Company Registration No. 00328206 (England and Wales)

INVESTEC INVESTMENT TRUST PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

INVESTEC INVESTMENT TRUST PLC

COMPANY INFORMATION

Directors	A Barnes B Johnson K McKenna C Dyson
Secretary	D Miller
Company number	00328206
Registered office	30 Gresham Street London EC2V 7QP
Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY

INVESTEC INVESTMENT TRUST PLC

CONTENTS

INVESTEC INVESTMENT TRUST PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

Section 172 statement
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to:

- the likely consequences of any decision in the long term;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly with members of the company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way. The board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders, the board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision making.

Review of the business
The loss for the year, after taxation is £63,000 (2019: £63,000).

Investec Investment Trust plc (the "company") financial risks are managed at the Investec plc group level. Surplus liquidity is loaned by the company on an interest free basis to its immediate parent company. The loan is repayable on demand. Preference dividend payments are funded from the loan. The company's exposure to financial risks is further discussed in the financial statements.

Given the straight forward nature of the business the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or financial position of the business.

The company's 3.5 per cent and 5 per cent cumulative preference shares are listed on the London Stock Exchange.

The company's immediate parent company, Investec Group Investments (UK) Limited, a wholly owned subsidiary of Investec Bank plc whose ultimate parent company is Investec plc, owns all of the company's ordinary capital, £266,586 nominal of the company's 3.5 per cent cumulative preference shares and £96,612 nominal of the company's 5 per cent cumulative preference shares. The preference shares are classified as financial liabilities and not equity.

The directors have considered the impact of the Covid-19 on the company and have concluded that there is no significant impact on the company. As discussed above the company lends the funds raised to its immediate parent company and these are then on lent to the wider Investec group, the directors have considered this and the liquidity of the Investec Bank plc group when assessing the liquidity and going concern of the company.

At 31 March 2020 the company had net assets of £25,580,000 (2019: £25,643,000).

On behalf of the board

B Johnson
Director
29 June 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

The Corporate Governance Statement set out on page 4 forms part of this report.

Principal activities
The principal activity of the company is to source funds from the financial markets for Investec group activities and it will continue to operate in this capacity for the foreseeable future.

Results and dividends
The results for the year are set out on page 11.

The directors do not recommend the payment of a final ordinary dividend for the year ended 31 March 2020 (2019: Nil).

Dividends paid on the preference shares in the year amounted to £63,000 (2019: £63,000).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Barnes
B Johnson
K McKenna
C Dyson

No director holding office at 31 March 2020 had any direct beneficial interest in the shares of the company during the year.

Directors' insurance
The company maintains a Directors' and Officers' Liability Insurance Policy. In accordance with the company's Articles of Association, the board may also indemnify a director from the assets of the company against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by the company provide cover for fraudulent or dishonest actions by the directors. However, costs may be advanced to directors for their defence in investigations or legal actions.

Auditor
Ernst & Young LLP were appointed auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put forward at the next AGM.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements.

On behalf of the board

B Johnson
Director

29 June 2020

Corporate governance
The company has issued preference shares that are listed on the London Stock Exchange. The company is part of the Investec plc group and is therefore subject to the group's system of risk management, internal control and financial reporting. The corporate governance statements and disclosures, as required by section 7.2.1. of the Disclosure and Transparency Rules are detailed in the Investec plc consolidated financial statements which are publicly available at 30 Gresham Street, London, EC2V 7QP or on www.investec.com.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INVESTEC INVESTMENT TRUST PLC

Opinion

We have audited the financial statements of Investec Investment Trust plc (the 'company') for the year ended 31 March 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	- Impact of COVID-19,
	- Risk of incorrect recording of intercompany balances.
Materiality	- Overall materiality of £512,000 which represents 2% of equity.

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. 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.

1. Risk - Impact of COVID-19
Refer to Note 1.2 (page 15) and Note 11 (page 20) which outline the uncertainties arising from the recent COVID-19 outbreak and their impact on the company's ability to continue as a going concern.

