Out of the Ordinary

Investec

Annual Report

Investec annual financial statements Volume 3

2018

The 2018 integrated annual report covers the period 1 April 2017 to 31 March 2018 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.

Volume 1

Strategic report incorporating governance, corporate responsibility and remuneration report

Volume 2

Risk disclosures

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

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

Cross reference tools

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Audited information

Denotes information in the risk and remuneration reports that forms part of the group's audited annual financial statements

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Page references

Refers readers to information elsewhere in this report

3

Website

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

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Corporate responsibility

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

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Reporting standard

Denotes our consideration of a reporting standard

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Financial statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on pages 13 to 25, 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 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 UK 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 25. 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 26 to 141, were approved by the board of directors on 12 June 2018.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the UK 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

12 June 2018

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 2018, 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

12 June 2018

Directors' report

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a 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 20 to 22 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 23 to 114 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:

- 9 525 195 ordinary shares on 15 June 2017 at 587.00 pence per share
- 7 007 432 special converting shares on 15 June 2017 of £0.0002 each at par
- 1 810 386 ordinary shares on 22 September 2017 at 436.00 pence per share
- 2 550 138 special converting shares on 24 November 2017 of £0.0002 each at par
- 1 397 489 ordinary shares on 24 November 2017 at 503.00 pence per share.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2018. At 31 March 2018, Investec plc held 19 722 086 shares in treasury (2017: 18 293 688). The maximum number of shares held in treasury by Investec plc during the period under review was 21 451 568 shares.

Investec Limited

During the year, the following shares were issued:

- 9 525 195 special convertible redeemable preference shares of R0.0002 each on 15 June 2017 at par
- 7 007 432 ordinary shares on 15 June 2017 at R97.45 per share (R0.0002 par and premium of R97.4498 per share)
- 1 810 386 special convertible redeemable preference shares of R0.0002 each on 22 September 2017 at par
- 2 550 138 ordinary shares on 24 November 2017 at R94.94 per share (R0.0002 par and premium of R94.9398 per share)
- 1 397 489 special convertible redeemable preference shares of R0.0002 each on 24 November 2017 at par.

On 19 May 2017, the early redemption of 26 288 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share). On 31 May 2017, the early redemption of a further 23 659 Class ILRP2 redeemable non-participating preference shares at R1 000.00 per share, took place (R0.01 par and premium of R999.99 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2018. At 31 March 2018, Investec Limited held 27 013 057 shares in treasury (2017: 31 354 669). The maximum number of shares held in treasury by Investec Limited during the period under review was 32 332 430 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 2018. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

Investec plc

An interim dividend of 10.5 pence per ordinary share (2016: 10 pence) was paid on 20 December 2017, as follows:

- 10.5 pence per ordinary share to non-South African resident shareholders registered on 8 December 2017
- To South African resident shareholders registered on 8 December 2017, through a dividend paid by Investec Limited on the SA DAS share, of 8 pence per ordinary share and 2.5 pence per ordinary share paid by Investec plc.

The directors have proposed a final dividend to shareholders registered on 27 July 2018, of 13.5 pence (2017: 13 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 8 August 2018 and, if approved, will be paid on 13 August 2018, as follows:

- 13.5 pence per ordinary share to non-South African resident shareholders (2017: 13 pence) registered on 27 July 2018
- To South African resident shareholders registered on 27 July 2018, through a dividend paid by Investec Limited on the SA DAS share, of 7 pence per ordinary share and 6.5 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 200.0 cents per ordinary share (2016: 178.0 cents) was declared to shareholders registered on 8 December 2017 and was paid on 20 December 2017.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2018 of 232 cents (2017: 225 cents) per ordinary share. The final dividend will be payable on Monday, 13 August 2018 to shareholders on the register at the close of business on Friday, 27 July 2018. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on Wednesday, 8 August 2018.

Preference dividends

Investec plc

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

Preference dividend number 23 for the period 1 April 2017 to 30 September 2017, amounting to 6.26712 pence per share, was declared to members holding preference shares registered on 1 December 2017 and was paid on 11 December 2017.

Preference dividend number 24 for the period 1 October 2017 to 31 March 2018, amounting to 7.26027 pence per share, was declared to members holding preference shares registered on 8 June 2018 and will be paid on 18 June 2018.

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

Preference dividend number 13 for the period 1 April 2017 to 30 September 2017, amounting to 495.43151 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 1 December 2017 and was paid on 11 December 2017.

Preference dividend number 14 for the period 1 October 2017 to 31 March 2018, amounting to 485.34589 cents per share, was declared to members holding preference shares registered on 8 June 2018 and will be paid on 18 June 2018.

Investec Limited

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

Preference dividend number 26 for the period 1 April 2017 to 30 September 2017, amounting to 405.57588 cents per share, was declared to shareholders holding preference shares registered on 8 December 2017 and was paid on 11 December 2017.

Preference dividend number 27 for the period 1 October 2017 to 31 March 2018, amounting to 397.31947 cents per share, was declared to shareholders holding preference shares registered on 8 June 2018 and will be paid on 18 June 2018.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 9 for the period 1 April 2017 to 30 June 2017, amounting to 1459.78410 cents per share, was declared to shareholders holding preference shares on 21 July 2017 and was paid on 24 July 2017.

Preference dividend number 10 for the period 1 July 2017 to 30 September 2017, amounting to 1448.90208 cents per share, was declared to shareholders holding preference shares on 20 October 2017 and was paid on 23 October 2017.

Preference dividend number 11 for the period 1 October 2017 to 31 December 2017, amounting to 1441.42330 cents per share, was declared to shareholders holding preference shares on 19 January 2018 and was paid on 22 January 2018.

Preference dividend number 12 for the period 1 January 2018 to 31 March 2018, amounting to 1408.96502 cents per share, was declared to shareholders holding preference shares on 20 April 2018 and was paid on 23 April 2018.

Redeemable cumulative preference shares

Dividends amounting to R22 987 563 (2017: R23 190 399) 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 124 to 129 and 131 in volume one.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2018 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 209 to 213 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 116 to 165 in volume one.

Share incentives

Details regarding options granted during the year are set out on page 214 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 151 to 157 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 8 August 2018.

Contracts

Refer to pages 163 to 165 in volume one for details of contracts with directors.

Directors' report

(continued)

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 167 in volume one.

Special resolutions

Investec plc

At the annual general meeting held on 10 August 2017, 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 UK 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 UK Companies Act 2006.

Investec Limited

At the annual general meeting held on 10 August 2017, 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 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 the directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act, No 71 of 2008.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable UK 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 32 to 40 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 96 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 36 and 37 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 171 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. Neither Investec Limited nor its subsidiaries made any political donations during the 2018 financial year (2017: R3.5 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 171 to 183 in volume one.

Going concern

Refer to page 156 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 163 to 164 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 96 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.

PKO Crosthwaite.

Perry Crosthwaite
Chairman

Stephen Koseff
Chief executive officer

12 June 2018

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 UK Companies Act 2006 should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2018 consists of 669 838 695 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 310 722 744 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 UK Companies Act 2006, the UK 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 UK 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 UK 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 UK 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 UK Companies Act 2006.

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 UK 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 UK Companies Act 2006 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 inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time-to-time and with any other shares of Investec plc that are expressed to rank *pari passu* herewith as regards to 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 to 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 to 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 directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand-denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling non-redeemable, non-cumulative, non-participating preference shares, as outlined above, save that they are denominated in South African Rands.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the:

(i) variation of the rights attaching to the shares or

(ii) winding up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

Powers of directors

Subject to the Articles, the UK 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.

Independent auditor's report to the members of Investec plc

Opinion

In our opinion:

- Investec plc's combined consolidated group 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 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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.

We have audited the financial statements of Investec plc which comprise:

Group	Parent company
Combined consolidated balance sheet as at 31 March 2018	Balance sheet as at 31 March 2018
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 i 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 in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including IFRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report (set out on pages 42 to 48 of volume one) that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation (set out on page 42 of volume one) 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 directors' statement (set out on page 163 of volume one) in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the viability statement (set out on page 163 of volume one) 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.

Independent auditor's report to the members of Investec plc

(continued)

Overview of our audit approach

Key audit matters	• Monitoring of credit quality and the appropriateness of the allowance for credit losses; • Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and embedded derivatives; and • Provision for uncertain tax positions.
Audit scope	• We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further three components. • The components where we performed full or specific audit procedures accounted for 99% of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 99% of revenue and 99% of total assets.
Materiality	We applied group materiality of £34.0 million, which represents 5% of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the audit committee</th></tr>
<tr><td>

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

Refer to the audit committee report (page 155 of volume one); accounting policies (page 40); and note 26 of the consolidated financial statements (page 85)

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 £24 910 million (2017: £22 388 million); impairment provisions of £238 million (2017: £198 million); and credit losses of £148 million (2017: £111 million).

In the Specialist Bank most of the provision is calculated specifically; for the Specialist Bank in South Africa there is also a provision calculated using models and, for the legacy business in the UK, a portfolio provision.

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 provisions are for lending collateralised by property in relation to the legacy portfolio; refer to page 85 of Volume One Report for the definition.

The risk has remained at a level consistent with the prior year.

</td><td>

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 provisioning process and the identification of impairment events. In particular we focused on the controls over the monitoring of loans with higher risk of default, loan credit file reviews and assessment and approval of impairment provisions including the valuation of collateral.

For provisions determined on specific assets our audit procedures included the following:

- We examined a sample of loans, 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 workout 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 judgmentally selected a sample of loans classified as performing 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 performed full scope audit procedures over this risk area in three components, which covered 99% (2017: 99%) of the risk amount.

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We concluded for the key controls tested that 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.

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</table>

Independent auditor's report to the members of Investec plc

(continued)

Risk	Our response to the risk	Key observations communicated to the audit committee
Valuation of level 3 complex/illiquid financial instruments, unlisted investments and embedded derivatives *Refer to the audit committee report (page 155 of volume one); accounting policies (page 40); and note 14 of the consolidated financial statements (page 70)* There are £11 932 million (2017: £10 801 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 highly judgemental. This may result in subjective fair value movements which are material. At the year end the group reported level 3 assets of £920 million (2017: £913 million) and level 3 liabilities of £143 million (2017: £143 million). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgements, are the Hong Kong portfolio and the Southern Africa mining assets, including related lending activities. Significant judgement is required by management due to the absence of verifiable third party information to determine the key inputs and assumptions in the valuation models. These assets are standing items for discussion at the group audit committees.	We tested the design and operating effectiveness of key controls for the valuation of level 3 financial instruments as well as over the Asset Management performance fees. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and underlying contracts. 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. In relation to the most material assets within the Hong Kong portfolio and the Southern Africa mining assets additional procedures were performed over and above those noted above including: • Performing a site visit to inspect key assets • Engaging our business valuations specialists to build an independent valuation model in addition to assessing the key inputs and assumptions. As part of this they also considered alternative inputs and assumptions; sensitivity analysis was performed on the most material inputs • Verifying via external legal confirmations the enforceability of collateral held. For certain unlisted investments in South Africa, management applies a portfolio valuation adjustment to account for estimation and macro-economic risks that are not included in the model valuations. Together with our valuation specialists, we have formed independent estimates for acceptable valuation ranges of these investments and compared these to management's estimate in assessing the appropriateness. We performed full audit procedures over this risk area for six components, which covered 98% (2017: 98%) of the risk amount.	We concluded for the key controls tested that 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.

Risk	Our response to the risk	Key observations communicated to the audit committee
Provision for uncertain tax positions *Refer to the audit committee report (page 155 of volume one); accounting policies (page 40); and note 8 of the consolidated financial statements (page 59)* 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 size of potential liabilities which are subject to change in future periods as more information becomes available. The levels of from prior year.	We have examined the latest court rulings and analysis performed by management which sets out the basis for the judgements in relation to material tax exposures. We have also examined the correspondence between the group and its external advisors and between the group and HMRC. Using our tax specialists, we have considered 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.

An overview of 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.

Of the nine components selected, we performed an audit of the complete financial information of six components ('full scope components') which were selected based on their size or risk characteristics. For the remaining three 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
Investec Bank Limited	Full
Investec Property Fund	Full
Investec Asset Management SA	Full
Investec Life Limited	Specific
Investec Property Limited	Specific
Investec Securities Limited	Specific
Investec Limited consolidation packs	Full

The reporting components where we performed audit procedures accounted for 99% (2017: 99%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 99% (2017: 99%) of the group's revenue and 99% (2017: 99%) of the group's total assets. For the current year, the full scope components contributed 89% (2017: 95%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 95% (2017: 98%) of the group's revenue and 98% (2017: 99%) of the group's total assets. The specific scope components contributed 10% (2017: 4%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 5% (2017: 2%) of the group's revenue and 2% (2017: 1%) 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.

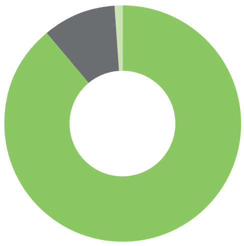
The remaining component represents 1% of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles and for that component we performed analytical review.

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

Independent auditor's report to the members of Investec plc

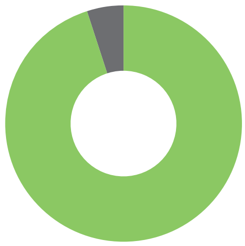
(continued)

Adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles



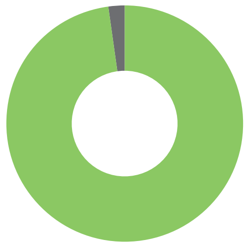
Full scope components	89.0%
Specific scope components	10.0%
Other procedures	<1.0%

Revenue



Full scope components	95.0%
Specific scope components	5.0%
Other procedures	<1.0%

Total assets



Full scope components	98.0%
Specific scope components	2.0%
Other procedures	<1.0%

Changes from the prior year

We have reassessed the scope of Investec Securities Limited during the year and changed the scope from full scope to specific scope, as the result of the relative contribution of Investec Securities Limited to the overall group. There were no other changes 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. Of the six full scope components, audit procedures were performed on none of these directly by the primary audit team. For the three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The primary audit engagement team interacted regularly with the component audit teams where appropriate throughout the course of the audit, which included planning meetings, maintaining regular communications on the status of the audits, year-end meetings (including review of key working papers) and taking responsibility for the scope and direction of the audit process.

The primary audit engagement team also participated in meetings with key management personnel in the components and, for the UK and South African locations, implemented a programme of planned visits. These visits involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management.

In response to developments during the period we enhanced the oversight procedures performed over components audited by other firms in South Africa. These enhancements included additional site visits by the primary team, direct involvement of the independent review partner with the component teams, enhanced independence procedures and review of the components' auditors' independent quality review process.

This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

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 £34.0 million (2017: £32.9 million), which is 5% (2017: 5%) of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles. We believe that an adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles provides us with the most appropriate measure to reflect the performance of the group. We have adjusted the operating profit before impairment of goodwill and amortisation of acquired intangibles for the double rent charges and the losses on the acceleration of the exit of certain legacy assets. During the course of our audit, we reassessed initial materiality and increased it from our initial level of £32.3 million in light of the underlying business performance.

We determined materiality for the Parent Company to be £3.7 million (2017: £3.7 million), which is 5% (2017: 5%) of operating profit before impairment of goodwill and amortisation of acquired intangibles. 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% (2017: 50%) of our planning materiality, namely £17.0 million (2017: £16.4 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 £1.7 million to £9.4 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 £1.7m (2017: £1.6m), 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.

Other matter – Accounting developments effective 1 April 2018 – IFRS 9 Financial Instruments

IFRS 9 replaces the current financial instruments standard IAS 39 effective 1 April 2018. It represents a fundamental change to the way financial instruments are classified, measured and assessed for credit impairment. The group established a programme to implement the necessary changes as a result of this standard and disclosed the impact of transition on equity. Our audit work on this accounting change has been performed throughout the year, for the purpose of the transition disclosure included in the 2018 financial statements, and continues through 2019. Our procedures on the impact disclosed included:

- Assessing the key technical interpretations, judgements, assumptions and elections made by management for compliance with IFRS 9;
- Classification and measurement:
  - Testing the intent of holding the instruments and their contractual characteristics in order to assess their classification;
- Credit impairment:
  - Testing the assumptions and judgements used in the impairment models to calculate expected credit losses, including the incorporation of economic forecasts using our credit risk modelling and economic specialists, including any management overlays to these models;
  - Testing the data used to run the models; and
- Considered interim controls and governance processes related to the calculation and approval of the IFRS 9 transitional impact.

Other information

The other information comprises the information included in the annual report and accounts, including the strategic report (set out on pages 5 to 8 of volume one), corporate governance (set out on pages 116 to 165 of volume one) business review (set out on page 6), risk disclosure (set out on pages 5 to 91 of volume two), additional information for shareholders (set out on page 9), definitions (set out on page 142), contact details (set out on pages 143 to 145), and corporate information (set out one page 146), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (set out on page 156 of volume one)** – the statement given by the directors that they consider the annual report and 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, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on pages 151 to 157 of volume one)** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

Independent auditor's report to the members of Investec plc

(continued)

- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 189 of volume one)** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent 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 or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
  - Companies Act 2006
  - The UK Corporate Governance Code
  - Tax Legislation (governed by HM Revenue and Customs
  - Financial Conduct Authority (FCA) rules
  - CRDIV (Basel III) and Prudential Regulatory Authority (PRA) rules
- We obtained a general understanding of how Investec plc complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Risk Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the group's risk management framework and internal control processes.

- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
- The group and company operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur, by considering the controls that the entity has established to address risks identified by the entity, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 27 November 2000 to audit the financial statements for the year ending 31 March 2001 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 18 years, covering the years ending 31 March 2001 to 31 March 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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.

