basis of preparation

The parent accounts of Investec plc are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (IFRS 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 IFRS 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.

As permitted by IFRS 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.

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	2017	2016
At the beginning and end of the year	**1 817 840**	**1 817 840**

Notes to Investec plc parent company accounts

(continued)

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 pays 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 pays interest at a fixed rate of 3.48% semi-annually in arrears.

d Audit fees

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

e Dividends

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

f 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.

g Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included in the combined consolidated financial statements of Investec plc and Investec Limited for the year ended 31 March 2017.

The information as detailed here for Investec plc parent company is a summary. For detailed notes refer to the Investec plc group and company annual financial statements.

h Subsidiaries

At 31 March 2017	Principal activity	Interest held
United Kingdom		
Registered office: 2 Gresham Street, London, EC2V 7QP, UK		
Investec 1 Ltd*	Investment holding	100%
Investec Holding Company Limited*	Investment holding	100%
Investec Investments Limited	Investment holding	100%
Investec (UK) Limited	Holding company	100%
Investec Group (UK) Ltd	Holding company	100%
Guinness Mahon Group Ltd	Holding company	100%
Guinness Mahon Group Services Ltd	Holding company	100%
Guinness Mahon Pension Fund Trustees Ltd	Pension fund trustee	100%
Guinness Mahon Holdings Ltd	Holding company	100%
Investec Bank plc	Banking institution	100%
Rensburg Sheppards Plc	Holding company	100%
Investec Wealth & Investment Limited	Investment management services	100%
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Click Nominees Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee services	100%
Investec Click & Invest Limited	Non-trading	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
IWI Fund Management Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
R S Trustees Limited	Non-trading	100%
Rensburg Client Nominees Limited	Nominee services	100%
Scarwood Nominees Limited	Non-trading	100%
Spring Nominees Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
Williams De Broe Limited	Non-trading	100%
Rensburg Investment Management Limited	Non-trading	100%
PIF Investments Ltd (previously G. P. International Ltd)	Dormant	100%
Beeson Gregory Index Nominees Limited	Dormant nominee company	100%
CF Corporate Finance Limited	Leasing company	100%
EVO Nominees Limited	Dormant nominee company	100%
Evolution Securities Nominees Limited	Dormant nominee company	100%
Investec Asset Finance (Capital No. 3) Limited	Leasing company	100%
Investec Asset Finance (Management) Limited	Leasing company	100%
Mann Island Finance Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
The Leasing Acquisition General Partnership	Leasing partnership	
Investec Bank (Nominees) Limited	Nominee company	100%
Investec Finance Ltd (previously Investec Finance plc)	Debt issuance	100%
Investec Group Investments (UK) Limited	Investment holding company	100%
ICF Investments Limited	Investment holding company	100%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust Plc	Debt issuer	100%

h Subsidiaries *(continued)*

At 31 March 2017	Principal activity	Interest held
Investec Investments (UK) Limited	Investment holding company	100%
Panarama Properties (UK) Limited	Property holding company	100%
Inv-German Retail Ltd (previously Canada Water (Developments) Limited)	Property company	100%
Investec Securities Limited	Investment holding company	100%
PEA Leasing Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Quay Nominees Limited	Nominee company	100%
Technology Nominees Limited	Nominee	100%
Torteval LM Limited	Investment holding company	100%
Torteval Funding LLP	Financing company	100%
Tudor Tree Properties Limited	Property company	100%
Willbro Nominees Limited	Nominee company	100%
Evolution Capital Investment Limited	Investment holding company	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Investec Asset Finance Plc	Leasing company	100%
Registered office: Woolgate Exchange, 25 Basinghall Street, London, EC2V 5HA, UK		
Investec Asset Management Limited	Investment Management Services	84%
Investec Fund Managers Limited**	Management Company	100%
Australia		
Registered office: Level 23, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia		
Investec Asset Management Australia Pty Limited**	Sales & Distribution	100%
Investec Australia Property Holdings Pty Ltd	Holding company	100%
Investec Propco Pty Ltd	Property fund trustee	100%
Investec Property Ltd	Property fund trustee	100%
Investec Property Management Pty Ltd	Property fund manager	100%
Investec Wentworth Pty Limited	Security trustee	100%
Investec Holdings Australia Limited	Holding company	100%
Investec Australia Property Investments Pty Ltd	Investment company	100%
Investec Australia Finance Pty Limited	Lending company	100%
Investec Australia Limited	Financial services	100%
Bowden (Lot 32) Holdings Pty Ltd	Holding company	100%
Bowden (Lot 32) Pty Ltd	Development company	100%
Investec Australia Direct Investment Pty Limited	Investment company	100%
Investec CWFIH Pty Limited	Dormant	100%
Mannum Powerco Pty Limited	Dormant	100%
Tungkillo Powerco Pty Limited	Dormant	100%
Investec Australia Financial Markets Pty Limited	Dormant	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	100%
Investec Wentworth Private Equity Pty Limited	Inactive private equity	100%
IWPE Nominees Pty Limited	Custodian	100%
Wentworth Associates Pty Limited	Dormant	100%

