ANNUAL REPORT | 2019

VOL 3

Investec annual financial statements

Investec

VOL. 1

Strategic report incorporating governance, corporate responsibility and the remuneration report

VOL. 2

Risk disclosures

VOL. 3

Annual financial statements

THE 2019 INTEGRATED ANNUAL REPORT COVERS THE PERIOD 1 APRIL 2018 TO 31 MARCH 2019 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.

Cross reference tools

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

PAGE REFERENCES
Refers readers to information elsewhere in this report

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

CORPORATE SUSTAINABILITY
Refers readers to further information in our 2019 corporate sustainability and ESG supplementary report available on our website: www.investec.com

REPORTING STANDARD
Denotes our consideration of a reporting standard

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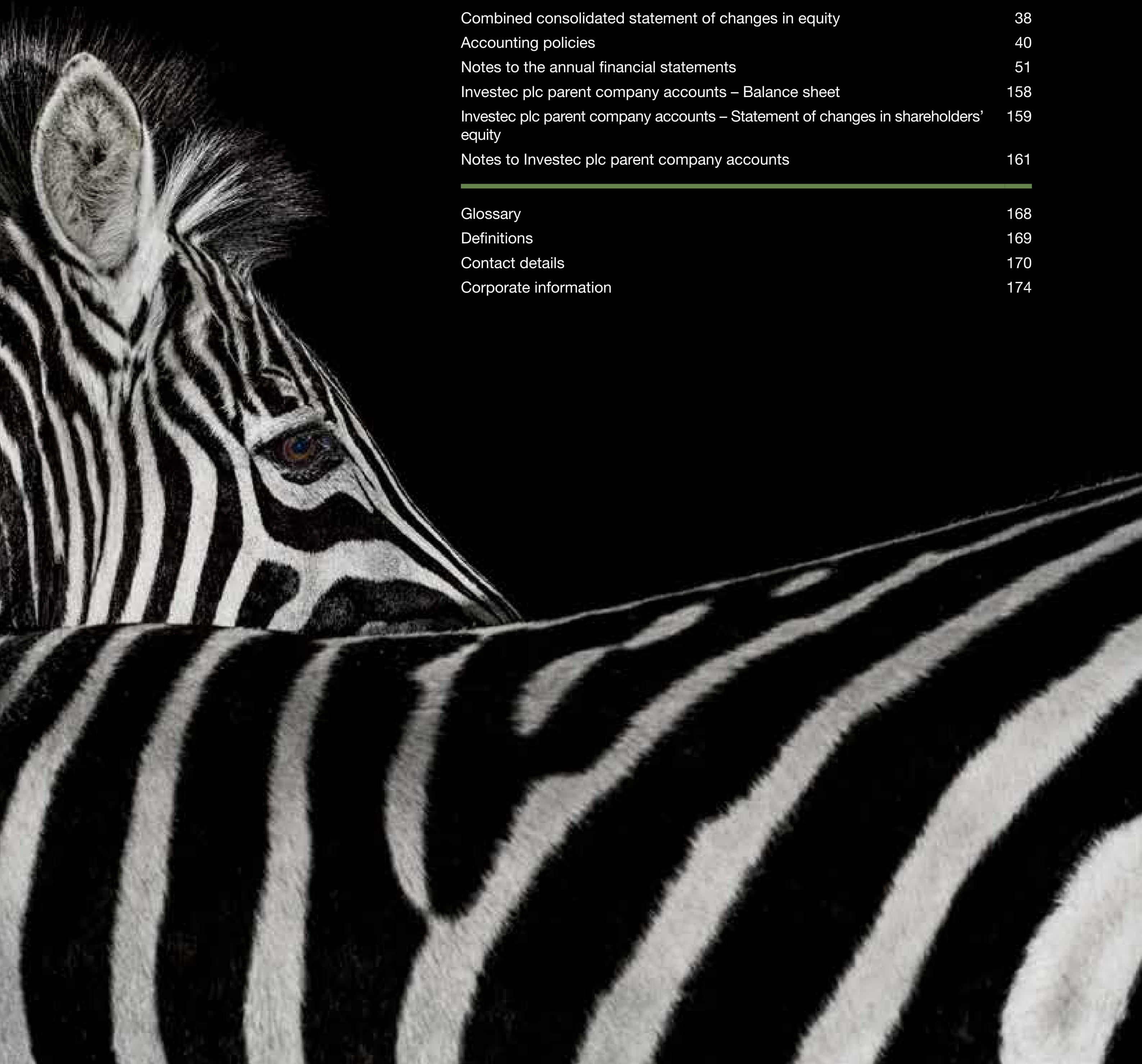

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FINANCIAL STATEMENTS

The directors present their strategic and directors' report and financial statements for the year ended 31 March 2019.

Strategic report

The strategic report for the year ended 31 March 2019 was approved by the board of directors on 13 June 2019.

Section 414A of the UK Companies Act 2006 (the UK Companies Act) 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 UK Companies Act, to include certain matters in its strategic report that would otherwise be disclosed in the directors' report.

Sections one, two, three and four of Volume 1 of the integrated annual report (together the strategic report) provide an overview of our strategic position, performance during the financial year and outlook for the business. This should be read in conjunction with Volume 2 of the integrated annual report which elaborates on some of the aspects highlighted in the strategic report.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

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.

Authorised and issued share capital

Investec plc and Investec Limited

Details of the share capital are set out in note 43 to the annual financial statements.

Investec plc

During the year, the following shares were issued:

- 10 609 172 ordinary shares on 22 June 2018 at 544.00 pence per share
- 8 181 965 special converting shares on 22 June 2018 of £0.0002 each at par
- 603 645 ordinary shares on 26 September 2018 at 436.00 pence per share
- 1 069 699 ordinary shares on 28 November 2018 at 493.00 pence per share.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2019.

At 31 March 2019, Investec plc held 21 638 673 shares in treasury (2018: 19 722 086). The maximum number of shares held in treasury by Investec plc during the period under review was 26 770 816 shares.

Investec Limited

During the year, the following shares were issued:

- 10 609 172 special convertible redeemable preference shares of R0.0002 each on 22 June 2018 at par
- 8 181 965 ordinary shares on 22 June 2018 at R92.55 per share (R0.0002 par and premium of R92.5498 per share)
- 603 645 special convertible redeemable preference shares of R0.0002 each on 26 September 2018 at par
- 1 069 699 special convertible redeemable preference shares of R0.0002 each on 28 November 2018 at par.

On 22 October 2018, the partial early redemption of 21 293 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 25 March 2019, the final redemption of the remaining 191 642 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 2019.

At 31 March 2019, Investec Limited held 29 686 599 shares in treasury (2018: 27 013 057). The maximum number of shares held in treasury by Investec Limited during the period under review was 31 663 785 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 2019.

The preparation of these combined results was supervised by the group finance director, Nishlan Samujh.

Ordinary dividends

Investec plc

An interim dividend of 11.0 pence per ordinary share (2018: 10.5 pence) was paid on 19 December 2018, as follows:

- 11.0 pence per ordinary share to non-South African resident shareholders registered on 4 December 2018
- To South African resident shareholders registered on 4 December 2018, through a dividend paid by Investec Limited on the SA DAS share, of 8 pence per ordinary share and 3.0 pence per ordinary share paid by Investec plc.

The directors have proposed a final dividend to shareholders registered on 26 July 2019, of 13.5 pence (2018: 13.5 pence) per ordinary share, which is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 8 August 2019 and, if approved, will be paid on 12 August 2019, as follows:

- 13.5 pence per ordinary share to non-South African resident shareholders (2018: 13.5 pence) registered on 26 July 2019
- To South African resident shareholders registered on 26 July 2019, through a dividend paid by Investec Limited on the SA DAS share, of 8.0 pence per ordinary share and 5.5 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 206 cents per ordinary share (2018: 200 cents) was declared to shareholders registered on 7 December 2018 and was paid on 19 December 2018.

The directors have proposed a final dividend in respect of the financial year ended 31 March 2019 of 251 cents (2018: 232 cents) per ordinary share. The final dividend will be payable on 12 August 2019 to shareholders on the register at the close of business on 26 July 2019. The annual general meeting at which the proposed dividend will be considered for approval is scheduled to take place on 8 August 2019.

Preference dividends

Investec plc

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

Preference dividend number 25 for the period 1 April 2018 to 30 September 2018, amounting to 7.9 pence per share, was declared to members holding preference shares registered on 4 December 2018 and was paid on 18 December 2018.

Preference dividend number 26 for the period 1 October 2018 to 31 March 2019, amounting to 8.7 pence per share, was declared to members holding preference shares registered on 4 June 2019 and will be paid on 18 June 2019.

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

Preference dividend number 14 for the period 1 April 2018 to 30 September 2018, amounting to 476.3 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 4 December 2018 and was paid on 18 December 2018.

Preference dividend number 15 for the period 1 October 2018 to 31 March 2019, amounting to 482.09 cents per share, was declared to members holding preference shares registered on 4 June 2019 and will be paid on 18 June 2019.

Investec Limited

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

Preference dividend number 28 for the period 1 April 2018 to 30 September 2018, amounting to 389.91534 cents per share, was declared to shareholders holding preference shares registered on 14 December 2018 and was paid on 18 December 2018.

Preference dividend number 29 for the period 1 October 2018 to 31 March 2019, amounting to 394.65612 cents per share, was declared to shareholders holding preference shares registered on 7 June 2019 and will be paid on 18 June 2019.

Class ILRP2 redeemable non-participating preference shares

Preference dividend number 13 for the period 1 April 2018 to 30 June 2018, amounting to 13961.69167 cents per share, was declared to shareholders holding preference shares on 20 July 2018 and was paid on 23 July 2018.

Preference dividend number 14 for the period 1 July 2018 to 30 September 2018, amounting to 1406.98499 cents per share, was declared to shareholders holding preference shares on 19 October 2018 and was paid on 22 October 2018.

Preference dividend number 15 for the period 1 October 2018 to 31 December 2018, amounting to 1421.58383 cents per share, was declared to shareholders holding preference shares on 18 January 2019 and was paid on 21 January 2019.

Final preference dividend after redemption for the period 1 January 2019 to and including 24 March 2019, amounting to 1300.41450 cents per share, was declared to shareholders holding preference shares on 22 March 2019 and was paid on 25 March 2019.

Redeemable cumulative preference shares

Dividends amounting to R22 462 936 (2018: R22 987 563) 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 page 121 and 118 in volume one.

The names of the current directors of Investec plc and Investec Limited, along with their biographical details, are set out on pages 108 to 112 of volume one, and are incorporated into this report by reference. Changes to the composition of the board since 1 April 2018 up to date of this report are shown in the table below:

	Appointed to the board	Retired from the board
Glynn Burger		31 March 2019
Kim McFarland	1 October 2018	
Nishlan Samujh	1 April 2019	

In accordance with the UK Corporate Governance Code, all of the directors will retire and those willing to serve again will submit themselves for re-election at the annual general meeting. Laurel Bowden, Cheryl Carolus, Bernard Kantor and Stephen Koseff will not stand for re-election at the 2019 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 167 to 218 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 120 to 124 and 113 in volume one.

Share incentives

Details regarding options granted during the year are set out on pages 198 to 204 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 internal and external audit reviews and the effectiveness of our risk and control systems. Taking note of the key deliberations of the subsidiary audit committees as part of the process.

Further details on the role and responsibility of the audit committees are set out on pages 132 to 141 in volume one.

Independent auditor and audit information

Each person who is a director at the date of approval of this report, confirm that, so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given pursuant to section 418 the UK Companies Act and should be interpreted in accordance with and subject to those provisions.

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc and Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

A resolution to re-appoint them as auditors will be proposed at the annual general meeting scheduled to take place on 8 August 2019.

Contracts

Refer to page 118 in volume one for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 163 to 167 in volume three.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 154 in volume one.

Special resolutions

Investec plc

At the annual general meeting held on 8 August 2018, 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
- 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.

Investec Limited

At the annual general meeting held on 8 August 2018, 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, as amended (the South African Companies Act)
- A renewable authority was granted to Investec Limited 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
- 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
- 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.

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 (IFRS), as adopted by the European Union (EU). The parent company accounts of Investec plc are prepared under FRS 101.

These policies are set out on pages 40 to 50 in volume three.

Employees

The group's approach is to recruit and promote on the basis of aptitude and attitude, with the deliberate intent to build a diverse workforce and promote an inclusive workplace, appropriately and fully representative of the jurisdictions population. The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and motivating staff involvement in the group's performance by means of employee share schemes.

Further information is provided on pages 158 to 166 in volume one.

Political donations and expenditure

Investec Bank Limited made political donations in 2019 in the amount of R1.5 million (2018: Nil). No further political donations were made by the group in the financial year ended 31 March 2019 (2018: Nil).

Empowerment and transformation

The group's approach is to recruit and promote on the basis of aptitude and attitude, with the deliberate intent to build a diverse workforce and promote and inclusive workplace, appropriately and fully representative of the jurisdiction's population. We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, nationality and sexual preferences. People with disabilities are an essential part of a diverse talent pool and are always considered, with every effort made to accommodate and facilitate an accessible environment. In the event of employees becoming disabled while in our employ, we are committed to ensuring their continued employment. We have various processes to encourage debate and dialogue around valuing diversity and differences. Emerging and established leaders are invited to participate in discussions with the executive leadership around all issues related to talent management and diversity.

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 90 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 45 and 46 and in note 54 in volume three.

Going concern

Refer to page 138 in volume one for the directors' statement in relation to going concern.

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 158 to 166 in volume one.

Research and development

In the ordinary course of business, the group develops new products and services in each of its business divisions.

Viability statement

Refer to pages 149 to 151 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 90 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). 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.

Post 2019 financial year events

On 10 May 2019 Investec Bank plc agreed to sell its Irish Wealth Management business to Brewin Dolphin for proceeds of circa EUR44 million, subject to regulatory approval.

As announced on 14 September 2018 following a strategic review, the group made a decision to demerge and separately list the Investec Asset Management business. The demerger and the listing of Investec Asset Management is subject to regulatory and shareholder approvals, and is expected to be completed during the second half of the calendar year.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 13 to 33 in volume three, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the UK Companies Act and South African Companies Act to prepare group and company accounts for each financial year and, with regards to group accounts, in accordance with Article 4 of the International Accounting Standards (IAS) Regulation. The directors have prepared group and company accounts in accordance with IFRS, as adopted by the EU. Under the UK Companies Act, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of their profit or loss for that period.

The directors consider that, in preparing the financial statements the group and company have used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Having taken all the matters considered by the board and brought to the attention of the board during the year into account, the directors are satisfied that the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

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

Directors' responsibility statement

The directors have a responsibility for ensuring that the company and the group keep accounting records which disclose with reasonable accuracy the financial position of the company and the group and which enable them to ensure that the accounts comply with the UK Companies Act and South African Companies Act.

The directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement in accordance with applicable law and regulations.

The directors are responsible for the maintenance and integrity of the annual report and financial statements as they appear on the group's website.

The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors, whose names and functions are set out on pages 108 to 112 in volume one, confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, on pages 6 to 68 in volume one, which is incorporated in the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approval of annual financial statements

The directors' report and the annual financial statements of the companies and the group, which appear on pages 5 to 9 and pages 34 to 163 in volume three, were approved by the board of directors on 13 June 2019.

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 boards of Investec plc and Investec Limited

Perry Crosthwaite	**Fani Titi**	**Hendrik du Toit**
Chairman	Joint chief executive officer	Joint chief executive officer
13 June 2019	13 June 2019	13 June 2019

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies 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 2019, 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

13 June 2019

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). This is a summary only and the relevant provisions of the Articles or the UK Companies Act should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2019 consists of 682 121 211 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 318 904 706 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the UK Companies Act, 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, 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.

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, 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.

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, 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 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. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors. For details regarding the shareholding requirements for executive directors of Investec plc, once appointed, please refer to the page 180 of the remuneration report in volume one.

Powers of directors

Subject to the Articles, the UK Companies Act, 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.

A director is not required to hold any shares of Investec plc by way of qualification.

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.

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 2019 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 2019	Balance sheet as at 31 March 2019
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 j 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 61 to the financial statements, except for the items marked as unaudited in note 60	
Information identified as 'audited' in the Annual report on remuneration; and	
Risk management section of Volume Two identified as 'audited'.	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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 FRS 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 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation (set out on page 29 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 148 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 twelve 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 directors' viability statement (set out on page 149 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.

Overview of our audit approach

Key audit matters	• Monitoring of credit quality and the appropriateness of the allowance for expected credit losses; • Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans; • IT systems and controls impacting financial reporting; • Accounting for the proposed demerger of Investec Asset Management; 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 judgment, 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.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses		
Refer to the Audit Committee Report (page 136 of Volume One); Accounting policies (page 49); and Note 27 of the Consolidated Financial Statements (page 99) The appropriateness of the allowance for expected credit losses is highly subjective and judgmental. The introduction of IFRS 9, which the group adopted on 1 April 2018, has resulted in several additional key judgments and assumptions being made during the current year. At year-end the group reported total gross loans and advances to customers subject to Expected Credit Loss (ECL) of £23 945 million (2018: £24 911 million); impairment provisions of £291 million (2018: £238 million); and credit losses of £105 million (2018: £147 million). 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. Given the subjective nature of the calculation of ECL there is a heightened risk that the timing and extent of allowances could be misstated.	As IFRS 9 was adopted on 1 April 2018 we performed audit procedures on the opening balances to gain assurance over the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. To address the significant judgments and estimates we focused on the following key procedures: **Assessment of significant increase in credit risk** We tested the design and operating effectiveness of key controls focusing on the following: • Assessment and approval of a significant increase or reduction in credit risk and credit-impaired criteria and monitoring of asset levels in each stage (including performing peer benchmarking); • Approval of staging criteria; • Assessment and governance of manual overrides to staging outcomes; and • Data quality. We also tested a sample of assets in stages 1, 2 and 3 to verify they were included in the appropriate stage.	Based on the testing performed we concluded that impairment provisions made by management were within a reasonable range of outcomes and in compliance with IFRS 9. We highlighted the following matters to the Audit Committee: • Control deficiencies were identified during our testing that required compensating substantive testing. • Our testing of models and model assumptions highlighted some design and judgmental differences; however, these did not result in a material impact on the financial statements. • For individually assessed impairments, judgmental differences both increasing and decreasing impairment levels were identified; however none of these were material to the financial statements.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Monitoring of credit quality and the appropriateness of the allowance for credit losses *(continued)*		
We focused on the following significant judgments and estimates: • The assumptions used in the models to calculate expected credit losses (ECL), including: – Completeness and accuracy of historical data used to build the models; – Completeness and accuracy of data used to run the models; and – Key model assumptions and techniques. • Modelled ECL represent 30.5% of the total ECL. • Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages; • The inputs and assumptions used to estimate the impact of multiple economic scenarios; • Completeness and valuation of post model adjustments (these represented 2.6% of the total ECL); • Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. Individually assessed provisions represent 66.9% of ECL; and • Finance and credit processes to produce the financial statement disclosures. Whilst the adoption of the new standard has brought additional complexity and increased subjectivity, the risk has decreased year-on-year as a result of the reduction in the exposure to the legacy portfolio.	**ECL model** We tested the design and operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9 and obtained audit evidence that appropriate interpretations were reflected in the models. We involved our modelling specialists to test assumptions and calculations used in the ECL. This included performing an assessment of: • estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9; • the model design documentation; • the appropriateness of the methodology considering alternative techniques; and • the code to verify it was consistent with the design documentation. We also tested a sample of the historical and reporting date data used in the models by tracing back to the origination systems. **Multiple economic scenarios** We tested the design and operating effectiveness of key controls focusing on the following: • Generation and approval of base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We used our economists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. In performing this assessment, we considered economic scenarios from a variety of external sources, as well as forecasts that we developed internally. We involved our modelling specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios. We verified that the base case scenario used was consistent with the base case used as an input in other areas of the group. **Post model adjustments** Where post-model adjustments were made as a result of limitations in existing models, we verified the extent of the model shortcoming and recalculated and assessed the appropriateness of the adjustments.	

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Monitoring of credit quality and the appropriateness of the allowance for credit losses *(continued)*		
	Individually assessed provisions We tested the design and operating effectiveness of key controls focusing on the following: • The processes and controls over the calculation of the provision, including timing of collateral valuations, work out strategies and annual credit reviews. • Where work out strategies require additional funding to execute we obtained evidence of the approval for such funding through the bank's risk management governance process and assessed the track-record of management in approving the utilisation of the additional funding; • Estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; and • Approval of final provision amount by management's impairment decision committee. We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered all high-risk sectors including marine, mining and property exposures. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered the potential alternative scenarios and the probability weights assigned. We checked the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences arising. **Disclosures** Our testing focused on: • Financial statement close process used to record the ECL journal entries; • IT controls over the completeness and accuracy of the ECL; • Agreeing disclosures back to source systems tested; • Reconciliations between finance and risk systems; and • Design and approval of the disclosures to meet IFRS requirements, including the transition from IAS 39.	
	• We performed full scope audit procedures over this risk area in three components. These three components, covered 99% (2018:99%) of the risk amount.	

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans		
Refer to the Audit Committee Report (page 136 of Volume One); Accounting policies (page 49); and Note 15 of the Consolidated Financial Statements (page 82) There are £20 347 million (2018: £11 932 million) of assets that are required to be fair valued under the IFRS accounting framework. For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans, unlisted investments or large bespoke derivative structures there is necessarily a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgmental. This may result in subjective fair value movements which are material. At the year end the group reported level 3 assets of £2 293 million (2018:£920 million) and level 3 liabilities of £134 million (2018: £143 million). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgments, are the Hong Kong portfolio and the Southern Africa mining assets, including related lending activities. Significant judgment is required by management due to the absence of verifiable third party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. These assets are standing items for discussion at audit committees. The level of risk has not materially changed from prior year.	We tested the design and operating effectiveness of key controls for the valuation of level 3 financial instruments. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. Where such inputs and assumptions were not observable in the market we engaged our valuation specialists to critically assess if the 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 including: • Performing a site visit to inspect key assets; and meet with key management and/or board members of the investee; • Engaging our business valuations specialists to build an independent valuation model in addition to assessing the key inputs and assumptions. As part of this we also considered alternative inputs and assumptions; sensitivity analysis was performed on the most material inputs; • We challenged management to produce new valuation models that were responsive to what they considered to be the range of reasonably likely outcomes; • Obtaining audit evidence via legal confirmations from, or discussions with external counsel in order to assess the enforceability of collateral held; and • In the case of a particular asset in the Hong Kong portfolio we engaged our forensic investigations specialists, insolvency specialists and senior staff in our China practice to identify potential contrary evidence which would have an impact on the valuation. We performed full audit procedures over this risk area for five components, which covered 99% (2018: 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, was concluded to be within a reasonable range of expected outcomes.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
IT systems and controls impacting financial reporting		
The group audit relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to: • User access management across application, database and operating systems; • Changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT dependent controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data.	We: • Evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting; • Tested the operating effectiveness of key automated controls for in scope business processes, including automated calculations; • Tested the completeness and accuracy of system and data feeds; and • Tested key system migrations which occurred during the year, including where positions were transferred between front office trading systems.	We identified control deficiencies in relation to user access, monitoring database changes and manage change controls. In response to these findings we performed the following additional testing procedures to mitigate the risks identified: • Where inappropriate access was identified, we understood the nature of the access and, where possible, obtained further evidence to support the appropriateness of any activities performed; • Testing of downstream compensating business controls; and • Incremental substantive testing in relation to external confirmations and key year-end reconciliations. We are satisfied, based on the initial and top-up testing outlined above, that the findings identified in relation to the IT control environment, relevant to the financial statements have not resulted in any material misstatement.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Accounting for the proposed demerger of Investec Asset Management		
Refer to the Audit Committee Report (page 136 of Volume One); Accounting policies (page 50) In September 2018, the directors announced their intention to demerge the Investec Asset Management business within twelve months. The proposed demerger must be assessed to consider whether it should be classified as an investment held for distribution in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). The application of IFRS 5 is inherently subjective, in particular with respect to determining whether or not distribution is highly probable specifically considering the outstanding regulatory and shareholders' approvals as at 31 March 2019.	We have reviewed management's accounting papers setting out the rationale for the conclusions reached in assessing the accounting treatment. As part of this we considered the impact on management's assessment of the following items on whether the transaction should be considered highly probable: • the timing for the proposed demerger; • presentations made to institutional investors at Capital Markets days and other announcements, including the information available to institutional investors as at the balance sheet date; • Board Committee meeting minutes; • the demerger committee minutes; • the 75% shareholder approval hurdle for Investec plc and 50% shareholder approval hurdle for Investec Ltd required for the transaction; • Regulatory approvals required for the transaction; and • Whether Investec Asset Management was available for immediate distribution in its current form. To challenge and corroborate the above we have also enquired of senior management, non-executive directors and key board committees on the significant assumptions made to test whether any contrary evidence exists. We have also evaluated the appropriateness of the disclosure in relation to the demerger, in terms of the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 10 *Events After the Reporting Period*. 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 judgment and disclosure in respect of the proposed demerger and with Investec Asset Management not being classified as 'held for distribution' in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)*.