COVID-19 was declared as a pandemic by the World Health Organization (WHO) in March 2020. The UK Government has taken various steps to reduce the spread of the virus including lockdown for an extended period. This has resulted in many businesses not being able to operate at their full capacity and has affected the ability of the employees to work, impacting those businesses' financial, liquidity and capital positions.

The areas of our audit most impacted by COVID-19 include:

Going concern:
Whilst there remains significant uncertainty regarding the future development of the pandemic and timing and size of the future economic recovery, the Company's financial statements are prepared on the going concern basis of accounting. This basis is dependent on the Company's ability to meet its liabilities as they fall due. The directors are required to determine the appropriateness of preparing the financial statements on a going concern basis.

The directors have considered the potential impacts on the Company and its financial statements that have been caused by the pandemic. The Directors focused on the ability of the company to recall the intercompany loan with IGI on demand, as well as the company's overall net asset position.

Our response to the risk:
We performed the following procedures:

Our approach focused on:

- ► Obtaining an understanding of management's process for assessing the impact on the company posed by COVID-19;
- ► Reviewing the directors' assessment of going concern;
- ► Assessing the recoverability, on demand, of the amount receivable for the immediate parent undertaking;
- ► Assessing the company's liquidity and net asset position;
- ► Assessing the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and in compliance with the relevant reporting requirements.

Events after the balance sheet date:
COVID-19 was an evolving crisis as at 31 March 2020 year end. As a result, judgements were made by management to determine and evidence the conditions that existed at the balance sheet date and in determining whether events occurring after that date were adjusting or non-adjusting events.

Management undertook a review of events that had occurred after the balance sheet date and concluded that there were none that required adjustment to the year-end position as at 31 March 2020. They also considered the adequacy of disclosure and determined there were no events occurring after the balance sheet date which warranted disclosure in the financial statements.

The impact of COVID-19 is a new risk for the current year.

Our response to the risk:
We performed the following procedures;

We reviewed all available, relevant management information, as well as key meeting minutes, and held discussions with management.

We evaluated the completeness and appropriateness of the financial statement disclosures as they pertain to events after the balance sheet date in relation to the impact of COVID-19.

Key Observations communicated to Management
From the procedures performed, we concur with management, based on the evidence available that it is reasonable to adopt the going concern basis. We consider the disclosures in the financial statements relating to going concern and events after the balance sheet date to be appropriate.

2. Risk of incorrect accounting for intercompany balances (2020:£27.3m, 2019: £27.3m)
Refer to Note 7 of the Financial Statements (page 19)

There is a risk of material misstatement in relation to intercompany receivables as well as interest expense incurred during the year. The risk has remained the same as compared to the prior year.

Our response to the risk:
We performed the following procedures in response to the identified risk:
• We performed a walkthrough to confirm our understanding of the intercompany lending process.
• We have agreed intercompany positions with the other party and confirmed that the entity has the ability to repay the creditor amount.

Key observations communicated to the management
We did not identify any evidence of material misstatement in the intercompany balances for the year ending 31 March 2020.

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 the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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 company to be £512,000 (2019: £513,000), which is 2% (2019: 2%) of total equity. We believe that total equity appropriately reflects management’s intentions and the purpose of the entity as an investment vehicle.

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 company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £384,000 (2019: £385,000). We have set performance materiality at this percentage based on our experience prior year audits.

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

We agreed with management that we would report to them all uncorrected audit differences in excess of £26,000 (2019: £26,000), 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, 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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 3, 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 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 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 company and determined that the most significant is the Companies Act 2006.
• We understood how Investec Investment Trust plc is complying with this framework through making enquiries of management and reviewing the board minutes of the entity.
• We assessed the susceptibility of the company’s financial statements to material misstatement, including how fraud might occur, through discussions with management and obtaining an understanding of processes involved in drafting of the financial statements.
• Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management and inspection of board minutes, as well as procedures to identify any significant items inappropriately held in suspense and also any significant inappropriate adjustments made to the accounting records.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INVESTEC INVESTMENT TRUST PLC

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

Other matters which we are required to address

We were appointed by the company on 19 June 2000 to audit the financial statements for the year ending 31 March 2000 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 March 2000 to 31 March 2020.