h Subsidiaries *(continued)*

At 31 March 2017	Principal activity	Interest held
British Virgin Islands		
Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands		
Finistere Directors Limited	Corporate director	100%
GFT Directors Limited	Corporate director	100%
Registered office: PO Box 186 Road Town, Tortola, British Virgin Islands		
Curlew Investments Limited	Investment holding company	100%
Canada		
Registered office: One Brunswick Square, Suite 1500, PO Box 1324, Saint John, New Brunswick, Canada E2L 4H8		
Curlew Group Holdings Limited	Investment holding company	42.50%
Registered office: 44 Chipman Hill Suite 1000, Saint John NB, E2L 4S6, Canada		
Investec North America Limited	Trading company	100%
Cayman Islands		
Registered office: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005		
Investec Pallinghurst (Cayman) LP	Investment holding partnership	58.30%
Curaçao		
Registered office: Kaya W.F.G, (Jombi) Meising 14, 2nd Floor, Willemstad, Curaçao		
Curaçao Investec Finance NV	Dormant	100%
Guernsey		
Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands		
Investec Asset Management Guernsey Limited**	Management Company and Global Distributor	100%
Guinness Flight (Guernsey Nominees) Limited**	Nominee company	100%
Investec Africa Frontier Private Equity Fund GP Limited**	General Partner to Funds	100%
Investec Africa Private Equity Fund 2 GP Limited**	General Partner to Funds	100%
Growthpoint Investec African Property Management Limited**	Dormant	100%
Hero Nominees Limited	Nominee services	100%
Torch Nominees Limited	Nominee services	100%
Investec Bank (Channel Islands) Limited	Banking institution	100%
Bayeux Limited	Corporate trustee	100%
Finistere Secretaries Limited	Corporate Secretary	100%
ITG Limited	Trust & company admin	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%
Registered office: P.O. Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Registered office: Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH, Channel Islands		
Investec Captive Insurance Limited	Captive insurance company	100%
Registered office: Western Suite, Ground Floor, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ, Channel Islands		
HEV (Guernsey Limited	Investment holding company	100%

Notes to Investec plc parent company accounts

(continued)

h Subsidiaries *(continued)*

At 31 March 2017	Principal activity	Interest held
Hong Kong		
Registered office: Suites 2602-06, Tower 2, The Gateway, Harbour City, Tsimshatsui, Kowloon, Hong Kong		
Investec Asset Management Hong Kong Limited**	Sales & Distribution	100%
Registered office: Room 3609-3613, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong		
Investec Asia Limited	Investment banking	100%
Investec Capital Asia Limited	Investment banking	100%
Investec Capital Markets Limited	Investment banking	100%
India		
Registered office: A 607, The Capital, Bandra Kurla Complex, Mumbai – 400 051, India		
Investec Capital Services (India) Private Limited	Trading company	75%
Ireland		
Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited	Property company	100%
Investec Holdings (Ireland) Ltd	Holding company	100%
Investec Ireland Ltd	Financial services	100%
Investec International Ltd	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Ltd	Holding company	100%
Investec Capital & Investments (Ireland) Ltd	Wealth Management & Investment Services	100%
Aurum Nominees Ltd	Nominee company	100%
Investec (Airtricity) Nominees Ireland Ltd	Nominee company	100%
Investec (CapVest) Ireland Ltd	Nominee company	100%
Investec (Development) Nominees Ireland Ltd	Nominee company	100%
Investec (Placings) Ireland Ltd	Nominee company	100%
Investec (Thomas Street) Nominees No 2 Ltd	Nominee company	100%
Investec Broking Nominees Ireland Ltd	Nominee company	100%
Investec Corporate Finance (Ireland) Limited	Corporate Finance (inactive)	100%
Investec Ventures Ireland Limited	Venture capital	100%
Venture Fund Principals Limited	Special Partner	100%
Investec Personal Portfolio Ireland Limited	Investment services	100%
Jersey		
Registered office: One The Esplanade, St Helier, Jersey, JE2 3QA, Channel Islands		
Investec Finance (Jersey) Ltd*	Share trust	100%
Registered office: PO Box 344 One The Esplanade, St Helier, Jersey, JE4 8UW, Channel Islands		
Investec GP (Jersey) Limited	Investment holding company	100%