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 136 of Volume One); Accounting policies (page 49); and Note 9 of the Consolidated Financial Statements (page 70) 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 litigation with HMRC. Consequently, management makes judgments about the size of potential liabilities which are subject to change in future periods as more information becomes available.	We examined the latest court rulings and analysis performed by management which sets out the basis for the judgments in relation to material tax exposures. We also inspected the correspondence between the group and its external advisors and between the group and HMRC. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of proceedings. 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 also evaluated the calculation of the exposure and the appropriateness of the disclosure in relation to the uncertain tax positions.	Based on the information that is currently available we concur with management's judgment in respect of the level of provisions held in respect of uncertain tax positions and the disclosure presented in the financial statements.
The level of risk has not materially changed from prior year.	We performed full scope audit procedures over this risk area in the component impacted by the risk.	

In the current years auditor's report we have included two new key audit matters in relation to:

- Accounting for the proposed demerger of Assets Management: this was added as a result of the announcement of the proposed Asset Management demerger; and
- IT systems and controls impacting financial reporting: this was added due to the findings and required incremental testing during the year in relation to the IT system and controls.

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.

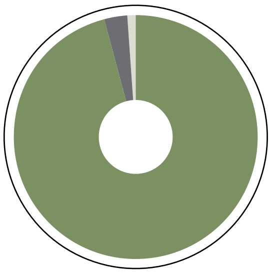
Entity	*Scoping*
Investec Bank plc	Full
Investec Asset Management UK	Full
Investec Bank Limited*	Full
Investec Property Fund	Full
Investec Asset Management SA	Full
Investec Life Limited	Specific
Investec Property Limited	Specific
Investec Securities Limited	Specific
Investec Limited consolidation packs	Full

* *This component in a joint audit between Ernst & Young Inc. and KPMG Inc.*

The reporting components where we performed audit procedures accounted for 99% (2018: 99%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 99% (2018: 99%) of the group's revenue and 99% (2018: 99%) of the group's total assets. For the current year, the full scope components contributed 96% (2018: 89%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 97% (2018: 95%) of the group's revenue and 99% (2018: 98%) of the group's Total assets. The specific scope components contributed 3% (2018: 10%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 3% (2018: 5%) of the group's revenue and 1% (2018: 2%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

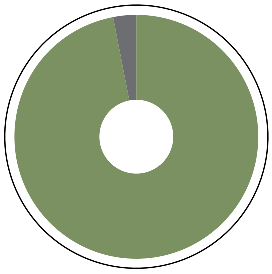
The charts below illustrate the coverage obtained from the work performed by our audit teams.

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



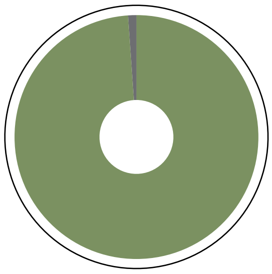
96.0%	Full scope components
3.0%	Specific scope components
>1.0%	Other procedures

Revenue



97.0%	Full scope components
3.0%	Specific scope components
<1.0%	Other procedures

Total assets



99.0%	Full scope components
1.0%	Specific scope components
<1.0%	Other procedures

Changes from the prior year

Whilst there have been no changes in the overall scope during the current year within the Investec Bank Limited component there has been a rotation of the divisions audited between its joint auditors Ernst & Young Inc. and KPMG Inc.

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. 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. We also attended audit team meetings with component management and component audit committees.

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 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 in the prior year we enhanced the oversight procedures performed over components audited by other firms in South Africa. These enhancements have continued in the current year-end 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.

In addition to the above as a result of the implementation of IFRS 9 a risk modelling partner from the UK visited the South African components to assist the primary team in its cross review of the component audit team's work.

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 (2018: £34.0 million), which is 5% (2018: 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 certain one-off transactions in the period. During the course of our audit, we reassessed initial materiality and determined there were no significant changes to be made to our materiality calculations.

We determined materiality for the parent company to be £5.1 million (2018: £3.7 million), which is 1% (2018: 1%) of distributable equity. 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% (2018: 50%) of our planning materiality, namely £17.0 million (2018: £17.0 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 (2018: £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 £1.7 million (2018: £1.7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report and accounts, including the corporate governance report (set out page 104 to 166 of volume One) business review (set out on pages 5), risk disclosure (set out on pages 4 to 90 of volume Two), additional information for shareholder (set out on page 8), Definitions (set out on page 169 to 170), contact details (set out on pages 171 to 174), and corporate information (set out on page 175), 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 138 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 132 to 141 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
- **Directors' statement of compliance with the UK Corporate Governance Code** (set out on page 148 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 and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic and 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 and 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 9), 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.

Auditor's 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:
  - The regulations, licence conditions and supervisory requirements of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA)
  - Companies Act 2006
  - Tax Legislation (governed by HM Revenue and Customs)
- 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 group and company and UK regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk Committee; and gained an understanding of the group and company's approach to governance, demonstrated by the board's approval of the group and 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 and inspecting significant correspondence with the FCA and PRA.
- The group and company operate 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 group and company has established to address risks identified by the group and company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified above. Our procedures included inquiries of management, internal audit and those responsible for legal and compliance matters; as well as focused testing referred to in the Key Audit Matters section above. In addition, we performed procedures to identify any significant items inappropriately held in suspense accounts and also any significant inappropriate adjustments made to the accounting records.

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 19 years, covering the years ending 31 March 2001 to 31 March 2019.
- 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

13 June 2019

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.

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 34
Combined consolidated statement of comprehensive income for the year then ended	Page 35
Combined consolidated balance sheet as at 31 March 2019	Page 36
Combined consolidated cash flow statement for the year then ended	Page 37
Combined consolidated statement of changes in equity for the year then ended	Page 38 – 39
Accounting policies	Pages 40 – 50
Notes 1 to 61 to the annual financial statements, except for the items marked as unaudited in note 60	Pages 51 – 157
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 2019, 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, and 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	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses	
Refer to the Audit Committee Report (page 136 of volume One); Accounting policies (page 49); and Note 27 of the Consolidated Financial Statements (page 99) On 1 April 2018 the group adopted IFRS 9 'Financial Instruments' which replaced IAS 39 and which requires impairment losses to be evaluated on an expected credit loss (ECL) basis as opposed to an incurred loss methodology under IAS 39. The determination of the allowance for expected credit losses (ECL) is material and requires significant judgment and assumptions by management. We have identified the audit of ECL impairment allowances to be a key audit matter. At year end the group reported total gross core loans and advances of £23 945 million (2018: £24 911 million); expected credit losses (impairment allowance) of £291 million (2018: £238 million); and credit losses of £105 million (2018: £148 million). 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. Given the subjective nature of the calculation of ECL there is a heightened risk that the timing and extent of allowances could be misstated. The key areas of significant judgement and assumptions by management within the ECL calculations include:	As IFRS 9 was adopted on 1 April 2018 we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. We also performed audit procedures on the closing balance as at 31 March 2019 and the movement in ECL over the period. To address the significant judgments and estimates we focused on the following key procedures:
Assessment of SICR The group is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. The assessment of what constitutes a significant increase in credit risk (SICR) applied by management involves judgement and assumptions. SICR has been established to apply both qualitative and quantitative measures. We focused on the completeness of assets recognised in stages 2 and 3, including the triggers for an asset requiring a move between stages, as well as the completeness and valuation of post model adjustments.	**Assessment of SICR** We tested the design and operating effectiveness of key controls focusing on the following: • Assessment and approval of the movement of exposures between the various impairment stages, and the monitoring of asset levels in each stage (including performing peer benchmarking); • Approval of qualitative and quantitative staging criteria; • Assessment and governance of manual overrides to staging outcomes; and • Data quality. We also tested a sample of assets in stages 1, 2 and 3 to verify they were included in the appropriate stage.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
***Monitoring of credit quality and the appropriateness of the allowance for expected credit losses** (continued)*	
Assessment of estimation of EAD, PD and LGD within the ECL calculation including macro-economic inputs and forward looking information ECL is determined using sophisticated modelling techniques, which take into account both historical data and forward-looking information. The models used to determine credit impairments are complex, and certain inputs used are not fully observable. Significant judgements are applied to the model design, including the estimation of key inputs such as the exposure at default (EAD); probability of default (PD) and loss given default (LGD). Further judgement is required in incorporating macro-economic inputs and forward-looking information into the ECL models and in determining the ECL stage allocation.	**Assessment of estimation of EAD, PD and LGD within the ECL calculation including macro-economic inputs and forward looking information** We tested the design and operating effectiveness of key controls focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9 and obtained audit evidence that appropriate interpretations were reflected in the models. We involved our modelling specialists to test assumptions and calculations used in the ECL. This included performing an assessment of: • Estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9; • The model design documentation; • The appropriateness of the methodology considering alternative techniques; and • The code to verify it was consistent with the design documentation. We also tested a sample of the historical and reporting date data used in the models by tracing it back through to the origination systems. **Post model adjustments** Where post-model adjustments were made as a result of limitations in existing models, we verified the extent of the model shortcoming and recalculated and assessed the appropriateness of the adjustments. **Macro-economic inputs and forward looking information** We tested the design and operating effectiveness of key controls focusing on the following: • Generation and approval of base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We involved our economic specialists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. In performing this assessment, we considered economic forecasts from a variety of external sources. We involved our modelling specialists to assess the correlation of the macroeconomic factors forecasted to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
***Monitoring of credit quality and the appropriateness of the allowance for expected credit losses** (continued)*	
Evaluation of ECL measurement for Stage 3 individually determined impairment exposures Impairment allowances are determined on a case by case basis for certain individual financial assets. Significant estimates, judgements and assumptions have been applied by management in their assessment of the ECL of the individual financial assets, including recoverability estimates, evaluating the adequacy and accessibility of collateral and determining the expected timing and amount of future cash flows.	**ECL measurement for Stage 3 individually determined impairment exposures** We tested the design and operating effectiveness of key controls focusing on the following: • The processes and controls to calculate the allowance, including timing of collateral valuations, work out strategies, annual credit reviews (where work out strategies require additional funding to execute we have obtained evidence of the approval for such funding through the bank's risk management governance process as well as assessing the track record of management approving the utilisation of the additional funding); • Estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; and • Approval of final allowance amount. We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists where appropriate. Our sample considered high-risk sectors including marine, mining and property exposures. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered the alternative scenarios being considered and the probability weights assigned. We assessed the reasonableness of the discount rate used and re-performed the discounted cash flow calculations. We compared our measurement outcome to that prepared by management and investigated any differences that arose. **Disclosures** Our testing focused on: • Financial statement close process used to record the ECL journal entries; • IT controls over the completeness and accuracy of the ECL; • Agreeing disclosures back to source systems tested; • Reconciliations between finance and risk systems; and • Design and approval of the disclosures to meet IFRS requirements, including the transition from IAS 39.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans	
Refer to the Audit Committee Report (page 136 of volume One); Accounting policies (page 49); and Note 15 of the Consolidated Financial Statements (page 82)	
There are £20 347 million (2018: £11,932 million) of assets that are required to be fair valued under the IFRS accounting framework. For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans, unlisted investments or large bespoke derivative structures there is necessarily a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgmental. This may result in subjective fair value movements which are material. Significant judgment is required by management due to the absence of verifiable third party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. At the year end the group reported level 3 assets of £2 293 million (2018: £920 million) and level 3 liabilities of £134 million (2018: £143 million). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgments, are the Hong Kong portfolio and the Southern Africa mining assets, including related lending activities.	We tested the design and operating effectiveness of key controls for the valuation of level 3 financial instruments. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. As part of this testing we engaged our valuation specialists. Where such inputs and assumptions were not observable in the market we engaged our valuation specialists to critically assess if the 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: • Performed site visits to inspect key assets and met with key management and/or Board members of the investee; • Engaged 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; • We challenged management on new valuation models and that they were responsive to what they considered to be the range of reasonable likely outcomes; • Obtained audit evidence via external legal confirmations or discussions with external counsel in order to assess the enforceability of collateral held; and • In the case of a particular asset in the Hong Kong portfolio we engaged our forensic investigations specialists, insolvency specialists and senior staff in our China practice to identify potential contrary evidence which would have an impact on the valuation.
IT systems and controls impacting financial reporting	
The group audit relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to: • User access management across application, database and operating systems; • Changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT-dependent controls. Control deficiencies in the IT environment could result in the financial accounting and reporting records being materially misstated. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data.	We have: • Evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting; • Tested the operating effectiveness of key automated controls for in scope business processes, including automated calculations; • Tested the completeness and accuracy of system and data feeds; • Tested key system migrations during the year including transferring positions between front office trading systems; and • For identified deficiencies, tested the design and operating effectiveness of compensating controls and, where necessary, extended the scope of our substantive audit procedures.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Accounting for the proposed demerger of Investec Asset Management	
Refer to the Audit Committee Report (page 136 of volume One); Accounting policies (page 50) In September 2018, the directors announced that it is their intention to demerge the Investec Asset Management business within twelve months. The proposed demerger should be assessed if it should be classified as an investment held for distribution in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The application of IFRS 5, is inherently subjective, in particular determining whether the completion of the demerger is highly probable specifically considering the outstanding regulatory and shareholders' approval as at 31 March 2019. Management has concluded that this threshold has not yet been met at the reporting date.	We have reviewed management's accounting papers setting out their rationale for the conclusions reached in assessing the accounting treatment. As part of this we considered the impact on management's assessment of the following items on whether the transaction should be considered 'highly probable': • The timing for the proposed demerger; • Presentations made to institutional investors at Capital Markets days and other announcements, including the information available to institutional investors as at the balance sheet date; • Board Committee Meeting minutes; • The demerger committee minutes; • The 75% shareholder approval hurdle for Investec plc and the 50% shareholder approval hurdle for Investec Ltd in accordance with the respective Companies Act requirements. In the absence of this approval, the transaction cannot commence; • Regulatory approvals required for the transaction; and • Whether Investec Asset Management was available for immediate distribution in its current form. To challenge and corroborate the above we have enquired of senior management, non executive directors and key board committees on the assessment made to test whether any contrary evidence exists. We have also evaluated the appropriateness of the disclosure in relation to the demerger, in terms of the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and IAS 10 Events After the Reporting Period.
Provision for uncertain tax positions	
Refer to the Audit Committee Report (page 136 of volume One); Accounting policies (page 49); and Note 9 of the Consolidated Financial Statements (page 70) 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 litigation with HMRC. Consequently, management makes judgments about the size of potential liabilities which are subject to change in future periods as more information becomes available. The level of risk has not materially changed from prior year.	We examined the latest court rulings and analysis performed by management which set out the basis for the judgments in relation to material tax exposures. We also inspected the correspondence between the group and its external advisors and between the group and HMRC. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of proceedings. 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 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.

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 44 years.

Ernst & Young Inc.

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

13 June 2019

COMBINED CONSOLIDATED INCOME STATEMENT

£'000	Notes	Year to 31 March 2019	Year to 31 March 2018
Interest income		2 641 920	2 491 009
Interest income calculated using effective interest rate		2 393 106	^
Other interest income		248 814	^
Interest expense		(1 826 493)	(1 730 611)
Net interest income	2	**815 427**	**760 398**
Fee and commission income	3	1 590 004	1 543 447
Fee and commission expense	3	(216 452)	(182 240)
Investment income	4	49 985	130 048
Share of post taxation profit of associates and joint venture holdings		68 317	46 823
Trading income/(loss) arising from			
– customer flow		120 662	138 226
– balance sheet management and other trading activities		41 966	(4 307)
Other operating income	5	16 431	11 115
Total operating income before expected credit losses/impairment losses		**2 486 340**	**2 443 510**
Expected credit loss impairment charges*	6	(66 452)	–
Impairment losses on loans and advances*	6	–	(148 556)
Operating income		**2 419 888**	**2 294 954**
Operating costs	7	(1 695 012)	(1 632 740)
Depreciation on operating leased assets	7	(2 157)	(2 421)
Operating profit before goodwill and acquired intangibles		**722 719**	**659 793**
Impairment of goodwill	34	(155)	–
Amortisation of acquired intangibles	35	(15 816)	(16 255)
Operating profit after goodwill and acquired intangibles		**706 748**	**643 538**
Financial impact of group restructures and acquisitions of subsidiaries	7	(19 543)	(6 039)
Profit before taxation		**687 205**	**637 499**
Taxation on operating profit before goodwill and acquired intangibles	9	(78 210)	(59 099)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries restructurings	9	5 979	3 253
Profit after taxation		**614 974**	**581 653**
Profit attributable to other non-controlling interests		(58 192)	(52 288)
Profit attributable to Asset Management non-controlling interests		(25 658)	(23 817)
Earnings attributable to shareholders		**531 124**	**505 548**
Earnings per share (pence)			
– Basic	10	52.0	51.2
– Diluted	10	50.9	49.8

* *On adoption of IFRS 9 there is a move from an incurred loss model to an expected credit loss methodology.*
^ *As permitted by IFRS 9, the group has elected not to restate comparative annual financial statements.*

£'000	Notes	Year to 31 March 2019	Year to 31 March 2018
Profit after taxation		614 974	581 653
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*	9	1 797	(5 746)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^*	9	(12 918)	–
Gains on realisation debt instruments at FVOCI recycled to the income statement^*	9	(7 116)	–
Gains on realisation of available-for-sale assets recycled to the income statement^*	9	–	(6 676)
Fair value movements on available-for-sale assets taken directly to other comprehensive income^*	9	–	20 051
Foreign currency adjustments on translating foreign operations		(302 598)	(25 300)
Items that will never be reclassified to the income statement			
Effect of rate change on deferred taxation relating to adjustment for IFRS 9*		(1 572)	–
Net gain attributable to own credit risk*		8 887	–
Remeasurement of net defined pension asset		(1 924)	3 938
Total comprehensive income		**299 530**	**567 920**
Total comprehensive income attributable to ordinary shareholders		252 677	451 913
Total comprehensive income attributable to non-controlling interests		5 293	83 027
Total comprehensive income attributable to perpetual preference shareholders and Other Additional Tier 1 security holders		41 560	32 980
Total comprehensive income		**299 530**	**567 920**

^ *On adoption of IFRS 9 on 1 April 2018, the fair value reserve was introduced, replacing the available-for-sale reserve.*
* *Net of taxation except for the impact of rate changes on deferred taxation as separately show above.*

COMBINED CONSOLIDATED BALANCE SHEET

At £'000	Notes	31 March 2019	1 April 2018*	31 March 2018*
Assets				
Cash and balances at central banks	18	4 992 820	4 040 010	4 040 512
Loans and advances to banks	19	2 322 821	2 164 598	2 165 533
Non-sovereign and non-bank cash placements		648 547	599 982	601 243
Reverse repurchase agreements and cash collateral on securities borrowed	20	1 768 748	2 207 137	2 207 477
Sovereign debt securities	21	4 538 223	4 907 624	4 910 027
Bank debt securities	22	717 313	591 428	587 164
Other debt securities	23	1 220 651	898 122	903 603
Derivative financial instruments	24	1 034 166	1 345 744	1 352 408
Securities arising from trading activities	25	1 859 254	1 434 391	1 434 391
Investment portfolio	26	1 028 976	956 560	885 499
Loans and advances to customers	27	24 534 753	24 410 334	24 673 009
Own originated loans and advances to customers securitised	28	407 869	458 814	459 088
Other loans and advances	27	195 693	345 742	347 809
Other securitised assets	28	133 804	148 387	148 387
Interests in associated undertakings and joint venture holdings	29	387 750	467 852	467 852
Deferred taxation assets	30	248 893	242 239	157 321
Other assets	31	1 735 956	1 875 357	1 876 116
Property and equipment	32	261 650	233 340	233 340
Investment properties	33	994 645	1 184 097	1 184 097
Goodwill	34	366 870	368 803	368 803
Intangible assets	35	107 237	125 389	125 389
		49 506 639	**49 005 950**	**49 129 068**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	37	8 217 573	8 487 776	8 487 776
		57 724 212	**57 493 726**	**57 616 844**
Liabilities				
Deposits by banks		3 016 306	2 931 267	2 931 267
Derivative financial instruments	24	1 277 233	1 471 563	1 471 563
Other trading liabilities	38	672 405	960 166	960 166
Repurchase agreements and cash collateral on securities lent	20	1 105 063	655 840	655 840
Customer accounts (deposits)		31 307 107	30 985 251	30 987 173
Debt securities in issue	39	3 073 320	2 717 187	2 717 187
Liabilities arising on securitisation of own originated loans and advances		91 522	136 812	136 812
Liabilities arising on securitisation of other assets	28	113 711	127 853	127 853
Current taxation liabilities		162 448	185 486	185 486
Deferred taxation liabilities	30	23 590	32 158	32 158
Other liabilities	40	1 765 649	2 019 906	2 012 268
		42 608 354	**42 223 489**	**42 217 773**
Liabilities to customers under investment contracts	37	8 214 634	8 484 296	8 484 296
Insurance liabilities, including unit-linked liabilities	37	2 939	3 480	3 480
		50 825 927	**50 711 265**	**50 705 549**
Subordinated liabilities	42	1 647 271	1 619 878	1 482 987
		52 473 198	**52 331 143**	**52 188 536**
Equity				
Ordinary share capital	43	245	240	240
Perpetual preference share capital	44	31	31	31
Share premium	45	2 471 506	2 416 736	2 416 736
Treasury shares	46	(189 134)	(160 132)	(160 132)
Other reserves		(577 491)	(406 718)	(345 606)
Retained income		2 611 256	2 326 212	2 530 825
Shareholders' equity excluding non-controlling interests		**4 316 413**	**4 176 369**	**4 442 094**
Other Additional Tier 1 securities in issue	47	303 728	304 150	304 150
Non-controlling interests	48	630 873	682 064	682 064
– Perpetual preferred securities issued by subsidiaries		81 616	92 312	92 312
– Non-controlling interests in partially held subsidiaries		549 257	589 752	589 752
Total equity		**5 251 014**	**5 162 583**	**5 428 308**
Total liabilities and equity		**57 724 212**	**57 493 726**	**57 616 844**

* *The 1 April 2018 balance sheet has been presented on an IFRS 9 basis and the comparative as at 31 March 2018 on an IAS 39 basis.*

COMBINED CONSOLIDATED CASH FLOW STATEMENT

1

£'000	Notes	Year to 31 March 2019	Year to 31 March 2018
Profit before taxation adjusted for non-cash and non-operating items	50	814 089	859 745
Taxation paid		(116 212)	(127 503)
Increase in operating assets	50	(3 283 153)	(3 352 869)
Increase in operating liabilities	50	3 990 382	3 075 779
Net cash inflow from operating activities		**1 405 106**	**455 152**
Cash flow on acquisition of group operations	36	–	(6 888)
Cash flow on net disposal/(acquisition) of associates and joint venture holdings		25 159	(13 643)
Cash flow on acquisition of property, equipment and intangible assets		(95 819)	(24 604)
Cash flow on disposal of property, equipment and intangible assets		5 235	7 336
Net cash outflow from investing activities		**(65 425)**	**(37 799)**
Dividends paid to ordinary shareholders		(238 072)	(227 908)
Dividends paid to other equity holders		(105 457)	(96 668)
Proceeds on issue of shares, net of related costs		108 414	125 240
Proceeds on issue of Other Additional Tier 1 securities		5 852	271 058
Cash flow on acquisition of treasury shares, net of related costs		(103 841)	(121 933)
Proceeds on issue of other equity instruments and transactions with non-controlling interests		54 962	32 752
Proceeds from subordinated debt raised	42	462 734	190 940
Repayment of subordinated debt	42	(402 619)	(128 098)
Net cash (outflow)/inflow from financing activities		**(218 027)**	**45 383**
Effects of exchange rates on cash and cash equivalents		**(136 927)**	**(54 085)**
Net increase in cash and cash equivalents		**984 727**	**408 651**
Cash and cash equivalents at the beginning of the year		6 130 379	5 721 728
Cash and cash equivalents at the end of the year		**7 115 106**	**6 130 379**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		4 992 820	4 040 512
On demand loans and advances to banks		1 472 360	1 488 624
Non-sovereign and non-bank cash placements		648 547	601 243
Expected credit loss on cash and cash equivalents		1 379	–
Cash and cash equivalents at the end of the year		**7 115 106**	**6 130 379**

Cash and cash equivalents is defined as including cash and balances at central banks, on-demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which 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 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	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**1 701**	**–**
Share-based payment 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	–	–	–	–
Movement of treasury shares	–	–	(51 430)	(70 503)
Transfer to capital reserve account	–	–	–	–
Transfer to 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)**
Adoption of IFRS 9	–	–	–	–
At 1 April 2018	**240**	**31**	**2 416 736**	**(160 132)**
Movement in reserves 1 April 2018 – 31 March 2019				
Profit after taxation	–	–	–	–
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on realisation of debt instruments at FVOCI recycled to the income statement	–	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(22 187)	–
Net gain attributable to own credit risk	–	–	–	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**(22 187)**	**–**
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	5	–	108 409	–
Issue of Other Additional Tier 1 security instruments	–	–	–	–
Issue of equity by subsidiaries	–	–	–	–
Net equity impact of non-controlling interest	–	–	–	–
Transfer from retained income to non-controlling interest	–	–	–	–
Movement of treasury shares	–	–	(31 452)	(72 389)
Net equity movements of interests in associated undertakings	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	43 387
Transfer own credit reserve on sale of subordinated liabilities	–	–	–	–
At 31 March 2019	**245**	**31**	**2 471 506**	**(189 134)**

* *On adoption of IFRS 9 on 1 April 2018, the fair value reserve was introduced replacing the available-for-sale reserve.*

COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

1

	Other reserves										
	Capital reserve account	Available-for-sale reserve/ Fair value reserve*	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Own credit risk reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
	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**
	–	(7 455)	–	–	–	(53 657)	(204 613)	(265 725)	–	–	(265 725)
	10 447	**18 123**	**37 868**	**(60 637)**	**(358 862)**	**(53 657)**	**2 326 212**	**4 176 369**	**304 150**	**682 064**	**5 162 583**
	–	–	–	–	–	–	531 124	531 124	–	83 850	614 974
	–	(47)	–	–	–	(817)	(708)	(1 572)	–	–	(1 572)
	–	–	–	1 797	–	–	–	1 797	–	–	1 797
	–	(7 116)	–	–	–	–	–	(7 116)	–	–	(7 116)
	–	(12 918)	–	–	–	–	–	(12 918)	–	–	(12 918)
	–	1	–	–	(193 848)	–	(1 733)	(217 767)	(6 274)	(78 557)	(302 598)
	–	–	–	–	–	8 887	–	8 887	–	–	8 887
	–	–	–	–	–	–	(1 924)	(1 924)	–	–	(1 924)
	–	**(20 080)**	**–**	**1 797**	**(193 848)**	**8 070**	**526 759**	**300 511**	**(6 274)**	**5 293**	**299 530**
	–	–	–	–	–	–	72 714	72 714	–	–	72 714
	–	–	–	–	–	–	(238 072)	(238 072)	–	–	(238 072)
	–	–	–	–	–	–	(41 560)	(41 560)	19 520	7 298	(14 742)
	–	–	–	–	–	–	–	–	(19 520)	(7 298)	(26 818)
	–	–	–	–	–	–	–	–	–	(63 897)	(63 897)
	–	–	–	–	–	–	–	108 414	–	–	108 414
	–	–	–	–	–	–	–	–	5 852	–	5 852
	–	–	–	–	–	–	–	–	–	4 319	4 319
	–	–	–	–	–	–	48 239	48 239	–	2 404	50 643
	–	–	–	–	–	–	(690)	(690)	–	690	–
	–	–	–	–	–	–	–	(103 841)	–	–	(103 841)
	–	–	–	–	–	–	(5 671)	(5 671)	–	–	(5 671)
	–	–	7 564	–	–	–	(7 564)	–	–	–	–
	–	–	–	–	–	–	(43 387)	–	–	–	–
	–	–	–	–	–	25 724	(25 724)	–	–	–	–
	10 447	**(1 957)**	**45 432**	**(58 840)**	**(552 710)**	**(19 863)**	**2 611 256**	**4 316 413**	**303 728**	**630 873**	**5 251 014**

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 2019, 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 otherwise indicated.