Ernst & Young LLP

Andy Bates
(Senior statutory auditor)

for and on behalf of
Ernst & Young LLP
Statutory Auditor

London

12 June 2018

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 members of Investec Limited

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:

Combined consolidated financial statements	Reference (Volume 3)
Combined consolidated income statement for the year then ended	Page 26
Combined consolidated statement of comprehensive income for the year then ended	Page 27
Combined consolidated balance sheet as at 31 March 2018	Page 28
Combined consolidated cash flow statement for the year then ended	Page 29
Combined consolidated statement of changes in equity for the year then ended	Page 30 – 31
Accounting policies	Pages 32-40
Notes 1 to 58 to the annual financial statements	Pages 41-131
Specified disclosures in the risk management section marked as audited	Volume 2
Remuneration report	Volume 1

In our opinion, the combined consolidated annual financial statements present fairly, in all material respects, the combined consolidated financial position of Investec Limited as at 31 March 2018, its combined consolidated financial performance and combined consolidated 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 annual 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), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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, IESBA 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 annual financial statements of the current period. These matters were addressed in the context of our audit of the combined consolidated annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the combined consolidated annual financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the combined consolidated annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying combined consolidated annual financial statements.

Key audit matter	How the matter was addressed in the audit
Monitoring of credit quality and the appropriateness of the allowance for credit losses The determination of the allowance for credit losses is subject to a high degree of judgement applied by management in determining the loan impairment provisions at the balance sheet date. 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. 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. 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. ***Refer to the 'Impairments of financial assets held at amortised cost' accounting policy on page 35; and Notes 12 and 26 of the combined consolidated annual financial statements (pages 64 and 85).***	Our audit included the following audit procedures, amongst others: 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 evaluated and tested management's processes and key controls for credit origination and monitoring, as well as their processes and controls over the evaluation, calculation and recording of the allowance for credit losses. This included an assessment of their oversight and monitoring of the impairment process and the identification of impairment indicators. In particular we focused our assessment on the key 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 examined a sample of specific assets, 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 workout strategies in the legacy portfolio. Where workout strategies require additional funding to execute we obtained evidence of the approval for such funding through the bank management's risk governance process as well as assessing the track record of management approving the utilisation of the additional funding. – We performed sensitivity analyses on the expected performance of certain exposures which are affected by the current macroeconomic environment. Our independent judgement was based on available market information including continued/on commodity price and their impact on connected industries and state-owned entities. – In addition to the work performed on the non-performing portfolios we judgementally selected a sample of performing loans to test whether the assessment by management was appropriate, based on our own knowledge and external evidence to support our conclusions. – We evaluated management's assumptions about future cash flow projections and the valuation of collateral held, against our previous experience and available market information. – 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 credit 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 an independent assessment of the model estimate by comparing the impairments against an 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
Risk of inappropriate revenue recognition – Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties, embedded derivatives and performance fees in the IAM business There are portfolios of financial assets which include complex/illiquid financial instruments, unlisted investments and embedded derivatives that are required to be fair valued under the requirements of IAS 39. The valuation of these financial instruments requires 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. ***Refer to the 'Financial Instruments' accounting policy (pages 34 to 37); notes 3, 4 and 5 of the combined consolidated annual financial statements (page 54 to 56) as well as note 14 (page 75) for sensitivities to assumptions made in respect of these valuations.***	Our audit included the following audit procedures, amongst others: We tested the design, implementation and operating effectiveness of key controls identified in management's process for determining the valuation of financial instruments. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and underlying contracts. We involved the auditor's valuation specialists in the performance of this examination. Where such inputs and assumptions were not observable in the market we engaged the auditor's valuation specialists to critically assess whether these inputs and assumptions fell within an acceptable range based on relevant knowledge and experience of the market. In relation to the most material assets within the Hong Kong portfolio and the Southern Africa mining assets, additional procedures were performed over and above those noted above, including: – Performing a site visit to key assets. – Engaging our business valuations specialists to build an independent valuation model in addition to assessing the key inputs and assumptions. As part of this they also considered alternative inputs and assumptions; and a sensitivity analysis was performed on the most material inputs. – Verifying via external legal confirmations the enforceability of the collateral held. 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 valuation 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.
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 policy on 'Taxation and deferred taxation' on page 38 as well as 'Key management assumptions' on page 40; and notes 8 and 29 of the combined consolidated annual financial statements (pages 59 and 60 and page 89 respectively).***	Our audit included the following audit procedures, amongst others: – We have examined the latest court rulings, 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 directors' responsibility statement, and the company secretary's declaration 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 annual financial statements, the sections marked as audited in the annual report our auditor's report thereon.

Our opinion on the combined consolidated annual 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 annual 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 annual 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report to members of Investec Limited

(continued)

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 annual 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined consolidated annual financial statements, the directors are responsible for assessing the group'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 or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the combined consolidated annual 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 combined consolidated annual 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 annual 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 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 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 annual 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 annual financial statements, including the disclosures, and whether the combined 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 annual 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 annual 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, and subsequent guidance, we report that Ernst & Young Inc. has been the auditor of Investec Limited for 43 years.

Ernst & Young Inc.

Ernst & Young Inc.
Per Gail Moshoeshoe
Director
Chartered Accountant South Africa
Registered Auditor

12 June 2018

Combined consolidated income statement

£'000	Notes	Year to 31 March 2018	Year to 31 March 2017
Interest income		2 491 009	2 230 765
Interest expense		(1 730 611)	(1 550 870)
Net interest income	2	**760 398**	**679 895**
Fee and commission income	3	1 543 447	1 429 588
Fee and commission expense	3	(182 240)	(158 064)
Investment income	4	130 048	136 203
Share of post taxation profit of associates	28	46 823	18 890
Trading income/(loss) arising from			
– customer flow		138 226	158 001
– balance sheet management and other trading activities		(4 307)	8 218
Other operating income	5	11 115	13 483
Total operating income before impairment losses on loans and advances		**2 443 510**	**2 286 214**
Impairment losses on loans and advances	26	(148 556)	(111 454)
Operating income		**2 294 954**	**2 174 760**
Operating costs	6	(1 632 740)	(1 513 231)
Depreciation on operating leased assets	6	(2 421)	(2 169)
Operating profit before goodwill and acquired intangibles		**659 793**	**659 360**
Impairment of goodwill	33	–	(4 749)
Amortisation of acquired intangibles	34	(16 255)	(17 197)
Operating profit		**643 538**	**637 414**
Additional costs on acquisition of subsidiary	35	(6 039)	–
Profit before taxation		**637 499**	**637 414**
Taxation on operating profit before goodwill and acquired intangibles	8	(59 099)	(118 488)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	3 253	4 070
Profit after taxation		**581 653**	**522 996**
Profit attributable to other non-controlling interests		(52 288)	(60 239)
Profit attributable to Asset Management non-controlling interests		(23 817)	(20 291)
Earnings attributable to shareholders		**505 548**	**442 466**
Earnings per share (pence)			
– Basic	9	51.2	50.8
– Diluted	9	49.8	48.8

Combined consolidated statement of comprehensive income

£'000	Notes	Year to 31 March 2018	Year to 31 March 2017
Profit after taxation		581 653	522 996
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	(5 746)	53 324
Gains on realisation of available-for-sale assets recycled to the income statement	8	(6 676)	(7 781)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	20 051	54 863
Foreign currency adjustments on translating foreign operations		(25 300)	540 534
Items that will never be reclassified to the income statement			
Re-measurement of net defined benefit pension asset	8	3 938	(43 580)
Total comprehensive income		**567 920**	**1 120 356**
Total comprehensive income attributable to ordinary shareholders		451 913	892 201
Total comprehensive income attributable to non-controlling interests		83 027	202 497
Total comprehensive income attributable to perpetual preferred securities		32 980	25 658
Total comprehensive income		**567 920**	**1 120 356**

Combined consolidated balance sheet

At £'000	Notes	31 March 2018	31 March 2017
Assets			
Cash and balances at central banks	17	4 040 512	3 351 702
Loans and advances to banks	18	2 165 533	3 191 041
Non-sovereign and non-bank cash placements		601 243	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	19	2 207 477	2 358 970
Sovereign debt securities	20	4 910 027	3 804 627
Bank debt securities	21	587 164	639 189
Other debt securities	22	903 603	1 115 558
Derivative financial instruments	23	1 352 408	1 185 848
Securities arising from trading activities	24	1 434 391	1 376 668
Investment portfolio	25	885 499	835 899
Loans and advances to customers	26	24 673 009	22 189 975
Own originated loans and advances to customers securitised	27	459 088	517 162
Other loans and advances	26	347 809	355 248
Other securitised assets	27	148 387	148 964
Interests in associated undertakings	28	467 852	392 213
Deferred taxation assets	29	157 321	133 972
Other assets	30	1 876 116	1 900 480
Property and equipment	31	233 340	105 939
Investment properties	32	1 184 097	1 128 930
Goodwill	33	368 803	367 579
Intangible assets	34	125 389	143 261
Non-current assets held for sale		–	27 218
		49 129 068	**45 806 702**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	8 487 776	7 728 130
		57 616 844	**53 534 832**
Liabilities			
Deposits by banks		2 931 267	2 736 066
Derivative financial instruments	23	1 471 563	1 296 206
Other trading liabilities	37	960 166	978 911
Repurchase agreements and cash collateral on securities lent	19	655 840	690 615
Customer accounts (deposits)		30 987 173	29 109 428
Debt securities in issue	38	2 717 187	2 386 180
Liabilities arising on securitisation of own originated loans and advances	27	136 812	90 125
Liabilities arising on securitisation of other assets	27	127 853	128 838
Current taxation liabilities		185 486	227 828
Deferred taxation liabilities	29	32 158	40 408
Other liabilities	39	2 012 268	1 910 830
		42 217 773	**39 595 435**
Liabilities to customers under investment contracts	36	8 484 296	7 725 604
Insurance liabilities, including unit-linked liabilities	36	3 480	2 526
		50 705 549	**47 323 565**
Subordinated liabilities	41	1 482 987	1 402 638
		52 188 536	**48 726 203**
Equity			
Ordinary share capital	42	240	237
Perpetual preference share capital	43	31	31
Share premium	44	2 416 736	2 341 228
Treasury shares	45	(160 132)	(126 879)
Other reserves		(345 606)	(310 275)
Retained income		2 530 825	2 226 751
Shareholders' equity excluding non-controlling interests		**4 442 094**	**4 131 093**
Other Additional Tier 1 securities in issue	46	304 150	32 798
Non-controlling interests	47	682 064	644 738
– Perpetual preferred securities issued by subsidiaries		92 312	91 492
– Non controlling interests in partially held subsidiaries		589 752	553 246
Total equity		**5 428 308**	**4 808 629**
Total liabilities and equity		**57 616 844**	**53 534 832**

Combined consolidated cash flow statement

£'000	Notes	Year to 31 March 2018	Year to 31 March 2017
Profit before taxation adjusted for non-cash and non-operating items	49	859 745	835 216
Taxation paid		(127 503)	(126 406)
Increase in operating assets	49	(3 352 869)	(445 528)
Increase in operating liabilities	49	3 075 779	498 146
Net cash inflow from operating activities		**455 152**	**761 428**
Cash outflow on acquisition of group operations	35	(6 888)	(14 648)
Cash flow on net acquisition of associates		(13 643)	(8 848)
Cash flow on acquisition of property, equipment and intangible assets		(24 604)	(37 748)
Cash flow on disposal of property, equipment and intangible assets		7 336	1 629
Net cash outflow from investing activities		**(37 799)**	**(59 615)**
Dividends paid to ordinary shareholders		(227 908)	(216 602)
Dividends paid to other equity holders		(96 668)	(73 853)
Redemption of perpetual preference shares		–	(81 743)
Proceeds on issue of shares, net of related costs		125 240	228 086
Proceeds on issue of Other Additional Tier 1 securities		271 058	–
Cash flow on acquisition of treasury shares, net of related costs		(121 933)	(112 345)
Proceeds on issue of other equity instruments*		32 752	29 542
Proceeds from subordinated debt raised	41	190 940	432 919
Repayment of subordinated debt	41	(128 098)	(168 481)
Net cash inflow from financing activities		**45 383**	**37 523**
Effects of exchange rates on cash and cash equivalents		**(54 085)**	**332 092**
Net increase in cash and cash equivalents		**408 651**	**1 071 428**
Cash and cash equivalents at the beginning of the year		5 721 728	4 650 300
Cash and cash equivalents at the end of the year		**6 130 379**	**5 721 728**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		4 040 512	3 351 702
On demand loans and advances to banks		1 488 624	1 833 767
Non-sovereign and non-bank cash placements		601 243	536 259
Cash and cash equivalents at the end of the year		**6 130 379**	**5 721 728**

* *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 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 for the year	**–**	**–**	**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	–	–	–	–
Net equity impact of non-controlling interest movements	–	–	–	–
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)**
Movement in reserves 1 April 2017 – 31 March 2018				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on realisation of available for sale assets recycled through the income statement	–	–	–	–
Fair value movements on available for sale assets	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	1 701	–
Pension fund actuarial losses	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**1 701**	**–**
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	3	–	125 237	–
Issue of Other Additional Tier 1 security instruments	–	–	–	–
Issue of equity by subsidiaries	–	–	–	–
Net equity impact of non-controlling interest movements	–	–	–	–
Movement of treasury shares	–	–	(51 430)	(70 503)
Transfer from capital reserve account	–	–	–	–
Transfer from regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	37 250
At 31 March 2018	**240**	**31**	**2 416 736**	**(160 132)**

Combined consolidated statement of changes in equity

(continued)

Other reserves									
Capital reserve account	**Available-for-sale reserve**	**Regulatory general risk reserve**	**Cash flow hedge reserve**	**Foreign currency reserves**	**Retained income**	**Shareholders' equity excluding non-controlling interests**	**Other Additional Tier 1 securities in issue**	**Non-controlling interests**	**Total equity**
10 973	**(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**
–	–	–	–	–	505 548	505 548	–	76 105	581 653
–	–	–	(5 746)	–	–	(5 746)	–	–	(5 746)
–	(6 676)	–	–	–	–	(6 676)	–	–	(6 676)
–	20 051	–	–	–	–	20 051	–	–	20 051
–	–	56	–	(34 273)	–	(32 516)	294	6 922	(25 300)
–	–	–	–	–	3 938	3 938	–	–	3 938
–	**13 375**	**56**	**(5 746)**	**(34 273)**	**509 486**	**484 599**	**294**	**83 027**	**567 920**
–	–	–	–	–	69 218	69 218	–	–	69 218
–	–	–	–	–	(227 908)	(227 908)	–	–	(227 908)
–	–	–	–	–	(32 980)	(32 980)	9 335	7 909	(15 736)
–	–	–	–	–	–	–	(9 335)	(7 909)	(17 244)
–	–	–	–	–	–	–	–	(63 688)	(63 688)
–	–	–	–	–	–	125 240	–	–	125 240
–	–	–	–	–	–	–	271 058	–	271 058
–	–	–	–	–	–	–	–	12 695	12 695
–	–	–	–	–	14 765	14 765	–	5 292	20 057
–	–	–	–	–	–	(121 933)	–	–	(121 933)
(526)	–	–	–	(6 222)	6 748	–	–	–	–
–	–	(1 995)	–	–	1 995	–	–	–	–
–	–	–	–	–	(37 250)	–	–	–	–
10 447	**25 578**	**37 868**	**(60 637)**	**(358 862)**	**2 530 825**	**4 442 094**	**304 150**	**682 064**	**5 428 308**

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 2018, 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 84 to 91 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 204 to 213 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 87 to 114 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 costs are translated using the exchange rates ruling at the date of the transaction. Non-monetary items that are measured at fair value are translated using the exchange rate at the date of the valuation, with movements due to changes in foreign currency being presented in terms of the accounting policy for changes in the fair value movement of the respective item.

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; or
- 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

Accounting policies

(continued)

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:

- Equipment 10% – 33%
- Furniture and vehicles 10% – 25%
- Freehold buildings 2%
- Leasehold improvements*

* *Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. 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.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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.

On 12 October 2017, the IASB published an amendment to IFRS 9, relating to prepayment features with negative compensation; this amendment is effective from 1 January 2019 with early application permitted, however has yet to be endorsed by the EU. This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided the SPPI (solely payments of principal and interest) criteria in IFRS 9 are otherwise met. In addition the amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The group's loans with such prepayment features are present in some fixed rate loans, and are considered to meet the criteria for amortised cost under IFRS 9. This is because the prepayment features within these loans are consistent with the solely payments of principal and interest criteria if the prepayment feature substantially represents unpaid amounts of principal and interest and reasonable compensation for early termination of the contract.

Transitional impact

IFRS 9 is effective and will be implemented by the group from 1 April 2018. The group will provide its detailed transitional disclosures when it publishes its annual report for the year ended 31 March 2018 on 29 June 2018. The adoption of IFRS 9 has resulted in a decrease in shareholders' equity of £266 million at 1 April 2018.

Investec plc

Balance sheet impairment allowance and provisions

Total balance sheet impairment allowance and provisions increased by £106 million from £158 million as at 31 March 2018 to £264 million as at 1 April 2018. This is driven by an increase in legacy impairments of £58 million and an increase in ongoing impairments of £69 million, partially offset by a reduction of £21 million as a result of changes in classification and measurement of certain of the group's financial assets to fair value. The increase in impairment allowance and provisions reduced Investec plc's common equity tier 1 (CET 1) ratio by approximately 66bps on full adoption of IFRS 9, or approximately 3bps on a day one impact transitional basis.

Changes in classification and measurement of certain financial assets

Changes in classification and measurement to fair value of certain of the group's other financial assets resulted in a decrease to equity of £11 million (post taxation), with a 7bps impact on the CET 1 ratio.