h Subsidiaries *(continued)*

At 31 March 2017	Principal activity	Interest held
Luxembourg		
Registered office: 560, rue de Neudorf, L-2220 Luxembourg		
Investec Finance SARL	Dormant	100%
Investec Asset Management Luxembourg S.A.**	Management company	100%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Asset Management Singapore Pte. Limited**	Sales & Distribution	100%
Investec Singapore Pte Ltd	Securities services	100%
Switzerland		
Registered office: Seefeldstrasse 69, 8008 Zurich, Switzerland		
Investec Asset Management Switzerland GmbH**	Sales & Distribution	100%
Registered office: 23 Avenue de France, CH – 1202, Geneva, Switzerland		
Reichmans Geneva SA	Investment holding	100%
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG	Banking institution	100%
Registered office: c/o Dr. Leo Granziol, Bahnhofstrasse 32, 6300 Zug, Switzerland		
Investec Trust Holdings AG	Investment holding company	100%
Taiwan		
Registered office: 49F Taipei 101 Tower, 7 Xin Yi Road, Sec.5, Taipei 110, Taiwan		
Investec Asset Management Taiwan Limited**	Sales & Distribution	100%
United States of America		
Registered office: 2711 Centerville Road, Suite 400, Wilmington, New Castle, DE 19808, USA		
Investec Asset Management North America, Inc.**	Sales & Distribution	100%
Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA		
Investec USA Holdings Corporation Inc	Holding company	100%
Investec Inc	Investment holding	100%
Fuel Cell IP 1 LLC	Investment holding	100%
Fuel Cell IP 2 LLC	Investment holding	100%
Investec Securities (US) LLC	Financial services	100%
Associates		
At 31 March 2017		
United Kingdom		
Registered office: Talisman House, Boardmans Way, Blackpool, England, FY4 5FY		
Hargreave Hale Limited	Stockbroking and portfolio management	35%
Registered office: Dee House Lakeside Business Village, St. Davids Park, Ewloe, Deeside, Clwyd, CH5 3XF		
Virtual Lease Services	Lease services provider	49%
Australia		
Registered office: Point Cook Road, Point Cook, Victoria, Australia		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands		
Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands		
imarkets (Holdings) Limited	Online trading platform	33%
Luxembourg		
Registered office: 15, Rue Bender, L-1229 Luxembourg		
Investec GLL Global Special Opportunities Real Estate Fund	Property development	5%
Registered office: 19, Rue Eugene Ruppert, L-2453 Luxembourg		
Grovepoint S.a.r.l.	Investment and advisory	42%

* *Directly owned by Investec Plc*
** *100% owned by Investec Asset Management Limited which is itself 84% owned*

Income statement

For the year to 31 March R'million	2017	2016
Interest income	84	53
Interest expense	(132)	(77)
Net interest income	**(48)**	**(24)**
Fee and commission expense	–	(1)
Investment income	2 083	871
Operating income	**2 035**	**846**
Operating costs	(49)	(145)
Operating profit	**1 986**	**701**
Profit arising from partial disposal of subsidiary	86	–
Profit before taxation	**2 072**	**701**
Taxation	(51)	(3)
Profit after taxation	**2 021**	**698**

Statement of comprehensive income

For the year to 31 March R'million	2017	2016
Profit after taxation	2 021	698
Total comprehensive income	**2 021**	**698**
Total comprehensive income attributable to ordinary shareholders	1 731	408
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities	290	290
Total comprehensive income	**2 021**	**698**

Balance sheet

For the year to 31 March R'million	Notes	2017	2016
Assets			
Loans and advances to banks		37	35
Investment in subsidiaries	b	15 940	15 605
		15 977	**15 640**
Liabilities			
Debt securities in issue		582	916
Current taxation liabilities		144	103
Other liabilities		377	333
Subordinated liabilities		625	625
		1 728	**1 977**
Equity			
Ordinary share capital	c	1	1
Share premium		11 945	10 958
Other reserves		62	62
Retained income		1 691	2 092
Shareholders' equity excluding Additional Tier 1 securities in issue		13 699	13 113
Other Additional Tier 1 securities in issue		550	550
Total equity		**14 249**	**13 663**
Total liabilities and shareholders' equity		**15 977**	**15 640**