On 1 April 2018 the group adopted IFRS 9 Financial instruments which replaced IAS 39 Financial Instruments Recognition and Measurement and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model as opposed to an incurred loss methodology under IAS 39. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which the group has exercised.

Disclosure related to the initial application and the impact of the transition from IAS 39 to IFRS 9 were included in the group's transition disclosures published on 15 June 2018 which can be accessed via the Investec website at www.investec.com.

The accounting policies related to financial instruments have significantly changed and the disclosure of the impact of IFRS 9 is included in note 60.

Additionally, on 1 April 2018 the group adopted IFRS 15 Revenue from contracts with customers which replaced IAS 18 Revenue. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The group's measurement and recognition principles were aligned to the new standard and hence there has been no material impact on measurement and recognition principles or on disclosure requirements from the adoption of IFRS 15.

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 82 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 188 to 204 in volume one.

Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited that operate under a dual listed company (DLC) structure (group). The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role and accordingly are reported as a single reporting entity under IFRS.

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between Investec and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The group also holds investments in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings 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 and joint venture holdings, the combined consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The group's interests in associated undertakings and joint venture holdings 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 and joint venture holdings 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 and joint venture holdings.

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 70 to 102 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 IFRS 9 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 and joint venture holdings 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.

Interest income on debt instruments at amortised cost and FVOCI is recognised in the income statement using the effective interest rate method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs.

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. Interest on instruments at fair value through profit and loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management and includes rental income from investment properties. Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price, allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

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.

Rewards programme

The group has a Rewards programme whereby account cardholders are awarded Rewards points in proportion to eligible transactions. Rewards points may be redeemed at a later stage for goods or services at a variety of lifestyle, shopping, travel and financial partners. Rewards points earned are valid for three years from allocation date. Client rewards are considered to be a cost of the interchange service fee revenue stream, where the cardholder is not considered to be the customer but rather that the associated rewards are incentives paid to cardholders in respect of this stream. As a result, the costs to provide cardholders with these rewards are considered to be expenses and recognised in fee and commission expenses as the related income is earned, with the obligation to settle these points reflected in other liabilities until such time as they are redeemed.

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 an asset or 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.

Refer to note 61 for accounting policies on financial instruments for the prior year.

Business model assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business models:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI
- Hold to sell/managed on a fair value basis: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation.

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Impairment of financial assets held at amortised cost or FVOCI

At each balance sheet date, each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1', financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2', and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit-impaired are in 'stage 3'.

The group calculates effective interest rate on Stage 3 assets, which is calculated based on the amortised cost of the financial asset (i.e. gross carrying amount less ECL allowance) instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cash flows.

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, those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL 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 held-for-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:

- they eliminate or significantly reduce 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 liabilities or both financial assets and financial liabilities is managed and its performances 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 financial liability 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.

Changes in fair value of financial liabilities designated at fair value that is attributable to changes in own credit is recognised in other comprehensive income. Any other changes in fair value are recognised in the income statement.

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.

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.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either: (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower.

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

Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

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 120%
- 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.

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% – 4%
- 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 third party assets under management.

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; or
- in respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings and joint venture holdings, 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 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 was endorsed by the European Union in November 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 be required to recognise a lease liability measured at the present value of remaining cash flows and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease.

As permitted by the standard the group will apply IFRS 16 on a modified retrospective basis without restating prior years. The group has elected to take advantage of the following transition options on transition at 1 April 2019:

- apply IFRS 16 to contracts previously identified as leases by IAS 17
- calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments
- use the incremental borrowing rate as the discount rate for property leases
- not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months
- rely on the assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right use of assets crated on 1 April 2019. Where this is the case the carrying amount of the assets will be adjusted by the onerous lease provision.

The expected impact of adopting IFRS 16 is an increase in right of use assets of £563 million, an increase in lease liabilities of £597 million.

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. IFRS 17 is effective from 1 January 2021 and the group is considering its impact.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Amendment to IAS 12 Income Taxes

An amendment to IAS 12 was issued in December 2017 as part of the annual improvement cycle. The amendment clarifies that an entity should recognise the tax consequences of dividends where the transactions or events that generated the distributable profits are recognised. This amendment is effective for annual reporting periods beginning on or after 1 January 2019 and is applied to the income tax consequences of distributions recognised on or after the beginning of the earliest comparative period. As a result of its application, the income tax consequences of distributions relating to Additional Tier 1 securities classified as equity will be presented in the income statement rather than directly in equity. If the amendment had been applied in these financial statements the impact for the year ended 31 March 2019 would have been a £3.2 million increase in profit after tax (2018: £1.3 million) with no effect on equity.

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:

- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 15
- The group's Investment Portfolio contains historic investments and loans in China and Hong Kong totalling £149.3 million. The realisation of approximately £69 million of this portfolio is subject to significant uncertainty and the valuation is our assessment based on available information. Due to the nature of the investments it is not always possible to independently verify all the information used as inputs to the valuation. As a consequence the recoverability of these investments is uncertain and changes in assumptions or circumstances may lead to volatility in valuations. The range of valuation uncertainty of this £69 million has been set out separately from the other China and Hong Kong investments and fair value loans in the level 3 sensitivity analysis set out in note 15

Details of unlisted investments can be found in note 26 with further analysis contained in the risk management section on pages 48 and 49 in volume two.

- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgments relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology and results of the group's assessment of ECLs can be found on pages 19 to 21 and pages 34 to 36 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;

Refer to note 33 for the carrying value of investment property with further analysis contained in the risk management section on pages 48 and 49 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.

The group from time to time has ongoing open enquiries with the tax authorities, some of which are going through legal proceedings. Where appropriate, the group has utilised expert external advice as well as experience of similar situations elsewhere in making provisions based on a number of possible outcomes to any dispute. In the UK, one such dispute is currently ongoing for which the group has made a provision. There have not been any significant adjustments to the provision during the year. A payment on account of £67 million has been made without admission of liability in order to prevent the accrual of interest on this amount. Any final outcome of the case could lead to an outcome lower or higher than the provision held. No final outcome is expected in the short term. The group has not disclosed details of the amount of the provision or the sensitivities relating to the calculation of the provision as these are considered to prejudice seriously the position of the group in its legal claims.

- The group's planned demerger of Investec Asset Management from the Investec group means that the consideration of the demerger and any related required disclosures is a significant judgement for the current year. The main consideration is whether the demerger of Investec Asset Management should lead to the Investec Asset Management business being classified as a disposal group and discontinued operation.

  The group has considered the requirements of IFRS 5 Non-current assets held for Sale and Discontinued Operations, where the key tests for this classification are that a business must be available for immediate sale in its present condition and that the transaction should be highly probable. The group considers that the former test is met as the Investec Asset Management business functions in a relatively stand-alone way with only those shared services which would be normal in a demerger requiring separation. However, given that the transaction is subject to both regulatory and shareholder approval and that at this stage, there is not sufficient certainty of the outcome of these approval processes as at 31 March 2019 [nor as at the date of this report] we are unable to conclude that this transaction is highly probable. The group's conclusion is therefore that the demerger cannot be classified as a disposal group and discontinued operation.

- Management assesses the degree of control or influence the group has over certain investments in terms of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. In the case of the IEP Group, this is considered to be an area of significant judgement. We have concluded that we do not control IEP based on the decision making structure within the entity, our percentage holding, the number and involved nature of other shareholders and our historic experience of our power over the relevant activities. It was concluded that there is significant influence over IEP and it is accounted for as an associate.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Combined consolidated segmental analysis					
Segmental business analysis – income statement					
2019					
Net interest income	5 683	14 216	795 528	–	815 427
Net fee and commission income	556 901	384 456	432 195	–	1 373 552
Investment income	25	1 490	48 470	–	49 985
Share of post taxation profit of associates and joint venture holdings	–	–	68 317	–	68 317
Trading income arising from					
– customer flow	–	851	119 811	–	120 662
– balance sheet management and other trading activities	5 058	69	36 839	–	41 966
Other operating income	5 395	343	10 693	–	16 431
Total operating income before expected credit losses	**573 062**	**401 425**	**1 511 853**	**–**	**2 486 340**
Expected credit loss impairment release/ (charges)	6	(24)	(66 434)	–	(66 452)
Operating income	**573 068**	**401 401**	**1 445 419**	**–**	**2 419 888**
Operating costs	(393 706)	(318 788)	(936 175)	(46 343)	(1 695 012)
Depreciation on operating leased assets	–	–	(2 157)	–	(2 157)
Operating profit/(loss) before goodwill and acquired intangibles	**179 362**	**82 613**	**507 087**	**(46 343)**	**722 719**
Profit attributable to other non-controlling interests	–	–	(58 192)	–	(58 192)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**179 362**	**82 613**	**448 895**	**(46 343)**	**664 527**
Profit attributable to Asset Management non-controlling interests	(25 658)	–	–	–	(25 658)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**153 704**	**82 613**	**448 895**	**(46 343)**	**638 869**
Selected returns and key statistics					
ROE (pre-tax)*	87.3%	32.9%	12.1%	n/a	14.8%
Return on average ordinary tangible equity (pre-tax)*	154.8%	119.5%	12.2%	n/a	16.7%
Cost to income ratio	68.7%	79.4%	64.5%	n/a	69.9%
Staff compensation to operating income	45.3%	55.3%	44.9%	n/a	47.5%
Operating profit per employee (£'000)	111.3	44.0	65.3	n/a	64.1
Total assets (£'million)	8 850	1 365	47 510	n/a	57 724

* *Refer to calculation on page 64 and 65 in volume one.*

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Combined consolidated segmental analysis *(continued)*					
Segmental business analysis – income statement					
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 and joint venture holdings	–	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, 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 average ordinary tangible equity (pre-tax)*	167.4%	162.7%	10.3%	n/a	15.3%
Cost to income ratio**	67.0%	75.7%	63.4%	n/a	68.3%
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)	9 114	1 871	46 632	n/a	57 617

* *Refer to calculation on page 64 and 65 in volume one.*

** *The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income (net depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests).*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis *(continued)*			
2019			
Segmental geographic analysis – income statement			
Net interest income	379 489	435 938	815 427
Net fee and commission income	889 231	484 321	1 373 552
Investment income	32 674	17 311	49 985
Share of post taxation profit of associates and joint venture holdings	3 100	65 217	68 317
Trading income arising from			
– customer flow	86 766	33 896	120 662
– balance sheet management and other trading activities	17 924	24 042	41 966
Other operating income	14 249	2 182	16 431
Total operating income before expected credit loss impairment charges	**1 423 433**	**1 062 907**	**2 486 340**
Expected credit loss impairment charges	(24 553)	(41 899)	(66 452)
Operating income	**1 398 880**	**1 021 008**	**2 419 888**
Operating costs	(1 129 976)	(565 036)	(1 695 012)
Depreciation on operating leased assets	(2 137)	(20)	(2 157)
Operating profit before goodwill and acquired intangibles	**266 767**	**455 952**	**722 719**
(Profit)/loss attributable to other non-controlling interests	4 479	(62 671)	(58 192)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**271 246**	**393 281**	**664 527**
Profit attributable to Asset Management non-controlling interests	(15 942)	(9 716)	(25 658)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**255 304**	**383 565**	**638 869**
Impairment of goodwill	–	(155)	(155)
Amortisation of acquired intangibles	(12 958)	(2 858)	(15 816)
Financial impact of group restructures and acquisition of subsidiaries	(19 044)	(499)	(19 543)
Earnings attributable to shareholders before taxation	**223 302**	**380 053**	**603 355**
Taxation on operating profit before goodwill and acquired intangibles	(39 102)	(39 108)	(78 210)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries/restructurings	4 983	996	5 979
Earnings attributable to shareholders	**189 183**	**341 941**	**531 124**
Selected returns and key statistics			
ROE (post-tax)*	10.5%	14.9%	12.9%
Return on average ordinary tangible equity (post-tax)*	13.7%	15.1%	14.5%
Cost to income ratio	79.3%	56.5%	69.9%
Staff compensation to operating income	58.8%	36.7%	47.5%
Operating profit per employee (£'000)	59.4	67.9	64.1
Effective operational tax rate	14.8%	10.0%	12.0%
Total assets (£'million)	22 565	35 159	57 724

* *Refer to calculation on page 63 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 and joint venture holdings	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)
Financial impact of group restructures and acquisition of subsidiaries	–	(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/restructurings	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 average ordinary tangible equity (post-tax)*	8.9%	17.4%	13.7%
Cost to income ratio**	77.9%	55.4%	68.3%
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 63 in volume one.*

** *The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income (net depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests).*

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

1. Combined consolidated segmental analysis *(continued)*

Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2019			
Wealth & Investment	56 363	26 250	82 613
Specialist Banking	138 566	310 329	448 895
Asset Management	107 835	71 527	179 362
	302 764	**408 106**	**710 870**
Group costs	(31 518)	(14 825)	(46 343)
Operating profit	**271 246**	**393 281**	**664 527**
Other non-controlling interest			58 192
Operating profit before non-controlling interests			**722 719**

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
2018			
Wealth & Investment	69 269	29 296	98 565
Specialist Banking	59 958	320 535	380 493
Asset Management	103 918	74 127	178 045
	233 145	**423 958**	**657 103**
Group costs	(33 789)	(15 809)	(49 598)
Operating profit	**199 356**	**408 149**	**607 505**
Other non-controlling interest			52 288
Operating profit before non-controlling interests			**659 793**

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
1. Combined consolidated segmental analysis *(continued)*			
2019			
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	4 445 431	547 389	4 992 820
Loans and advances to banks	1 145 838	1 176 983	2 322 821
Non-sovereign and non-bank cash placements	–	648 547	648 547
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	1 135 546	1 768 748
Sovereign debt securities	1 298 947	3 239 276	4 538 223
Bank debt securities	52 265	665 048	717 313
Other debt securities	498 265	722 386	1 220 651
Derivative financial instruments	622 397	411 769	1 034 166
Securities arising from trading activities	791 107	1 068 147	1 859 254
Investment portfolio	493 268	535 708	1 028 976
Loans and advances to customers	10 515 665	14 019 088	24 534 753
Own originated loans and advances to customers securitised	–	407 869	407 869
Other loans and advances	178 196	17 497	195 693
Other securitised assets	118 169	15 635	133 804
Interests in associated undertakings and joint venture holdings	53 451	334 299	387 750
Deferred taxation assets	148 351	100 542	248 893
Other assets	1 014 659	721 297	1 735 956
Property and equipment	99 796	161 854	261 650
Investment properties	14 500	980 145	994 645
Goodwill	356 048	10 822	366 870
Intangible assets	85 022	22 215	107 237
	22 564 577	**26 942 062**	**49 506 639**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	8 217 573	8 217 573
	22 564 577	**35 159 635**	**57 724 212**
Liabilities			
Deposits by banks	1 328 120	1 688 186	3 016 306
Derivative financial instruments	686 160	591 073	1 277 233
Other trading liabilities	80 217	592 188	672 405
Repurchase agreements and cash collateral on securities lent	294 675	810 388	1 105 063
Customer accounts (deposits)	13 136 539	18 170 568	31 307 107
Debt securities in issue	2 417 602	655 718	3 073 320
Liabilities arising on securitisation of own originated loans and advances	–	91 522	91 522
Liabilities arising on securitisation of other assets	113 711	–	113 711
Current taxation liabilities	131 896	30 552	162 448
Deferred taxation liabilities	20 706	2 884	23 590
Other liabilities	1 220 643	545 006	1 765 649
	19 430 269	**23 178 085**	**42 608 354**
Liabilities to customers under investment contracts	–	8 214 634	8 214 634
Insurance liabilities, including unit-linked liabilities	–	2 939	2 939
	19 430 269	**31 395 658**	**50 825 927**
Subordinated liabilities	803 699	843 572	1 647 271
	20 233 968	**32 239 230**	**52 473 198**

For the year to 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 and joint venture holdings	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)*

Segmental business and geographic analysis – income statement

	Asset Management			Wealth & Investment		
For the year to 31 March £'000	**UK and Other**	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**
2019						
Net interest income	568	5 115	5 683	9 189	5 027	14 216
Net fee and commission income	378 180	178 721	556 901	305 441	79 015	384 456
Investment income	–	25	25	1 185	305	1 490
Share of post taxation profit of associates and joint venture holdings	–	–	–	–	–	–
Trading income/(loss) arising from						
– customer flow	–	–	–	793	58	851
– balance sheet management and other trading activities	5 120	(62)	5 058	(1)	70	69
Other operating income	3 773	1 622	5 395	342	1	343
Total operating income before expected credit loss impairment charges	**387 641**	**185 421**	**573 062**	**316 949**	**84 476**	**401 425**
Expected credit loss impairment charges/(release)	7	(1)	6	(24)	–	(24)
Operating income	**387 648**	**185 420**	**573 068**	**316 925**	**84 476**	**401 401**
Operating costs	(279 813)	(113 893)	(393 706)	(260 562)	(58 226)	(318 788)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**107 835**	**71 527**	**179 362**	**56 363**	**26 250**	**82 613**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**107 835**	**71 527**	**179 362**	**56 363**	**26 250**	**82 613**
Profit attributable to Asset Management non-controlling interests	(15 942)	(9 716)	(25 658)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**91 893**	**61 811**	**153 704**	**56 363**	**26 250**	**82 613**
Selected returns and key statistics						
Cost to income ratio	72.2%	61.4%	68.7%	82.2%	68.9%	79.4%
Staff compensation to operating income	49.8%	36.1%	45.3%	58.6%	42.9%	55.3%

Specialist Banking			Group costs			
UK and Other	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**	**Total group**
369 732	425 796	795 528	–	–	–	815 427
205 610	226 585	432 195	–	–	–	1 373 552
31 489	16 981	48 470	–	–	–	49 985
3 100	65 217	68 317	–	–	–	68 317
					–	
85 973	33 838	119 811	–	–	–	120 662
12 805	24 034	36 839	–	–	–	41 966
10 134	559	10 693	–	–	–	16 431
718 843	**793 010**	**1 511 853**	**–**	**–**	**–**	**2 486 340**
(24 536)	(41 898)	(66 434)	–	–	–	(66 452)
694 307	**751 112**	**1 445 419**	**–**	**–**	**–**	**2 419 888**
(558 083)	(378 092)	(936 175)	(31 518)	(14 825)	(46 343)	(1 695 012)
(2 137)	(20)	(2 157)	–	–	–	(2 157)
134 087	**373 000**	**507 087**	**(31 518)**	**(14 825)**	**(46 343)**	**722 719**
4 479	(62 671)	(58 192)	–	–	–	(58 192)
138 566	**310 329**	**448 895**	**(31 518)**	**(14 825)**	**(46 343)**	**664 527**
–	–	–	–	–	–	(25 658)
138 566	**310 329**	**448 895**	**(31 518)**	**(14 825)**	**(46 343)**	**638 869**
77.4%	51.8%	64.5%	n/a	n/a	n/a	69.9%
54.5%	36.2%	44.9%	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
2018						
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 and joint venture holdings	–	–	–	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%

** *The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income (net depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests).*

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**
76.7%	50.4%	63.4%	n/a	n/a	n/a	68.3%
53.7%	37.4%	45.1%	n/a	n/a	n/a	47.5%

2. Net interest income

For the year to 31 March 2019 £'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	7 575 683	62 445	7 412 789	432 162	14 988 472	494 607
Core loans and advances	2	10 515 665	586 608	14 426 957	1 377 226	24 942 622	1 963 834
Private client		4 197 181	169 702	9 837 641	953 296	14 034 822	1 122 998
Corporate, institutional and other clients		6 318 484	416 906	4 589 316	423 930	10 907 800	840 836
Other debt securities and other loans and advances		676 461	78 950	739 883	49 559	1 416 344	128 509
Other interest-earning assets	3	–	–	155 053	54 970	155 053	54 970
Total interest earning assets		**18 767 809**	**728 003**	**22 734 682**	**1 913 917**	**41 502 491**	**2 641 920**

For the year to 31 March 2019 £'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	4 040 397	(138 306)	3 154 292	(141 581)	7 194 689	(279 887)
Customer accounts		13 136 539	(159 157)	18 170 568	(1 242 208)	31 307 107	(1 401 365)
Other interest-bearing liabilities	5	–	–	91 522	(23 365)	91 522	(23 365)
Subordinated liabilities		803 699	(51 051)	843 572	(70 825)	1 647 271	(121 876)
Total interest-bearing liabilities		**17 980 635**	**(348 514)**	**22 259 954**	**(1 477 979)**	**40 240 589**	**(1 826 493)**
Net interest income			**379 489**		**435 938**		**815 427**
Net interest margin (local currency)			**2.13%**		**1.90%****		

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities 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 and Investec Import Solutions debtors. 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 26.6% (2018: 26.8%) interest. Excluding this debt funding cost the net interest margin amounted to 2.05% (2018: 1.99%).*

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
2. Net interest income *(continued)*							
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; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. No securitised assets are held at amortised cost in UK and Other.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation. In the current year no liabilities on securitisation are held at amortised cost in UK and Other.*

** *Impacted by debt funding issued by the Investec Property Fund in which the group has a 26.6% (2018: 26.8%) interest. Excluding this debt funding cost the net interest margin amounted to 2.05% (2018: 1.99%).*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
3. Net fee and commission income			
2019			
Asset management and wealth management businesses net fee and commission income	**683 621**	**257 736**	**941 357**
Fund management fees/fees for assets under management	807 507	226 705	1 034 212
Private client transactional fees	47 771	36 612	84 383
Fee and commission expense	(171 657)	(5 581)	(177 238)
Specialist Banking net fee and commission income	**205 610**	**226 585**	**432 195**
Corporate and institutional transactional and advisory services	206 798	191 786	398 584
Private client transactional fees	10 691	62 134	72 825
Fee and commission expense	(11 879)	(27 335)	(39 214)
Net fee and commission income	**889 231**	**484 321**	**1 373 552**
Annuity fees (net of fees payable)	675 619	422 176	1 097 795
Deal fees	213 612	62 145	275 757
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

Trust and fiduciary fees amounted to £0.2 million (2018: £0.3 million) and are included in Private client transaction fees.
Included in Specialist Banking corporate and institutional and advisory services is net fee income of £95 million (2018: £105 million) for operating lease income which is out of the scope of IFRS 15 – Revenue from contracts with customers.