Reclassification of subordinated liabilities to fair value

Following the adoption of IFRS 9 Investec plc has elected to designate its subordinated liabilities to fair value. From this designation, the interest rate portion of the subordinated debt reduced equity by £48 million (post taxation) with an approximate 37bps impact on the day one transitional CET 1 ratio which will come back into retained earnings over the duration of the remaining term of the instrument (maturing February 2022). In addition, an amount of £55 million (post taxation) has been transferred to an own credit reserve which does not have an impact on capital ratios.

Taken together, the adoption of IFRS 9 resulted in a decrease in Investec plc's transitional CET 1 ratio of approximately 47bps from 11.0% to 10.5%, ahead of the Investec group target and in excess of minimum regulatory requirements. Investec plc confirmed to the PRA that it will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations.

Investec Limited

Balance sheet impairment allowance and provisions

Total balance sheet impairment allowance and provisions are increased by R655 million from R1.5 billion as at 31 March 2018 to R2.2 billion as at 1 April 2018. This is driven by an increase in stage 1, stage 2, and stage 3 impairments of R809 million, partially offset by a reduction of R154 million as a result of the changes in classification and measurement of certain of the group's financial assets to fair value. The increase in impairment allowance and provisions reduced the CET 1 ratio by 15bps on a fully loaded basis, or 4bps on a day one impact transitional basis.

Changes in classification and measurement of certain financial assets

In addition, changes in classification and measurement of certain of the group's other financial assets resulted in a decrease to equity of R423 million (post taxation), with a 16bps impact on the CET 1 ratio.

Taken together, the adoption of IFRS 9 resulted in a decrease in Investec Limited's transitional CET 1 ratio of 20bps from 10.2% to 10.0%, in line with the group's target and in excess of minimum regulatory requirements. Investec Limited confirmed to the South African Prudential Authority (previously know as the Banking Supervision Division of the South African Reserve Bank) that it will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations.

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. Although 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 there is no impact to the measurement principles currently applied. The impact of the disclosure requirements of the standard is currently being finalised, however, no significant effect is expected.

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.

IFRS 17 Insurance contracts

IFRS 17 'Insurance contracts' was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The IFRS 17 is effective from 1 January 2021, and the group is considering its impact.

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 51 to 53 in volume two.

- valuation of investment properties is performed twice annually by directors who 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 51 to 53 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

Segmental business analysis – income statement

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
2018					
Net interest income	5 471	10 744	744 183	–	760 398
Net fee and commission income	537 134	382 463	441 610	–	1 361 207
Investment income/(loss)	(15)	10 551	119 512	–	130 048
Share of post taxation profit of associates	–	416	46 407	–	46 823
Trading income/(loss) arising from					
– customer flow	–	537	137 689	–	138 226
– balance sheet management and other trading activities	(5 077)	(150)	920	–	(4 307)
Other operating income	2 165	236	8 714	–	11 115
Total operating income before impairment on loans and advances	**539 678**	**404 797**	**1 499 035**	**–**	**2 443 510**
Impairment losses on loans and advances	–	–	(148 556)	–	(148 556)
Operating income	**539 678**	**404 797**	**1 350 479**	**–**	**2 294 954**
Operating costs	(361 633)	(306 232)	(915 277)	(49 598)	(1 632 740)
Depreciation on operating leased assets	–	–	(2 421)	–	(2 421)
Operating profit/(loss) before goodwill and acquired intangibles	**178 045**	**98 565**	**432 781**	**(49 598)**	**659 793**
Profit attributable to other non-controlling interests	–	–	(52 288)	–	(52 288)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**178 045**	**98 565**	**380 493**	**(49 598)**	**607 505**
Profit attributable to Asset Management non-controlling interests	(23 817)	–	–	–	(23 817)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**154 228**	**98 565**	**380 493**	**(49 598)**	**583 688**
Selected returns and key statistics					
ROE (pre-tax)*	91.0%	38.7%	10.2%	n/a	13.5%
Return on tangible equity (pre-tax)*	167.4%	162.7%	10.3%	n/a	15.3%
Cost to income ratio	67.0%	75.7%	61.2%	n/a	66.9%
Staff compensation to operating income	46.3%	53.7%	45.1%	n/a	47.5%
Operating profit per employee (£'000)	109.7	56.0	58.1	n/a	61.2
Total assets (£'million)	662	1 871	55 084	n/a	57 617

* *Refer to calculation on page 68 in volume one.*

1. Combined consolidated segmental analysis *(continued)*

Segmental business analysis – income statement

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
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 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, 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	46.8%	54.0%	43.9%	n/a	46.1%
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 68 in volume one.*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis *(continued)*			
2018			
Segmental geographic analysis – income statement			
Net interest income	337 580	422 818	760 398
Net fee and commission income	849 934	511 273	1 361 207
Investment income	68 515	61 533	130 048
Share of post taxation profit of associates	1 436	45 387	46 823
Trading income/(loss) arising from			
– customer flow	114 402	23 824	138 226
– balance sheet management and other trading activities	(2 069)	(2 238)	(4 307)
Other operating income	10 421	694	11 115
Total operating income before impairment on loans and advances	**1 380 219**	**1 063 291**	**2 443 510**
Impairment losses on loans and advances	(106 085)	(42 471)	(148 556)
Operating income	**1 274 134**	**1 020 820**	**2 294 954**
Operating costs	(1 074 112)	(558 628)	(1 632 740)
Depreciation on operating leased assets	(2 350)	(71)	(2 421)
Operating profit before goodwill and acquired intangibles	**197 672**	**462 121**	**659 793**
(Profit)/loss attributable to other non-controlling interests	1 684	(53 972)	(52 288)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**199 356**	**408 149**	**607 505**
Profit attributable to Asset Management non-controlling interests	(14 763)	(9 054)	(23 817)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**184 593**	**399 095**	**583 688**
Amortisation of acquired intangibles	(13 273)	(2 982)	(16 255)
Additional costs on acquisition of subsidiary	–	(6 039)	(6 039)
Earnings attributable to shareholders before taxation	**171 320**	**390 074**	**561 394**
Taxation on operating profit before goodwill	(38 509)	(20 590)	(59 099)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	2 418	835	3 253
Earnings attributable to shareholders	**135 229**	**370 319**	**505 548**
Selected returns and key statistics			
ROE (post-tax)*	6.9%	17.2%	12.1%
Return on tangible equity (post-tax)*	8.9%	17.4%	13.7%
Cost to income ratio	78.0%	52.5%	66.9%
Staff compensation to operating income	55.1%	37.6%	47.5%
Operating profit per employee (£'000)	46.2	72.7	61.2
Effective operational tax rate	19.6%	4.9%	9.6%
Total assets (£'million)	20 547	37 070	57 617

* *Refer to calculation on page 67 in volume one.*

Notes to the annual financial statements

(continued)

Financial statements

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis *(continued)*			
2017			
Segmental geographic analysis – income statement			
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 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)
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	54.4%	35.1%	46.1%
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 67 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
2018			
Asset Management	103 918	74 127	178 045
Wealth & Investment	69 269	29 296	98 565
Specialist Banking	59 958	320 535	380 493
	233 145	**423 958**	**657 103**
Group costs	(33 789)	(15 809)	(49 598)
Total group	**199 356**	**408 149**	**607 505**
Other non-controlling interest – equity			52 288
Operating profit			**659 793**
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**

At 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis			
(continued)			
2018			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	3 487 769	552 743	4 040 512
Loans and advances to banks	985 069	1 180 464	2 165 533
Non-sovereign and non-bank cash placements	–	601 243	601 243
Reverse repurchase agreements and cash collateral on securities borrowed	750 428	1 457 049	2 207 477
Sovereign debt securities	1 155 472	3 754 555	4 910 027
Bank debt securities	107 938	479 226	587 164
Other debt securities	278 474	625 129	903 603
Derivative financial instruments	596 506	755 902	1 352 408
Securities arising from trading activities	694 974	739 417	1 434 391
Investment portfolio	477 919	407 580	885 499
Loans and advances to customers	9 687 224	14 985 785	24 673 009
Own originated loans and advances to customers securitised	–	459 088	459 088
Other loans and advances	331 842	15 967	347 809
Other securitised assets	130 388	17 999	148 387
Interests in associated undertakings	77 059	390 793	467 852
Deferred taxation assets	98 156	59 165	157 321
Other assets	1 161 631	714 485	1 876 116
Property and equipment	54 493	178 847	233 340
Investment properties	14 500	1 169 597	1 184 097
Goodwill	356 265	12 538	368 803
Intangible assets	100 585	24 804	125 389
	20 546 692	**28 582 376**	**49 129 068**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	8 487 776	8 487 776
	20 546 692	**37 070 152**	**57 616 844**
Liabilities			
Deposits by banks	1 259 073	1 672 194	2 931 267
Derivative financial instruments	514 499	957 064	1 471 563
Other trading liabilities	103 496	856 670	960 166
Repurchase agreements and cash collateral on securities lent	150 757	505 083	655 840
Customer accounts (deposits)	11 624 157	19 363 016	30 987 173
Debt securities in issue	2 303 027	414 160	2 717 187
Liabilities arising on securitisation of own originated loans and advances	–	136 812	136 812
Liabilities arising on securitisation of other assets	127 853	–	127 853
Current taxation liabilities	152 355	33 131	185 486
Deferred taxation liabilities	21 892	10 266	32 158
Other liabilities	1 270 738	741 530	2 012 268
	17 527 847	**24 689 926**	**42 217 773**
Liabilities to customers under investment contracts	–	8 484 296	8 484 296
Insurance liabilities, including unit-linked liabilities	–	3 480	3 480
	17 527 847	**33 177 702**	**50 705 549**
Subordinated liabilities	579 673	903 314	1 482 987
	18 107 520	**34 081 016**	**52 188 536**

1. Combined consolidated segmental analysis

(continued)

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

Notes to the annual financial statements

(continued)

1. Combined consolidated segmental analysis

(continued)

Segmental business and geographic analysis – income statement

2018

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
Net interest income	242	5 229	5 471	5 181	5 563	10 744
Net fee and commission income	355 230	181 904	537 134	296 907	85 556	382 463
Investment income/(loss)	(47)	32	(15)	10 446	105	10 551
Share of post taxation profit of associates	–	–	–	415	1	416
Trading income/(loss) arising from						
– customer flow	–	–	–	1 032	(495)	537
– balance sheet management and other trading activities	(5 189)	112	(5 077)	(7)	(143)	(150)
Other operating income	2 131	34	2 165	235	1	236
Total operating income before impairment losses on loans and advances	**352 367**	**187 311**	**539 678**	**314 209**	**90 588**	**404 797**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**352 367**	**187 311**	**539 678**	**314 209**	**90 588**	**404 797**
Operating costs	(248 449)	(113 184)	(361 633)	(244 940)	(61 292)	(306 232)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**103 918**	**74 127**	**178 045**	**69 269**	**29 296**	**98 565**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**103 918**	**74 127**	**178 045**	**69 269**	**29 296**	**98 565**
Profit attributable to Asset Management non-controlling interests	(14 763)	(9 054)	(23 817)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**89 155**	**65 073**	**154 228**	**69 269**	**29 296**	**98 565**
Selected returns and key statistics						
Cost to income ratio	70.5%	60.4%	67.0%	78.0%	67.7%	75.7%
Staff compensation to operating income	52.1%	35.4%	46.3%	56.5%	43.8%	53.7%

	Specialist Banking			Group costs			
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
	332 157	412 026	744 183	–	–	–	760 398
	197 797	243 813	441 610	–	–	–	1 361 207
	58 116	61 396	119 512	–	–	–	130 048
	1 021	45 386	46 407	–	–	–	46 823
						–	
	113 370	24 319	137 689	–	–	–	138 226
	3 127	(2 207)	920	–	–	–	(4 307)
	8 055	659	8 714	–	–	–	11 115
	713 643	**785 392**	**1 499 035**	**–**	**–**	**–**	**2 443 510**
	(106 085)	(42 471)	(148 556)	–	–	–	(148 556)
	607 558	**742 921**	**1 350 479**	**–**	**–**	**–**	**2 294 954**
	(546 934)	(368 343)	(915 277)	(33 789)	(15 809)	(49 598)	(1 632 740)
	(2 350)	(71)	(2 421)	–	–	–	(2 421)
	58 274	**374 507**	**432 781**	**(33 789)**	**(15 809)**	**(49 598)**	**659 793**
	1 684	(53 972)	(52 288)	–	–	–	(52 288)
	59 958	**320 535**	**380 493**	**(33 789)**	**(15 809)**	**(49 598)**	**607 505**
	–	–	–	–	–	–	(23 817)
	59 958	**320 535**	**380 493**	**(33 789)**	**(15 809)**	**(49 598)**	**583 688**
	76.9%	46.9%	61.2%	n/a	n/a	n/a	66.9%
	53.7%	37.4%	45.1%	n/a	n/a	n/a	47.5%

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 taxation 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	53.4%	35.1%	46.8%	56.6%	45.5%	54.0%

	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%
	54.0%	33.9%	43.9%	n/a	n/a	n/a	46.1%

2. Net interest income

For the year to 31 March 2018 £'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	6 486 676	26 413	8 025 280	425 715	14 511 956	452 128
Core loans and advances	2	9 687 224	518 070	15 444 873	1 366 945	25 132 097	1 885 015
Private client		3 785 828	161 107	10 426 762	916 099	14 212 590	1 077 206
Corporate, institutional and other clients		5 901 396	356 963	5 018 111	450 846	10 919 507	807 809
Other debt securities and other loans and advances		610 316	54 927	641 096	43 794	1 251 412	98 721
Other interest-earning assets	3	–	–	17 999	55 145	17 999	55 145
Total interest earning assets		**16 784 216**	**599 410**	**24 129 248**	**1 891 599**	**40 913 464**	**2 491 009**

For the year to 31 March 2018 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt related securities	4	3 712 857	(92 513)	2 591 437	(123 500)	6 304 294	(216 013)
Customer accounts		11 624 157	(113 972)	19 363 016	(1 247 509)	30 987 173	(1 361 481)
Other interest-bearing liabilities	5	–	–	136 812	(24 389)	136 812	(24 389)
Subordinated liabilities		579 673	(55 345)	903 314	(73 383)	1 482 987	(128 728)
Total interest-bearing liabilities		**15 916 687**	**(261 830)**	**22 994 579**	**(1 468 781)**	**38 911 266**	**(1 730 611)**
Net interest income			**337 580**		**422 818**		**760 398**
Net interest margin (local currency)			**2.11%**		**1.84%****		

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.*

** *Impacted by debt funding issued by the Investec Property Fund in which the group has a 26.75% interest. Excluding this debt funding cost the net interest margin amounted to 1.99% (2017: 1.99%).*

2. Net interest income

(continued)

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; 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.*

3. Net fee and commission income

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2018			
Asset management and wealth management businesses net fee and commission income	**652 137**	**267 460**	**919 597**
Fund management fees/fees for assets under management	743 670	232 550	976 220
Private client transactional fees	54 629	42 348	96 977
Fee and commission expense	(146 162)	(7 438)	(153 600)
Specialist Banking net fee and commission income	**197 797**	**243 813**	**441 610**
Corporate and institutional transactional and advisory services	192 579	216 216	408 795
Private client transactional fees	14 757	46 698	61 455
Fee and commission expense	(9 539)	(19 101)	(28 640)
Net fee and commission income	**849 934**	**511 273**	**1 361 207**
Annuity fees (net of fees payable)	662 924	439 834	1 102 758
Deal fees	187 010	71 439	258 449
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

Trust and fiduciary fees amounted to £0.3 million (2017: £0.3 million) and are included in Private client transaction fees.

4. Investment income

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2018			
Realised	43 504	62 120	105 624
Unrealised^	6 435	(15 769)	(9 334)
Dividend income	10 171	18 107	28 278
Funding and other net related income/(costs)	8 405	(2 925)	5 480
Investment income	**68 515**	**61 533**	**130 048**
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**

^ *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
2018					
UK and Other					
Realised	38 516	5 779	(86)	(705)	43 504
Unrealised^	13 419	2 730	–	(9 714)	6 435
Dividend income	10 171	–	–	–	10 171
Funding and other net related income	–	–	–	8 405	8 405
	62 106	**8 509**	**(86)**	**(2 014)**	**68 515**
Southern Africa					
Realised	41 070	7 338	12 580	1 132	62 120
Unrealised^	(42 529)	–	26 919	(159)	(15 769)
Dividend income	17 986	–	–	121	18 107
Funding and other net related (costs)/income	(4 695)	–	–	1 770	(2 925)
	11 832	**7 338**	**39 499**	**2 864**	**61 533**
Total investment income	**73 938**	**15 847**	**39 413**	**850**	**130 048**
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**

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

For the year to 31 March £'000	2018	2017
5. Other operating income		
Rental income from properties	1 746	3 732
Income from government grants	2 997	–
Gains on realisation of properties	412	337
Unrealised gains on other investments	3 264	6 940
Income from operating leases	2 696	2 474
	11 115	**13 483**

For the year to 31 March £'000	2018	2017
6. Operating costs		
Staff compensation costs	1 160 300	1 054 998
– Salaries and wages (including directors' remuneration)	985 056	900 099
– Share-based payment expense	74 761	61 836
– Social security costs	53 629	51 382
– Pensions and provident fund contributions	46 854	41 681
– Training and other costs	31 391	24 703
Staff costs	1 191 691	1 079 701
Premises expenses (excluding depreciation)	59 442	80 083
Equipment expenses (excluding depreciation)	93 928	82 928
Business expenses*	190 385	177 057
Marketing expenses	70 911	70 625
Depreciation, amortisation and impairment on property, equipment and intangibles	26 383	22 837
	1 632 740	1 513 231
Depreciation on operating leased assets	2 421	2 169
	1 635 161	**1 515 400**
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	899	601
Fees payable to the companies' auditors and its associates for other services:		
– Audit of the companies subsidiaries pursuant to legislation	6 591	4 409
– Audit related assurance services	820	670
– Tax compliance services	90	400
– Tax advisory services	240	210
– Service related to corporate finance transactions	–	760
– Service related to information technology	60	–
– Other assurance services	240	80
	8 940	**7 130**
KPMG fees		
Fees payable to the companies' auditors for the audit of the companies' accounts	–	–
Fees payable to the companies' auditors and its associates for other services:		
– Audit of the companies subsidiaries pursuant to legislation	3 500	2 160
– Audit related assurance services	186	450
– Tax compliance services	737	130
– Services related to corporate finance transactions	–	180
– Services related to other regulatory services	80	–
– Other assurance services	130	–
	4 633	**2 920**
Total	**13 573**	**10 050**

The increase in audit fees during 2018 relates to IFRS 9 and inflationary adjustments.