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 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**
Total comprehensive income	–	–	–	2 021	2 021	–	2 021
Share-based payments adjustments	–	–	–	(31)	(31)	–	(31)
Dividends paid to ordinary shareholders	–	–	–	(2 071)	(2 071)	–	(2 071)
Dividends paid to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	(320)	(320)	–	(320)
Issue of ordinary shares	–	987	–	–	987	–	987
At 31 March 2017	**1**	**11 945**	**62**	**1 691**	**13 699**	**550**	**14 249**

Cash flow statement

For the year to 31 March R'million	2017	2016
Cash flows from operating activities		
Cash generated by operating activities	1 955	336
Taxation paid	(10)	(18)
(Decrease)/increase in operating liabilities	(290)	166
Net cash inflow from operating activities	**1 655**	**484**
Cash flows from investing activities		
Proceeds from partial disposal of subsidiary	87	–
Net (increase)/decrease in loans to group companies	(336)	249
Net cash (outflow)/inflow from investing activities	**(249)**	**249**
Cash flows from financing activities		
Proceeds on issue of shares, net of costs	987	611
Dividends paid	(2 391)	(1 968)
Proceeds from subordinated debt raised	–	625
Net cash outflow from financing activities	**(1 404)**	**(732)**
Net increase in cash and cash equivalents	2	1
Cash and cash equivalents at the beginning of the year	35	34
Cash and cash equivalents at the end of the year	**37**	**35**
Cash and cash equivalents is defined as including:		
On demand loans and advances to banks	37	35
Cash and cash equivalents at the end of the year	**37**	**35**

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

Notes to Investec Limited parent company accounts

(continued)

a. Accounting policies

Basis of presentation

The annual parent company accounts of Investec Limited are prepared in accordance with International Financial Reporting Standards and the requirement of the Companies Act of South Africa in a manner consistent with the policies disclosed on pages 30 to 38 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	2017	2016
At the beginning of the year	15 605	15 854
Partial sale of subsidiary	(1)	–
Increase/(decrease) in loans to subsidiaries	336	(249)
At the end of the year	**15 940**	**15 605**

A list of the companies principal subsidiaries is detailed in note 56 of the group accounts on pages 127 and 128.

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 are detailed in note 43 of the group accounts on page 109.

e. Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 196 to 204 in volume one.

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

Refer to page 59

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 35 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 59

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 59.

Contact details

Australia, Brisbane

Level 36 Riparian Plaza
71 Eagle Street Brisbane
QLD 4001 Australia
Telephone (61) 7 3106 8970
Facsimile (61) 2 9293 6301
e-mail australia@investec.com.au

Australia, Melbourne

Level 13 120 Collins Street
Melbourne
GPO Box 2280
VIC 3001
Telephone (61) 3 8660 1000
Facsimile (61) 3 8660 1010
e-mail australia@investec.com.au

Australia, Sydney

Level 23, The Chifley Tower
2 Chifley Square
Phillip Street Sydney
GPO Box 4411 NSW 2000 Australia
Telephone (61) 2 9293 6300
Facsimile (61) 2 9293 6301
e-mail australia@investec.com.au

Botswana, Gaborone

Plot 64511, Unit 5
Fairgrounds Gaborone
Telephone (267) 318 0112
Facsimile (267) 318 0114
e-mail info@investec.com

Guernsey

Glategny Court
Glategny Esplanade, GY1 1WR
Channel Islands
Telephone +(44) 1481 723 506
Facsimile +(44) 1481 741 147
e-mail enquiries@investec-ci.com

Hong Kong

Suite 3609 36/F
Two International Finance Centre
8 Finance Street
Central Hong Kong
Telephone (852) 3187 5000
Facsimile (852) 2524 3360
e-mail investec.asia@investecmail.com

Suites 2602 – 06 Tower 2 The Gateway
Harbour City Tsimshatsui Kowloon
Hong Kong
Telephone (852) 2861 6888
Facsimile (852) 2861 6861