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
4. Investment income			
2019			
Realised	22 399	93 213	115 612
Unrealised^	(691)	(110 975)	(111 666)
Dividend income	4 256	39 240	43 496
Funding and other net related income/(costs)	6 710	(4 167)	2 543
Investment income	**32 674**	**17 311**	**49 985**
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**

^ *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**	Investment portfolio (listed and unlisted equities and fair value loan investments)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	**Total**
4. Investment income *(continued)*					
The tables below analyse investment income generated by the asset portfolio shown on the balance sheet					
2019					
UK and Other					
Realised	36 201	7 313	–	(21 115)	22 399
Unrealised^	(6 126)	1 530	–	3 905	(691)
Dividend income	4 256	–	–	–	4 256
Funding and other net related income	–	–	–	6 710	6 710
	34 331	**8 843**	**–**	**(10 500)**	**32 674**
Southern Africa					
Realised	55 439	7 235	29 841	698	93 213
Unrealised^	(75 842)	2 453	(32 280)	(5 306)	(110 975)
Dividend income	39 279	–	–	(39)	39 240
Funding and other net related costs	(2 222)	–	–	(1 945)	(4 167)
	16 654	**9 688**	**(2 439)**	**(6 592)**	**17 311**
Total investment income	**50 985**	**18 531**	**(2 439)**	**(17 092)**	**49 985**
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**

* *Including 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	2019	2018
5. Other operating income		
Rental income from properties	1 448	1 746
Income from government grants	2 555	2 997
Gains on realisation of properties	272	412
Unrealised gains on other investments	7 303	3 264
Income from operating leases	4 853	2 696
	16 431	**11 115**

For the year to 31 March £'000	2019	2018
6. Expected credit loss impairment charges and impairment losses on loans and advances		
Expected credit loss impairment charges/(releases) have arisen on the following line items:		
Loans and advances to customers	76 360	*
Expected credit loss impairment charges (refer to note 27)	105 243	*
Post write-off recoveries	(28 883)	*
Own originated securitised assets (refer to note 28)	(55)	*
Core loans and advances	**76 305**	*
Other loans and advances (refer to note 27)	(2 888)	*
Other balance sheet assets	(6 111)	*
Off balance sheet commitments and guarantees	(854)	*
Total expected credit loss impairment charges	**66 452**	*
Impairment losses on loans and advances comprises:		
Loans and advances to customers	*	146 634
Specific impairment charge to income statement	*	107 607
Portfolio impairment charge to income statement	*	39 027
Securitised assets	*	18
Specific impairment charge to income statement	*	53
Portfolio Impairment release to income statement	*	(35)
Other loans and advances	*	308
Specific impairment charge to income statement	*	370
Portfolio impairment release to income statement	*	(62)
Other assets	*	1 596
Specific impairment charged to income statement	*	1 596
Total impairment losses on loans and advances	*****	**148 556**

* *On adoption of IFRS 9 there is a move from a incurred loss model to an expected credit loss methodology.*

For the year to 31 March £'000	2019	2018
7. Operating costs		
Staff compensation costs	1 179 529	1 160 300
– Salaries and wages (including directors' remuneration)	999 132	985 056
– Share-based payment expense	69 154	74 761
– Social security costs	59 834	53 629
– Pensions and provident fund contributions	51 409	46 854
– Training and other costs	33 296	31 391
Staff costs	1 212 825	1 191 691
Premises expenses (excluding depreciation)	78 155	59 442
Equipment expenses (excluding depreciation)	95 432	93 928
Business expenses*	205 560	190 385
Marketing expenses	64 385	70 911
Depreciation, amortisation and impairment on property, equipment and intangibles	38 655	26 383
	1 695 012	1 632 740
Depreciation on operating leased assets	2 157	2 421
	1 697 169	**1 635 161**
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		
Total fees paid to the audit firm by virtue of being the group's auditor	**9 285**	**8 222**
Audit of the group's accounts	1 274	899
Audit of the group's subsidiaries pursuant to legislation	5 857	6 591
Audit related to assurance services	934	732
Other assurance services	1 220	–
Total fees paid to the audit firm not in the capacity of being the group's auditor	**951**	**718**
Audit related assurance services	84	88
Tax compliance services	135	90
Tax advisory services	98	240
Services related to corporate finance transactions	180	–
Services related to information technology	32	60
Services related to other regulatory services	49	–
Other non-audit services	373	240
	10 236	**8 940**
KPMG fees		
Total fees paid to the audit firm by virtue of being the group's auditor	**3 051**	**3 686**
Audit of the group's accounts	–	–
Audit of the group's subsidiaries pursuant to legislation	2 579	3 500
Audit related to assurance services	472	186
Total fees paid to the audit firm not in the capacity of being the group's auditor	**1 814**	**947**
Tax compliance services	72	737
Tax advisory services	119	–
Services related to corporate finance transactions	1 425	–
Services related to other regulatory services	–	80
Other non-audit services	198	130
	4 865	**4 633**
Total	**15 101**	**13 573**

Financial impact of group restructures and acquisition of subsidiaries

Non-operational costs amounted to £19.5 million (2018: £6.9 million) and relates primarily to the restructure of the Irish branch as a consequence of Brexit as well as costs incurred as part of the proposed demerger and separate listing of the Investec Asset Management business.

A deferred consideration of £6.9 million was paid in the 2018 year relating to the acquisition of the Investec Import Solutions group.

* *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 188 to 204 in volume one.

8. 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 205 and 206 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					
2019					
Equity-settled	2 343	6 586	56 460	3 765	69 154
Total income statement charge	**2 343**	**6 586**	**56 460**	**3 765**	**69 154**
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**

Included in the above income statement charge is an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £nil (2018: £8.3 million).

For the year to 31 March £'000	2019	2018
Weighted average fair value of options granted in the year		
UK schemes	40 055	42 444
South African schemes	35 206	39 734

	UK schemes				**South African schemes**			
	2019		**2018**		**2019**		**2018**	
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	22 465 788	0.07	25 991 607	0.06	26 816 217	–	35 944 931	–
Granted during the year	7 878 437	–	7 684 921	0.07	6 487 699	–	7 087 012	–
Exercised during the year^	(7 386 412)	0.02	(10 566 097)	0.04	(9 829 653)	–	(14 784 164)	–
Options forfeited during the year	(718 218)	0.52	(644 643)	0.22	(772 757)	–	(1 431 562)	–
Outstanding at the end of the year	**22 239 595**	**0.05**	**22 465 788**	**0.07**	**22 701 506**	**–**	**26 816 217**	**–**
Vested and exercisable at the end of the year	**578 910**	**–**	**160 252**	**–**	**452 729**	**–**	**359 963**	**–**

^ *The weighted average share price for options exercised during the year was £5.11 (2018: £5.64) for the UK schemes and R91.85 (2018: R96.49) for the South African schemes.*

	UK schemes		South African schemes	
Additional information relating to options	**2019**	2018	**2019**	2018
8. Share-based payments *(continued)*				
Additional information relating to options				
Options with strike prices				
Exercise price range	£5.03 – £6.00	£4.31 – £6.00	n/a	n/a
Weighted average remaining contractual life		1.75 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	2.19 years	1.94 years	2.00 years	1.84 years
Weighted average fair value of options and long-term grants at measurement date	£5.08	£5.52	R91.77	R96.61
The fair values of options granted were calculated using a Black-Scholes option pricing model				
For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	£4.93 – £5.59	£5.03– £5.87	R90.96 – R92.55	R94.94 – R97.45
– Exercise price	£nil	£nil, £5.03 – £5.87	Rnil	Rnil
– Expected volatility	n/a	27.44% – 28.54%	n/a	n/a
– Option life	3 years – 7 years	1.5 years – 7 years	4.75 years	4.75 years
– Expected dividend yields	n/a	5.59% – 6.56%	n/a	n/a
– Risk-free rate	n/a	0.62% – 0.99%	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	2019	2018
9. Taxation		
Income statement tax charge		
Current taxation		
UK		
– in respect of current year	43 104	38 255
– in respect of prior year adjustments	(10 628)	5 048
Corporation tax before double tax relief	32 476	43 303
– Double taxation relief	(809)	(213)
	31 667	**43 090**
Southern Africa		
– in respect of current year	70 461	83 380
– release of tax provisions no longer required	(16 247)	(43 292)
– in respect of prior year adjustments	(5 267)	–
	48 947	**40 088**
Europe	4 308	2 750
Australia	1 591	1 274
Other	(158)	1 408
Withholding tax on companies	1 899	1 926
Total current taxation	**88 254**	**90 536**
Deferred taxation		
UK	(5 159)	(12 165)
Southern Africa	(12 734)	(22 259)
Europe	(581)	359
Australia	2 182	(12)
Other	269	(613)
Total deferred taxation	**(16 023)**	**(34 690)**
Total taxation charge for the year	**72 231**	**55 846**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	78 210	59 099
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(5 979)	(3 253)
	72 231	**55 846**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(28 780)	(35 218)
Changes in tax rates	2 842	4 448
Adjustment in respect of prior years	9 915	(3 920)
	(16 023)	**(34 690)**

	2019	2018
The deferred taxation charge/(credit) in income statement arise from:		
Deferred capital allowances	6 219	(8 827)
Income and expenditure accruals	(2 330)	(29 859)
Asset in respect of unexpired options	(32)	2 027
Unrealised fair value adjustment on financial instruments	(11 755)	9 556
Losses carried forward	(6 177)	(3 156)
Asset/(liability) in respect of pension deficit/(surplus)	15	(7 931)
Asset/(liability) in respect of pension contributions	(21)	7 924
Deferred tax on acquired intangibles	(2 897)	(2 733)
Revaluation of investment properties	(50)	(7 302)
Finance lease accounting	750	(309)
Other temporary differences	255	5 920
	(16 023)	**(34 690)**

For the year to 31 March £'000	2019	2018
9. Taxation *(continued)*		
The rates of corporation tax for the relevant years are:		
UK (%)	19	19
South Africa (%)	28	28
Europe (average) (%)	10	10
Australia (%)	30	30
Profit before taxation	**687 205**	**637 499**
Taxation on profit before taxation	**72 231**	**55 846**
Effective taxation rate (%)	**10.51**	**8.76**
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% (2018: 19%)	130 569	121 125
Taxation adjustments relating to foreign earnings^	(52 050)	(69 383)
Goodwill and non-operating items	1 137	156
Taxation relating to prior years	(712)	1 127
Share options accounting expense	2 882	252
Non-taxable income	(2 116)	(1 386)
Net other permanent differences	2 981	5 583
Change in tax rate	2 842	4 448
Capital gains – non-taxable/covered by losses	(5 242)	(1 564)
Movement in unrecognised trading losses	(8 060)	(4 512)
Total taxation charge as per income statement	**72 231**	**55 846**
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	1 797	(5 746)
– Pre-taxation	(24 507)	(14 421)
– Taxation effect	26 304	8 675
Gains on realisation of debt instruments at FVOCI/available-for-sale assets recycled through the income statement*	(7 116)	(6 676)
– Pre-taxation	(9 483)	(7 640)
– Taxation effect	2 367	964
Fair value movements on debt instruments at FVOCI/available-for-sale assets taken directly to other comprehensive income*	(12 918)	20 051
– Pre-taxation	(15 735)	17 452
– Taxation effect	2 817	2 599
Re-measurement of net defined benefit pension asset	(1 924)	3 938
– Pre-taxation	(2 328)	4 897
– Taxation effect	404	(959)
Own credit risk	7 362	–
– Pre-taxation	11 800	–
– Taxation effect	(4 438)	–
Statement of changes in equity taxation effects		
Share-based payment IFRS 2 adjustment taxation effect	(2 142)	1 544
Additional Tier 1 securities in issue	(19 520)	(5 709)
– Pre-taxation	(22 727)	(7 048)
– Taxation effect	3 207	1 339
IFRS 9 transitional adjustments	(265 725)	–
– Pre-taxation	(350 150)	–
– Taxation effect	84 425	–

* *On adoption of IFRS 9 on 1 April 2018, the fair value reserve was introduced replacing the available-for-sale reserve.*

^ *Taxation adjustments related to foreign earnings comprises mainly of, £16.2 million (2018: £43.2 million) related to release of tax provisions no longer required, permanent differences related to dividends of £42.2 million (2018: £29.5 million) and equity accounted earnings from associates of £18.0 million (2018: £11.7 million).*

	31 March 2019	31 March 2018
10. Earnings per share		
Earnings	**£'000**	£'000
Earnings attributable to shareholders	531 124	505 548
Dividends paid to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(41 560)	(32 980)
Earnings and diluted earnings attributable to ordinary shareholders	**489 564**	**472 568**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	995 747 608	973 676 967
Weighted average number of treasury shares	(53 541 700)	(50 193 338)
Weighted average number of shares in issue during the year	942 205 908	923 483 629
Weighted average number of shares resulting from future dilutive potential shares	19 859 140	25 800 034
Adjusted weighted number of shares potentially in issue	**962 065 048**	**949 283 663**
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	**52.0**	**51.2**
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 period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year	**50.9**	**49.8**
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	**55.1**	**53.2**
Diluted adjusted earnings per share-pence	**54.0**	**51.7**
	£'000	£'000
Earnings attributable to shareholders	531 124	505 548
Impairment of goodwill	155	–
Amortisation of acquired intangibles	15 816	16 255
Financial impact of group restructures and acquisition of subsidiaries	19 543	6 039
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(5 979)	(3 253)
Dividends paid to perpetual preference shareholders and Other Additional Tier 1 security holders	(41 560)	(32 980)
Accrual adjustment on earnings attributable to other equity holders*	243	(547)
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**519 342**	**491 062**

* *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.*

10. Earnings per share *(continued)*

	31 March 2019	31 March 2018
Headline earnings per share – pence		
Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listings Requirements, and in terms of circular 4/2018 issued by the South African Institute of Chartered Accountants	**52.6**	**48.7**
Diluted headline earnings per share-pence	**51.5**	**47.4**
	£'000	£'000
Earnings attributable to shareholders	531 124	505 548
Impairment of goodwill	155	–
Dividends paid to perpetual preference shareholders and Other Additional Tier 1 security holders	(41 560)	(32 980)
Property revaluation, net of taxation and non-controlling interests**	1 020	(15 409)
Gains on available-for-sale instruments recycled to the income statement**	–	(6 676)
Impairment of intangible assets	4 877	–
Profit on realisation of associate company	–	(836)
Headline earnings attributable to ordinary shareholders**	**495 616**	**449 647**

** *Taxation on headline earnings adjustments amounted to £1.1 million (2018: £5.3 million) with an impact of (£1.4 million) (2018: £20.9 million) on earnings attributable to non-controlling interests.*

For the year to 31 March	2019 Pence per share	2019 Total £'000	2018 Pence per share	2018 Total £'000
11. Dividends				
Ordinary dividend				
Final dividend for prior year	13.5	127 944	13.0	123 230
Interim dividend for current year	11.0	110 128	10.5	104 678
Total dividend attributable to ordinary shareholders recognised in current financial year	**24.5**	**238 072**	**23.5**	**227 908**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2019 of 13.5 pence per ordinary share (31 March 2018: 13.5 pence).

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 251 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 5.5 pence per ordinary share and through a dividend payment by Investec Limited on the SA DAS share of 8.0 pence per ordinary share.
- The final dividend to shareholders registered on 26 July 2019 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 2019 and, if approved, will be paid on 12 August 2019.

For the year to 31 March £'000	2019	2018
Perpetual preference dividend*		
Final dividend for prior year	11 200	12 246
Interim dividend for current year	10 840	11 399
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**22 040**	**23 645**

* *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 2019 of 8.72603 pence (Investec plc shares traded on the JSE Limited) and 8.72603 pence (Investec plc shares traded on the International Stock Exchange), 482.09247 cents (Investec plc Rand-denominated shares), 394.65612 cents (Investec Limited) and 422.87121 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 7 June 2019.

	2019	2018
Dividends attributable to Other Additional Tier 1 securities in issue	**19 520**	**9 335**

The R550 000 000, R350 000 000 and R110 000 000 Other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25%, 5.15% and 4.55% respectively on a quarterly basis as set out in note 47.

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 47.

	2019	2018
Total perpetual preference dividends and Other Additional Tier 1 securities distributions	**41 560**	**32 980**

For the year to 31 March £'000	2019	2018
12. Operating lease disclosures		
Operating lease expenses recognised in operating costs:		
Minimum lease payments	47 641	39 560
Sublease payments	(2 443)	(2 586)
	45 198	**36 974**
Operating lease income recognised in income:		
Minimum lease payments	126 281	102 946
Sublease payments	(35 760)	–
	90 521	**102 946**
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	120 698	83 489
One to five years	394 032	200 116
Greater than five years	109 097	55 558
	623 827	**339 163**

The group leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The term of the leases range between three and five years with no annual escalation clauses. The majority of the leases have renewal options. In addition, the group participates in client transactions where the group has a head lease and sublease arrangement with external parties.

Refer to note 51 for detail on operating lease commitments.

For the year to 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory – Trading**	At fair value through profit or loss – IFRS 9 mandatory – Non-trading**	At fair value through profit or loss – Designated at initial recognition
13. Analysis of income and impairments by measurement category			
2019			
Interest income	67 065	103 217	53 528
Interest expense	(62 823)	(4 396)	(103 292)
Fee and commission income	42 741	4 935	–
Fee and commission expense	63	–	–
Investment income	10 468	105 307	4 521
Share of post taxation profit of associates and joint venture holdings	–	–	–
Trading income arising from			
– customer flow	115 648	4 665	9 925
– balance sheet management and other trading activities	22 403	163	17 123
Other operating income	–	1 612	–
Total operating income before impairment losses on loans and advances	**195 565**	**215 503**	**(18 195)**
Expected credit loss impairment charges*	–	–	1 532
Operating Income	**195 565**	**215 503**	**(16 663)**

Includes off-balance sheet items.

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
13. Analysis of income and impairments by measurement category		
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 and joint venture holdings	–	–
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**

* On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.
** Fair value through profit and loss income statements items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of income and expenses from positions held for trading intent or to hedge elements of the trading book.

At fair value through other comprehensive income				
Debt Instruments with a dual business model	**Amortised cost**	**Non-financial instruments**	**Other fee income#**	**Total**
294 120	2 098 986	7 979	17 025	2 641 920
–	(1 651 040)	(9)	(4 933)	(1 826 493)
–	168 040	97 188	1 277 100	1 590 004
(117)	(21 119)	(7 806)	(187 473)	(216 452)
8 957	4 631	(83 899)	–	49 985
–	–	68 317	–	68 317
–	136	–	(9 712)	120 662
–	2 079	198	–	41 966
–	2	7 359	7 458	16 431
302 960	**601 715**	**89 327**	**1 099 465**	**2 486 340**
255	(67 871)	–	(368)	(66 452)
303 215	**533 844**	**89 327**	**1 099 097**	**2 419 888**

		At fair value through other comprehensive income				
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**

For the year to 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory: Trading*	At fair value through profit or loss – IFRS 9 mandatory: Non-trading*	At fair value through profit or loss: Designated at initial recognition
14. Analysis of financial assets and liabilities by category of financial instruments			
2019			
Assets			
Cash and balances at central banks	–	1	–
Loans and advances to banks	–	–	–
Non-sovereign and non–bank cash placements	–	32 471	–
Reverse repurchase agreements and cash collateral on securities borrowed	462 544	87 370	–
Sovereign debt securities	–	800 355	–
Bank debt securities	–	67 020	–
Other debt securities	–	412 988	–
Derivative financial instruments**	1 034 166	–	–
Securities arising from trading activities	1 347 573	10 763	500 918
Investment portfolio	–	1 028 976	–
Loans and advances to customers	–	880 901	747 710
Own originated loans and advances to customers securitised	–	–	–
Other loans and advances	–	–	–
Other securitised assets	–	–	118 169
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	46 188	85 665	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	2 890 471	**3 406 510**	**1 366 797**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–
	2 890 471	**3 406 510**	**1 366 797**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments**	1 277 233	–	–
Other trading liabilities	672 405	–	–
Repurchase agreements and cash collateral on securities lent	433 790	–	–
Customer accounts (deposits)	–	–	2 372 841
Debt securities in issue	–	–	520 806
Liabilities arising on securitisation of own originated loans and advances	–	–	–
Liabilities arising on securitisation of other assets	–	–	113 711
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	44 071	3 605	–
	2 427 499	**3 605**	**3 007 358**
Liabilities to customers under investment contracts	–	–	–
Insurance liabilities, including unit–linked liabilities	–	–	–
	2 427 499	**3 605**	**3 007 358**
Subordinated liabilities	–	–	367 707
	2 427 499	**3 605**	**3 375 065**

* *Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book.*

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

At fair value through other comprehensive income	At fair value through profit or loss				
Debt instrument with dual business model	Financial assets linked to investment contract liabilities	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
–	–	1	4 992 819	–	4 992 820
–	–	–	2 322 821	–	2 322 821
–	–	32 471	616 076	–	648 547
–	–	549 914	1 218 834	–	1 768 748
3 456 456	–	4 256 811	281 412	–	4 538 223
283 114	–	350 134	367 179	–	717 313
328 846	–	741 834	478 817	–	1 220 651
–	–	1 034 166	–	–	1 034 166
–	–	1 859 254	–	–	1 859 254
–	–	1 028 976	–	–	1 028 976
397 068	–	2 025 679	22 509 074	–	24 534 753
–	–	–	407 869	–	407 869
–	–	–	195 693	–	195 693
–	–	118 169	15 635	–	133 804
–	–	–	–	387 750	387 750
–	–	–	–	248 893	248 893
–	–	131 853	1 041 116	562 987	1 735 956
–	–	–	–	261 650	261 650
–	–	–	–	994 645	994 645
–	–	–	–	366 870	366 870
–	–	–	–	107 237	107 237
4 465 484	**–**	**12 129 262**	**34 447 345**	**2 930 032**	**49 506 639**
–	8 217 573	8 217 573	–	–	8 217 573
4 465 484	**8 217 573**	**20 346 835**	**34 447 345**	**2 930 032**	**57 724 212**
–	–	–	3 016 306	–	3 016 306
–	–	1 277 233	–	–	1 277 233
–	–	672 405	–	–	672 405
–	–	433 790	671 273	–	1 105 063
–	–	2 372 841	28 934 266	–	31 307 107
–	–	520 806	2 552 514	–	3 073 320
–	–	–	91 522	–	91 522
–	–	113 711	–	–	113 711
–	–	–	–	162 448	162 448
–	–	–	–	23 590	23 590
		47 676	1 029 239	688 734	1 765 649
–	**–**	**5 438 462**	**36 295 120**	**874 772**	**42 608 354**
–	8 214 634	8 214 634	–	–	8 214 634
–	2 939	2 939	–	–	2 939
–	**8 217 573**	**13 656 035**	**36 295 120**	**874 772**	**50 825 927**
–	–	367 707	1 279 564	–	1 647 271
–	**8 217 573**	**14 023 742**	**37 574 684**	**874 772**	**52 473 198**

For more information on hedges, please refer to note 54 on pages 130 and 131.