* *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 204 to 213 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 page 237 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					
2018					
Equity-settled	2 036	8 451	56 340	7 934	74 761
Total income statement charge	**2 036**	**8 451**	**56 340**	**7 934**	**74 761**
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**

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 £8.3 million (2017: £nil).

For the year to 31 March £'000	2018	2017
Weighted average fair value of options granted in the year		
UK schemes	42 444	29 213
South African schemes	39 734	31 806

	UK schemes				South African schemes			
	2018		2017		2018		2017	
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	25 991 607	0.06	28 760 479	0.07	35 944 931	–	37 773 545	–
Granted during the year	7 684 921	0.07	6 501 494	0.01	7 087 012	–	6 527 507	–
Exercised during the year^	(10 566 097)	0.04	(8 239 897)	0.03	(14 784 164)	–	(7 328 694)	–
Expired during the year	–	–	–	–	(1 431 562)	–	(1 027 427)	–
Options forfeited during the year	(644 643)	0.22	(1 030 469)	0.30	–	–	–	–
Outstanding at the end of the year	**22 465 788**	**0.07**	**25 991 607**	**0.06**	**26 816 217**	**–**	**35 944 931**	**–**
Vested and exercisable at the end of the year	**160 252**	**–**	**12 250**	**–**	**359 963**	**–**	**9 413**	**–**

^ *The weighted average share price for options exercised during the year was £5.64 (2017: £5.09) for the UK schemes and R96.49 (2017: R94.43) for the South African schemes.*

	UK schemes		South African schemes	
Additional information relating to options	**2018**	**2017**	**2018**	**2017**

7. Share-based payments

(continued)

	UK schemes 2018	UK schemes 2017	South African schemes 2018	South African schemes 2017
Additional information relating to options				
Options with strike prices				
Exercise price range	£4.31 – £6.00	£3.29 – £6.00	n/a	n/a
Weighted average remaining contractual life	1.75 years	1.72 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	1.94 years	1.72 years	1.84 years	1.76 Years
Weighted average fair value of options and long-term grants at measurement date	£5.52	£4.49	R96.61	R98.30
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	£5.03– £5.87	£4.36 – £5.20	R94.94 – R97.45	R89.97 – R105.30
– Exercise price	£nil, £5.03 – £5.87	£nil, £4.36 – £5.20	Rnil	Rnil
– Expected volatility	27.44% – 28.54%	30%	n/a	n/a
– Option life	1.5 years – 7 years	2.5 – 5 years	4.75 years	4.5 – 5 years
– Expected dividend yields	5.59% – 6.56%	5.90% – 6.75%	n/a	n/a
– Risk-free rate	0.62% – 0.99%	0.82% – 1.44%	n/a	n/a

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	2018	2017
8. Taxation		
Income statement tax charge		
Current taxation		
UK		
– in respect of current year	38 255	49 387
– in respect of prior year adjustments	5 048	(5 238)
Corporation tax before double tax relief	43 303	44 149
– Double taxation relief	(213)	(308)
	43 090	**43 841**
Southern Africa		
– in respect of current year	83 380	115 525
– release of tax provisions no longer required	(43 292)	–
– in respect of prior year adjustments	–	(6 844)
	40 088	**108 681**
Europe	2 750	2 474
Australia	1 274	976
Other	1 408	932
Withholding tax on companies	1 926	826
Total current taxation	**90 536**	**157 730**
Deferred taxation		
UK	(12 165)	(14 597)
Southern Africa	(22 259)	(30 928)
Europe	359	263
Australia	(12)	(11)
Other	(613)	1 961
Total deferred taxation	**(34 690)**	**(43 312)**
Total taxation charge for the year	**55 846**	**114 418**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	59 099	118 488
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(3 253)	(4 070)
	55 846	**114 418**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(35 218)	(42 192)
Changes in tax rates	4 448	(971)
Adjustment in respect of prior years	(3 920)	(149)
	(34 690)	**(43 312)**

For the year to 31 March £'000	2018	2017
8. Taxation *(continued)*		
The rates of corporation tax for the relevant years are:	%	%
UK	19	20
South Africa	28	28
Europe (average)	10	10
Australia	30	30
Profit before taxation	**637 499**	**637 414**
Taxation on profit before taxation	**55 846**	**114 418**
Effective taxation rate (%)	**8.76**	**17.95**
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 19% (2017: 20%)	121 125	127 483
Taxation adjustments relating to foreign earnings	(69 383)	(7 731)
Goodwill and non-operating items	156	767
Taxation relating to prior years	1 127	(5 387)
Share options accounting expense	252	(171)
Non-taxable income	(1 386)	(2 054)
Net other permanent differences	5 583	20 526
Unrealised capital losses	–	(5 402)
Change in tax rate	4 448	(971)
Capital gains – non-taxable/covered by losses	(1 564)	–
Movement in unrecognised trading losses	(4 512)	(12 642)
Total taxation charge as per income statement	**55 846**	**114 418**
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	**(5 746)**	**53 324**
Pre-taxation	(14 421)	72 072
Taxation effect	8 675	(18 748)
Gains on realisation of available-for-sale assets recycled through the income statement	**(6 676)**	**(7 781)**
Pre-taxation	(7 640)	(4 627)
Taxation effect	964	(3 154)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	**20 051**	**54 863**
Pre-taxation	17 452	59 924
Taxation effect	2 599	(5 061)
Re-measurement of net defined benefit pension asset	**3 938**	**(43 580)**
Pre-taxation	4 897	(53 575)
Taxation effect	(959)	9 995
Statement of changes in equity taxation effects		
Share-based payment adjustment	**69 218**	**55 961**
Pre-taxation IFRS 2 option reserve	67 674	55 892
Taxation effect	1 544	69
Additional Tier 1 Capital	**(5 709)**	**–**
Pre-taxation	(7 048)	–
Taxation effect	1 339	–

9. Earnings per share

	31 March 2018	31 March 2017
Earnings	**£'000**	**£'000**
Earnings attributable to shareholders	505 548	442 466
Preference dividends paid	(32 980)	(25 658)
Gain on redemption of preference shares	–	40 427
Earnings and diluted earnings attributable to ordinary shareholders	**472 568**	**457 235**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	973 676 967	947 161 346
Weighted average number of treasury shares	(50 193 338)	(46 715 508)
Weighted average number of shares in issue during the year	923 483 629	900 445 838
Weighted average number of shares resulting from future dilutive potential-shares	25 800 034	36 895 311
Adjusted weighted number of shares potentially in issue	**949 283 663**	**937 341 149**
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.	**51.2**	**50.8**
Diluted earnings per share – pence Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.	**49.8**	**48.8**
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.	**53.2**	**48.3**
	£'000	**£'000**
Earnings attributable to shareholders	505 548	442 466
Impairment of goodwill	–	4 749
Amortisation of acquired intangibles	16 255	17 197
Additional costs on acquisition of subsidiary	6 039	–
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(3 253)	(4 070)
Preference dividends paid	(32 980)	(25 658)
Accrual adjustment on earnings attributable to other equity holders*	(547)	(180)
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**491 062**	**434 504**

* *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 2018	31 March 2017
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	**48.7**	**48.2**
	£'000	**£'000**
Earnings attributable to shareholders	505 548	442 466
Impairment of goodwill	–	4 749
Preference dividends paid	(32 980)	(25 658)
Gain on redemption of preference shares	–	40 427
Property revaluation, net of taxation and non-controlling interests**	(15 409)	(21 777)
Gains on available-for-sale instruments recycled through the income statement**	(6 676)	(7 781)
Loss on non-current assets held for sale**	–	1 999
Profit on realisation of associate	(836)	–
Headline earnings attributable to ordinary shareholders**	**449 647**	**434 425**

** *Taxation on headline earnings adjustments amounted to £5.3 million (2017: £7.4 million) with an impact of £20.9 million (2017: £26.6 million) on earnings attributable to non-controlling interests.*

	2018		2017	
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	13.0	123 230	11.5	123 341
Interim dividend for current year	10.5	104 678	10.0	93 261
Total dividend attributable to ordinary shareholders recognised in current financial year	**23.5**	**227 908**	**21.5**	**216 602**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2018 of 13.5 pence per ordinary share (31 March 2017: 13.0 pence).
This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 232 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 13.5 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 6.5 pence per ordinary share and through a dividend payment by Investec Limited on the SA DAS share of 7.0 pence per ordinary share.

The final dividend to shareholders registered on 27 July 2018 is subject to the approval of the members of Investec plc and Investec Limited at the annual general meeting which is scheduled to take place on 8 August 2018 and, if approved, will be paid on 13 August 2018.

For the year to 31 March £'000	2018	2017
10. Dividends *(continued)*		
Perpetual preference dividend		
Final dividend for prior year	12 246	10 403
Interim dividend for current year	11 399	11 769
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**23 645**	**22 172**

* *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 2018 of 7.26027 pence (Investec plc shares traded on the JSE Limited) and 7.26027 pence (Investec plc shares traded on the International Stock Exchange), 485.34589 cents (Investec plc Rand-denominated shares), 397.31947 cents (Investec Limited) and 425.72498 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, 8 June 2018.

Dividends attributable to Additional Tier 1 securities in issue	**9 335**	**3 486**

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.

The £250 000 000 Other Additional Tier 1 fixed rate securities pay a distribution at a rate of 6.75% as set out in note 46.

Total perpetual preference dividends and Other Additional Tier 1 securities distributions	**32 980**	**25 658**

For the year to 31 March £'000	2018	2017
11. Operating lease disclosures		
Operating lease expenses recognised in operating costs:		
Minimum lease payments	39 560	48 257
Sublease payments	(2 586)	(3 070)
	36 974	**45 187**
Operating lease income recognised in income:		
Minimum lease payments	102 946	93 208
	102 946	**93 208**
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	83 489	84 403
One to five years	200 116	200 584
Greater than five years	55 558	59 830
	339 163	**344 817**

The group 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.

Refer to note 50 for detail on operating lease commitments.

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

For the year to 31 March £'000	At fair value through profit or loss – Trading	At fair value through profit or loss – Designated at inception
2018		
Net interest income	30 189	190 868
Fee and commission income	85 035	6 617
Fee and commission expense	–	(41)
Investment income	20 287	69 152
Share of post taxation profit of associates	–	–
Trading income arising from		
– customer flow	129 015	491
– balance sheet management and other trading activities	21 564	(11 884)
Other operating income	–	6 062
Total operating income before impairment losses on loans and advances	**286 090**	**261 265**
Impairment losses on loans and advances	–	–
Operating income	**286 090**	**261 265**
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 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**

	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	7 489	2 001 487	112 438	(1 582 043)	(30)	–	**760 398**
	–	135 651	–	6 341	115 757	1 194 046	**1 543 447**
	–	(5 335)	–	(3 716)	(4 327)	(168 821)	**(182 240)**
	–	(918)	9 046	–	32 481	–	**130 048**
	–	–	–	–	46 823	–	**46 823**
	–	(275)	–	8 995	–	–	**138 226**
	–	(9 534)	(63)	(1 322)	(3 068)	–	**(4 307)**
	–	–	–	–	5 053	–	**11 115**
	7 489	**2 121 076**	**121 421**	**(1 571 745)**	**192 689**	1 025 225	**2 443 510**
	–	(148 556)	–	–	–	–	**(148 556)**
	7 489	**1 972 520**	**121 421**	**(1 571 745)**	**192 689**	**1 025 225**	**2 294 954**
	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**

Notes to the annual financial statements

(continued)

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

At 31 March £'000	At fair value through profit or loss Trading	 Designated at inception	Available-for-sale	Total instruments at fair value
2018				
Assets				
Cash and balances at central banks	7 784	–	–	7 784
Loans and advances to banks	–	236 077	–	236 077
Non-sovereign and non-bank cash placements	34 544	–	–	34 544
Reverse repurchase agreements and cash collateral on securities borrowed	787 905	–	–	787 905
Sovereign debt securities	165 090	2 469 826	2 066 727	4 701 643
Bank debt securities	–	–	369 172	369 172
Other debt securities	–	63 400	566 880	630 280
Derivative financial instruments*	1 352 408	–	–	1 352 408
Securities arising from trading activities	983 751	450 640	–	1 434 391
Investment portfolio	–	849 490	36 009	885 499
Loans and advances to customers	–	1 171 628	–	1 171 628
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	130 388	–	130 388
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	114 211	76 529	–	190 740
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	3 445 693	**5 447 978**	**3 038 788**	**11 932 459**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 445 693	**5 447 978**	**3 038 788**	**11 932 459**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 471 563	–	–	1 471 563
Other trading liabilities	960 166	–	–	960 166
Repurchase agreements and cash collateral on securities lent	90 049	–	–	90 049
Customer accounts (deposits)	–	2 375 704	–	2 375 704
Debt securities in issue	–	471 886	–	471 886
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	127 853	–	127 853
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	17 533	–		17 533
	2 539 311	**2 975 443**	**–**	**5 514 754**
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 539 311	**2 975 443**	**–**	**5 514 754**
Subordinated liabilities	–	–	–	–
	2 539 311	**2 975 443**	**–**	**5 514 754**

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

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

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance related linked instruments at fair value	Non-financial instruments or scoped out of IAS 39	Total
–	4 032 728	–	4 032 728	–	–	4 040 512
–	1 929 456	–	1 929 456	–	–	2 165 533
–	566 699	–	566 699	–	–	601 243
–	1 419 572	–	1 419 572	–	–	2 207 477
208 384	–	–	208 384	–	–	4 910 027
80 199	137 793	–	217 992	–	–	587 164
5 055	268 268	–	273 323	–	–	903 603
–	–	–	–	–	–	1 352 408
–	–	–	–	–	–	1 434 391
–	–	–	–	–	–	885 499
–	23 501 381	–	23 501 381	–	–	24 673 009
–	459 088	–	459 088	–	–	459 088
–	347 809	–	347 809	–	–	347 809
–	17 999	–	17 999	–	–	148 387
–	11 371	–	11 371	–	456 481	467 852
–	–	–	–	–	157 321	157 321
–	1 239 331	–	1 239 331	–	446 045	1 876 116
–	–	–	–	–	233 340	233 340
–	–	–	–	–	1 184 097	1 184 097
–	–	–	–	–	368 803	368 803
–	–	–	–	–	125 389	125 389
293 638	**33 931 495**	**–**	**34 225 133**	**–**	**2 971 476**	**49 129 068**
–	–	–	–	8 487 776	–	8 487 776
293 638	**33 931 495**	**–**	**34 225 133**	**8 487 776**	**2 971 476**	**57 616 844**
–	–	2 931 267	2 931 267	–	–	2 931 267
–	–	–	–	–	–	1 471 563
–	–	–	–	–	–	960 166
–	–	565 791	565 791	–	–	655 840
–	–	28 611 469	28 611 469	–	–	30 987 173
–	–	2 245 301	2 245 301	–	–	2 717 187
–	–	136 812	136 812	–	–	136 812
–	–	–	–	–	–	127 853
–	–	–	–	–	185 486	185 486
–	–	–	–	–	32 158	32 158
		1 245 016	1 245 016		749 719	2 012 268
–	**–**	**35 735 656**	**35 735 656**	**–**	**967 363**	**42 217 773**
–	–	–	–	8 484 296	–	8 484 296
–	–	–	–	3 480	–	3 480
–	**–**	**35 735 656**	**35 735 656**	**8 487 776**	**967 363**	**50 705 549**
–	–	1 482 987	1 482 987	–	–	1 482 987
–	**–**	**37 218 643**	**37 218 643**	**8 487 776**	**967 363**	**52 188 536**

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 £nil million (2017: £9.2 million) and the fair value is £nil million (2017: £3.5 million).