India, Mumbai

902, The Capital
Plot No. C-70 Block
Bandra Kurla Complex Bandra (East)
Mumbai 400051
India
Telephone (91) 226 136 7410

Ireland, Dublin

The Harcourt Building
Harcourt Street, 2
Dublin Ireland
Telephone (353 1) 421 0000
Facsimile (353 1) 421 0500
e-mail info@investec.ie

Ireland, Cork

One Albert Quay
Cork
Ireland
Telephone (353 21) 237 3800
e-mail corkinfo@investec.ie

Jersey

One The Esplanade, St Helier
Jersey
JE2 3QA Channel Islands
Telephone (44) 1534 512 650
Facsimile (44) 1534 285 174
e-mail enquiries@investec-ci.com

Luxembourg

32/36 Boulevard d'Avranche
L-1160
Luxembourg
Telephone (352 264) 979 8000
Facsimile (352 264) 979 8888

Mauritius, Port Louis

6th Floor Dias Pier Building
Le Caudan Waterfront Caudan
Port Louis
Telephone (230) 207 4000
Facsimile (230) 207 4002
e-mail info@investec.com

Namibia, Windhoek

Office 1 Ground floor
Heritage Square Building
100 Robert Mugabe Avenue Windhoek
Telephone (264 61) 389 500
Facsimile (264 61) 249 689
e-mail info@investec.com

Singapore

25 Duxton Hill #03-01
Singapore 089608
Telephone (65) 6653 5550
Facsimile (65) 6653 5551
e-mail investec.sg@investecmail.com

South Africa, Cape Town

36 Hans Strijdom Avenue
Foreshore Cape Town 8001
PO Box 1826 Cape Town 8000
Telephone (27 21) 416 1000
Facsimile (27 21) 416 1001

South Africa, Durban

5 Richefond Circle
Ridgeside Office Park
Umhlanga Durban 4319
PO Box 25278 Gateway Durban 4321
Telephone (27 31) 575 4000
Facsimile (27 865) 009 901

South Africa, East London

Cube 1
Cedar Square
Bonza Bay Road
Beacon Bay
East London 5241
Telephone (27 43) 709 5700
Facsimile (27 43) 748 1548

South Africa, Johannesburg

100 Grayston Drive
Sandown Sandton 2196
PO Box 785700
Sandton 2146
Telephone (27 11) 286 7000
Facsimile (27 11) 286 7777
e-mail, South African offices

- Recruitment queries:
  recruitment@investec.co.za
- Client queries:
  - Asset management:
    comcentre@investecmail.com
  - Institutional Securities:
    securities@investec.co.za
  - Private Client Securities:
    iso@investec.co.za
  - Property Group:
    ipg@investec.co.za
  - Private Bank:
    privatebank@investec.co.za
  - Capital Markets:
    info-tsf@investec.co.za

Contact details

(continued)

South Africa, Knysna
TH24/TH25 Long Street Ext
Thesen Harbour Town Knysna 6571
Telephone (27 44) 302 1800
Facsimile (27 44) 382 4954

South Africa, Pietermaritzburg
Acacia House Redlands Estate
1 George MacFarlane Lane
Pietermaritzburg 3201
PO Box 594 Pietermaritzburg 3200
Telephone (27 33) 264 5800
Facsimile (27 33) 342 1561

South Africa, Port Elizabeth
Waterfront Business Park, Pommern Street
Humerail, Port Elizabeth, 6045
PO Box 13434
Humewood, Port Elizabeth 6057
Telephone (27 41) 396 6700
Facsimile (27 41) 363 1667

South Africa, Pretoria
Cnr Atterbury and Klarinet Streets
Menlo Park Pretoria 0081
PO Box 35209 Menlo Park 0102
Telephone (27 12) 427 8300
Facsimile (27 12) 427 8310

South Africa, Stellenbosch
Office 401, Mill Square
12 Plein Street, Stellenbosch 7600
PO Box 516 Stellenbosch 7599
Telephone (27 21) 809 0700
Facsimile (27 21) 809 0730

Switzerland, Geneva
3 Place des Bergues
Geneva 1201 Switzerland
Telephone (41) 22 807 2000
Facsimile (41) 22 807 2005
e-mail enquiries@investectrust.ch

Switzerland, Zurich
Loewenstrasse 29
Zurich, CH-8001
Switzerland
Telephone (41 44) 226 1000
Facsimile (41 44) 226 1010