14. 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	At fair value through other comprehensive income 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 and joint venture holdings	–	–	–	–
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.*

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**
–	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**

15. 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)

		Fair value category		
At 31 March £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
2019				
Assets				
Cash and balances at central banks	1	1	–	–
Non-sovereign and non-bank cash placements	32 471	–	32 471	–
Reverse repurchase agreements and cash collateral on securities borrowed	549 914	–	549 914	–
Sovereign debt securities	4 256 811	4 256 811	–	–
Bank debt securities	350 134	148 918	201 216	–
Other debt securities	741 834	222 689	429 850	89 295
Derivative financial instruments	1 034 166	–	995 531	38 635
Securities arising from trading activities	1 859 254	1 827 306	24 830	7 118
Investment portfolio	1 028 976	173 587	25 418	829 971
Loans and advances to customers	2 025 679	–	816 099	1 209 580
Other securitised assets	118 169	–	–	118 169
Other assets	131 853	131 853	–	–
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	8 217 573	8 217 573	–	–
	20 346 835	**14 978 738**	**3 075 329**	**2 292 768**
Liabilities				
Derivative financial instruments	1 277 233	5 857	1 254 750	16 626
Other trading liabilities	672 405	556 125	116 280	–
Repurchase agreements and cash collateral on securities lent	433 790	–	433 790	–
Customer accounts (deposits)	2 372 841	–	2 372 841	–
Debt securities in issue	520 806	–	520 806	–
Liabilities arising on securitisation of other assets	113 711	–	–	113 711
Other liabilities	47 676	–	44 071	3 605
Liabilities to customers under investment contracts	8 214 634	–	8 214 634	–
Insurance liabilities, including unit-linked liabilities	2 939	–	2 939	–
Subordinated liabilities	367 707	367 707	–	–
	14 023 742	**929 689**	**12 960 111**	**133 942**
Net financial assets/(liabilities) at fair value	**6 323 093**	**14 049 049**	**(9 884 782)**	**2 158 826**

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

Transfers between level 1 and level 2

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

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

The following table sets out the group's principal valuation techniques as at 31 March 2019 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, discount rates,volatilities
Bank debt securities	Discounted cash flow model	Yield curves, NCD curves
Other debt securities	Discounted cash flow model	Yield curves, NCD curves and swap curves, discount rates, 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, discount rates
Securities arising from trading activities	Standard industry derivative pricing model Discounted cash flow model	Interest rate curves, implied bond spreads, equity volatilities, yield curves
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, discount rates, 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, discount rates
Customer accounts (deposits)	Discounted cash flow model	Yield curves, discount rates
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves

15. 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	Investment portfolio	Loans and advances to customers	Other securitised assets	Other level 3 assets	**Total level 3 financial assets**
Assets					
Balance as at 1 April 2017	**586 327**	**86 482**	**138 628**	**101 817**	**913 254**
Total gains	29 980	6 275	10 961	15 109	62 325
In the income statement	27 244	6 275	10 961	15 109	59 589
In the statement of comprehensive income	2 736	–	–	–	2 736
Purchases	147 863	54 789	(1 784)	7 663	208 531
Sales	(129 858)	(3 170)	–	(7 288)	(140 316)
Settlements	(3 874)	(2 635)	(17 417)	(2 749)	(26 675)
Transfers into level 3	7 165	–	–	–	7 165
Transfers out of level 3	(29 284)	–	–	(43 909)	(73 193)
Foreign exchange adjustments	(20 500)	(8 001)	–	(2 920)	(31 421)
Balance as at 31 March 2018	**587 819**	**133 740**	**130 388**	**67 723**	**919 670**
Adoption of IFRS 9	74 768	1 203 939	–	74 381	1 353 088
Balance as at 1 April 2018	**662 587**	**1 337 679**	**130 388**	**142 104**	**2 272 758**
Total gains	(175)	69 261	(2 834)	16 865	83 117
In the income statement	(175)	69 056	(2 834)	16 865	82 912
In the statement of comprehensive income	–	205	–	–	205
Purchases	338 782*	1 268 572	–	6 909	1 614 263
Sales	(95 646)	(889 145)	–	(8 404)	(993 195)
Settlements	(60 095)	(624 061)	(9 385)	(29 456)	(722 997)
Transfers into level 3	12 211	3 499	–	–	15 710
Foreign exchange adjustments	(27 693)	43 775	–	7 030	23 112
Balance as at 31 March 2019	**829 971**	**1 209 580**	**118 169**	**135 048**	**2 292 768**

* *Includes investments acquired by Investec Property Fund, a subsidiary of Investec Limited.*

For the year ended 31 March 2019 £15.7 million of assets has been transferred from level 2 into level 3 as a result of a credit adjustment to the discount rate becoming a significant input. There were no transfers of assets from level 3 to level 2.

For the year ended 31 March 2018, there were transfers of £73.2 million of assets from level 3 into level 2 as the prices used to value certain derivatives were able to be externally validated against market consensus. There were no transfers of assets from level 2 into 3.

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

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

Level 3 instruments *(continued)*

For the year to 31 March **£'000**	Liabilities arising on securitisation of other assets	Other level 3 liabilities	**Total level 3 financial liabilities**
Liabilities			
Balance as at 1 April 2017	**128 838**	**13 730**	**142 568**
Total gains	8 188	1 911	10 099
In the income statement	8 188	1 911	10 099
In the statement of comprehensive income	–	–	–
Sales	3 711	–	3 711
Settlements	(12 884)	–	(12 884)
Balance as at 31 March 2018	**127 853**	**15 641**	**143 494**
Adoption of IFRS 9	–	–	–
Balance as at 1 April 2018	**127 853**	**15 641**	**143 494**
Total gains	(5 084)	(12 653)	(17 737)
In the income statement	(5 084)	(12 653)	(17 737)
In the statement of comprehensive income	–	–	–
Purchases	–	27 561	27 561
Sales	–	(11 800)	(11 800)
Settlements	(9 058)	–	(9 058)
Transfers into level 3	–	2 854	2 854
Foreign exchange adjustments	–	(1 372)	(1 372)
Balance as at 31 March 2019	**113 711**	**20 231**	**133 942**

For the year ended 31 March 2019, there were transfers of £2.9 million liabilities from level 2 to level 3. There were no liabilities transferred from level 3 to level 2.

For the year ended 31 March 2018, there were no transfers of liabilities between level 3 and level 2.

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

15. 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
2019			
Total gains or (losses) included in the income statement for the year			
Net interest income	100 041	86 118	13 923
Investment (loss)/income	(11 000)	9 675	(20 675)
Trading (loss)/income arising from customer flow	(3 272)	1 348	(4 620)
Trading income arising from balance sheet management and other trading activities	14 880	–	14 880
	100 649	**97 141**	**3 508**
Total gains or losses recognised in other comprehensive income for the year			
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	205	–	205
	205	**–**	**205**
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/(loss)	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**

^ *On adoption of IFRS 9 on 1 April 2018, the fair value reserve was introduced, replacing the available-for-sale reserve.*

15. 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 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	89 295	Potential impact on income statement		8 047	(7 849)
		Credit spreads	5.8%	117	(114)
		EBITDA	(5%)/5%	306	(306)
		Other^	^	7 624	(7 429)
Derivative financial instruments	38 635	Potential impact on income statement		22 720	(5 882)
		Volatilities	4.0% – 9.0%	129	(129)
		Credit spreads	7.1%	6	(9)
		Cash flow adjustments	CPR 6.2% – 10.2%	134	(124)
		Underlying asset value	^^	7 731	(3 731)
		Other^	^	14 720	(1 889)
Securities arising from trading activities	7 118	Potential impact on income statement			
		Cash flow adjustments	CPR 9.2%	1 119	(1 480)
Investment portfolio	829 971	Potential impact on income statement		158 957	(134 600)
		Price earnings multiple	3.2 x – 9.0 x	8 852	(8 563)
		Underlying asset value^^	^^	17 229	(11 739)
		Other^	^	83 729	(60 072)
		EBITDA	*	21 470	(21 043)
		Precious and industrial metals prices	(10%)/6%	2 186	(2 186)
		Cash flows	(50%)/50%	10 568	(9 552)
		Property values	(5%)/5%	10 151	(10 151)
		Various	**	4 772	(11 294)
Loans and advances to customers	1 209 580	Potential impact on income statement		75 262	(91 448)
		Credit spreads	0.1% – 6.2%	6 327	(9 089)
		Price earnings multiple	4.9 x	703	(493)
		Underlying asset value^^	^^	2 778	(2 347)
		Cash flows	(50%)/50%	16 053	(16 053)
		EBITDA	*	335	(335)
		Property values	(5%)/5%	100	(100)
		Other^	^	48 966	(63 031)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% – 2.1%	1 673	(2 933)
Other securitised assets#	118 169	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	496	(473)
Total level 3 assets	**2 292 768**			**268 274**	**(244 665)**
Liabilities					
Derivative financial instruments	(16 626)	Potential impact on income statement		(8 035)	8 045
		Cash flow adjustments	CPR 6.2% – 10.2%	(107)	116
		Volatilities	5.0% – 9.0%	(174)	174
		Underlying asset value^^	^^	(7 754)	7 755
Liabilities arising on securitisation of other assets#	(113 711)	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	(365)	344
Other liabilities	(3 605)	Potential impact on income statement			
		Property values	(5%)/5%	(505)	505
Total level 3 liabilities	**(133 942)**			**(8 905)**	**8 894**
Net level 3 assets	**2 158 826**				

* *The EBITDA and cash flows has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations*
** *The valuation sensitivity for certain equity investments and fair value loans have 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 purpose of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*
\# *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 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 assets cannot be determined through the adjustment of a single input.*
^^ *Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.*

Within the Hong Kong portfolio there is a connected exposure across the investment portfolio, loans and advances to customers and derivatives financial instruments lines with a balance sheet value of £69 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £95 million and a unfavourable change of £69 million, included within the above table.

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

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.*

15. 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.

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 price of precious and industrial metals is a key driver of future cash flows on these investments.

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value. The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

At 31 March £'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
16. 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:					
2019					
Assets					
Loans and advances to banks	2 322 821	2 322 798	1 902 222	412 225	8 351
Reverse repurchase agreements and cash collateral on securities borrowed	1 218 834	1 218 958	578 897	640 061	–
Sovereign debt securities	281 412	271 125	271 125	–	–
Bank debt securities	367 179	366 845	215 336	151 509	–
Other debt securities	478 817	467 820	148 322	249 969	69 529
Loans and advances to customers	22 509 074	22 561 179	–	13 019 540	9 541 639
Other loans and advances	195 693	197 587	337	194 795	2 455
Other assets	1 041 116	1 041 759	595 913	283 767	162 079
Liabilities					
Deposits by banks	3 016 306	3 049 306	257 193	2 792 113	–
Repurchase agreements and cash collateral on securities lent	671 273	668 870	497 354	171 516	–
Customer accounts (deposits)	28 934 266	28 934 451	12 849 161	16 085 221	69
Debt securities in issue	2 552 514	2 588 218	739 787	1 845 370	3 061
Other liabilities	1 029 239	1 027 905	603 317	367 810	56 778
Subordinated liabilities	1 279 564	1 361 823	1 361 784	39	–
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	–

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.

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

Financial instruments for which fair value does not approximate carrying value

Differences in amortised cost and fair value occur in fixed rate 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 table below sets out information about the valuation techniques used at the end of the reporting period in measuring level 2 and level 3 financial instruments not held at fair value:

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.

17. Designated financial instruments at fair value

At 31 March £'000	Carrying value	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit risk
Designated financial assets at fair value						
2019						
Loans and advances to customers	747 710	8 684	9 265	(1 499)	(1 619)	738 478
Securities arising from trading activities	500 918	13 864	17 050	(244)	1 325	500 918
Other securitised assets	118 169	(4 607)	(13 170)	(4 607)	(13 170)	118 143
	1 366 797	**17 941**	**13 145**	**(6 350)**	**(13 464)**	**1 357 539**
Designated loans and receivables at fair value						
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**

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative
Liabilities						
2019						
Customer accounts (deposits)	2 372 841	2 367 073	(5 769)	7 553	–	–
Debt securities in issue	520 806	413 372	(2 814)	216	(910)	1 969
Liabilities arising on securitisation of other assets	113 711	130 833	(4 234)	(10 308)	(4 234)	(10 308)
Subordinated liabilities	367 707	307 962	56 253	56 253	27 564	27 564
	3 375 065	**3 219 240**	**43 436**	**53 714**	**22 420**	**19 225**
Liabilities						
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**

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	2019	2018
18. Cash and balances at central banks		
Gross cash and balances at central banks	4 993 242	4 040 512
Expected credit loss on amortised cost*	(422)	–
Net cash and balances at central banks	**4 992 820**	**4 040 512**
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	536 510	540 847
United Kingdom	4 404 487	3 389 267
Europe (excluding UK)	40 944	98 503
Other	10 879	11 895
	4 992 820	**4 040 512**

As at 31 March £'000	2019	2018
19. Loans and advances to banks		
Gross loans and advances to banks	2 322 925	2 165 533
Expected credit loss on amortised cost*	(104)	–
Net loans and advances at banks	**2 322 821**	**2 165 533**
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	766 308	612 693
United Kingdom	692 771	711 081
Europe (excluding UK)	383 025	357 730
Australia	105 168	93 711
Asia	117 241	66 098
United States of America	244 566	257 999
Other	13 742	66 221
	2 322 821	**2 165 533**

As at 31 March £'000	2019	2018
20. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 768 768	2 207 477
Expected credit loss on amortised cost*	(20)	–
Net reverse repurchase agreements and cash collateral on securities borrowed	**1 768 748**	**2 207 477**
Reverse repurchase agreements	1 447 150	1 572 627
Cash collateral on securities borrowed	321 598	634 850
	1 768 748	**2 207 477**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. £393.3 million (2018: £190.2 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	991 749	539 969
Cash collateral on securities lent	113 314	115 871
	1 105 063	**655 840**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £784.7 million (2018: £628.2 million). They are pledged as security for the term of the underlying repurchase agreement.

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

As at 31 March £'000	2019	2018
21. Sovereign debt securities		
Gross sovereign debt securities	4 538 413	4 910 027
Expected credit loss on amortised cost*	(190)	–
Net sovereign debt securities	**4 538 223**	**4 910 027**
Bonds	1 198 019	1 034 188
Government securities	500 987	297 856
Treasury bills	2 839 217	3 577 983
	4 538 223	**4 910 027**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	3 231 617	3 754 555
United Kingdom	1 069 409	885 716
Europe (excluding UK)	13 460	22 445
United States of America	216 078	247 311
Other	7 659	–
	4 538 223	**4 910 027**

As at 31 March £'000	2019	2018
22. Bank debt securities		
Gross bank debt securities	717 514	587 164
Expected credit loss on amortised cost*	(201)	–
Net bank debt securities	**717 313**	**587 164**
Bonds	632 104	401 950
Floating rate notes	55 761	155 360
Asset-based securities	29 448	29 854
	717 313	**587 164**
The country risk of the bank debt securities lies in the following geographies:		
South Africa	374 590	286 961
United Kingdom	165 562	182 111
Europe (excluding UK)	70 249	50 132
Australia	56 377	–
United States of America	48 053	61 541
Other	2 482	6 419
	717 313	**587 164**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

As at 31 March £'000	2019	2018
23. Other debt securities		
Gross other debt	1 221 335	903 603
Expected credit loss on amortised cost*	(684)	–
Net other debt securities	**1 220 651**	**903 603**
Bonds	829 760	595 435
Floating rate notes	93 686	168 485
Asset-based securities	295 465	137 515
Other investments	1 740	2 168
	1 220 651	**903 603**
The country risk of other debt securities lies in the following geographies:		
South Africa	475 425	319 420
United Kingdom	291 636	75 976
Europe (excluding UK)	194 221	345 433
Australia	10 909	8 699
United States of America	152 404	37 642
Other	96 056	116 433
	1 220 651	**903 603**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

In 2018 other debt securities included £5.1 million of balance sheet impairment shown in the table above.

24. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the 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.

	2019			**2018**		
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	21 662 129	282 801	190 187	20 660 781	378 011	256 556
Currency swaps	3 278 785	150 124	297 125	2 969 822	152 162	198 904
OTC options bought and sold	7 942 122	54 995	56 352	3 836 718	110 655	91 644
Other foreign exchange contracts	263 900	1 062	1 369	112	22	24
	33 146 936	**488 982**	**545 033**	**27 467 433**	**640 850**	**547 128**
Interest rate derivatives						
Caps and floors	8 006 384	13 715	5 951	6 472 519	18 276	5 534
Swaps	85 205 078	257 836	258 131	37 378 697	239 592	299 246
Forward rate agreements	648 991	6 058	6 161	96 267	3 150	861
OTC options bought and sold	49 206	21	55	63 104	2 079	1 851
Other interest rate contracts	371 164	16 167	1 397	397 361	13	23 836
OTC derivatives	**94 280 823**	**293 797**	**271 695**	**44 407 948**	**263 110**	**331 328**
Exchange traded futures	798	2 771	–	17 409	–	4
	94 281 621	**296 568**	**271 695**	**44 425 357**	**263 110**	**331 332**
Equity and stock index derivatives						
OTC options bought and sold	8 898 683	190 274	252 593	9 205 748	413 132	304 067
Equity swaps and forwards	2 068 096	5 318	45 943	3 700 016	63 107	86 918
OTC derivatives	**10 966 779**	**195 592**	**298 536**	**12 905 764**	**476 239**	**390 985**
Exchange traded futures	606 478	114	–	357 508	(1 391)	–
Exchange traded options	10 726 463	1 987	153 046	7 481 444	(68)	56 322
Warrants	(313 965)	7 660	291 106	136 338	–	355 255
	21 985 755	**205 353**	**742 688**	**20 881 054**	**474 780**	**802 562**
Commodity derivatives						
OTC options bought and sold	257 538	8 512	15 031	32 411	4 228	1 976
Commodity swaps and forwards	769 709	46 080	39 128	1 139 019	50 738	40 150
	1 027 247	**54 592**	**54 159**	**1 171 430**	**54 966**	**42 126**
Credit derivatives	**1 725 980**	**10 640**	**40 572**	**1 607 611**	**15 195**	**23 878**
Other derivatives*		**20 114**			**–**	
Embedded derivatives*		**–**			**34 400**	
Cash collateral		**(42 083)**	**(376 914)**		**(130 893)**	**(275 463)**
Derivatives per balance sheet		**1 034 166**	**1 277 233**		**1 352 408**	**1 471 563**

* *In 2018 embedded derivatives mainly included profit shares received as part of lending transactions. Following the adoption of IFRS 9 these are either accounted for as stand-alone derivatives or no longer separated from the host contract so form part of the fair value of loans accounted for at fair value.*

As at 31 March £'000	2019	2018
25. Securities arising from trading activities		
Bonds	299 674	186 168
Government securities	419 350	346 206
Listed equities	1 135 686	896 983
Unlisted equities	4 544	5 034
	1 859 254	**1 434 391**

As at 31 March £'000	2019	2018
26. Investment portfolio		
Listed equities	182 589	231 593
Unlisted equities*	692 544	653 906
Fair value loan investments	153 843	–
	1 028 976	**885 499**

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

As at 31 March £'000	2019	2018
27. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers at amortised cost	22 798 559	24 910 776
Gross loans and advances to customers at FVOCI	397 068	–
Gross loans and advances to customers designated at FVPL at inception^#	749 240	
Gross loans and advances to customers subject to ECL	23 944 867	24 910 776
Expected credit losses on loans and advances to customers at amortised cost, designated at FVPL at inception and FVOCI*	(291 015)	–
Impairment of loans and advances to customers*#	–	(237 767)
	23 653 852	24 673 009
Loans and advances to customers at fair value	880 901	–
Net loans and advances to customers	**24 534 753**	**24 673 009**
Gross other loans and advances	197 100	350 159
Expected credit loss on other loans and advances*	(1 407)	–
Impairment of other loans and advances*	–	(2 350)
Net other loans and advances	**195 693**	**347 809**
Expected credit losses on loans and advances to customers at amortised cost*		
Balance at the beginning of the year	237 767	
Adoption of IFRS 9	126 499	
Balance at 1 April 2018	364 266	
Charged to the income statement (refer to note 6)	105 243	
Write-offs	(169 111)	
Disposal	(2 028)	
Transfers	4 606	
Exchange adjustments	(11 961)	
Balance at end of year	**291 015**	
Expected credit losses on other loans and advances at amortised cost*		
Balance at the beginning of the year	2 350	
Adoption of IFRS 9	2 063	
Balance at 1 April 2018	4 413	
Release to the income statement (refer to note 6)	(2 888)	
Transfers	111	
Exchange adjustments	(229)	
Balance at the end of the year	**1 407**	

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

^ *These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost.*

\# *Expected credit losses above do not include £1 million ECL held against financial assets held at FVOCI. This is reported on the balance sheet within reserves.*

For further analysis on loans and advances refer to pages 33 to 46 in volume two in the risk management section.

As at 31 March £'000	2018

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

Specific and portfolio impairments	
Reconciliation of movements in specific and portfolio impairments	
Loans and advances to customers	
Specific impairment	
Balance at the beginning of the year	136 148
Charge to the income statement	107 607
Impairment losses on loans and advances	128 976
Reversals and recoveries recognised in the income statement	(21 369)
Utilised	(106 261)
Transfers	1 266
Exchange adjustment	(1 158)
Balance at end of year	**137 602**
Portfolio impairment	
Balance at the beginning of the year	62 518
Charge to the income statement	39 027
Transfers	(1 266)
Exchange adjustment	(114)
Balance at the end of the year	**100 165**
Other loans and advances	
Specific impairment	
Balance at the beginning of the year	7 229
Charge/release to the income statement	370
Utilised	(7 071)
Transfers	(37)
Exchange adjustment	(6)
Balance at the end of the year	**485**
Portfolio impairment	
Balance at the beginning of the year	1 942
Release to the income statement	(62)
Transfers	37
Exchange adjustment	(52)
Balance at the end of the year	**1 865**
Total specific impairments	138 087
Total portfolio impairments	102 030
Total impairments	**240 117**
Interest income recognised on loans that have been impaired	**1 148**

As at 31 March £'000	2019	2018
28. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	408 419	459 472
Expected credit loss of own originated loans and advances to customers securitised*	(550)	–
Impairments of own originated loans and advances to customers securitised*	–	(384)
Net own originated loans and advances to customers securitised	**407 869**	**459 088**
Other securitised assets are made up of the following categories of assets:		
– Cash and cash equivalents	15 634	17 999
– Loans and advances to customers	111 338	123 388
– Other debt securities	6 832	7 000
Total other securitised assets	**133 804**	**148 387**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	**91 522**	**136 812**
Liabilities arising on securitisation of other assets	**113 711**	**127 853**
Expected credit losses of own originated loans and advances securitised at amortised cost		
Balance at the beginning of the year	384	
Adoption of IFRS 9	275	
Balance at 1 April 2018	659	
Release to the income statement	(55)	
Utilised	(2)	
Exchange adjustment	(52)	
Balance at the end of the year	**550**	

As at 31 March £'000	2018
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
Charge to the income statement	53
Utilised	–
Transfers	24
Exchange adjustment	3
Balance at the end of the year	**109**
Portfolio impairment	
Balance at the beginning of the year	333
Release to the income statement	(35)
Transfers	(24)
Exchange adjustment	1
Balance at the end of the year	**275**
Total portfolio and specific impairments on balance sheet	**384**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

As at 31 March £'000	**2019**	2018

29. Interests in associated undertakings and joint venture holdings

Analysis of the movement in interests in associated undertakings and joint venture holdings:		
At the beginning of the year	467 852	392 213
Exchange adjustments	(44 673)	3 310
Disposals	(27 430)	(12 784)
Acquisitions	2 271	1 142
Increase in investment	–	31 000
Return of capital	–	(4 651)
Profits or losses recognised in other comprehensive income and equity	(6 879)	–
Advance of loan	–	10 996
Settlement of loan	(10 495)	–
Share of post taxation profit of associates and joint venture holdings	68 317	46 823
Dividends declared by associates and joint venture holdings	(61 213)	(197)
At the end of the year	**387 750**	**467 852**

£'000	**2019**	2018
Details of material associated companies		
IEP Group Proprietary Limited		
Summarised financial information (£'000):		
For the year to 31 March		
Revenue	811 414	679 542
Profit after taxation	166 973	111 929
Total comprehensive income	161 595	110 530
At 31 March		
Assets		
Non-current assets	1 086 739	1 255 174
Current assets	334 390	372 064
Liabilities		
Non-current liabilities	297 897	577 757
Current liabilities	348 380	184 908
Net asset value	**774 852**	**864 573**
Non-controlling interest	136 926	140 915
Shareholders' equity	637 926	723 658
Effective interest in issued share capital	45.9%	45.7%
Net asset value	292 680	330 856
Goodwill	36 283	40 953
Carrying value of interest – equity method	**328 963**	**371 810**

As at 31 March £'000	2019	2018
30. Deferred taxation		
Deferred taxation assets	248 893	157 321
Deferred taxation liabilities	(23 590)	(32 158)
Net deferred taxation assets	**225 303**	**125 163**
The net deferred taxation assets arise from:		
Deferred capital allowances	35 528	43 179
Income and expenditure accruals	97 410	71 442
Asset in respect of unexpired options	17 081	21 043
Unrealised fair value adjustments on financial instruments	60 445	1 147
Losses carried forward	26 804	22 052
Assets in respect of pensions surplus	32	48
(Liabilities)/assets in respect of pension contributions	238	(208)
Deferred tax on acquired intangibles	(16 292)	(19 783)
Revaluation of property	(15 501)	(17 588)
Finance lease accounting	2 891	4 169
Other temporary differences	(249)	(338)
Cash flow hedges	16 916	–
Net deferred taxation assets	**225 303**	**125 163**
Reconciliation of net deferred taxation assets:		
At the beginning of the year	125 163	93 564
Adoption of IFRS 9	84 425	–
Charge to income statement	16 023	34 690
Charge directly in other comprehensive income	6 659	(2 502)
Other	377	153
Exchange adjustments	(7 344)	(742)
At the end of the year	**225 303**	**125 163**

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 £159 million (2018: £200.2 million), capital losses carried forward of £87.4 million (2018: £41.9 million) and excess management expenses of £8.6 million (2018: £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 2018. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2017 was enacted in November 2016.