Notes to the annual financial statements

(continued)

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
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 entered into negotiations to dispose of this interest in the 2017 year.*

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**

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**
2018				
Assets				
Cash and balances at central banks	7 784	7 784	–	–
Loans and advances to banks	236 077	236 077	–	–
Non-sovereign and non-bank cash placements	34 544	–	34 544	–
Reverse repurchase agreements and cash collateral on securities borrowed	787 905	196 170	591 735	–
Sovereign debt securities	4 701 643	4 701 643	–	–
Bank debt securities	369 172	293 830	75 342	–
Other debt securities	630 280	256 255	357 256	16 769
Derivative financial instruments	1 352 408	–	1 308 208	44 200
Securities arising from trading activities	1 434 391	1 405 197	22 440	6 754
Investment portfolio	885 499	190 395	107 285	587 819
Loans and advances to customers	1 171 628	–	1 037 888	133 740
Other securitised assets	130 388	–	–	130 388
Other assets	190 740	190 740	–	–
	11 932 459	**7 478 091**	**3 534 698**	**919 670**
Liabilities				
Derivative financial instruments	1 471 563	–	1 470 121	1 442
Other trading liabilities	960 166	863 123	97 043	–
Repurchase agreements and cash collateral on securities lent	90 049	–	90 049	–
Customer accounts (deposits)	2 375 704	–	2 375 704	–
Debt securities in issue	471 886	–	457 687	14 199
Liabilities arising on securitisation of other assets	127 853	–	–	127 853
Other liabilities	17 533	–	17 533	–
	5 514 754	**863 123**	**4 508 137**	**143 494**
Net financial assets/(liabilities) at fair value	**6 417 705**	**6 614 968**	**(973 439)**	**776 176**

14. Financial instruments at fair value

(continued)

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

Transfers between level 1 and level 2

The were no transfers between level 1 and level 2 in the current and prior 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 2018 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, Black-Scholes	Yield curves Volatilities
Bank debt securities	Discounted cash flow model	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 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**
Total gains or losses	52 226
– In the income statement	49 490
– In the statement of comprehensive income	2 736
Purchases	208 531
Sales	(144 027)
Settlements	(13 790)
Transfers into level 3	7 165
Transfers out of level 3	(73 192)
Foreign exchange adjustments	(31 423)
Balance at 31 March 2018	**776 176**

During the year, £55.3 million has been transferred to level 2 due to an observable input becoming available to the valuation model.

In addition £17.9 million has been transferred to level 2 due to valuation methodologies being reviewed and observable inputs being used to determine the fair value.

£7.1 million has been transferred into level 3 due to inputs to valuation methods becoming unobservable.

For the year ended 31 March 2017, a level 3 investment of £16.3 million had 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.

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
2018			
Total gains or (losses) included in the income statement for the year			
Net interest income	1 613	1 613	–
Fee and commission income	93	–	93
Investment income	49 759	54 119	(4 360)
Trading loss arising from customer flow	(3 598)	(488)	(3 110)
Trading income arising from balance sheet management and other trading activities	1 623	40	1 583
	49 490	**55 284**	**(5 794)**
Total gains or (losses) recognised in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement	8 092	8 092	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	2 736	–	2 736
	10 828	**8 092**	**2 736**
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) recognised in other comprehensive income for the year			
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)**

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 2018	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	16 769	Potential impact on income statement		729	(840)
		Cash flow adjustments	CPR 8.3% – 10%	254	(363)
		EBITDA	(5%)/5%	327	(327)
		Other^	^	148	(150)
Derivative financial instruments	44 200	Potential impact on income statement		6 507	(8 729)
		Volatilities	4% – 9%	356	(356)
		Cash flow adjustments	CPR 8% – 10%	154	(140)
		EBITDA	(10%)/10%	131	(131)
		WACC	19.5% – 48.5%	4 049	(5 750)
		Other^	^	1 817	(2 352)
Securities arising from trading activities	6 754	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	1 180	(1 080)
Investment portfolio	587 819	Potential impact on income statement		125 231	(138 497)
		Price earnings multiple	5.0 x – 10 x	6 159	(6 120)
		EBITDA	**	50 197	(43 893)
		Precious and industrial metals prices	(10%)/6%	2 420	(4 081)
		Property prices	(10%)/10%	2 046	(2 046)
		WACC	19.5% – 48.5%	12 799	(23 769)
		Cash flows	*	2 301	(2 483)
		Other^	^	49 309	(56 105)
		Potential impact on other comprehensive income		2 138	(2 113)
		Price earnings multiple	4.0 x – 5.5 x	175	(246)
		Other^	^	1 963	(1 867)
Loans and advances to customers	133 740	Potential impact on income statement		15 490	(16 771)
		EBITDA	10%	10 349	(10 349)
		Other^	^	5 141	(6 422)
Other securitised assets*	130 388	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	875	(733)
Total level 3 assets	**919 670**			**152 150**	**(168 763)**
Liabilities					
Derivative financial instruments	(1 442)	Potential impact on income statement		(110)	122
		Cash flow adjustments	CPR 10%	(107)	119
		Volatilities	8%	(3)	3
Debt securities in issue	(14 199)	Potential impact on income statement			
		Volatilities	6%	(157)	157
Liabilities arising on securitisation of other assets*	(127 853)	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	(236)	231
Total level 3 liabilities	**(143 494)**			**(503)**	**510**
Net level 3 assets	**776 176**				

* *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, other equity investments 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 and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*

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

At 31 March 2017	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	6 431	Potential impact on income statement			
		Price earnings multiple	(10%)/10%	965	(129)
Derivative financial instruments	59 097	Potential impact 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	9 071	Potential impact on income statement			
		Cash flow adjustments	CPR 9%	1 290	(1 074)
Investment portfolio	586 327	Potential impact 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)
		Potential impact 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	Potential impact on income statement		9 825	(9 716)
		EBITDA	10%	5 681	(5 681)
		Other^	^	4 144	(4 035)
Other securitised assets*	138 628	Potential impact on income statement			
		Cash flow adjustments	CPR 6.25%	48	(38)
Non current assets held for sale	27 218	Potential impact on income statement			
		Price earnings multiple	(10%)/10%	3 876	(3 459)
Total level 3 assets	**913 254**			**110 743**	**(98 291)**
Liabilities					
Derivative financial instruments	1 048	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	(794)	983
Debt securities in issue	12 682	Potential impact on income statement			
		Volatilities	7%	(608)	401
Liabilities arising on securitisation of other assets*	128 838	Potential impact on income statement			
		Cash flow adjustments	CPR 6.25%	(847)	931
Total level 3 liabilities	**142 568**			**(2 249)**	**2 315**
Net level 3 assets	**770 686**				

* *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)*

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 (including WACC) are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future 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.

Property value and precious and industrial metals

The property value and the price of precious and industrial metals in a key driver of future cash flows on these investments.

15. Fair value of financial instruments at amortised cost

The following table sets out the fair value of financial instruments held at amortised cost when the carrying value is not a reasonable approximation of fair value:

			Fair value category		
At 31 March £'000	Carrying amount	Fair value	Level 1	Level 2	Level 3
2018					
Assets					
Loans and advances to banks	1 929 456	1 929 497	1 537 083	383 186	9 228
Reverse repurchase agreements and cash collateral on securities borrowed	1 419 572	1 419 659	634 367	785 292	–
Sovereign debt securities	208 384	208 034	208 034	–	–
Bank debt securities	217 992	229 095	103 424	125 671	–
Other debt securities	273 323	270 801	28 468	125 466	116 867
Loans and advances to customers	23 501 381	23 496 971	391 526	13 396 602	9 708 843
Other loans and advances	347 809	344 894	–	220 288	124 606
Other assets	1 239 331	1 235 276	733 526	298 342	203 408
Liabilities					
Deposits by banks	2 931 267	2 937 012	335 931	2 601 081	–
Repurchase agreements and cash collateral on securities lent	565 791	565 629	361 965	203 664	–
Customer accounts (deposits)	28 611 469	28 646 834	13 883 362	14 763 472	–
Debt securities in issue	2 245 301	2 334 351	612 346	1 717 769	4 236
Other liabilities	1 245 016	1 240 548	872 348	303 960	64 240
Subordinated liabilities	1 482 987	1 696 778	1 696 739	39	–
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	1 575 575	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)*

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:

Loans and advances to banks	Calculation of the present value of future cash flows, discounted as appropriate.
Reverse repurchase agreements and cash collateral on securities borrowed	Calculation of the present value of future cash flows, discounted as appropriate.
Bank debt securities	Valued using a cash flow model of the bonds, discounted by an observable market credit curve.
Other debt securities	Priced with reference to similar trades in an observable market as well as calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
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						
2018						
Loans and advances to customers	1 171 628	16 371	(4 781)	–	–	1 155 994
Other securitised assets	130 388	7 468	(9 220)	7 468	(9 220)	130 388
	1 302 016	**23 839**	**(14 001)**	**7 468**	**(9 220)**	**1 286 382**
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**

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						
2018						
Customer accounts (deposits)	2 375 704	2 360 648	9 713	15 068	–	–
Debt securities in issue	471 886	492 533	6 479	23 278	3 130	6 176
Liabilities arising on securitisation of other assets	127 853	130 870	(6 791)	3 818	(7 722)	3 014
	2 975 443	**2 984 051**	**9 401**	**42 164**	**(4 592)**	**9 190**
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**

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	2018	2017
17. Cash and balances at central banks		
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	540 847	487 172
United Kingdom	3 389 267	2 797 953
Europe (excluding UK)	98 503	55 618
Other	11 895	10 959
	4 040 512	**3 351 702**

As at 31 March £'000	2018	2017
18. Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	612 693	960 599
United Kingdom	711 081	812 957
Europe (excluding UK)	357 730	531 617
Australia	93 711	67 091
Asia	66 098	115 297
United States of America	257 999	522 457
Other	66 221	181 023
	2 165 533	**3 191 041**

As at 31 March £'000	2018	2017
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	1 572 627	1 728 937
Cash collateral on securities borrowed	634 850	630 033
	2 207 477	**2 358 970**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. £190.2 million (2017: £689.8 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	539 969	543 772
Cash collateral on securities lent	115 871	146 843
	655 840	**690 615**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £628.2 million (2017: £536.6 million). They are pledged as security for the term of the underlying repurchase agreement.

As at 31 March £'000	2018	2017
20. Sovereign debt securities		
Bonds	1 034 188	1 037 799
Government securities	297 856	191 480
Treasury bills	3 577 983	2 575 348
	4 910 027	**3 804 627**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	3 754 555	2 825 481
United Kingdom	885 716	613 605
Europe (excluding UK)*	22 445	12 127
United States of America	247 311	327 170
Other	–	26 244
Total	**4 910 027**	**3 804 627**

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

As at 31 March £'000	2018	2017
21. Bank debt securities		
Bonds	401 950	358 908
Floating rate notes	155 360	250 123
Asset-based securities	29 854	30 158
	587 164	**639 189**
The country risk of the bank debt securities lies in the following geographies:		
South Africa	286 961	259 021
United Kingdom	182 111	208 882
Europe (excluding UK)	50 132	98 994
United States of America	61 541	62 947
Other	6 419	9 345
Total	**587 164**	**639 189**

As at 31 March £'000	2018	2017
22. Other debt securities		
Bonds	595 435	805 545
Commercial paper	–	24 531
Floating rate notes	168 485	151 043
Liquid asset bills	–	17 770
Asset-based securities	137 515	109 164
Other investments	2 168	7 505
	903 603	**1 115 558**
The country risk of other debt securities lies in the following geographies:		
South Africa	319 420	404 126
United Kingdom	75 976	189 386
Europe (excluding UK)	345 433	328 825
Australia	8 699	11 789
United States of America	37 642	94 024
Other	116 433	87 408
	903 603	**1 115 558**

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.

	2018			2017		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	**Notional principal amounts**	**Positive fair value**	**Negative fair value**
Foreign exchange derivatives						
Forward foreign exchange contracts	20 660 781	378 011	256 556	18 610 552	297 618	246 584
Currency swaps	2 969 822	152 162	198 904	1 613 133	219 907	341 284
OTC options bought and sold	3 836 718	110 655	91 644	14 323 079	87 271	54 704
Other foreign exchange contracts	112	22	24	57	208	189
OTC derivatives	**27 467 433**	**640 850**	**547 128**	**34 546 821**	**605 004**	**642 761**
Interest rate derivatives						
Caps and floors	6 472 519	18 276	5 534	5 898 931	27 422	11 025
Swaps	37 378 697	239 592	299 246	30 156 329	209 890	258 866
Forward rate agreements	96 267	3 150	861	77 522	944	1 163
OTC options bought and sold	63 104	2 079	1 851	^	1 415	1 399
Other interest rate contracts	397 361	13	23 836	373 614	26 905	2 040
OTC derivatives	**44 407 948**	**263 110**	**331 328**	**36 506 396**	**266 576**	**274 493**
Exchange traded futures	17 409	–	4	–	–	–
	44 425 357	**263 110**	**331 332**	**36 506 396**	**266 576**	**274 493**
Equity and stock index derivatives						
OTC options bought and sold	9 205 748	413 132	304 067	21 144 620	256 441	260 862
Equity swaps and forwards	3 700 016	63 107	86 918	2 004 532	20 695	57 279
OTC derivatives	12 905 764	476 239	390 985	23 149 152	277 136	318 141
Exchange traded futures	357 508	(1 391)	–	277 250	107	–
Exchange traded options	7 481 444	(68)	56 322	7 208 932	3 440	–
Warrants	136 338	–	355 255	184 179	479	305 526
	20 881 054	**474 780**	**802 562**	**30 819 513**	**281 162**	**623 667**
Commodity derivatives						
OTC options bought and sold	32 411	4 228	1 976	39 026	518	477
Commodity swaps and forwards	1 139 019	50 738	40 150	652 431	23 353	14 905
OTC derivatives	**1 171 430**	**54 966**	**42 126**	**691 457**	**23 871**	**15 382**
Credit derivatives	**1 607 611**	**15 195**	**23 878**	**1 195 882**	**16 673**	**17 479**
Embedded derivatives*		**34 400**			**30 886**	
Cash collateral		**(130 893)**	**(275 463)**		**(38 324)**	**(277 576)**
Derivatives per balance sheet		**1 352 408**	**1 471 563**		**1 185 848**	**1 296 206**

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

^ *Less than £1 000.*

As at 31 March £'000	2018	2017
24. Securities arising from trading activities		
Bonds	186 168	233 758
Floating rate notes	–	377
Government securities	346 206	130 714
Listed equities	896 983	1 006 080
Unlisted equities	5 034	5 739
	1 434 391	**1 376 668**

As at 31 March £'000	2018	2017
25. Investment portfolio		
Listed equities	231 593	237 369
Unlisted equities*	653 906	598 530
	885 499	**835 899**

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

As at 31 March £'000	2018	2017
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	24 910 776	22 388 641
Impairments of loans and advances to customers	(237 767)	(198 666)
Net loans and advances to customers	**24 673 009**	**22 189 975**
Gross other loans and advances to customers	350 159	364 419
Impairments of other loans and advances to customers	(2 350)	(9 171)
Net other loans and advances to customers	**347 809**	**355 248**
For further analysis on loans and advances refer to pages 35 to 48 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	136 148	154 015
Charged to the income statement	128 976	97 543
Reversals and recoveries recognised in the income statement	(21 369)	(13 389)
Utilised	(106 261)	(115 782)
Transfers	1 266	445
Exchange adjustment	(1 158)	13 316
Balance at end of year	**137 602**	**136 148**

26. Loans and advances to customers and other loans and advances *(continued)*

As at 31 March £'000	2018	2017
Portfolio impairment		
Balance at the beginning of the year	62 518	32 236
Charge to the income statement	39 027	27 209
Transfers	(1 266)	(258)
Exchange adjustment	(114)	3 331
Balance at the end of the year	**100 165**	**62 518**
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	7 229	6 606
Charge/release to the income statement	370	(64)
Utilised	(7 071)	(126)
Transfers	(37)	5
Exchange adjustment	(6)	808
Balance at the end of the year	**485**	**7 229**
Portfolio impairment		
Balance at the beginning of the year	1 942	1 899
Release to the income statement	(62)	(57)
Transfers	37	(192)
Exchange adjustment	(52)	292
Balance at the end of the year	**1 865**	**1 942**
Total specific impairments	138 087	143 377
Total portfolio impairments	102 030	64 460
Total impairments	**240 117**	**207 837**
Interest income recognised on loans that have been impaired	**1 148**	**1 857**
Reconciliation of income statement charge:		
Loans and advances to customers	**146 634**	**111 363**
Specific impairment charge to income statement	107 607	84 154
Portfolio impairment charge to income statement	39 027	27 209
Securitised assets (refer to note 27)	**18**	**212**
Specific impairment charge to income statement	53	225
Portfolio impairment release to income statement	(35)	(13)
Other loans and advances	**308**	**(121)**
Specific impairment charge/(release) to income statement	370	(64)
Portfolio impairment release to income statement	(62)	(57)
Other assets	**1 596**	**–**
Specific impairment charge to income statement	1 596	–
Portfolio impairment charge to income statement	–	–
Total income statement charge	**148 556**	**111 454**

As at 31 March £'000	2018	2017
27. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	459 472	517 524
Impairments of own originated loans and advances to customers securitised	(384)	(362)
Net own originated loans and advances to customers securitised	**459 088**	**517 162**
Other securitised assets are made up of the following categories of assets:		
– Cash and cash equivalents	17 999	10 336
– Loans and advances to customers	123 388	131 370
– Other debt securities	7 000	7 258
Total other securitised assets	**148 387**	**148 964**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	**136 812**	**90 125**
Liabilities arising on securitisation of other assets	**127 853**	**128 838**
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	29	16
Charge to the income statement	53	225
Utilised	–	(280)
Transfers	24	–
Exchange adjustment	3	68
Balance at the end of the year	**109**	**29**
Portfolio impairment		
Balance at the beginning of the year	333	283
Release to the income statement	(35)	(13)
Transfers	(24)	–
Exchange adjustment	1	63
Balance at the end of the year	**275**	**333**
Total portfolio and specific impairments on balance sheet	**384**	**362**

Notes to the annual financial statements

(continued)

As at 31 March £'000	2018	2017
28. Interests in associated undertakings		
Analysis of the movement in interests in associated undertakings:		
At the beginning of the year	392 213	267 099
Exchange adjustments	3 310	65 800
Disposals	(12 784)	(6 141)
Acquisitions	1 142	–
Increase in investment	31 000	–
Return of capital	(4 651)	–
Acquisition of non-controlling interests	–	5 528
Advance of loan	10 996	–
Transfer from investment portfolio	–	43 362
Share of post taxation profit of associates	46 823	18 890
Dividends received	(197)	(2 325)
At the end of the year	**467 852**	**392 213**

£'000	2018	2017
Details of material associated companies		
IEP Group Proprietary Limited		
Summarised financial information (£'000):		
For the year to 31 March		
Revenue	679 542	310 191
Profit after taxation	111 929	36 510
Total comprehensive income	110 530	36 510
At 31 March		
Assets		
Non-current assets	1 255 174	1 187 330
Current assets	372 064	315 324
Liabilities		
Non-current liabilities	577 757	458 874
Current liabilities	184 908	303 135
Net asset value	**864 573**	**740 645**
Non-controlling interest	140 915	113 596
Shareholders' equity	723 658	627 049
Effective interest in issued share capital	45.7%	45.0%
Net asset value	330 856	282 172
Goodwill	40 953	40 632
Carrying value of interest – equity method	**371 810**	**322 804**

As at 31 March £'000	2018	2017
29. Deferred taxation		
Deferred taxation assets	157 321	133 972
Deferred taxation liabilities	(32 158)	(40 408)
Net deferred taxation assets	**125 163**	**93 564**
The net deferred taxation assets arise from:		
Deferred capital allowances	43 179	33 098
Income and expenditure accruals	71 442	50 538
Asset in respect of unexpired options	21 043	23 584
Unrealised fair value adjustments on financial instruments	1 147	4 128
Losses carried forward	22 052	18 923
(Liabilities)/assets in respect of pensions surplus	48	(7 883)
(Liabilities)/assets in respect of pension contributions	(208)	8 675
Deferred tax on acquired intangibles	(19 783)	(22 468)
Revaluation of property	(17 588)	(24 445)
Finance lease accounting	4 169	3 804
Other temporary differences	(338)	5 610
Net deferred taxation assets	**125 163**	**93 564**
Reconciliation of net deferred taxation assets:		
At the beginning of the year	93 564	56 649
Charge to income statement – current year taxation	34 690	43 312
Charge directly in other comprehensive income	(2 502)	1 831
Acquisition	–	(4 939)
Other	153	49
Exchange adjustments	(742)	(3 338)
At the end of the year	**125 163**	**93 564**

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 £200.2 million (2017: £216.1 million), capital losses carried forward of £41.9 million (2017: £41.9 million) and excess management expenses of £9.5 million (2017: £9.5 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The Finance Act 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 2018.