Taiwan
Unit B 20F Taipei 101 Tower
7 Xin Yi Rd Sec 5 Taipei 110 Taiwan
Telephone (886 2) 8101 0800
Facsimile (886 2) 8101 0900

United Kingdom, Bath
Royal Mead, Railway Place
Bath, BA1 1SR, UK
Telephone (44122) 534 1580
Facsimile (44122) 534 1581

Northern Ireland, Belfast
5th Floor Centrepoint
58-60 Bedford Street, Belfast
BT2 7DR, Northern Ireland
Telephone (44 2890) 321 002
Facsimile (44 2890) 244 852

United Kingdom, Birmingham
Colmore Plaza, Colmore Circus
Birmingham, B4 6AT, UK
Telephone (44121) 232 0700
Facsimile (44121) 232 0701

United Kingdom, Bournemouth
Midland House, 2 Poole Road
Bournemouth, BH2 5QY, UK
Telephone (44120) 220 8100
Facsimile (44120) 220 8101

United Kingdom, Cheltenham
Festival House
Jessop Avenue Cheltenham
GL50 3SH, UK
Telephone (44 1242) 514 756
Facsimile (44 1242) 583 936

United Kingdom, Edinburgh
Quartermile One, 15 Lauriston Place
Edinburgh
EH3 9EN, UK
Telephone (44 131) 226 5000
Facsimile (44 131) 226 5700

United Kingdom, Exeter
Keble House, Southernhay Gardens
Exeter, EX1 1NT, UK
Telephone (44139) 220 4404
Facsimile (44139) 242 6176

United Kingdom, Glasgow
4th Floor, 5 George Square
Glasgow, G2 1DY, UK
Telephone: (44141) 333 9323
Facsimile (44141) 332 9920

United Kingdom, Guildford
Unit 4, The Billings, 3 Walnut Tree Close
Guildford, GU1 4UL, UK
Telephone (44148) 330 4707
Facsimile (44148) 345 5271

United Kingdom, Leeds
Quayside House, Canal Wharf
Leeds, LS11 5PU, UK
Telephone (44113) 245 4488
Facsimile (44113) 245 1188

United Kingdom, Liverpool
100 Old Hall Street Liverpool
L3 9AB, UK
Telephone (44 151) 227 2030
Facsimile (44 151) 227 2444

United Kingdom, London
2 Gresham Street, London
EC2V 7QP, UK
Telephone (44 207) 597 4000
Facsimile (44 207) 597 4070

30 Gresham Street, London
EC2V 7QN, UK
Telephone (44 207) 597 1234
Facsimile (44 207) 597 1000

25 Basinghall Street, London
EC2V 5HA, UK
Telephone (44 207) 597 1900
Facsimile (44 207) 597 1919

United Kingdom, Manchester
3 Hardman Street Spinningfields
Manchester M3 3HF UK
Telephone (44 161) 832 6868
Facsimile (44 161) 832 1233

Contact details

(continued)

United Kingdom, Reading

Investec Asset Finance plc
Reading International Business Park
RG2 6AA, UK
Telephone (0844) 243 4111

United Kingdom, Reigate

43 London Road Reigate, Surrey
RH2 9PW, UK
Telephone (44 173) 722 4223
Facsimile (44 173) 722 4197

United Kingdom, Sheffield

Beech House
61 Napier Street Sheffield
S11 8HA, UK
Telephone (44 114) 275 5100
Facsimile (44 114) 270 1109

United States, New York

1270 Avenue of the Americas
29th Floor
New York, NY 10020
United States of America
Telephone (212) 259 5610
Facsimile (917) 206 5103

Investec plc and Investec Limited

Secretary and registered office

Investec plc

David Miller
2 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4000
Facsimile (44) 20 7597 4491

Investec Limited

Niki van Wyk
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2196
Telephone (27) 11 286 7000
Facsimile (27) 11 286 7966

Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

Auditors

Ernst & Young LLP
Ernst & Young Inc.

Registrars in the UK

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
Telephone (44) 370 707 1077

Transfer secretaries in South Africa

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051
Marshalltown 2107
Telephone (27) 11 370 5000

Directorate

Executive directors

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

Non-executive directors

Fani Titi (chairman)
Zarina BM Bassa
Laurel C Bowden
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
David Friedland
Charles R Jacobs
Ian R Kantor
Lord Malloch-Brown KCMG
Khumo L Shuenyane
Peter RS Thomas

For contact details for Investec offices internationally refer to pages 148 to 150.

Notes