On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020. 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	2019	2018
31. Other assets		
Gross other assets	1 740 751	1 876 116
Expected credit loss on amortised cost*	(4 795)	–
Net other assets	**1 735 956**	**1 876 116**
Settlement debtors	673 810	853 124
Dealing properties	200 388	275 106
Prepayments and accruals	178 990	165 262
Pension assets (refer to note 41)	180	2 627
Trading initial margin	49 569	96 887
Investec Import Solutions debtors	139 418	169 581
Commodities	61 886	–
Corporate tax assets	76 817	6 639
Other	354 898	306 890
	1 735 956	**1 876 116**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

32. Property and equipment

At 31 March £'000	Freehold properties	Leasehold improve-ments	Furniture and vehicles	Equipment	Operating leases*	Total
2019						
Cost						
At the beginning of the year	177 046	67 126	22 883	103 888	10 758	381 701
Exchange adjustments	–	911	448	(10 474)	–	(9 115)
Acquisition of a subsidiary undertaking	–	–	–	50	–	50
Additions**	8 738	43 560	7 364	19 464	244	79 370
Disposals	(2 719)	(34 094)	(5 349)	(25 336)	(794)	(68 292)
Reclassification	–	782	–	–	–	782
At the end of the year	**183 065**	**78 285**	**25 346**	**87 592**	**10 208**	**384 496**
Accumulated depreciation						
At the beginning of the year	(4 080)	(49 272)	(19 778)	(69 127)	(6 104)	(148 361)
Exchange adjustments	–	1 034	(26)	(10 592)	20	(9 564)
Disposals	359	33 788	5 041	21 793	570	61 551
Depreciation charge for the year	(2 848)	(7 904)	(2 003)	(10 778)	(2 157)	(25 690)
Reclassification	–	(782)	–	–	–	(782)
At the end of the year	**(6 569)**	**(23 136)**	**(16 766)**	**(68 704)**	**(7 671)**	**(122 846)**
Net carrying value	**176 496**	**55 149**	**8 580**	**18 888**	**2 537**	**261 650**
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**

* *These are assets held by the group, in circumstances where the group is the lessor.*
** *Additions include transfers from work in progress reported in other assets in the prior year.*

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 in the income statement.

As at 31 March £'000	2019	2018
33. Investment properties		
At the beginning of the year	1 184 097	1 128 930
Additions	12 706	52 136
Disposals	(32 537)	(34 299)
Fair value movement	(32 280)	26 919
Exchange adjustment	(137 341)	10 411
At the end of the year	**994 645**	**1 184 097**

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 48 and 49 in volume two.

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

Significant unobservable inputs	*Definitions*
Expected Rental Value (ERV)	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Equivalent yield	The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

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

Significant unobservable inputs	*Relationship between unobservable inputs and fair value measurement*
Expected Rental Value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value.
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value (range 7.0% to 15.9%).
Long-term vacancy rate	Increases/(decreases) in the long-term vacancy rate would result in decreases/(increases) in the estimated fair value.

Given the high tenancy rate, the long-term vacancy rate may not always be applicable. Across the properties held at 31 March 2019 it was determined if the equivalent yield applied per property increases/(decreases) by 50 basis points the overall value of the properties would decrease by 5.3% (2018: 5.6%) or increase by 6.0% (2018: 5.9%).

As at 31 March £'000	2019	2018
34. Goodwill		
Cost		
At the beginning of the year	424 391	422 254
Acquisition of subsidiaries	118	849
Exchange adjustments	(13 678)	1 288
At the end of the year	**410 831**	**424 391**
Accumulated impairments		
At the beginning of the year	(55 588)	(54 675)
Income statement amount	(155)	–
Exchange adjustments	11 782	(913)
At the end of the year	**(43 961)**	**(55 588)**
Net carrying value	**366 870**	**368 803**
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	243 343	243 343
Specialist Banking	24 660	24 877
	356 048	**356 265**
Southern Africa		
Wealth & Investment	1 922	2 175
Specialist Banking	8 900	10 363
	10 822	**12 538**
Total group	**366 870**	**368 803**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

34. Goodwill *(continued)*

UK and other

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 8.6% (2018: 8.8%), which incorporates an expected revenue growth rate of 2% in perpetuity (March 2018: 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.

Southern Africa

Goodwill attributed to the South African operations relates to the Investec Import Solutions group and the Investec Wealth & Investment group.

The goodwill relating to Investec Import Solutions has been identified as a separate cash-generating unit and 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 6.75% is determined using the South African inter-bank lending rate, adjusted for business specific risk.

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

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

Movement in goodwill

There were no significant movements in goodwill during the current and prior year.

At 31 March £'000	Acquired software	Internally generated software	Management contracts	Client relationships	Total
35. Intangible assets					
2019					
Cost					
At the beginning of the year	81 837	4 153	605	213 090	299 685
Exchange adjustments	(729)	–	(13)	(781)	(1 523)
Acquisition of a subsidiary undertaking	–	700	–	–	700
Additions	11 323	5 126	–	–	16 449
Disposals	(20 951)	–	–	–	(20 951)
Write off internal software	–	(7 876)	–	–	(7 876)
At the end of the year	**71 480**	**2 103**	**592**	**212 309**	**286 484**
Accumulated amortisation and impairments					
At the beginning of the year	(68 132)	(1 090)	(531)	(104 543)	(174 296)
Exchange adjustments	(691)	–	13	(676)	(1 354)
Disposals	19 890	–	–	–	19 890
Amortisation	(7 500)	(2 026)	(74)*	(15 742)*	(25 342)
Write off internal software	–	1 855	–	–	1 855
At the end of the year	**(56 433)**	**(1 261)**	**(592)**	**(120 961)**	**(179 247)**
Net carrying value	**15 047**	**842**	**–**	**91 348**	**107 237**
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**

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.

* *Management contracts and client relationships are acquired intangibles. Amortisation of acquired intangibles as disclosed in the income statement £15.8 million (2018: £16.3 million).*

36. Acquisitions and disposals

A deferred consideration of £6.9 million which was based on profitability criteria, was paid in the prior 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 2019 and during the year ended 31 March 2018.

Post balance sheet events

On 10 May 2019 Investec Bank plc agreed to sell its Irish Wealth Management business to Brewin Dolphin for proceeds of approximately EUR 44 million, subject to regulatory approval.

As at 31 March **£'000**	**2019**	2018
37. Long-term assurance business attributable to policyholders		
Liabilities to customers under investment contracts		
Investec Life Limited	26 682	37 761
Investec Assurance Limited	8 187 952	8 446 535
	8 214 634	8 484 296
Insurance liabilities, including unit-linked liabilities – Investec Life Limited	2 939	3 480
	8 217 573	**8 487 776**
Investec Life Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	29 621	41 241
	29 621	**41 241**
Investments above comprise:		
Interest-bearing securities	11 624	12 094
Stocks, shares and unit trusts	11 644	23 646
Deposits	6 353	5 501
	29 621	**41 241**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	8 170 691	8 374 054
Debtors and prepayments	14 484	28 657
Other assets	2 777	43 824
	8 187 952	**8 446 535**
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest-bearing securities	2 666 789	2 269 280
Stocks, shares and unit trusts	5 348 525	5 415 047
Deposits	155 377	689 727
	8 170 691	**8 374 054**

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.

Assets related to the long-term assurance businesses attributable to policyholders are at fair value through profit and loss and are classified as level 1 in the fair value hierarchy. The related liabilities are at fair value through profit and loss and were incorrectly classified as level 1 in the prior year and are now reflected as level 2.

As at 31 March £'000	2019	2018
38. Other trading liabilities		
Deposits	116 281	97 042
Short positions		
– Equities	414 357	802 531
– Gilts	141 767	60 593
	672 405	**960 166**

As at 31 March £'000	2019	2018
39. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	79 710	29 392
Three months to one year	240 305	227 861
One to five years	2 100 073	1 616 276
Greater than five years	653 232	843 658
	3 073 320	**2 717 187**

As at 31 March £'000	2019	2018
40. Other liabilities		
Settlement liabilities	707 477	828 960
Other creditors and accruals	731 271	752 335
Other non-interest-bearing liabilities	289 783	397 034
Dividend Rewards Programme Liability^	33 154	33 939
Expected credit loss on off-balance sheet commitments and guarantees	3 964	–
	1 765 649	**2 012 268**

^ *Dividends Rewards Programme liability has been included in other creditors and accruals in prior years.*

As at 31 March £'000	2019	2018
41. Pension commitments		
Income statement charge		
Defined benefit obligations net income included net interest income	(68)	(51)
Defined benefit net costs included in administration costs	134	81
Cost of defined contribution schemes included in staff costs	51 343	46 854
Net income statement charge in respect of pensions	**51 409**	**46 884**

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 2019 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions in relation to the defined contribution schemes outstanding at the year end.

During the prior 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:		
Discount rate	2.40%	2.65%
Rate of increase in salaries	3.20%	2.10%
Rate of increase in pensions in payment	2.00% – 3.20%	1.90% – 3.10%
Inflation (RPI)	3.30%	3.10%
Inflation (CPI)	2.20%	2.10%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used for 2019 are based on the 2018 Club Vita base tables with allowance for future improvements in line with CMI 2018 core projections and a long term improvement of 1.25% per annum. The life expectancies underlying the valuation are as follows:

	Years	Years
Male aged 65	88.4	88.7
Female aged 65	88.7	88.9
Male aged 45	89.2	89.5
Female aged 45	90.5	90.7

41. Pension commitments *(continued)*

Sensitivity analysis of assumptions

If the discount rate was 0.25% higher, the scheme liabilities would decrease by approximately £702 000 if all the other assumptions remained unchanged.

If life expectancies were to increase by one year, the scheme liabilities would increase by approximately £616 000 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 the Investec group can be found in the Risk Management report on page 74 in volume two. 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	**2019**	2018
Managed funds	17 605	18 653
Cash	185	80
Total market value of assets	**17 790**	**18 733**

There are no plan assets which are unquoted.

None of the group's own assets or properties occupied or used by the group is held within the assets of the scheme.

	2019	**2018**		
At 31 March £'000	**IAM**	GM	IAM	**Total**
Recognised in the balance sheet				
Fair value of plan assets	17 790	–	18 733	18 733
Present value of obligations	(17 610)	–	(16 107)	(16 107)
Net asset (recognised in other assets)	**180**	**–**	**2 626**	**2 626**
Recognised in the income statement				
Net interest income	68	–	51	51
Administration cost	(134)	–	(81)	(81)
Net amount recognised in the income statement	**(66)**	**–**	**(30)**	**(30)**
Recognised in the statement of comprehensive income				
Return on plan assets (excluding amounts in net interest income)	(823)	–	(129)	(129)
Actuarial loss/(gain) arising from changes in financial assumptions	(1 558)	–	(452)	(452)
Remeasurement of scheme due to buy-out	–	(4 316)	–	(4 316)
Remeasurement of defined benefit liability/asset	(2 381)	(4 316)	(581)	(4 897)
Deferred tax	457	868	91	959
Remeasurement of net defined benefit asset	**(1 924)**	**(3 448)**	**(490)**	**(3 938)**

41. Pension commitments *(continued)*

At 31 March £'000	GM	IAM	Total
Changes in the net asset recognised in the balance sheet			
Opening balance sheet asset 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
Opening balance sheet asset at 1 April 2018	**–**	**2 627**	**2 627**
Expenses charged to the income statement	–	(66)	(66)
Amount recognised in other comprehensive income	–	(2 381)	(2 381)
Closing balance sheet asset at 31 March 2019	**–**	**180**	**180**

At 31 March £'000	GM	IAM	Total
Changes in the present value of defined benefit obligations			
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 experience adjustments	–	(452)	(452)
Benefits and expenses paid	–	(3 469)	(3 469)
Settlement of scheme through buy-out	(148 862)	–	(148 862)
Opening defined benefit obligation at 1 April 2018	**–**	**16 107**	**16 107**
Interest expense		419	419
Remeasurement gains and losses:			
– Actuarial gain/(loss) arising from changes in financial assumptions	–	1 558	1 558
Benefits and expenses paid	–	(474)	(474)
Closing defined benefit obligation at 31 March 2019	**–**	**17 610**	**17 610**
Changes in the fair value of plan assets			
Opening fair value of plan assets at 1 April 2017	**144 333**	**21 649**	**165 982**
Interest income		505	505
Remeasurement (loss)/gain:			
– Return on plan assets (excluding amounts in net interest income)	–	129	129
Administration expenses	–	(3 550)	(3 550)
Settlement of scheme through buy-out	(144 333)	–	(144 333)
Opening fair value of plan assets at 1 April 2018	**–**	**18 733**	**18 733**
Interest income	–	487	487
– Return on plan assets (excluding amounts in net interest income)	–	(823)	(823)
Administration expenses	–	(607)	(607)
Closing fair value of plan assets at 31 March 2019	**–**	**17 790**	**17 790**

There is no restriction on the pension surplus as the Investec group 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 scheme was carried out as at 31 March 2018. The Investec Asset Management scheme is fully funded.

The weighted average duration of the Investec Asset Management scheme's liabilities at 31 March 2019 is 17.5 years (31 March 2018: 17 years). This includes average duration of deferred pensioners of 21.5 years and average duration of pensioners in payment of 13.3 years.

As at 31 March £'000	2019	2018
42. Subordinated liabilities		
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes at FVPL	367 707	579 673
Subordinated fixed rate re-set callable medium-term notes amortised cost	435 992	–
	803 699	**579 673**
Issued by Investec Bank Limited		
IV08 fixed rate subordinated unsecured callable upper tier bonds	–	12 033
IV09 variable rate subordinated unsecured callable upper tier bonds	–	12 033
IV019 indexed rate subordinated unsecured callable bonds	8 241	7 755
IV019A indexed rate subordinated unsecured callable bonds	19 732	22 136
IV025 variable rate subordinated unsecured callable bonds	53 196	60 167
IV026 variable rate subordinated unsecured callable bonds	39 897	45 125
IV030 indexed rate subordinated unsecured callable bonds	26 663	26 723
IV030A indexed rate subordinated unsecured callable bonds	22 533	25 284
IV031 variable rate subordinated unsecured callable bonds	26 598	30 083
IV032 variable rate subordinated unsecured callable bonds	–	48 735
IV033 variable rate subordinated unsecured callable bonds	8 458	9 567
IV034 fixed rate subordinated unsecured callable bonds	5 373	6 077
IV035 variable rate subordinated unsecured callable bonds	78 092	88 325
IV036 variable rate subordinated unsecured callable bonds	1 702	1 925
IV037 variable rate subordinated unsecured callable bonds	81 548	71 105
IV038 variable rate subordinated unsecured callable bonds	18 619	21 058
IV039 indexed rate subordinated unsecured callable bonds	9 532	9 982
IV040 variable rate subordinated unsecured callable bonds	31 332	35 438
IV041 fixed rate subordinated unsecured callable bonds	10 107	11 432
IV042 variable rate subordinated unsecured callable bonds	2 660	3 008
IV043 fixed rate subordinated unsecured callable bonds	7 979	9 025
IV044 variable rate subordinated unsecured callable bonds	12 767	14 440
IV045 indexed rate subordinated unsecured callable bonds	92 595	96 494
IV046 variable rate subordinated unsecured callable bonds	63 835	72 200
IV047 variable rate subordinated unsecured callable bonds	73 821	64 584
IV049 variable rate subordinated unsecured callable bonds	45 146	–
Issued by Investec Limited		
INLV02 variable rate subordinated unsecured callable bonds	14 682	16 606
INLV03 variable rate subordinated unsecured callable bonds	5 000	5 656
INLV04 variable rate subordinated unsecured callable bonds	13 565	15 343
INB001 variable rate subordinated unsecured callable bonds	69 899	60 975
	1 647 271	**1 482 987**
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand		
Remaining maturity:		
In one year or less, or on demand	168 887	72 800
In more than one year, but not more than two years	47 078	187 354
In more than two years, but not more than five years	950 168	1 192 931
In more than five years	481 138	29 902
	1 647 271	**1 482 987**
Reconciliation from opening balance to closing balance:		
Opening balance	1 482 987	1 402 638
Adoption of IFRS 9	136 891	–
Subordinated debt raised	462 734	190 940
Repayment of subordinated debt	(402 619)	(128 098)
Consumer price index, effective interest rate adjustments and currency adjustments on foreign denominated bonds	73 822	7 307
Exchange adjustments	(106 544)	10 200
Closing balance	**1 647 271**	**1 482 987**

42. 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 in 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 in 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). On 1 April 2018 the group adopted IFRS 9 Financial instruments which replaced IFRS 39 Financial instruments: recognition and measurement. The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 564 000 against its amortised cost value £579 673 000 was an increase in disclosed liability of £136 891 000.

On 17 July 2018 Investec Bank plc completed a tender offer to purchase £267 038 000 aggregate nominal amount of the notes at a cash purchase price of 121.513 pence plus an accrued interest payment. The total value of the debt redeemed was £335 541 000.

Subordinated fixed rate reset callable medium term notes (denominated in Pounds Sterling)

On 24 July 2018 Investec Bank plc issued £420 000 000 of 4.25% subordinated notes due 2028 at a discount (2028 Notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 24 July 2028. The issuer has a one-time redemption option on the early redemption date 24 July 2023 subject to conditions.

IV08 fixed rate subordinated unsecured callable upper tier 2 bonds

Rnil (2018: 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

Rnil (2018: 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.

IV019 indexed rate subordinated unsecured callable bonds

R155 million (2018: R129 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

R371 million (2018: R368 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.

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.

42. Subordinated liabilities *(continued)*

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

R501 million (2018: R444 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

R424 million (2018: 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

Rnil (2018: R810 million) Investec Bank Limited IV032 locally registered subordinated unsecured callable bonds are due in August 2023. Interest is payable quarterly on 14 November, 14 February, 14 May, 14 August at a rate equal to the three-month JIBAR plus 2.95%. The maturity date is 14 August 2023, but the company has the option to call the bonds upon regulatory capital disqualification from 14 August 2018.

IV033 variable rate subordinated unsecured callable bonds

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

IV034 fixed rate subordinated unsecured callable bonds

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

IV035 variable rate subordinated unsecured callable bonds

R1 468 million 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.

42. Subordinated liabilities *(continued)*

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

R179 million (2018: R166 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.

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.

42. Subordinated liabilities *(continued)*

IV045 indexed rate subordinated unsecured callable bonds

R1 740 million (2018: R1 603 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 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 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.

IV049 variable rate subordinated unsecured callable bonds

R849 million (2018: Rnil) Investec Bank Limited IV049 locally registered subordinated unsecured callable bonds are due in 4 December 2028. Interest is payable quarterly in arrears on 4 March, 4 June and 4 September and 4 December at a rate equal to three-month JIBAR plus 3.413% basis points up to and excluding 4 March 2028. The maturity date is 4 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 4 March 2028.

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 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	2019	2018

43. Ordinary share capital

Investec plc

Issued, allotted and fully paid

Number of ordinary shares	Number	Number
At the beginning of the year	669 838 695	657 105 625
Issued during the year	12 282 516	12 733 070
At the end of the year	**682 121 211**	**669 838 695**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	134	132
Issued during the year	2	2
At the end of the year	**136**	**134**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	310 722 744	301 165 174
Issued during the year	8 181 965	9 557 570
At the end of the year	**318 904 709**	**310 722 744**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	61	59
Issued during the year	3	2
At the end of the year	**64**	**61**
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	2019	2018

43. Ordinary share capital *(continued)*

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2018: R1 960 002), comprising 450 000 000 (2018: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2018: 48 091 681) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2018: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2018: 1 500 000) Class ILRP2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2018: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2018: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2018: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2018: 1) Dividend Access (South African resident) redeemable preference share of R1.00, 1 (2018: 1) Dividend Access (non-South African resident) redeemable preference share of R1.00, 700 000 000 (2018: 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	310 722 744	301 165 174
Issued during the year	8 181 965	9 557 570
At the end of the year	**318 904 709**	**310 722 744**
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	669 838 695	657 105 625
Issued during the year	12 282 516	12 733 070
At the end of the year	**682 121 211**	**669 838 695**
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	2019	2018

43. Ordinary share capital *(continued)*

Number of SA DAS shares	Number	Number
At the beginning and end of the year	**1**	**1**
Nominal value of SA DAS share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited:		
Total called up share capital	251	246
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(4)	(4)
Total called up share capital	**245**	**240**

* *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 8.

Movements in the number of share options issued to employees are as follows (each option is in respect of one share):

	Number	Number
For the year to 31 March	**2019**	2018
Opening balance	49 282 005	61 936 538
Issued during the year	14 366 136	14 771 933
Exercised	(17 216 065)	(25 350 261)
Lapsed	(1 490 975)	(2 076 205)
Closing balance	**44 941 101**	**49 282 005**

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 198 to 204 and 217 and 218 in volume one.

At 31 March £'000	2019	2018
44. Perpetual preference shares of holding company		
Perpetual preference share capital	31	31
Perpetual preference share premium (refer to note 45)	194 125	218 595
	194 156	**218 626**
Issued by Investec Limited		
32 214 499 (2018: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums		
– Perpetual preference share capital	2	2
– Perpetual preference share premium	169 360	193 830
Perpetual 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 perpetual preference share held. Perpetual 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 perpetual preference shares.		
An ordinary dividend will not be declared by Investec Limited unless the perpetual preference dividend has been declared. If declared, perpetual 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 (2018: 2 754 587) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share		
– Perpetual preference share capital	29	29
– Perpetual preference share premium	23 607	23 607
Perpetual 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 perpetual preference dividend has been declared.		
If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		

At 31 March £'000	2019	2018
44. Perpetual preference shares of holding company *(continued)*		
Issued by Investec plc – Rand-denominated		
131 447 (2018: 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		
– Perpetual preference share capital	*	*
– Perpetual preference share premium	1 158	1 158
Rand-denominated perpetual 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 perpetual preference dividend has been declared.		
If declared, Rand-denominated perpetual 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.		
	194 156	**218 626**

* *Less than £1 000.*

At 31 March £'000	2019	2018
45. Share premium		
Share premium account – Investec plc	1 539 789	1 474 172
Share premium account – Investec Limited	737 592	723 969
Perpetual preference share premium	194 125	218 595
	2 471 506	**2 416 736**

At 31 March	2019	2018
46. Treasury shares		
	£'000	**£'000**
Treasury shares held by subsidiaries of Investec Limited and Investec plc	**189 134**	**160 132**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	21 638 673	19 722 086
Investec Limited ordinary shares held by subsidiaries	29 686 599	27 013 057
Investec plc and Investec Limited shares held by subsidiaries	**51 325 272**	**46 735 143**
Reconciliation of treasury shares:	**Number**	**Number**
At the beginning of the year	46 735 143	49 648 357
Purchase of own shares by subsidiary companies	24 112 435	23 783 241
Shares disposed of by subsidiaries	(19 522 306)	(26 696 455)
At the end of the year	**51 325 272**	**46 735 143**
Market value of treasury shares:	**£'000**	**£'000**
Investec plc	95 708	108 393
Investec Limited	131 304	148 464
	227 012	**256 857**

At 31 March £'000	2019	2018
47. Other Additional Tier 1 securities in issue		
Issued by Investec Limited		
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.	29 257	33 091
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.	18 619	21 059
Issued by an Investec Limited subsidiary		
Investec Bank Limited issued R93 million and R17 million Other Additional Tier 1 floating rate notes on the 26 March 2019 and 29 March 2019 respectively. Interest is payable quarterly on the 26 June, 26 September,26 December and 26 March at a rate equal to the three-month JIBAR plus 4.55%. There is no maturity date but the issuer has the option to redeem on the 26 June 2024 and on any interest payment date thereafter. The interest is payable at the option of the issuer.	5 852	–
Issued by Investec plc		
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.	250 000	250 000
	303 728	**304 150**

At 31 March £'000	2019	2018
48. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	81 616	92 312
Non-controlling interests in partially held subsidiaries	549 257	589 752
	630 873	**682 064**
Perpetual preferred securities issued by subsidiaries		
Issued by an Investec Limited subsidiary	81 616	92 312
15 447 630 (2018: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums.		
Perpetual 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 perpetual preference share held. Perpetual 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 perpetual preference dividend has been declared.		
If declared, perpetual 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.		
	81 616	**92 312**

48. Non-controlling interests *(continued)*

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

	Investec Asset Management Holdings Proprietary Limited*		Investec Asset Management Limited**		Investec Property Fund Limited*	
	2019	2018	**2019**	2018	**2019**	2018
Non-controlling interests (NCI) (%)	20.0%	17.0%	20.0%	17.0%	73.4%	73.2%
Summarised financial information (£'000)						
Total assets	8 363 600	8 649 980	448 128	430 272	1 121 929	1 165 336
Total liabilities	8 284 185	8 551 578	332 024	317 660	422 902	404 602
Revenue	185 421	187 319	387 641	352 367	82 529	73 749
Profit before taxation	51 167	53 672	88 344	86 516	79 061	72 570
Carrying amount of NCI	16 632	17 276	21 013	19 919	511 383	554 236
Dividends paid to non-controlling interest	9 614	7 313	14 110	13 008	39 783	42 844
Profit allocated to NCI	9 716	9 054	15 942	14 763	57 992	52 649

* *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 3% of its Asset Management business to the senior management of the business, on the exercise of the option granted in July 2013 (2018: an additional 1% was sold).