As at 31 March £'000	2018	2017
30. Other assets		
Settlement debtors	853 124	879 803
Dealing properties	275 106	280 039
Prepayments and accruals	165 262	152 547
Pension assets (refer to note 40)	2 627	2 076
Trading initial margin	96 887	194 518
Investec Import Solutions debtors	169 581	111 038
Corporate tax assets	6 639	10 196
Other	306 890	270 263
	1 876 116	**1 900 480**

31. Property and equipment

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
2018						
Cost						
At the beginning of the year	49 039	72 145	22 076	93 011	9 546	245 817
Exchange adjustments	–	(3 725)	(76)	2 393	–	(1 408)
Additions	128 007	3 320	2 432	14 074	2 484	150 317
Disposals	–	(4 614)	(1 549)	(5 590)	(1 272)	(13 025)
Reclassification	–	–	310	2 887	–	3 197
At the end of the year	**177 046**	**67 126**	**23 193**	**106 775**	**10 758**	**384 898**
Accumulated depreciation						
At the beginning of the year	(3 448)	(44 022)	(19 795)	(67 678)	(4 935)	(139 878)
Exchange adjustments	–	206	35	2 511	71	2 823
Disposals	–	1 629	1 153	5 907	1 181	9 870
Depreciation for the year	(632)	(7 085)	(1 171)	(9 867)	(2 421)	(21 176)
Reclassification	–	–	(310)	(2 887)	–	(3 197)
At the end of the year	**(4 080)**	**(49 272)**	**(20 088)**	**(72 014)**	**(6 104)**	**(151 558)**
Net carrying value	**172 966**	**17 854**	**3 105**	**34 761**	**4 654**	**233 340**
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**

* *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	2018	2017
32. Investment properties		
At the beginning of the year	1 128 930	938 879
Additions	52 136	48 239
Disposals	(34 299)	(115 453)
Fair value movement	26 919	22 989
Exchange adjustment	10 411	234 276
At the end of the year	**1 184 097**	**1 128 930**

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 51 to 53 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	2018	2017
33. Goodwill		
Cost		
At the beginning of the year	422 254	398 504
Acquisition of subsidiaries	849	148
Exchange adjustments	1 288	23 602
At the end of the year	**424 391**	**422 254**
Accumulated impairments		
At the beginning of the year	(54 675)	(30 465)
Income statement amount	–	(4 749)
Exchange adjustments	(913)	(19 461)
At the end of the year	**(55 588)**	**(54 675)**
Net carrying value	**368 803**	**367 579**
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	243 343	243 169
Specialist Banking	24 877	23 941
	356 265	**355 155**
South Africa		
Wealth & Investment	2 175	2 061
Specialist Banking	10 363	10 363
	12 538	**12 424**
Total group	**368 803**	**367 579**

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 Investec Wealth & Investment in August 2012.

For Investec Wealth & Investment goodwill of £243.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 8.8% (2017: 8.8%), which incorporates an expected revenue growth rate of 2% in perpetuity (March 2017: 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 Wealth and Investment group.

The goodwill relating to Investec Import Solutions has been tested for impairment, taking into account profitability, being the budgeted profits and the future profit growth for the next five years. The valuation is based on management's assessment of appropriate profit forecast and discount rate to estimate the fair value. Discount rate applied of 6.90% is determined using the South African inter-bank lending rate, adjusted for business specific risk.

The valuation would be level 3 in the fair value hierarchy.

Movement in goodwill

2018
There were no significant movements in goodwill during the year.

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.

34. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Management contracts	Client relationships	Total
2018					
Cost					
At the beginning of the year	76 469	8 042	583	212 935	298 029
Exchange adjustments	47	1 326	22	155	1 550
Additions	6 096	558	–	–	6 654
Disposals	(775)	(5 773)	–	–	(6 548)
At the end of the year	**81 837**	**4 153**	**605**	**213 090**	**299 685**
Accumulated amortisation and impairments					
At the beginning of the year	(61 736)	(4 267)	(372)	(88 393)	(154 768)
Exchange adjustments	(41)	(1 326)	(17)	(37)	(1 421)
Disposals	65	5 711	–	–	5 776
Amortisation	(6 420)	(1 208)	(142)*	(16 113)*	(23 883)
At the end of the year	**(68 132)**	**(1 090)**	**(531)**	**(104 543)**	**(174 296)**
Net carrying value	**13 705**	**3 063**	**74**	**108 547**	**125 389**
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**

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.

* *Amortisation of acquired intangibles as disclosed in the income statement £16.3 million (2017: £17.2 million).*

35. Acquisitions and disposals

A deferred consideration of £6 million which was based on profitability criteria, was paid in the current year relating to the acquisition of the Investec Import Solutions group, previously Blue Strata group. This was recognised as an expense in the income statement.

There were no significant acquisitions or disposals of subsidiaries during the year ended 31 March 2018 and during the year ended 31 March 2017.

36. Long-term assurance business attributable to policyholders

As at 31 March £'000	2018	2017
Liabilities to customers under investment contracts		
Investec Life Limited	37 761	32 857
Investec Assurance Limited	8 446 535	7 692 747
Insurance liabilities, including unit-linked liabilities – Investec Life Limited	3 480	2 526
	8 487 776	**7 728 130**
Investec Life Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	41 241	35 383
	41 241	**35 383**
Investments above comprise:		
Interest-bearing securities	12 094	8 587
Stocks, shares and unit trusts	23 646	10 913
Deposits	5 501	15 883
	41 241	**35 383**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	8 374 054	7 630 368
Debtors and prepayments	28 657	27 746
Other assets	43 824	34 633
	8 446 535	**7 692 747**
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	2 269 280	1 993 067
Stocks, shares and unit trusts	5 415 047	5 107 676
Deposits	689 727	529 625
	8 374 054	**7 630 368**

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	2018	2017
37. Other trading liabilities		
Deposits	97 042	78 557
Short positions		
– Equities	802 531	831 417
– Gilts	60 593	68 937
	960 166	**978 911**

As at 31 March £'000	2018	2017
38. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	29 392	66 299
Three months to one year	227 861	359 991
One to five years	1 616 276	1 173 080
Greater than five years	843 658	786 810
	2 717 187	**2 386 180**

As at 31 March £'000	2018	2017
39. Other liabilities		
Settlement liabilities	828 960	897 977
Other creditors and accruals	786 274	748 617
Other non-interest-bearing liabilities	397 034	264 236
	2 012 268	**1 910 830**

As at 31 March £'000	2018	2017
40. Pension commitments		
Income statement charge		
Defined benefit obligations net income included in net interest income	(51)	(1 631)
Defined benefit net costs included in administration costs	81	998
Cost of defined contribution schemes included in staff costs	46 854	41 681
Net income statement charge in respect of pensions	**46 884**	**41 048**

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of one scheme in the United Kingdom the Investec Asset Management Pension scheme (IAM scheme).

The scheme is a final salary pension plan with assets held in a separate trustee administered fund. 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 scheme is closed to new members and the accrual of service ceased on 31 March 2002. The scheme has been valued at 31 March 2018 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions in relation to the defined contribution scheme outstanding at the year end.

During the year the group's previous other defined benefit scheme, Guinness Mahon Pension Fund (GM scheme) entered into a buy-out with the assets and liabilities being transferred to the insurer Aviva. Members now receive their pension from Aviva and Investec has no remaining liability relating to the GM scheme.

The major assumptions used were:	2018	2017
Discount rate	2.65%	2.50%
Rate of increase in salaries	2.10%	3.20%
Rate of increase in pensions in payment	1.90% – 3.10%	1.80% – 3.00%
Inflation (RPI)	3.10%	3.20%
Inflation (CPI)	2.10%	2.10%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the 2017 Club Vita base tables with allowance for future improvements in line with CMI 2016 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	88.7	88.4
Female aged 65	88.9	91.0
Male aged 45	89.5	90.2
Female aged 45	90.7	92.9

40. Pension commitments *(continued)*

Sensitivity analysis of assumptions

Historically sensitivities have only been presented for the GM scheme as the equivalent increases/decreases in assumptions for the IAM scheme did not have a material impact. As the GM scheme has been bought out and there is no remaining liability, the sensitivities below are now presented for the IAM scheme.

If the discount rate were 0.25% higher, the scheme liabilities would decrease by approximately £615 000 if all the other assumptions remained unchanged.

If the inflation assumption were 0.25% higher, the scheme liabilities would increase by approximately £324 000. 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 pension increases assumptions were 0.25% higher, the scheme liabilities would increase by approximately £305 000 if all the other assumptions remained unchanged.

If life expectancies were to increase by 1 year, the scheme liabilities would increase by approximately £645 000 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 scheme expose Investec can be found in the Risk Management report on pages 77 and 78. The group ultimately underwrites the risks relating to the defined benefit plan. If the contributions currently agreed are insufficient to pay the benefits due, the group will need to make further contributions to the plan.

At 31 March £'000	2018	2017
GM scheme		
Bulk annuity insurance agreement	–	141 419
Cash	–	2 914
Total market value of assets	**–**	**144 333**
IAM scheme		
Managed funds	18 653	21 637
Cash	80	12
Total market value of assets	**18 733**	**21 649**

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.

40. Pension commitments

(continued)

At 31 March £'000	2018 GM	2018 IAM	2018 Total	2017 GM	2017 IAM	2017 Total
Recognised in the balance sheet						
Fair value of fund assets	–	18 733	18 733	144 333	21 649	165 982
Present value of obligations	–	(16 106)	(16 106)	(148 862)	(19 573)	(168 435)
Net asset/(liability) (recognised in other liabilities/other assets)	**–**	**2 627**	**2 627**	**(4 529)**	**2 076**	**(2 453)**
Recognised in the income statement						
Net interest income	–	51	51	1 473	158	1 631
Administration costs	–	(81)	(81)	(887)	(111)	(998)
Net amount recognised in the income statement	**–**	**(30)**	**(30)**	**586**	**47**	**633**
Recognised in the statement of comprehensive income						
Return on plan assets (excluding amounts in net interest income)	–	(129)	(129)	27 769	(886)	26 883
Actuarial (gain)/loss arising from changes in financial assumptions	–	(452)	(452)	23 139	3 553	26 692
Remeasurement of scheme due to buy-out	(4 316)	–	(4 316)	–	–	–
Remeasurement of defined benefit (asset)/liability	**(4 316)**	**(581)**	**(4 897)**	**50 908**	**2 667**	**53 575**
Deferred tax	868	91	959	(9 497)	(498)	(9 995)
Remeasurement of net defined benefit (asset)/liability	**(3 448)**	**(490)**	**(3 938)**	**41 411**	**2 169**	**43 580**

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 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
Opening balance sheet asset/(liability) at 1 April 2017	**(4 529)**	**2 076**	**(2 453)**
Expenses charged to the income statement	–	(30)	(30)
Amount recognised in other comprehensive income	–	581	581
Remeasurement of scheme due to buy-out	4 529	–	4 529
Closing balance sheet asset at 31 March 2018	**–**	**2 627**	**2 627**

40. Pension commitments *(continued)*

At 31 March £'000	GM	IAM	Total
Changes in the present value of defined benefit obligations			
Opening defined benefit obligation at 1 April 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)
Opening defined benefit obligation at 1 April 2017	**148 862**	**19 573**	**168 435**
Interest expense	–	455	455
Remeasurement gains and losses:			
– Actuarial gain/(loss) arising from changes in financial assumptions	–	(452)	(452)
Benefits and expensed paid	–	(3 469)	(3 469)
Remeasurement of scheme due to buy-out	(148 862)	–	(148 862)
Closing defined benefit obligation at 31 March 2018	**–**	**16 107**	**16 107**
Changes in the fair value of plan assets			
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)
Opening fair value of plan assets at 1 April 2017	**144 333**	**21 649**	**165 982**
Interest income	–	505	505
Remeasurement gain/loss:			
– Return on plan assets (excluding amounts in net interest income)	–	129	129
Administration expenses	–	(3 550)	(3 550)
Remeasurement of scheme due to buy-out	(144 333)	–	(144 333)
Closing fair value of plan assets at 31 March 2018	**–**	**18 733**	**18 733**

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. The IAM scheme is fully funded.

The weighted average duration of the IAM scheme's liabilities at 31 March 2018 is 17 years (31 March 2017: 19 years). This includes average duration of deferred pensioners of 20.6 years and average duration of pensioners in payment of 13.3 years.

As at 31 March £'000	2018	2017
41. Subordinated liabilities		
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes	579 673	579 356
Issued by Investec Bank Limited		
IV08 fixed rate subordinated unsecured callable upper tier bonds	12 033	11 926
IV09 variable rate subordinated unsecured callable upper tier bonds	12 033	11 926
IV015 variable rate subordinated unsecured callable bonds	–	35 839
IV019 indexed rate subordinated unsecured callable bonds	7 755	6 162
IV019A indexed rate subordinated unsecured callable bonds	22 136	21 732
IV022 variable rate subordinated unsecured callable bonds	–	38 050
IV023 variable rate subordinated unsecured callable bonds	–	51 284
IV024 variable rate subordinated unsecured callable bonds	–	6 321
IV025 variable rate subordinated unsecured callable bonds	60 167	59 632
IV026 variable rate subordinated unsecured callable bonds	45 125	44 724
IV030 indexed rate subordinated unsecured callable bonds	26 723	23 726
IV030A indexed rate subordinated unsecured callable bonds	25 284	25 023
IV031 variable rate subordinated unsecured callable bonds	30 083	29 816
IV032 variable rate subordinated unsecured callable bonds	48 735	48 302
IV033 variable rate subordinated unsecured callable bonds	9 567	9 482
IV034 fixed rate subordinated unsecured callable bonds	6 077	6 023
IV035 variable rate subordinated unsecured callable bonds	88 325	87 540
IV036 variable rate subordinated unsecured callable bonds	1 925	1 908
IV037 variable rate subordinated unsecured callable bonds	71 105	74 844
IV038 variable rate subordinated unsecured callable bonds	21 058	20 871
IV039 indexed rate subordinated unsecured callable bonds	9 982	9 205
IV040 variable rate subordinated unsecured callable bonds	35 438	35 123
IV041 fixed rate subordinated unsecured callable bonds	11 432	11 330
IV042 variable rate subordinated unsecured callable bonds	3 008	2 982
IV043 fixed rate subordinated unsecured callable bonds	9 025	8 945
IV044 variable rate subordinated unsecured callable bonds	14 440	14 312
IV045 indexed rate subordinated unsecured callable bonds	96 494	88 984
IV046 variable rate subordinated unsecured callable bonds	72 200	–
IV047 variable rate subordinated unsecured callable bonds	64 584	–
Issued by Investec Limited		
INLV02 variable rate subordinated unsecured callable bonds	16 606	16 459
INLV03 variable rate subordinated unsecured callable bonds	5 656	5 605
INLV04 variable rate subordinated unsecured callable bonds	15 343	15 206
INB001 variable rate subordinated unsecured callable bonds	60 975	–
	1 482 987	**1 402 638**
Remaining maturity:		
In one year or less, or on demand	72 800	131 490
In more than one year, but not more than two years	187 354	23 852
In more than two years, but not more than five years	1 192 931	997 550
In more than five years	29 902	249 746
	1 482 987	**1 402 638**
Reconciliation from opening balance to closing balance:		
Opening balance	1 402 638	1 134 883
Subordinated debt raised	190 940	264 438
Repayment of subordinated debt	(128 098)	(150 205)
Consumer price index/effective interest rate adjustment	7 307	(12 699)
Exchange adjustments	10 200	166 221
Closing balance	**1 482 987**	**1 402 638**

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.