The net cash flows arising during the current and prior period relate to operating activities. Other than payments of dividends there are no material cash flows arising from financing or investing activities.

The reduction in the shareholding of IPF is as a result of a reinvestment of dividends by non-controlling interests.

	2019		**2018**	
At 31 March £'000	**Total future minimum payments**	**Present value**	Total future minimum payments	Present value
49. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	322 837	265 899	330 904	303 234
One to five years	479 587	423 500	491 318	419 588
Greater than five years	4 935	4 640	4 202	3 593
	807 359	**694 039**	**826 424**	**726 415**
Unearned finance income	**113 320**		**100 009**	

At 31 March 2019, unguaranteed residual values accruing to the benefit of Investec were £6.6 million (2018: £1.7 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

As at 31 March £'000	2019	2018
50. Notes to the cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	**687 205**	**637 499**
Additional costs on acquisition of subsidiary	(200)	6 039
Impairment of goodwill	155	–
Adjustment for non-cash items included in net income before taxation:		
Amortisation of acquired intangible assets	15 816	16 255
Depreciation and impairment of property, equipment and intangibles	40 812	28 804
Expected credit loss impairment charges excluding expected credit loss on cash/impairment losses on loans and advances*	65 132	148 556
Share of post taxation profit of associates and joint venture holdings	(68 317)	(46 823)
Dividends received from associates and joint venture holdings	772	197
Share-based payment charges	72 714	69 218
Profit before taxation adjusted for non-cash items	**814 089**	**859 745**
Increase in operating assets		
Loans and advances to banks	(257 872)	673 180
Reverse repurchase agreements and cash collateral on securities borrowed	283 144	151 506
Sovereign debt securities	(61 422)	(1 050 352)
Bank debt securities	(174 225)	44 387
Other debt securities	(398 083)	209 693
Derivative financial instruments	237 974	(163 792)
Securities arising from trading activities	(527 979)	(54 279)
Investment portfolio	(145 709)	(34 898)
Loans and advances to customers	(1 682 798)	(2 538 436)
Securitised assets	10 183	61 478
Other assets	120 623	32 333
Investment properties	56 216	(43 622)
Assurance assets	(743 205)	(666 582)
Non-current assets held for sale	–	26 515
	(3 283 153)	**(3 352 869)**
Increase in operating liabilities		
Deposits by banks	288 183	192 421
Derivative financial instruments	(93 730)	162 389
Other trading liabilities	(195 466)	(26 514)
Repurchase agreements and cash collateral on securities lent	509 777	(30 363)
Customer accounts (deposits)	2 469 073	1 761 938
Debt securities in issue	416 308	330 283
Securitised liabilities	(44 821)	43 312
Other liabilities	(100 223)	(28 206)
Assurance liabilities	741 281	670 519
	3 990 382	**3 075 779**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

As at 31 March £'000	2019	2018
51. Commitments		
Undrawn facilities	4 461 641	3 971 566
Other commitments	30 588	60 320
	4 492 229	**4 031 886**

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.

	2019	2018
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	78 494	36 714
One to five years	329 162	112 776
Greater than five years	222 444	118 091
	630 100	**267 581**

	Carrying amount of pledged asset		Related liability	
£'000	**2019**	2018	**2019**	**2018**
Pledged assets				
Other loans and advances	101 643	284 656	95 426	277 646
Loans and advances to customers	268 099	2 915	251 289	2 843
Loans and advances to banks	53 693	96 335	55 596	66 823
Sovereign debt securities	773 944	754 085	663 537	653 448
Bank debt securities	120 169	145 369	112 050	114 134
Other debt securities	87 995	51 423	82 477	38 827
Securities arising from trading activities	827 535	658 918	706 377	519 703
	2 233 078	**1 993 701**	**1 966 752**	**1 673 424**

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	2019	2018
52. Contingent liabilities *(continued)*		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	1 313 014	1 159 006
	1 313 014	**1 159 006**

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 £0.6 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

The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group 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 the group does not expect the ultimate resolution of any of the proceedings to which the group is party to have a significant adverse effect on the financial position of the group.

Investec Bank plc has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum ex transactions). Investigations are ongoing and no formal proceedings have yet been issued. Investec Bank plc is cooperating with the German authorities and is conducting its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences including financial penalties.

As at 31 March £'000	2019	2018

53. Related party transactions

Compensation of key management personnel

Details of Directors remuneration and interest in shares, including the disclosures required by IAS 24 Related party transactions for the compensation of key management personnel, are disclosed in the remuneration report on pages 188 to 204 and 218 in volume one.

Transactions, arrangements and agreements with directors and others:

Transactions, arrangements and agreements with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:

As at 31 March £'000	2019	2018
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	37 327	26 715
Increase in loans	7 886	15 311
Repayment of loans	(430)	(4 831)
Exchange adjustment	154	132
At the end of the year	**44 937**	**37 327**
Guarantees		
At the beginning of the year	402	6 092
Additional guarantees granted	13 367	309
Guarantees cancelled	(6)	(6 010)
Exchange adjustment	(403)	11
At the end of the year	**13 360**	**402**
Deposits		
At the beginning of the year	(28 604)	(36 238)
Increase in deposits	(10 297)	(12 223)
Decrease in deposits	2 786	19 610
Exchange adjustment	78	247
At the end of the year	**(36 037)**	**(28 604)**

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).

Transactions with other related parties

The group has an investment in Grove Point (UK) Limited in which a previous Investec director has significant influence. The group has made an investment of £44.3 million (2018: £70.6 million) with no further committed funding. The terms and conditions of the transaction were no more favourable than those available, on similar transactions to non-related entities on an arm's length basis.

For the year to 31 March £'000	2019	2018
Transactions with associates and joint venture holdings		
Amounts due from associates and joint venture holdings and their subsidiaries	**194 094**	**11 371**
Interest income from loans to associates and joint venture holdings	**6 787**	**652**
Interest expense from loans to associates and joint venture holdings	**5 022**	**–**

The above 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.

54. 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 fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
2019						
Assets	Interest rate swap	(13 228)	(13 211)	(1 438)	13 096	2 231
Liabilities	Interest rate swap	902	902	520	(875)	(623)
		(12 326)	**(12 309)**	**(918)**	**12 221**	**1 608**
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)**

* *Change in fair value used as the basis for recognising hedge effectiveness for the period.*

Hedged items

At 31 March 2019^ £'000	Carrying amount of the hedge item
Asset	
Sovereign debt securities	2 495 874
Bank debt securities	346 571
Other debt securities	436 654
Loans and advances to customers	1 916 298
Liabilities	
Customer accounts (deposit)	411 019

54. Hedges *(continued)*

Maturity analysis of hedged item

At 31 March 2019^ £'000	Up to one month	One month to three months	Three to six months	Six months to one year	One to five years	Greater than five years	Total
Assets – notionals							
Sovereign debt securities	–	–	–	–	38 378	–	**38 378**
Other debt securities	–	–	–	–	–	5 087	**5 087**
Loans and advances to customers	–	3 021	315	9 497	1 721 928	183 744	**1 918 505**
Liabilities – notionals							
Customer accounts (deposits)	2 171	2 385	100 926	130 175	169 398	3 661	**408 716**

^ *As permitted by IFRS 9, the group has elected not to restate comparative annual financial statements.*

Included within balance sheet management and other trading activities is £1.1 million gain relating to hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedge items that have ceased to be adjusted for hedging gains and losses.

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
2019			
Assets	Cross-currency swap	(67)	Three months
	Forward exchange contract	10 987	Three months
		10 920	
2018			
Assets	Cross-currency swap	(31 155)	Three months
	Forward exchange contract	10 987	Three months
		(20 168)	

There was no ineffective portion recognised in the income statement.

Realisations to the income statement for cash flow hedges of (£27.2 million) (2018: £69.4 million) are included in net interest income.

There are £10.9 million accumulated cash flow hedge reserves for hedged items that have ceased to be adjusted for hedging gains and losses.

Hedges of net investments in foreign operations

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
2019	**(533)**
2018	628

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

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

At 31 March **£'000**	Demand	Up to one month
2019		
Liabilities		
Deposits by banks	179 954	472 695
Derivative financial instruments	829 586	3 049
– held for trading	673 494	–
– held for hedging risk	156 092	3 049
Other trading liabilities	672 406	–
Repurchase agreements and cash collateral on securities lent	525 171	224 818
Customer accounts (deposits)	10 964 695	3 246 562
Debt securities in issue	–	98 278
Liabilities arising on securitisation of own originated loans and advances	–	–
Liabilities arising on securitisation of other assets	–	–
Other liabilities	347 579	672 969
Subordinated liabilities	425	3 208
Total on balance sheet liabilities	**13 519 816**	**4 721 579**
Contingent liabilities	197 255	5 926
Commitments	399 820	136 996
Total liabilities	**14 116 891**	**4 864 501**
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**

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 63 and 64 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**
101 059	28 094	384 856	1 900 154	16 461	3 083 273
79 951	63 738	96 270	191 531	36 011	1 300 136
–	–	–	–	–	673 494
79 951	63 738	96 270	191 531	36 011	626 642
–	–	–	–	–	672 406
211 480	18 119	19 765	46 256	127 818	1 173 427
4 614 791	4 089 588	4 539 249	3 979 471	177 099	31 611 455
113 178	165 187	399 186	2 095 326	355 214	3 226 369
4 011	3 966	5 634	1 128	84 286	99 025
2 951	2 767	5 345	44 422	84 315	139 800
431 550	92 940	33 175	158 601	32 569	1 769 383
36 951	102 795	119 238	1 181 871	509 250	1 953 738
5 595 922	**4 567 194**	**5 602 718**	**9 598 760**	**1 423 023**	**45 029 012**
261 554	220 649	75 393	552 558	59 702	1 373 037
439 784	120 006	367 960	1 562 871	1 464 852	4 492 289
6 297 260	**4 907 849**	**6 046 071**	**11 714 189**	**2 947 577**	**50 894 338**
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**

56. Principal subsidiaries, associated companies and joint venture holdings – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest % 2019	Interest % 2018
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100%	100%
Investec Holding Company Limited	Investment holding	England and Wales	100%	100%
Indirect subsidiaries of Investec plc				
Investec Asset Finance plc	Leasing company	England and Wales	100%	100%
Investec Asset Management Limited	Asset management	England and Wales	80%	83%
Investec Bank plc	Banking institution	England and Wales	100%	100%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100%	100%
Investec Capital Asia Limited	Investment banking	Hong Kong	100%	100%
Investec Capital & Investments (Ireland) Limited	Financial services	Ireland	100%	100%
Investec Finance Limited	Debt issuer	England and Wales	100%	100%
Investec Group (UK) Limited	Holding company	England and Wales	100%	100%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Holdings (Australia) Limited	Holding company	Australia	100%	100%
Investec Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Ireland Limited	Financial services	Ireland	100%	100%
Investec Securities (US) LLC	Financial services	USA	100%	100%
Investec Trust Holdings AG	Investment holding	Switzerland	100%	100%
Investec Wealth & Investment Limited	Stockbroking and portfolio management	England and Wales	100%	100%
Reichmans Geneva SA	Trading company	Switzerland	100%	100%
Rensburg Sheppards plc	Holding company	England and Wales	100%	100%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100%	100%

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, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note j to the Investec plc company accounts on pages 163 to 167.

For more details on associated companies and joint venture holdings refer to note 29.

56. Principal subsidiaries, associated companies and joint venture holdings – 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*
Landmark Mortgage Securities No 2 plc	Securitised Residential Mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
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 28. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 50 and 51 in volume two.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of equity notes combined with its control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained, such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the group's retention of equity notes and because it continues to act as the collateral manager. The group is not required to fund any losses above those incurred on the notes it has retained.

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 £93.7 million (2018: £77.9 million).

56. Principal subsidiaries, associated companies and joint venture holdings – 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 76 to 81 in volume two.

Statutory requirements

The group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in note 28.

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 2019	Line on the balance sheet	**Carrying value £'000**	Maximum exposure to loss	Income earned from structured entity	**£'000**
Aircraft investment funds	Investment portfolio	3 438	Limited to the carrying value	Investment income	1 367

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

56. Principal subsidiaries, associated companies and joint venture holdings – Investec plc *(continued)*

Unconsolidated structured entities

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 40 to 50.

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

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

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

At 31 March 2019	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	309	Limited to the carrying value	7 708	Investment loss	(208)
Residential mortgage securitisations					Net interest expense	(16)
	Other debt securities	4 026	Limited to the carrying value	91 238	Investment income	204
	Other loans and advances	7 437	Limited to the carrying value	129 200	Net interest expense	(215)

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

56. Principal subsidiaries, associated companies and joint venture holdings – 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

	2019 **Structured CDO and CLO securitisations**	2018 Structured CDO and CLO securitisations
Why its considered a structured entity	This is a CDO and CLO securitisation where Investec Bank plc 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 returns do not follow the shareholding.	This is a CDO and CLO securitisation where Investec Bank plc 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 50 and 51 in volume two.

57. Principal subsidiaries and associated companies and joint venture holdings – Investec Limited

At 31 March	Principal activity	Country of incorporation	Interest 2019	Interest 2018
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings Proprietary Limited	Investment holding	South Africa	80.0%	83.0%
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%
Investec Markets Proprietary Limited	Stockbroking	South Africa	100.0%	–
Indirect subsidiaries of Investec Limited				
Investec Asset Management Proprietary Limited	Asset management	South Africa	80.0%	83.0%
Investec Fund Managers SA (RF) Proprietary Limited	Unit trust management	South Africa	80.0%	83.0%
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	80.0%	83.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	26.6%	26.8%
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 2019	Interest 2018
Principal associated companies				
IEP Group Proprietary Limited	Private equity	South Africa	45.9%	45.7%

For additional details on associated companies and joint venture holdings refer to note 29.

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 the common directors with the holding company, control over the management company and the impact this has on the beneficial returns. Any change in the holding in Investment Property Fund Limited would require a reassessment of the facts and circumstances.

57. Principal subsidiaries and associated companies and joint venture holdings – 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
Fox Street 6 (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 28. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 50 and 51 in volume two.

58. 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		
2019						
Assets						
Cash and balances at central banks	4 992 820	–	4 992 820	–	–	4 992 820
Loans and advances to banks	2 699 735	(376 914)	2 322 821	–	(133 458)	2 189 363
Non-sovereign and non-bank cash placements	648 547	–	648 547	–	–	648 547
Reverse repurchase agreements and cash collateral on securities borrowed	1 768 748	–	1 768 748	(77 985)	(64 846)	1 625 917
Sovereign debt securities	4 538 223	–	4 538 223	(391 107)	–	4 147 116
Bank debt securities	717 313	–	717 313	(120 169)	–	597 144
Other debt securities	1 220 651	–	1 220 651	–	–	1 220 651
Derivative financial instruments	1 236 674	(202 508)	1 034 166	(268 182)	(255 669)	510 315
Securities arising from trading activities	1 859 254	–	1 859 254	(821 271)	–	1 037 983
Investment portfolio	1 028 976	–	1 028 976	–	–	1 028 976
Loans and advances to customers	24 661 301	(126 548)	24 534 753	–	–	24 534 753
Own originated loans and advances to customers securitised	407 869	–	407 869	–	–	407 869
Other loans and advances	195 693	–	195 693	–	(328)	195 365
Other securitised assets	133 804	–	133 804	–	–	133 804
Other assets	1 735 956	–	1 735 956	–	–	1 735 956
	47 845 564	**(705 970)**	**47 139 594**	**(1 678 714)**	**(454 301)**	**45 006 579**
Liabilities						
Deposits by banks	3 058 389	(42 083)	3 016 306	–	(120 365)	2 895 941
Derivative financial instruments	1 814 572	(537 339)	1 277 233	(422 583)	(241 525)	613 125
Other trading liabilities	672 405	–	672 405	(77 985)	–	594 420
Repurchase agreements and cash collateral on securities lent	1 105 063	–	1 105 063	(775 008)	(5 447)	324 608
Customer accounts (deposits)	31 433 655	(126 548)	31 307 107	–	(35 804)	31 271 303
Debt securities in issue	3 073 320	–	3 073 320	(363 559)	(5 337)	2 704 424
Liabilities arising on securitisation of own originated loans and advances	91 522	–	91 522	–	–	91 522
Liabilities arising on securitisation of other assets	113 711	–	113 711	–	–	113 711
Other liabilities	1 765 649	–	1 765 649	–	–	1 765 649
Subordinated liabilities	1 647 271	–	1 647 271	–	–	1 647 271
	44 775 557	**(705 970)**	**44 069 587**	**(1 639 135)**	**(408 478)**	**42 021 974**

58. Offsetting

At 31 March £'000	Amounts subject to enforceable netting arrangements: Effects of offsetting on-balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Cash collateral	Net amount
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**

59. 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.

	2019		2018	
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	680 860	–	292 322	–
Loans and advances to banks	65 815	–	–	–
Other loans and advances	–	–	129 773	–
	746 675	**–**	**422 095**	**–**

The transferred assets above in both the current and prior year are held within structured entities which are wholly-owned and consolidated by the group. There are no external parties participating in these vehicles and therefore the group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements see note 20.

60. IFRS 9 transition information

Overview of the group's IFRS 9 transition impact

The adoption of IFRS 9 has resulted in the following day one impact for the group.

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 the group'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 an approximate 7bps impact on the group CET 1 ratio.

Reclassification of subordinated liabilities to fair value

Following the adoption of IFRS 9 the group 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 the group's transitional CET 1 ratio of approximately 37bps from 11.0% to 10.5%, ahead of the group target and in excess of minimum regulatory requirements. The group confirmed to the PRA that it would 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 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 SARB that it will use the transitional arrangements to absorb the full impact permissible by IFRS 9 in regulatory capital calculations.

All references to the impact on capital as a result of the IFRS 9 transition contained on this page are unaudited.

60. IFRS 9 transition information *(continued)*

Reconciliation of movements and revaluation

The table below reflects the impact of IFRS 9 implementation on the balance sheet lines and shows movements between amortised cost and fair value:

Only assets and liabilities which have changed are shown.

£'000	IAS 39 carrying amount 31 March 2018	Reclassifications (in)	Reclassifications (out)	Remeasurements and ECLs	**IFRS 9 carrying amount 1 April 2018**
Financial assets at amortised cost (previously loans and receivables and held-to-maturity)					
Cash and balances at central banks	4 032 728	–	–	(502)	4 032 226
Loans and advances to banks	1 929 456	236 081	–	(939)	2 164 598
Non-sovereign and non-bank cash placements	566 699	–	–	(1 261)	565 438
Reverse repurchase agreements and cash collateral on securities borrowed	1 419 572	–	–	(340)	1 419 232
Sovereign debt securities	208 384	68 817	–	(2 404)	274 797
Bank debt securities	217 992	103 909	(49 301)	(1 120)	271 480
Other debt securities	273 323	164 799	(87 887)	(4 245)	345 990
Loans and advances to customers	23 501 381	–	(1 409 048)	(149 494)	21 942 839
Own originated loans and advances to customers securitised	459 088	–	–	(274)	458 814
Other loans and advances	347 809	–	(2 454)	(2 064)	343 291
Other assets	1 239 331	–	–	(760)	1 238 571
Financial assets at fair value (previously trading and designated at inception and available-for-sale)					
Loans and advances to banks	236 077	–	(236 077)	–	–
Sovereign debt securities	4 701 643	1 765 614	(1 834 430)	–	4 632 827
Bank debt securities	369 172	69 958	(121 823)	2 641	319 948
Other debt securities	630 280	145 227	(222 133)	(1 242)	552 132
Derivative financial instruments	1 352 408	–	(6 664)	–	1 345 744
Investment portfolio	885 499	98 760	–	(27 699)	956 560
Loans and advances to customers	1 171 628	1 314 245	–	(18 378)	2 467 495
Other loans and advances	–	2 454	–	(3)	2 451
Other securitised assets	130 388	–	–	–	130 388
Other assets	190 740	–	–	–	190 740
Financial liabilities at amortised cost					
Other liabilities	1 245 016	–	–	7 638	1 252 654
Subordinated liabilities	1 482 987	–	(579 673)	–	903 314
Financial liabilities at fair value					
Customer accounts (deposits)	2 375 704	–	–	(1 921)	2 373 783
Subordinated liabilities	–	579 673	–	136 891	716 564
Off balance sheet exposures[1]					
Guarantees	–	–	–	434	434
Committed facilities (core loans)	–	–	–	7 204	7 204

1 *ECL on off balance sheet exposures is booked as a provision in other liabilities.*

60. IFRS 9 transition information *(continued)*

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles prior year's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018:

At 1 April 2018 **£'000**	Loan loss allowance and provision IAS 39 and IAS 37 at 31 March 2018	Reclassification	Remeasurement	**ECL under IFRS 9 at 1 April 2018**	**Total increase in impairment allowances**
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)					
Cash and balances at central banks	–	–	(502)	(502)	(502)
Loans and advances to banks	–	–	(936)	(936)	(936)
Non-sovereign and non-bank cash placements	–	–	(1 261)	(1 261)	(1 261)
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	(326)	(326)	(326)
Sovereign debt securities	–	–	(181)	(181)	(181)
Bank debt securities	–	–	(229)	(229)	(229)
Other debt securities	(5 087)	4 803	(5 392)	(5 676)	(589)
Loans and advances to customers	(237 767)	25 289	(151 788)	(364 266)	(126 499)
Own originated loans and advances to customers securitised	(385)	–	(274)	(659)	(274)
Other loans and advances	(2 349)	–	(2 064)	(4 413)	(2 064)
Other assets	(3 211)	–	(758)	(3 969)	(758)
	(248 799)	**30 092**	**(163 711)**	**(382 418)**	**(133 619)**
Available-for-sale/Financial assets FVOCI (IFRS 9)					
Sovereign debt securities	–	–	(1 618)	(1 618)	(1 618)
Bank debt securities	–	–	(416)	(416)	(416)
Other debt securities	–	–	(207)	(207)	(207)
Loans and advances to customers	–	–	(1 687)	(1 687)	(1 687)
	–	**–**	**(3 928)**	**(3 928)**	**(3 928)**
Off-balance sheet exposures					
Guarantees	–	–	(434)	(434)	(434)
Committed facilities (core loans)	–	–	(7 204)	(7 204)	(7 204)
	–	**–**	**(7 638)**	**(7 638)**	**(7 638)**
Total	**(248 799)**	**30 092**	**(175 277)**	**(393 984)**	**(145 185)**

60. IFRS 9 transition information *(continued)*

The impact of transition to IFRS 9 on equity

Only components of equity which have changed are shown.

£'000	Other reserves	Retained income	Total
Closing balance under IAS 39 at 31 March 2018	**(345 606)**	**2 530 825**	**2 185 219**
	(61 112)	(204 613)	(265 725)
Recognition of ECL including those measured at FVOCI	3 088	(165 151)	(162 063)
Remeasurement impact of reclassifying financial assets held at amortised cost to FVPL	–	(49 788)	(49 788)
Remeasurement of financial liabilities designated at FVPL	–	1 005	1 005
Impact of recognising credit risk for financial liabilities designated at FVPL in own credit reserve	(72 095)	(1 005)	(73 100)
Remeasurement impact of the reclassification of financial liabilities at amortised cost reclassified to FVPL	–	(63 791)	(63 791)
Reclassification of investment securities from AFS to FVPL	(9 004)	9 004	–
Reclassification of debt securities from AFS to amortised cost	(1 235)	244	(991)
Reclassification of debt securities from FVPL to FVOCI	913	(1 693)	(780)
Reclassification of debt securities from OCI to FVPL	752	(1 394)	(642)
Deferred taxation	16 469	67 956	84 425
Opening balance under IFRS 9 at 1 April 2018	**(406 718)**	**2 326 212**	**1 919 494**

61. IAS 39 Supplementary information

The requirements of IFRS 9 'Financial Instruments' were adopted from 1 April 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group is not restating comparatives on initial application as permitted by IFRS 9.

The accounting policies related to financial instruments as at 31 March 2018 under IAS 39 'Financial Instruments: Recognition and Measurement' are noted below:

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 settlement 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 intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition. Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- It eliminates or significantly reduces an inconsistent 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. 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 holder 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 rate 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.

61. IAS 39 Supplementary information *(continued)*

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 predominately focuses on the securitisation of residential and commercial mortgages. 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 impact is that 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 venture 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 nontrading, 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 1 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 rerecognised 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 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 (i.e. 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.

61. IAS 39 Supplementary information *(continued)*

Impairments of financial assets held at amortised cost are recognised in the income statement. To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets, or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets. A financial liability is derecognised when it is extinguished, i.e. 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 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 financial instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively. Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits 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 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 largely for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit or loss, based on the 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).

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
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. Where the instrument does not meet the definition of a derivative due to its value being dependent on non-financial variables, it is accounted for as an executory contract.

61. IAS 39 Supplementary information *(continued)*

Selected 2018 credit risk disclosures

The credit risk disclosures that follow were included in volume 2 of the 2018 integrated annual report. These do not reflect the adoption of IFRS 9. The tables have been shown below and not adjacent to the current 2019 credit risk tables as these tables reflect IAS 39 disclosures and as a result are not directly comparable to the 2019 tables, which are disclosed on an IFRS 9 basis.

An analysis of gross credit and counterparty exposures at 31 March 2018

£'000	
Cash and balances at central banks	4 031 077
Loans and advances to banks	2 165 533
Non-sovereign and non-bank cash placements	601 243
Reverse repurchase agreements and cash collateral on securities borrowed	2 207 477
Sovereign debt securities	4 910 027
Bank debt securities	587 164
Other debt securities	903 603
Derivative financial instruments	926 443
Securities arising from trading activities	538 490
Loans and advances to customers (gross)	24 910 776
Own originated loans and advances to customers securitised (gross)	459 472
Other loans and advances (gross)	350 158
Other securitised assets (gross)	8 668
Other assets	247 040
Total on-balance sheet exposures	**42 847 171**
Guarantees^	658 858
Contingent liabilities, committed facilities and other	4 518 292
Total off-balance sheet exposures	**5 177 150**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**48 024 321**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

An analysis of gross credit and counterparty exposures by geography at 31 March 2018

£'000	UK and Other	Southern Africa	Total
Cash and balances at central banks	3 479 639	551 438	4 031 077
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	513 836	412 607	926 443
Securities arising from trading activities	496 498	41 992	538 490
Loans and advances to customers (gross)	9 839 064	15 071 712	24 910 776
Own originated loans and advances to customers securitised (gross)	–	459 472	459 472
Other loans and advances (gross)	332 672	17 486	350 158
Other securitised assets (gross)	8 668	–	8 668
Other assets	44 707	202 333	247 040
Total on-balance sheet exposures	**17 992 465**	**24 854 706**	**42 847 171**
Guarantees^	21 709	637 149	658 858
Contingent liabilities, committed facilities and other	1 213 360	3 304 932	4 518 292
Total off-balance sheet exposures	**1 235 069**	**3 942 081**	**5 177 150**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**19 227 534**	**28 796 787**	**48 024 321**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

61. IAS 39 Supplementary information *(continued)*

A further analysis of our on-balance sheet credit and counterparty exposures at 31 March 2018

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	**Total balance sheet**
Cash and balances at central banks	4 031 077	9 435		4 040 512
Loans and advances to banks	2 165 533	–		2 165 533
Non-sovereign and non-bank cash placements	601 243	–		601 243
Reverse repurchase agreements and cash collateral on securities borrowed	2 207 477	–		2 207 477
Sovereign debt securities	4 910 027	–		4 910 027
Bank debt securities	587 164	–		587 164
Other debt securities	903 603	–		903 603
Derivative financial instruments	926 443	425 965		1 352 408
Securities arising from trading activities	538 490	895 901		1 434 391
Investment portfolio	–	885 499	1	885 499
Loans and advances to customers	24 910 776	(237 767)	2	24 673 009
Own originated loans and advances to customers securitised	459 472	(384)	2	459 088
Other loans and advances	350 158	(2 349)	2	347 809
Other securitised assets	8 668	139 719	3	148 387
Interest in associated undertakings	–	467 852	1	467 852
Deferred taxation assets	–	157 321		157 321
Other assets	247 040	1 629 076	4	1 876 116
Property and equipment	–	233 340		233 340
Investment properties	–	1 184 097		1 184 097
Goodwill	–	368 803		368 803
Intangible assets	–	125 389		125 389
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	–	8 487 776		8 487 776
Total on-balance sheet exposures	**42 847 171**	**14 769 673**		**57 616 844**

1. *Largely relates to exposures that are classified as investment risk in the banking book.*
2. *Largely relates to impairments.*
3. *While the group manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'. This also includes cash in the securitised vehicles.*
4. *Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

61. IAS 39 Supplementary information *(continued)*

An analysis of our core loans and advances, asset quality and impairments at 31 March 2018

Core loans and advances comprise:

- Loans and advances to customers as per the balance sheet
- Own originated loans and advances to customers securitised as per the balance sheet.

£'000	
Loans and advances to customers as per the balance sheet	24 673 009
Add: own originated loans and advances securitised as per the balance sheet	459 088
Net core loans and advances to customers	**25 132 097**

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers.

£'000	
Gross core loans and advances to customers	**25 370 248**
Total impairments	**(238 151)**
Specific impairments	(137 711)
Portfolio impairments	(100 440)
Net core loans and advances to customers	**25 132 097**
Average gross core loans and advances to customers	**24 138 207**
Current loans and advances to customers	24 675 378
Past due loans and advances to customers (1 – 60 days)	102 983
Special mention loans and advances to customers (1 – 90 days)	59 165
Default loans and advances to customers	532 722
Gross core loans and advances to customers	**25 370 248**
Current loans and advances to customers	24 675 378
Default loans that are current and not impaired	63 091
Gross core loans and advances to customers that are past due but not impaired	267 372
Gross core loans and advances to customers that are impaired	364 407
Gross core loans and advances to customers	**25 370 248**
Total income statement charge for impairments on core loans and advances	**(146 652)**
Gross default loans and advances to customers	532 722
Specific impairments	(137 711)
Portfolio impairments	(100 440)
Defaults net of impairments	**294 571**
Aggregate collateral and other credit enhancements on defaults	505 610
Net default loans and advances to customers (limited to zero)	**–**
Ratios	
Total impairments as a % of gross core loans and advances to customers	0.94%
Total impairments as a % of gross default loans	44.70%
Gross defaults as a % of gross core loans and advances to customers	2.10%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.17%
Net defaults as a % of net core loans and advances to customers	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.61%

61. IAS 39 Supplementary information *(continued)*

An analysis of core loans and advances to customers and asset quality by geography at 31 March 2018

£'000	UK and Other	Southern Africa	Total group
Gross core loans and advances to customers	**9 839 064**	**15 531 184**	**25 370 248**
Total impairments	**(151 840)**	**(86 311)**	**(238 151)**
Specific impairments	(89 863)	(47 848)	(137 711)
Portfolio impairments	(61 977)	(38 463)	(100 440)
Net core loans and advances to customers	**9 687 224**	**15 444 873**	**25 132 097**
% of total net core loans and advances to customers	38.5%	61.5%	100.0%
% change of net core loans and advances to customers since March 2017	12.4%	9.6%	10.7%
Average gross core loans and advances to customers	**9 293 341**	**14 844 866**	**24 138 207**
Current loans and advances to customers	9 401 028	15 274 350	24 675 378
Past due loans and advances to customers (1 – 60 days)	40 315	62 668	102 983
Special mention loans and advances to customers (1 – 90 days)	37 085	22 080	59 165
Default loans and advances to customers	360 636	172 086	532 722
Gross core loans and advances to customers	**9 839 064**	**15 531 184**	**25 370 248**
Current loans and advances to customers	9 401 028	15 274 350	24 675 378
Default loans that are current and not impaired	50 224	12 867	63 091
Gross core loans and advances to customers that are past due but not impaired	135 830	131 542	267 372
Gross core loans and advances to customers that are impaired	251 982	112 425	364 407
Gross core loans and advances to customers	**9 839 064**	**15 531 184**	**25 370 248**
Total income statement charge for impairments on core loans and advances	**(105 864)**	**(40 788)**	**(146 652)**
Gross default loans and advances to customers	360 636	172 086	532 722
Specific impairments	(89 863)	(47 848)	(137 711)
Portfolio impairments	(61 977)	(38 463)	(100 440)
Defaults net of impairments	**208 796**	**85 775**	**294 571**
Aggregate collateral and other credit enhancements	291 834	213 776	505 610
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**
Ratios			
Total impairments as a % of gross core loans and advances to customers	1.54%	0.56%	0.94%
Total impairments as a % of gross default loans	42.10%	50.12%	44.70%
Gross defaults as a % of gross core loans and advances to customers	3.67%	1.11%	2.10%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.16%	0.56%	1.17%
Net defaults as a % of net core loans and advances to customers	–	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	1.14%	0.28%	0.61%

61. IAS 39 Supplementary information *(continued)*

An age analysis of past due and default core loans and advances to customers at 31 March 2018

£'000	
Default loans that are current	173 487
1 – 60 days	182 725
61 – 90 days	37 568
91 – 180 days	54 129
181 – 365 days	72 719
>365 days	174 242
Past due and default core loans and advances to customers (actual capital exposure)	**694 870**
1 – 60 days	29 114
61 – 90 days	4 886
91 – 180 days	7 740
181 – 365 days	21 491
>365 days	95 051
Past due and default core loans and advances to customers (actual amount in arrears)	**158 282**

A further age analysis of past due and default core loans and advances to customers at 31 March 2018

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Watchlist loans neither past due nor impaired							
Total capital exposure	63 091	–	–	–	–	–	63 091
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	164 748	23 502	8 852	28 510	41 760	267 372
Amount in arrears	–	28 969	1 550	838	6 176	33 970	71 503
Gross core loans and advances to customers that are impaired							
Total capital exposure	110 396	17 977	14 066	45 277	44 209	132 482	364 407
Amount in arrears	–	145	3 336	6 902	15 315	61 081	86 779

An age analysis of past due and default core loans and advances to customers at 31 March 2018 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**102 983**	**–**	**–**	**–**	**–**	**102 983**
Special mention	**–**	**37 147**	**22 018**	**–**	**–**	**–**	**59 165**
Special mention (1 – 90 days)	–	37 147	6 317	–	–	–	43 464
Special mention (61 – 90 days and item well secured)	–	–	15 701	–	–	–	15 701
Default	**173 487**	**42 595**	**15 550**	**54 129**	**72 719**	**174 242**	**532 722**
Sub-standard	141 772	28 179	12 553	30 573	44 428	95 391	352 896
Doubtful	31 715	14 407	2 997	21 541	26 505	73 526	170 691
Loss	–	9	–	2 015	1 786	5 325	9 135
Total	**173 487**	**182 725**	**37 568**	**54 129**	**72 719**	**174 242**	**694 870**

61. IAS 39 Supplementary information *(continued)*

An age analysis of past due and default core loans and advances to customers at 31 March 2018 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**26 940**	**–**	**–**	**–**	**–**	**26 940**
Special mention	**–**	**672**	**1 480**	**–**	**–**	**–**	**2 152**
Special mention (1 – 90 days)	–	672	44	–	–	–	716
Special mention (61 – 90 days and item well secured)	–	–	1 436	–	–	–	1 436
Default	**–**	**1 502**	**3 406**	**7 740**	**21 491**	**95 051**	**129 190**
Sub-standard	–	1 363	3 357	2 256	13 804	39 651	60 431
Doubtful	–	130	49	3 471	5 906	50 076	59 632
Loss	–	9	–	2 013	1 781	5 324	9 127
Total	**–**	**29 114**	**4 886**	**7 740**	**21 491**	**95 051**	**158 282**

An analysis of core loans and advances to customers at 31 March 2018

£'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	**Total gross core loans and advances (actual capital exposure)**	Specific impairments	Portfolio impairments	**Total net core loans and advances (actual capital exposure)**	Actual amount in arrears
Current core loans and advances	**24 675 378**	**–**	**–**	**24 675 378**	**–**	**(99 863)**	**24 575 515**	**–**
Past due (1 – 60 days)	**–**	**102 983**	**–**	**102 983**	**–**	**(238)**	**102 745**	**26 940**
Special mention	**–**	**59 165**	**–**	**59 165**	**–**	**(108)**	**59 057**	**2 152**
Special mention (1 – 90 days)	–	43 464	–	43 464	–	(96)	43 368	716
Special mention (61 – 90 days and item well secured)	–	15 701	–	15 701	–	(12)	15 689	1 436
Default	**63 091**	**105 224**	**364 407**	**532 722**	**(137 711)**	**(231)**	**394 780**	**129 190**
Sub-standard	63 091	105 119	184 686	352 896	(51 739)	(231)	300 926	60 431
Doubtful	–	105	170 586	170 691	(79 069)	–	91 622	59 632
Loss	–	–	9 135	9 135	(6 903)	–	2 232	9 127
Total	**24 738 469**	**267 372**	**364 407**	**25 370 248**	**(137 711)**	**(100 440)**	**25 132 097**	**158 282**

61. IAS 39 Supplementary information *(continued)*

An analysis of core loans and advances to customers and impairments by counterparty type at 31 March 2018

£'000	Private client professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
Current core loans and advances	**13 855 753**	**7 159 300**	**2 729 759**	**495 264**	**435 302**	**24 675 378**
Past due (1 – 60 days)	**80 741**	**11 928**	**2 087**	**1 044**	**7 183**	**102 983**
Special mention	**46 923**	**11 225**	**586**	**69**	**362**	**59 165**
Special mention (1 – 90 days)	33 211	10 253	–	–	–	43 464
Special mention (61 – 90 days and item well secured)	13 712	972	586	69	362	15 701
Default	**393 492**	**116 734**	**305**	**8 011**	**14 180**	**532 722**
Sub-standard	257 526	95 057	133	180	–	352 896
Doubtful	131 884	16 935	119	7 573	14 180	170 691
Loss	4 082	4 742	53	258	–	9 135
Total gross core loans and advances to customers	**14 376 909**	**7 299 187**	**2 732 737**	**504 388**	**457 027**	**25 370 248**
Total impairments	**(164 319)**	**(59 759)**	**(1 232)**	**(3 863)**	**(8 978)**	**(238 151)**
Specific impairments	(88 205)	(36 730)	(119)	(3 679)	(8 978)	(137 711)
Portfolio impairments	(76 114)	(23 029)	(1 113)	(184)	–	(100 440)
Net core loans and advances to customers	**14 212 590**	**7 239 428**	**2 731 505**	**500 525**	**448 049**	**25 132 097**

Balance sheet

At 31 March £'000	Notes	2019	2018
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 551 774	1 772 805
Securities issued by subsidiary undertaking	c	250 000	200 000
		1 801 774	**1 972 805**
Current assets			
Amounts owed by group undertakings		502 593	495 325
Taxation		10 874	10 719
Prepayments and accrued income		638	475
Cash at bank and in hand			
– with subsidiary undertakings		286 900	281 832
– balances with other banks		552	613
		801 557	**788 964**
Current liabilities			
Creditors: amounts falling due within one year			
Amounts owed to group undertakings		6 244	267 275
Other liabilities		1 082	1 475
Accruals and deferred income		13 059	3 286
Net current assets		**781 172**	**516 928**
Creditors: amounts falling due after one year			
Debt securities in issue	d	413 985	407 740
Net assets		**2 168 961**	**2 081 993**
Capital and reserves			
Called up share capital	g	200	195
Perpetual preference shares	g	29	29
Share premium account	g	1 382 732	1 317 115
Capital reserve	g	180 606	180 606
Other Additional Tier 1 securities in issue	g	250 000	250 000
Retained income	g	355 394	334 048
Total capital and reserves		**2 168 961**	**2 081 993**

The notes on pages 161 and 167 form an integral part of the financial statements.

The company's profit for the year, determined in accordance with the Companies Act 2006, was £144 843 116 (2018: £259 317 000).

Approved and authorised for issue by the board of directors on 13 June 2019 and signed on its behalf by:

Fani Titi
Joint chief executive officer
13 June 2019

Hendrik du Toit
Joint chief executive officer
13 June 2019

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 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 securities	–	–	–	–	–	–	250 000	250 000
Total comprehensive income	–	–	–	–	259 318	259 318	–	259 318
Dividends paid to perpetual preference shareholders	–	–	–	–	(421)	(421)	–	(421)
Dividends paid to ordinary shareholders	–	–	–	–	(106 253)	(106 253)	–	(106 253)
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–	(5 709)	(5 709)	5 709	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	–	(5 709)	(5 709)
At 31 March 2018	**195**	**29**	**1 317 115**	**180 606**	**334 048**	**1 831 993**	**250 000**	**2 081 993**
Issue of ordinary shares	5	–	65 617	–	–	65 622	–	65 622
Total comprehensive income	–	–	–	–	144 843	144 843	–	144 843
Dividends paid to perpetual preference shareholders	–	–	–	–	(490)	(490)	–	(490)
Dividends paid to ordinary shareholders	–	–	–	–	(109 334)	(109 334)	–	(109 334)
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–	(13 673)	(13 673)	13 673	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	–	(13 673)	(13 673)
At 31 March 2019	**200**	**29**	**1 382 732**	**180 606**	**355 394**	**1 918 961**	**250 000**	**2 168 961**

a Accounting policies

Basis of preparation

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

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

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

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of 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 FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

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

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	**2019**	**2018**
At the beginning of the year	1 772 805	1 817 840
Additions	–	165 000
Return of capital by subsidiary	(221 031)	(210 035)
At the end of the year	**1 551 774**	**1 772 805**

On 6 September 2018, Investec Holding Company Limited reduced their capital by reducing the number of shares held from 3 000 to 5.20p ordinary shares and settled by intercompany.

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 7 of the group financial statements.

f Dividends

Details of the company's dividends are set out in note 11 of the group financial statements.

g Share capital

Details of the company's ordinary share capital are set out in note 43 of the group financial statements. Details of the perpetual preference shares are set out in note 44 of the group financial statements. Details of the Other Additional Tier 1 securities in issue are set out in note 47 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 2019.

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 Adoption of IFRS 9

On 1 April 2018 the Investec group adopted IFRS 9 'Financial Instruments' which replaced IAS 39 'Financial Instruments: Recognition and Measurement'. The impact of this standard on the company has been assessed and the classification of the intergroup loans made by the company will change from amortised cost to fair value loans under IFRS 9, but there will be no impact to measurement or impairment methodology as a result of adoption.

j Subsidiaries

At 31 March 2019	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%
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%
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 Broë Limited	Non trading	100%
PIF Investments Limited (previously G.P International Ltd)	Dormant	100%
Beeson Gregory Index Nominees Limited	Dormant nominee 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%
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%
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%

j Subsidiaries *(continued)*

At 31 March 2019	Principal activity	Interest held
Registered office: 30 Gresham Street, London, EC2V 7QP, UK *(continued)*		
Investec Investments (UK) Limited	Investment holding company	100%
Panarama Properties (UK) Limited	Property holding company	100%
Inv – German Retail Limited (previously Canada Water (Developments) Ltd)	Property company	100%
Investec Securities Limited	Investment holding company	100%
PEA Leasing Limited	Dormant	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%
INVC LLP	Investment company	100%
PSV Maine Ltd	Investment company	100%
PSV Anjail Ltd	Investment company	100%
PSV Randeep Ltd	Investment company	100%
Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Investec Wealth & Investment Limited	Investment management services	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
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	80%
Investec Fund Managers Limited**	Management company	100%
Australia		
Registered office: Level 23, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia		
Investec Asset Management Australia Pty Limited **	Sales and distribution	100%
Investec Australia Property Holding Pty Limited	Holding company for property investments	100%
IEC Funds Management Pty Limited	Fund manager	100%
Investec Propco Pty Limited	Property fund trustee	100%
Investec Property Limited	Property fund trustee	100%
Investec Property Management Pty Limited	Property fund manager	100%
Investec Wentworth Pty Limited	Security trustee	100%
Investec Holdings Australia Limited	Holding company	100%
Investec Australia Property Investments Pty Limited	Holding company for property investments	100%
Investec Australia Finance Pty Limited	Lending company	100%
Investec Australia Limited	Financial Services	100%
Bowden (Lot 32) Holdings Pty Limited	Holding company	100%
Bowden (Lot 32) Pty Limited	Development company	100%
Investec Australia Direct Investment Pty Limited	Holding company for property investments	100%
Investec CWFIH Pty Limited	Dormant	100%
Mannum Powerco Pty Limited	Dormant	100%
Tungkillo Powerco Pty Limited	Dormant	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	100%
Investec Wentworth Private Equity Pty Limited	Dormant	100%
IWPE Nominees Pty Limited	Custodian	100%

j Subsidiaries *(continued)*

At 31 March 2019	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: 44 Chipman Hill Suite 1000, Saint John NB, E2L 4S6, Canada		
Investec North America Limited	Trading company	100%
France		
Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, France		
SCI CAP Philippe	Property company	100%
Cayman Islands		
Registered office: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005		
Investec Pallinghurst (Cayman) LP	Investment holding partnership	58.3%
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%
Growthpoint Investec African Properties Co-Invest GP Limited**	General partner to fund	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		
Investec Captive Insurance Limited	Captive insurance company	100%

j Subsidiaries *(continued)*

At 31 March 2019	Principal activity	Interest held
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	Merchant banking and stock broking	99.89%
Investec Credit Finance Private Limited	Lending platform	99%
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 Private Finance Ireland Limited (previously Investec Corporate Finance (Ireland) Limited)	Retail Credit Firm	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%
Registered office: 2 – 4 Avenue Marie Therese, L-2132 Luxembourg		
Investec Africa Credit Opportunities Fund GP S.a.r.l.	General partner to Fund	100%

j Subsidiaries *(continued)*

At 31 March 2019	Principal activity	Interest held
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%
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%
US Multifamily GP LLC	Investment holding company	100%

** *100% owned by Investec Asset Management Limited which is itself 80% owned*

Associates and joint venture holdings

At 31 March 2019	Principal activity	Interest held
United Kingdom		
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	45%
GIAP Manco Empowerment Limited	Black economic empowerment vehicle	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%
India		
Registered office: 31/1. 14th Cross, 9th Main, 6th Sector H.S.R Layout, Bangalore, Karnataka 560102, India		
JSM Advisers Private Limited	Fund management company	55%

GLOSSARY

The following abbreviations have been used throughout this report:

AFS	Available for sale
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
BCBS	Basel Committee of Banking Supervision
BIS	Bank for International Settlements
BoE	Bank of England
BOM	Bank of Mauritius
CDO	Collateralised Debt Obligation
CET 1	Common Equity Tier 1
CLO	Collateralised Loan Obligation
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
CPR	Conditional Repayment Rate
CRD IV (BASEL III)	Capital Requirements Directive IV
CVA	Credit value adjustment
DCF	Discounted cash flow
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC Remco	DLC Remuneration Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECB	European Central Bank
ECL	Expected credit losses
ERV	Expected rental value
ESG	Environmental, social and governance
EU	European Union
FCA	Financial Conduct Authority
FINMA	Swiss Financial Market Supervisory Authority
FRC	Financial Reporting Council
FSB	Financial Services Board
FSCS	Financial Services Compensation Scheme
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GFSC	Guernsey Financial Services Commission
GM	Guinness Mahon
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBL BRCC	IBL Board Risk and Capital Committee
IBL ERC	IBL Executive Risk Committee
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IFRS	International Financial Reporting Standard
ISAs (UK)	International Standards on Auditing (UK)
LGD	Loss given default
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OTC	Over the counter
PACCC	Prudential assurance conduct and controls committee
PD	Probability of default
Policy ERRF	Policy Executive Risk Review Forum
PRA	Prudential Regulation Authority
ROE	Return on equity
ROU	Right use of asset
RPI	Retail Price Index
SDGs	Sustainable Development Goals
South African PA	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)
SPPI	Solely payments of principal and interest
WACC	Weighted average cost of capital

Adjusted earnings attributable to ordinary shareholders

Earnings attributable to shareholders adjusted to remove impairment of goodwill, amortisation of acquired intangibles, non-operating items, and earnings attributable to perpetual preference shareholders and Other Additional Tier 1 security holders

Refer to page 72

Adjusted earnings per share

Adjusted earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year

Adjusted operating profit

Operating income less operating costs and depreciation on operating leased assets. This amount is before impairment of goodwill, amortisation of acquired intangibles, and non-operating items, but after other non-controlling interests

Adjusted operating profit per employee

Refer to calculation on page 66 in volume one

Annuity income

Net interest income plus net annuity fees and commissions

Core loans and advances

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

Refer to calculation on page 33 in volume two

Cost to income ratio

Operating costs divided by operating income before ECL (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests)

Credit loss ratio

Expected credit loss impairment charges (ECL) on gross core loans and advances as a percentage of average gross core loans and advances subject to ECL

Diluted earnings per share

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 period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year

Refer to page 72

Earnings per share

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

Refer to page 72

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before goodwill and acquired intangibles and excluding share of post taxation profit of associates and joint venture holdings

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Return on average ordinary shareholders' equity (ROE)

Refer to calculation on pages 62 to 65 in volume one

Return on average tangible ordinary shareholders' equity

Refer to calculation on pages 62 to 65 in volume one

*Staff compensation to operating income ratio**

All staff compensation costs expressed as a percentage of operating income before ECL (net of operating profits or losses attributable to other non-controlling interests)

Third party assets under administration

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

Total capital resources

Total equity plus subordinated liabilities

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 72

* *Investec Asset Management operates schemes for staff whose bonuses are deferred into collective investment schemes that are managed by Investec Asset Management. 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 Investec Asset Management and hence for the group as a whole.*

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Feedback

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