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 are redeemable 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. The bonds were called on 30 April 2018.

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. The bonds were called on 30 April 2018.

IV015 variable rate subordinated unsecured callable bonds

Rnil (2017: 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. The bonds were called on 20 September 2017.

IV019 indexed rate subordinated unsecured callable bonds

R129 million (2017: R103 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

R368 million (2017: R364 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

Rnil (2017: 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. The bonds were called on 2 April 2017.

41. Subordinated liabilities *(continued)*

IV023 variable rate subordinated unsecured callable bonds

Rnil (2017: 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. The bonds were called on 11 July 2017.

IV024 variable rate subordinated unsecured callable bonds

Rnil (2017: 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. The bonds were called on 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.

IV030 indexed rate subordinated unsecured callable bonds

R444 million (2017: R398 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 (2017: R420 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.

41. Subordinated liabilities *(continued)*

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 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 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 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 19 October 2021. The implied zero coupon yield is 6.29961713% nacq (ACT/360) up until 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 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.

IV039 indexed rate subordinated unsecured callable bonds

R166 million (2017: R154 million) 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 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 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 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.

41. Subordinated liabilities *(continued)*

IV043 fixed rate subordinated unsecured callable bonds

R150 million 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 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 603 million (2017: R1 492 million) 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.

IV046 variable rate subordinated unsecured callable bonds

R1 200 million (2017: Rnil) Investec Bank Limited IV046 locally registered subordinated unsecured callable bonds are due in June 2027. Interest is payable quarterly on 21 September, 21 December, 21 March and 21 June at a rate equal to the three-month Jibar plus 3.90%. The maturity date is 21 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 21 June 2022.

IV047 variable rate subordinated unsecured callable bonds

$116 million (2017: Rnil) Investec Bank Limited IV047 locally registered subordinated unsecured Tier II callable bonds are due in June 2027 and were issued at an issue price of $86 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 30 June 2022. The implied zero coupon yield is 5.915966% nacq (ACT/360) up until; the 30 June 2022. If the issuer does not exercise the option to redeem the notes on 30 June 2022, then interest on the floating rate notes shall commence on 30 June 2022 and is payable quarterly on 30 September, 30 December, 30 June at a rate equal to the three-month USD Libor plus 4.5% up to and excluding 30 June 2027. The maturity date is 30 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 30 June 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.

INB001 variable rate subordinated unsecured callable bonds

$113 million (2017: Rnil) Investec Limited INB001 locally registered subordinated unsecured Tier II callable bonds are due in December 2027 and were issued at an issue price of $84 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 28 December 2022. The implied zero coupon yield is 5.86482% nacq (ACT/360) up until the 28 December 2022. If the issuer does not exercise the option to redeem the notes on 28 December 2022, then interest on the floating rate notes shall commence on 28 December 2022 and is payable quarterly on 28 March, 28 June, 28 September, 28 December at a rate equal to the three-month USD Libor plus 4% up to and excluding 28 December 2027. The maturity date is 28 December 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 28 December 2022.

At 31 March	2018	2017
42. Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	657 105 625	617 418 864
Issued during the year	12 733 070	39 686 761
At the end of the year	**669 838 695**	**657 105 625**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	132	124
Issued during the year	2	8
At the end of the year	**134**	**132**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	301 165 174	291 363 706
Issued during the year	9 557 570	9 801 468
At the end of the year	**310 722 744**	**301 165 174**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	59	58
Issued during the year	3	1
At the end of the year	**62**	**59**
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	2018	2017

42. Ordinary share capital *(continued)*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2017: R1 960 002), comprising 450 000 000 (2017: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2017: 48 091 681) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2017: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2017: 1 500 000) Class ILRP 2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2017: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2017: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2017: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2017: 1) Dividend Access (South African resident) redeemable preference share of R1.00, 1 (2017: 1) Dividend Access (non-South African resident) redeemable preference share of R1.00, 700 000 000 (2017: 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	301 165 174	291 363 706
Issued during the year	9 557 570	9 801 468
At the end of the year	**310 722 744**	**301 165 174**
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	657 105 625	617 418 864
Issued during the year	12 733 070	39 686 761
At the end of the year	**669 838 695**	**657 105 625**
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	2018	2017
42. Ordinary share capital *(continued)*		
Number of SA DAS shares		**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of SA DAS share		**£'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	247	242
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(5)	(3)
Total called up share capital	**240**	**237**

* *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 employees are as follows (each option is in respect of one share):

For the year to 31 March	Number 2018	Number 2017
Opening balance	61 936 538	66 534 024
Issued during the year	14 771 933	13 029 001
Exercised	(25 350 261)	(15 568 591)
Lapsed	(2 076 205)	(2 057 896)
Closing balance	**49 282 005**	**61 936 538**

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 three 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 204 to 213 and 241 to 244 in volume one.

As at 31 March £'000	2018	2017
43. Perpetual preference shares of holding company		
Perpetual preference share capital	31	31
Perpetual preference share premium (refer to note 44)	218 595	252 822
	218 626	**252 853**
Issued by Investec Limited		
32 214 499 (2017: 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	193 830	228 057
Preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.77% of South African prime overdraft rate on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.		
An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc		
2 754 587 (2017: 2 754 587) 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	29
– Preference share premium	23 607	23 607
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 £5.75096 comprised of a principle amount of £5.70 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	2018	2017
43. Perpetual preference shares of holding company *(continued)*		
Issued by Investec plc – Rand-denominated		
131 447 (2017: 131 447) 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	1 158
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.		
	218 626	**252 853**

* *Less than £1 000.*

As at 31 March £'000	2018	2017
44. Share premium		
Share premium account – Investec plc	1 474 172	1 403 338
Share premium account – Investec Limited	723 969	685 068
Perpetual preference share premium	218 595	252 822
	2 416 736	**2 341 228**

At 31 March	2018	2017

45. Treasury shares

	2018	2017
	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	**160 132**	**126 879**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	19 722 086	18 293 688
Investec Limited ordinary shares held by subsidiaries	27 013 057	31 354 669
Investec plc and Investec Limited shares held by subsidiaries	**46 735 143**	**49 648 357**
Reconciliation of treasury shares:	**Number**	**Number**
At the beginning of the year	49 648 357	40 299 466
Purchase of own shares by subsidiary companies	23 783 241	26 622 616
Shares disposed of by subsidiaries	(26 696 455)	(17 273 725)
At the end of the year	**46 735 143**	**49 648 357**
Market value of treasury shares:	**£'000**	**£'000**
Investec plc	108 393	99 518
Investec Limited	148 464	170 569
	256 857	**270 087**

As at 31 March £'000	2018	2017

46. Other Additional Tier 1 securities in issue

	2018	2017
Issued by Investec Limited		
Other Additional Tier 1 securities		
R550 million Other Additional Tier 1 floating rate notes pay interest 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. The interest is payable at the option of the issuer.	33 091	32 798
Investec Limited issued R350 million Other Additional Tier 1 floating rate notes on 22 March 2018. Interest is payable quarterly on 22 June, 22 September, 22 December and 22 March at a rate equal to the three-month JIBAR plus 5.15%. There is no maturity date but the issuer has the option to redeem on 22 March 2023 and on every interest payment date thereafter. The interest is payable at the option of the issuer.	21 059	–
Issued by Investec plc		
Other Additional Tier 1 securities	250 000	–
On 5 October 2017, the Investec plc issued £250 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ("AT1 securities") at par. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment date, the company can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the investors will lose their entire investment in the securities should the Common Equity Tier 1 capital ratio of the Investec plc group as defined in the PRA's rules fall below 7%. The AT1 Securities are redeemable at the option of the company on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.		
	304 150	**32 798**

As at 31 March £'000	2018	2017
47. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	92 312	91 492
Non-controlling interests in partially held subsidiaries	589 752	553 246
	682 064	**644 738**
Perpetual preferred securities issued by subsidiaries		
Issued by an Investec Limited subsidiary	92 312	91 492
15 447 630 (2017: 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 South African prime overdraft rate on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.		
An ordinary dividend will not be declared by Investec 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.		
	92 312	**91 492**

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

	Investec Asset Management Holdings Proprietary Limited*		Investec Asset Management Limited**		Investec Property Fund Limited*	
	2018	2017	2018	2017	2018	2017
Non-controlling interests (NCI) (%)	17.0%	16.0%	17.0%	16.0%	73.2%	72.1%
Summarised financial information (£'000)						
Total assets	8 649 980	7 874 880	430 272	409 429	1 165 336	1 105 719
Total liabilities	8 551 578	7 799 941	317 660	301 526	404 602	380 233
Revenue	187 319	181 261	352 367	316 729	73 749	85 321
Profit before taxation	53 672	51 591	86 516	76 041	72 570	84 237
Carrying amount of NCI	17 276	14 700	19 919	17 000	554 236	521 193
Profit allocated to NCI	9 054	8 484	14 763	11 807	52 649	59 865

* *Investec Asset Management Holdings Proprietary Limited 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 and additional 1% in the year ended 31 March 2017.

The reduction in the shareholding of IPF is as a result of shares issued to fund investment acquisitions which increased the net asset value of the business.

48. Finance lease disclosures

At 31 March £'000	2018 Total future minimum payments	2018 Present value	2017 Total future minimum payments	2017 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	330 904	303 234	295 110	236 651
One to five years	491 318	419 588	417 092	363 155
Greater than five years	4 202	3 593	6 780	5 987
	826 424	**726 415**	**718 982**	**605 793**
Unearned finance income	**100 009**		**113 189**	

At 31 March 2018, unguaranteed residual values accruing to the benefit of Investec were £1.7 million (2017: £2.0 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

As at 31 March £'000	2018	2017
49. Notes to the cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	**637 499**	**637 414**
Additional costs on acquisition of subsidiary	6 039	–
Impairment of goodwill	–	4 749
Adjustment for non-cash items included in net income before taxation:		
Amortisation of acquired intangible assets	16 255	17 197
Depreciation and impairment of property, equipment and intangibles	28 804	25 006
Impairment of loans and advances	148 556	111 454
Share of post taxation profit of associates	(46 823)	(18 890)
Dividends received from associates	197	2 325
Share-based payment charges	69 218	55 961
Profit before taxation adjusted for non-cash items	**859 745**	**835 216**
Increase in operating assets		
Loans and advances to banks	673 180	205 423
Reverse repurchase agreements and cash collateral on securities borrowed	151 506	603 154
Sovereign debt securities	(1 050 352)	(53 465)
Bank debt securities	44 387	395 694
Other debt securities	209 693	(27 237)
Derivative financial instruments	(163 792)	612 250
Securities arising from trading activities	(54 279)	(93 633)
Investment portfolio	(34 898)	(95 222)
Loans and advances to customers	(2 538 436)	(2 054 965)
Securitised assets	61 478	44 414
Other assets	32 333	315 187
Investment properties	(43 622)	56 502
Assurance assets	(666 582)	(328 846)
Non-current assets held for sale	26 515	(24 784)
	(3 352 869)	**(445 528)**
Increase in operating liabilities		
Deposits by banks	192 421	(130 107)
Derivative financial instruments	162 389	(449 113)
Other trading liabilities	(26 514)	(161 518)
Repurchase agreements and cash collateral on securities lent	(30 363)	(416 135)
Customer accounts (deposits)	1 761 938	1 464 461
Debt securities in issue	330 283	(48 527)
Securitised liabilities	43 312	(8 246)
Other liabilities	(28 206)	(81 515)
Assurance liabilities	670 519	328 846
	3 075 779	**498 146**

As at 31 March £'000	2018	2017
50. Commitments		
Undrawn facilities	3 971 566	3 913 541
Other commitments	60 320	111 662
	4 031 886	**4 025 203**

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.

	2018	2017
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	36 714	57 087
One to five years	112 776	225 346
Greater than five years	118 091	119 537
	267 581	**401 970**

	Carrying amount of pledged asset		Related liability	
£'000	2018	2017	2018	2017
Pledged assets				
Other loans and advances	284 656	351 650	277 646	209 550
Loans and advances to customers	2 915	5 031	2 843	2 998
Loans and advances to banks	96 335	112 096	66 823	65 907
Sovereign debt securities	754 085	401 852	653 448	346 050
Bank debt securities	145 369	61 947	114 134	50 478
Other debt securities	51 423	47 987	38 827	38 412
Securities arising from trading activities	658 918	434 128	519 703	436 483
	1 993 701	**1 414 691**	**1 673 424**	**1 149 878**

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	2018	2017
51. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	1 159 006	1 551 735
	1 159 006	**1 551 735**

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 £1.2 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. These claims, if any, cannot be reasonably estimated at this time but 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.

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. On Monday, 23 April 2018, The Privy Council rejected all of the client trust claims against ITG Limited in their entirety.

As at 31 March £'000	2018	2017
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	26 715	34 062
Increase in loans	15 311	6 352
Repayment of loans	(4 831)	(10 232)
Exchange adjustment	132	(3 467)
At the end of the year	**37 327**	**26 715**
Guarantees		
At the beginning of the year	6 092	11 330
Additional guarantees granted	309	80
Guarantees cancelled	(6 010)	(5 884)
Exchange adjustment	11	566
At the end of the year	**402**	**6 092**
Deposits		
At the beginning of the year	(36 238)	(25 711)
Increase in deposits	(12 223)	(21 130)
Decrease in deposits	19 610	12 023
Exchange adjustment	247	(1 420)
At the end of the year	**(28 604)**	**(36 238)**

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 arms length 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.

Where related parties have investment products (that may be included in funds under management) offered to clients on terms and conditions in the ordinary course of business, these have not been included above as the group does not carry any exposure relating to these transactions (they are at client risk).

For the year to 31 March £'000	2018	2017
Transactions with other related parties		
Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two	**–**	**32 899**
The loan arises from Investec's portion of funding in relation to the original 15% acquisition of Investec Asset Management by senior management of the business.		
The group has an investment in a private equity vehicle in which a previous Investec director has a significant influence. The group has made an investment of £70.6 million (2017: £36.3 million) and has committed further funding of £32.6 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 their subsidiaries	**11 371**	**278 764**
Interest income from loans to associates	**652**	**5 463**
Fees and commission income from associates	**–**	**–**

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
2018						
Assets	Interest rate swap	(6 691)	(23 831)	35 265	26 338	(22 209)
Liabilities	Interest rate swap	382	382	(6 279)	(252)	6 326
		(6 309)	**(23 449)**	**28 986**	**26 086**	**(15 883)**
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)**

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
2018			
Assets	Cross-currency swap	(31 155)	Three months
		(31 155)	
2017			
Assets	Cross-currency swap	(70 905)	Three months
		(70 905)	

There was no ineffective portion recognised in the income statement.

Releases to the income statement for cash flow hedges of £69.4 million (2017: £174.3 million) are included in net interest income.

Hedges of net investments in foreign operations

Investec Bank Limited entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in US Dollars, in Investec Bank (Mauritius) Limited, these were closed out in the current financial year.

At 31 March £'000	Hedging instrument fair value
2018	**–**
2017	(8 911)

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

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 fair value
2018	**628**
2017	(36)

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
2018		
Liabilities		
Deposits by banks	140 142	468 028
Derivative financial instruments	1 067 691	19 157
– held-for-trading	1 008 057	–
– held for hedging risk	59 634	19 157
Other trading liabilities	960 170	–
Repurchase agreements and cash collateral on securities lent	205 921	284 998
Customer accounts (deposits)	10 650 622	3 362 847
Debt securities in issue	–	40 243
Liabilities arising on securitisation of own originated loans and advances	–	4 627
Liabilities arising on securitisation of other assets	–	–
Other liabilities	368 981	852 892
Subordinated liabilities	–	28 706
Total on balance sheet liabilities	**13 393 527**	**5 061 498**
Contingent liabilities	176 012	2 525
Commitments	512 594	79 046
Total liabilities	**14 082 133**	**5 143 069**
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**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity, because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows refer to page 67 and 68 of volume 2.

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
140 296	38 138	443 962	1 740 757	24 153	2 995 476
54 522	29 138	42 107	272 405	61 418	1 546 438
–	–	–	–	–	1 008 057
54 522	29 138	42 107	272 405	61 418	538 381
–	–	–	–	–	960 170
241	318	36 471	83 314	44 580	655 843
6 158 303	2 665 160	3 702 833	4 488 948	210 990	31 239 703
80 857	121 783	354 175	1 934 960	465 988	2 998 006
3 855	4 811	45 721	86 457	31 184	176 655
3 641	3 494	6 776	52 190	78 834	144 935
360 229	192 355	38 954	152 827	46 119	2 012 357
10 100	16 610	85 539	1 578 482	51 194	1 770 631
6 812 044	**3 071 807**	**4 756 538**	**10 390 340**	**1 014 460**	**44 500 214**
499 240	91 949	167 054	204 511	91 131	1 232 422
367 866	126 138	238 872	1 423 516	1 284 948	4 032 980
7 679 150	**3 289 894**	**5 162 464**	**12 018 367**	**2 390 539**	**49 765 616**
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**

55. Principal subsidiaries and associated companies – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest 2018	Interest 2017
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	83.0%	84.0%
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	Debt issuer	England and Wales	100.0%	100.0%
Investec Group (UK) Limited	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	Trading company	Switzerland	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%

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

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

A complete list of subsidiary and associated undertakings as required by the Companies Act 2006 is included in note i to the Investec plc company accounts on pages 137 to 141.

At 31 March	Principal activity	Country of incorporation	Interest 2018	Interest 2017
Principal associated companies				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	–	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 54 to 55 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 £77.9 million (2017: £130.0 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	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

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

31 March 2018	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	11 307	Limited to the carrying value	Investment income	2 501

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	33 020

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

Unconsolidated structured entities

At 31 March 2018

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 32 to 40.

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 2018	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	3 059	Limited to the carrying value	63 862	Investment expense	(571)
Residential mortgage securitisations	Sovereign debt securities	2 145	Limited to the carrying value	2 145	Investment loss	(2)
	Other debt securities	4 498	Limited to the carrying value	85 148	Net interest expense	(25)
					Investment income	217
	Other loans and advances	8 702	Limited to the carrying value	141 559	Net interest income	254

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 income	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	Net interest income	112

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

	2018 Structured CDO and CLO securitisations	2017 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

^ *Collateralised debt obligation (CDO) and collateralised loan obligation (CLO).*

Interests in structured entities which the group has not set up

Purchased securitisation positions

The group buys and sells interest in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset. Details of the value of these interests is included in the risk management report on pages 54 and 55 in volume two.

56. Principal subsidiaries and associated companies – Investec Limited

At 31 March	Principal activity	Country of incorporation	Interest 2018	Interest 2017
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings Proprietary Limited	Investment holding	South Africa	83.0%	84.0%
Investec Bank Limited	Banking	South Africa	100.0%	100.0%
Investec Employee Benefits Holdings Proprietary Limited	Investment holding	South Africa	100.0%	100.0%
Investec International Holdings (Gibraltar) Limited	Investment holding	Gibraltar	100.0%	100.0%
Investec Securities Proprietary Limited	Registered stockbroker	South Africa	100.0%	100.0%
Fedsure International Proprietary Limited	Investment holding	South Africa	100.0%	100.0%
Investec Property Group Holdings Proprietary Limited	Investment holding	South Africa	100.0%	100.0%
Investec Investments Proprietary Limited	Investment company	South Africa	100.0%	100.0%
Investec Specialist Investments (RF) Limited	Investment holding	South Africa	100.0%	100.0%
Indirect subsidiaries of Investec Limited				
Investec Asset Management Proprietary Limited	Asset management	South Africa	83.0%	84.0%
Investec Fund Managers SA (RF) Proprietary Limited	Unit trust management	South Africa	83.0%	84.0%
Investec Bank (Mauritius) Limited	Banking	Mauritius	100.0%	100.0%
Investec Property Proprietary Limited	Property trading	South Africa	100.0%	100.0%
Reichmans Holdings Proprietary Limited	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	83.0%	84.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	26.8%	27.9%
Investec Import Solutions Proprietary Limited	Import logistics and trade finance	South Africa	100.0%	100.0%

At 31 March	Principal activity	Country of incorporation	Interest 2018	Interest 2017
Principal associated companies				
IEP Group Proprietary Limited	Private equity	South Africa	45.7%	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 Proprietary Limited 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 Proprietary Limited	Securitised third-party originated residential mortgages

The key assumptions for the main types of structured entities 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 54 and 55 in volume two.

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		
2018						
Assets						
Cash and balances at central banks	4 040 512	–	4 040 512	–	–	4 040 512
Loans and advances to banks	2 440 996	(275 463)	2 165 533	–	(156 445)	2 009 088
Non-sovereign and non-bank cash placements	601 243	–	601 243	–	–	601 243
Reverse repurchase agreements and cash collateral on securities borrowed	2 207 477	–	2 207 477	(84 465)	(15 301)	2 107 711
Sovereign debt securities	4 910 027	–	4 910 027	(420 636)	–	4 489 391
Bank debt securities	587 164	–	587 164	(145 369)	–	441 795
Other debt securities	903 603	–	903 603	(51 423)	–	852 180
Derivative financial instruments	1 683 488	(331 080)	1 352 408	(212 968)	(394 966)	744 474
Securities arising from trading activities	1 434 391	–	1 434 391	(527 984)	–	906 407
Investment portfolio	885 499	–	885 499	–	–	885 499
Loans and advances to customers	24 790 728	(117 719)	24 673 009	–	–	24 673 009
Own originated loans and advances to customers securitised	459 088	–	459 088	–	–	459 088
Other loans and advances	347 809	–	347 809	–	–	347 809
Other securitised assets	148 387	–	148 387	–	–	148 387
Other assets	1 895 381	(19 265)	1 876 116	–	–	1 876 116
	47 335 793	**(743 527)**	**46 592 266**	**(1 442 845)**	**(566 712)**	**44 582 709**
Liabilities						
Deposits by banks	3 062 160	(130 893)	2 931 267	–	(141 152)	2 790 115
Derivative financial instruments	1 947 273	(475 710)	1 471 563	(269 234)	(349 743)	852 586
Other trading liabilities	960 166	–	960 166	(84 465)	–	875 701
Repurchase agreements and cash collateral on securities lent	675 105	(19 265)	655 840	(426 588)	(14 463)	214 789
Customer accounts (deposits)	31 104 892	(117 719)	30 987 173	–	(8 390)	30 978 783
Debt securities in issue	2 717 187	–	2 717 187	(460 564)	(10 175)	2 246 448
Liabilities arising on securitisation of own originated loans and advances	136 812	–	136 812	–	–	136 812
Liabilities arising on securitisation of other assets	127 853	–	127 853	–	–	127 853
Other liabilities	2 012 268	–	2 012 268	–	–	2 012 268
Subordinated liabilities	1 482 987	–	1 482 987	–	–	1 482 987
	44 226 703	**(743 587)**	**43 483 116**	**(1 240 851)**	**(523 923)**	**41 718 342**

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		
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**

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.

	2018		2017	
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	292 322	–	295 182	–
Other loans and advances	129 773	–	141 136	–
	422 095	**–**	**436 318**	**–**

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

Investec plc parent company accounts

Balance sheet

At 31 March £'000	Notes	2018	2017
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 772 805	1 817 840
Securities issued by subsidiary undertaking	c	200 000	–
		1 972 805	**1 817 840**
Current assets			
Amounts owed by group undertakings		495 325	488 592
Taxation		10 719	12 867
Prepayments and accrued income		475	22
Cash at bank and in hand			
– with subsidiary undertakings		281 832	104 978
– balances with other banks		613	605
		788 964	**607 064**
Current liabilities			
Creditors: amounts falling due within one year			
Derivative financial instruments		–	6
Amounts owed to group undertakings		267 275	477 161
Other liabilities		1 475	1 130
Accruals and deferred income		3 286	8 297
Net current assets		**516 928**	**120 470**
Creditors: amounts falling due after one year			
Debt securities in issue	d	407 740	324 089
Net assets		**2 081 933**	**1 614 221**
Capital and reserves			
Called-up share capital	g	195	191
Perpetual preference shares	g	29	29
Share premium account		1 317 115	1 246 282
Capital reserve		180 606	180 606
Other Additional Tier 1 securities in issue	g	250 000	–
Retained income		334 048	187 113
Total capital and reserves		**2 081 993**	**1 614 221**

The notes on pages 135 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 £259 317 000 (2017: £93 027 000).

Approved and authorised for issue by the board of directors on 12 June 2018 and signed on its behalf by:

Stephen Koseff
Chief executive officer
12 June 2018

Statement of changes in shareholders' equity

£'000	Share capital	Perpetual preference shares	Share premium	Capital reserve	Retained income	Shareholders equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Total shareholders' equity
Balance at 31 March 2016	**182**	**151**	**1 194 257**	**180 483**	**160 459**	**1 535 532**	**–**	**1 535 532**
Issue of ordinary shares	9	–	174 073	–	–	174 082	–	174 082
Redemption of preference shares	–	(122)	(122 048)	123	40 427	(81 620)	–	(81 620)
Total comprehensive income	–	–	–	–	93 816	93 816	–	93 816
Dividends paid to preference shareholders	–	–	–	–	(1 862)	(1 862)	–	(1 862)
Dividends paid to ordinary shareholders	–	–	–	–	(105 727)	(105 727)	–	(105 727)
At 31 March 2017	**191**	**29**	**1 246 282**	**180 606**	**187 113**	**1 614 221**	**–**	**1 614 221**
Issue of ordinary shares	4	–	70 833	–	–	70 837	–	70 837
Issue of Other Additional Tier 1 security instruments	–	–	–	–	–	–	250 000	250 000
Total comprehensive income	–	–	–	–	259 318	259 318	–	259 318
Dividends paid to preference shareholders	–	–	–	–	(421)	(421)	–	(421)
Dividends declared to Other Additional Tier 1 security instruments	–	–	–	–	(5 709)	(5 709)	5 709	–
Dividends paid to other Additional Tier 1 security instruments	–	–	–	–	–	–	(5 709)	(5 709)
Dividends paid to ordinary shareholders	–	–	–	–	(106 253)	(106 253)	–	(106 253)
At 31 March 2018	**195**	**29**	**1 317 115**	**180 606**	**334 048**	**1 831 993**	**250 000**	**2 081 993**

Notes to Investec plc parent company accounts

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	2018	2017
At beginning of year	1 817 840	1 817 840
Additions	165 000	–
Disposals	(210 035)	–
At end of year	**1 772 805**	**1 817 840**

On 29 March 2018, Investec 1 Limited issued 16 500 000 ordinary shares of £0.001 each for a cash consideration of £10.00 per share.

Also, Investec Holding Company Limited reduced their capital by reducing the number of shares held from 5 846 to 3 000,20p ordinary shares and settled by intercompany.

c Securities issued by subsidiary undertaking

On 16 October 2017, the company acquired £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ("AT1 securities") issued by Investec Bank plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment date, Investec Bank plc can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the company will lose their entire investment in the securities should the Common Equity Tier 1 capital ratio of the Investec Bank plc group as defined in the PRA's rules fall below 7%. The AT1 Securities are redeemable at the option of Investec Bank plc on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

d Debt securities in issue

On 5 May 2015, the company issued £300 million 4.50% Senior Unsecured Notes from its European Medium Term Note programme ("EMTN"). The notes mature on 5 May 2022 and pay interest at a fixed rate annually in arrears. On 7 August 2017 the company issued a further £100 million of the 4.5% Senior Unsecured Notes due 2022, at a premium of 108.479%, which has been consolidated with and form a single series with the existing Notes.

The company has redeemed a Euro denominated note of €25 million issued on 14 February 2014, which paid interest at a fixed rate of 3.48% semi-annually in arrears. The Notes matured on 29 September 2017.

e Audit fees

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

f Dividends

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

g Share capital

Details of the company's ordinary share capital are set out in note 42 of the group financial statements. Details of the perpetual preference shares are set out in note 43 of the group financial statements. Details of the Other Additional Tier 1 securities in issue are set out in note 46 of the group financial statements.

h 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 2018.
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.

i Subsidiaries

At 31 March 2018	Principal activity	Interest held
** Directly owned by Investec plc*		
United Kingdom		
Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Investec 1 Limited *	Investment holding	100%
Investec Holding Company Limited *	Investment holding	100%
Investec (UK) Limited	Holding company	100%
Investec Group (UK) Limited	Holding company	100%
Guinness Mahon Group Limited	Holding company	100%
Guinness Mahon Pension Fund Trustees Limited	Pension fund trustee	100%
Guinness Mahon Holdings Limited	Holding company	100%
Investec Bank plc	Banking institution	100%
Rensburg Sheppards plc	Holding company	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	Investment management services	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 Limited (previously G. P. International Limited)	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 Limited (previously Investec Finance plc)	Debt issuance	100%
Investec Group Investments (UK) Limited	Investment holding company	100%
ICF Investments Limited	Investment holding company	100%
Investec Capital Solutions No 1 Limited	Lending company	100%
Investec Capital Solutions Limited	Lending company	100%

i Subsidiaries *(continued)*

At 31 March 2018	Principal activity	Interest held
Registered office: 30 Gresham Street, London, EC2V 7QN, UK *(continued)*		
Diagonal Nominees Limited	Nominee company	100%
F&K SPF Limited	Property company	100%
Via Novus Limited	Investment holding company	49.93%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust plc	Debt issuer	100%
Investec Investments (UK) Limited	Investment holding company	100%
Panarama Properties (UK) Limited	Property holding company	100%
Inv – German Retail Limited (previously Canada Water (Developments) Limited)	Property company	100%
Investec Securities Limited	Investment holding company	100%
PEA Leasing Limited	Dormant	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%
Investec Investments Limited	Investment holding	100%
Registered office: 30 Gresham Street, London, EC2V 7QN, UK		
Investec Wealth & Investment Limited	Investment management services	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	83%
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 Proprietary Limited **	Sales and distribution	100%
IEC Funds Management Proprietary Limited	Fund manager	100%
Investec Propco Proprietary Limited	Property fund trustee	100%
Investec Property Limited	Property fund trustee	100%
Investec Property Management Proprietary Limited	Property fund manager	100%
Investec Wentworth Proprietary Limited	Security trustee	100%
Investec Holdings Australia Limited	Holding company	100%
Investec Australia Property Investments Proprietary Limited	Investment company	100%
Investec Australia Finance Proprietary Limited	Lending company	100%
Investec Australia Limited	Financial Services	100%
Bowden (Lot 32) Holdings Proprietary Limited	Holding company	100%
Bowden (Lot 32) Proprietary Limited	Development company	100%
Investec Australia Direct Investment Proprietary Limited	Investment company	100%
Investec CWFIH Proprietary Limited	Dormant	100%
Mannum Powerco Proprietary Limited	Dormant	100%
Tungkillo Powerco Proprietary Limited	Dormant	100%
Investec Australia Financial Markets Proprietary Limited	Dormant	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Proprietary Limited	Aviation fund company	100%
Investec Wentworth Private Equity Proprietary Limited	Inactive private equity	100%
IWPE Nominees Proprietary Limited	Custodian	100%
Wentworth Associates Proprietary Limited	Dormant	100%

i Subsidiaries *(continued)*

At 31 March 2018	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%
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%
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%
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee services	100%
Investec Bank (Channel Islands) Limited	Banking institution	100%
Bayeux Limited	Corporate trustee	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Trust and company administration	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee 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		

Notes to Investec plc parent company accounts

(continued)

i Subsidiaries *(continued)*

At 31 March 2018	Principal activity	Interest held
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%
Hong Kong		
Registered office: Suites 3609 – 3614, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong		
Investec Asset Management Hong Kong Limited **	Sales and distribution	100%
Registered office: Room 3609-3613, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong		
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) Limited	Holding company	100%
Investec Ireland Limited	Financial services	100%
Investec International Limited	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Limited	Holding company	100%
Investec Capital & Investments (Ireland) Limited	Wealth management and investment services	100%
Aurum Nominees Limited	Nominee company	100%
Investec (Airtricity) Nominees Ireland Limited	Nominee company	100%
Investec (CapVest) Ireland Limited	Nominee company	100%
Investec (Development) Nominees Ireland Limited	Nominee company	100%
Investec (Placings) Ireland Limited	Nominee company	100%
Investec (Thomas Street) Nominees No 2 Limited	Nominee company	100%
Investec Broking Nominees Ireland Limited	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 Europe Limited	Investment services	100%
Jersey		
Registered office: One The Esplanade, St Helier, Jersey, JE2 3QA, Channel Islands		
Investec Finance (Jersey) Limited*	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%
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 and distribution	100%
Investec Singapore Pte Limited	Securities services	100%
Registered office: 80 Robinson Road, #02-00, Singapore, 068898		

i Subsidiaries *(continued)*

At 31 March 2018	Principal activity	Interest held
Sunco Holdings Pte Limited	Holding company	100%
Sunhold Pte Limited	Holding company	100%
Switzerland		
Registered office: Seefeldstrasse 69, 8008 Zurich, Switzerland		
Investec Asset Management Switzerland GmbH **	Sales and distribution	100%
Registered office: 23 Avenue de France, CH – 1202, Geneva, Switzerland		
Reichmans Geneva SA	Trading company	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%
United States of America		
Registered office: 2711 Centerville Road, Suite 400, Wilmington, New Castle, DE 19808, USA		
Investec Asset Management North America, Inc. **	Sales and 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 company	100%
Fuel Cell IP 1 LLC	Investment holding company	100%
Fuel Cell IP 2 LLC	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%

** *100% owned by Investec Asset Management Limited which is itself 83% owned*

Associates

At 31 March 2018	Principal activity	Interest held
United Kingdon		
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%
Guernsey		
Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands		
Growthpoint Investec African Property Management Limited**	Management company	50%
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%

Definitions

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

Refer to page 61

Adjusted shareholders' equity

Refer to calculation on page 66 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 61

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit (excluding share of post taxation profit of associates)

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 64 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 operating costs, impairment losses on loans and advances and depreciation on operating leased assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 70 in volume one

Annuity 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 66 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 66 in volume one

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 64 in volume one

Staff compensation to operating income ratio*

All staff compensation costs expressed as a percentage of operating income

Third party assets under management

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

Total capital resources

Includes shareholders' equity, subordinated liabilities, Other Additional Tier 1 securities in issue and non-controlling interests

Total equity

Total shareholders' equity including Other Additional Tier 1 securities in issue and 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 61

* *Investec Asset Management (IAM) operates schemes for staff whose bonuses are deferred into collective investment schemes that are managed by IAM. Any resulting profit or loss arising from these schemes is attributable to the employee in respect of whom the investment was made. As such, any rise or fall in the value of the assets held is offset to an equal but opposite degree by the change in the liability (expense) to the employee. Therefore the profit or loss on these investments and the corresponding expense to employees are offset in arriving at the staff compensation ratio for IAM and hence for the group as a whole.*

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Refer to page 133 in volume one of the integrated annual report.

Notes

Financial statements

Notes