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

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

Kenneth Eglinton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

30 June 2020

INVESTEC INVESTMENT TRUST PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000's	2019 £000's
Interest payable and similar expenses	**5**	(63)	(63)
Loss before taxation		(63)	(63)
Tax on loss	**6**	-	-
Loss and total comprehensive income for the financial year		(63)	(63)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

INVESTEC INVESTMENT TRUST PLC

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £000's	2019 £000's
Current assets			
Debtors	**7**	27,280	27,343
Creditors: amounts falling due within one year			
Creditors	**9**	55	55
Net current assets		27,225	27,288
Total assets less current liabilities		27,225	27,288
Creditors: amounts falling due after more than one year			
Preference shares treated as debt	**8**	1,645	1,645
Net assets		25,580	25,643
Capital and reserves			
Called up share capital	**10**	14,436	14,436
Retained earnings		11,144	11,207
Total equity		25,580	25,643

The financial statements were approved by the board of directors and authorised for issue on 29 June 2020 and are signed on its behalf by:

K McKenna
Director

Company Registration No. 00328206

INVESTEC INVESTMENT TRUST PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £000's	**Retained earnings £000's**	**Total £000's**
Balance at 1 April 2018	14,436	11,270	25,706
Year ended 31 March 2019:			
Loss and total comprehensive income for the year	-	(63)	(63)
Balance at 31 March 2019	14,436	11,207	25,643
Year ended 31 March 2020:			
Loss and total comprehensive income for the year	-	(63)	(63)
Balance at 31 March 2020	14,436	11,144	25,580

1 Accounting policies

Company information

Investec Investment Trust plc is a public limited company incorporated in England and Wales. The registered office is 30 Gresham Street, London, EC2V 7QP.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared prepared under the historical cost convention. 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;
- 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 requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- 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 paragraph 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 ; and
- the requirements of paragraphs 130 (f) (ii) and 130 (f) (iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group accounts of Investec plc. The group accounts of Investec plc are available to the public and can be obtained as set out below.

Investec Investment Trust plc is a wholly owned subsidiary of Investec Group Investments (UK) Limited which is a wholly owned subsidiary of Investec plc and the results of Investec Investment Trust plc are included in the consolidated financial statements of Investec plc which are available from 30 Gresham Street, London, EC2V 7QP.

1 Accounting policies **(Continued)**

1.2 Going concern

The company's financial risks are managed at the Investec plc group level. Surplus liquidity is loaned by the company on an interest free basis to its immediate parent company and this is then on lent to the wider Investec group. The loan is repayable on demand. Preference dividend payments are funded from the loan. The directors have considered this and the liquidity of the Investec Bank plc group when assessing the liquidity and going concern of the company.

The directors have also considered the impact of Covid-19 and have concluded that there is no significant impact on the company.

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements.

1.3 Fair value measurement

A qualifying entity which is a financial institution is not exempt from the disclosure requirements of IFRS 7 Financial Instruments: Disclosures, IFRS 13 Fair Value Measurement to the extent that they apply to financial instruments, and paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements. Investec Investment Trust plc is considered a financial institution and is therefore not exempt from the requirements of IFRS 13 and IFRS 7.

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 company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the company 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 assets 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 company 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 liability measured at fair value has a bid price and ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The company classifies disclosed fair values according to hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual group reporting period.

1.4 Financial assets and liabilities held at fair value through profit or loss

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.

1 Accounting policies **(Continued)**

1.5 Financial liabilities (preference shares)

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Shares classified as debt are initially measured at fair value net of transaction costs and thereafter at amortised cost until extinguished on redemption. The corresponding dividends relating to the preference shares classified as a liability are charged as interest expense in the profit and loss account on an accrual basis.

1.6 *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.

1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax 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 tax

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 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 timing differences associated with the investments in subsidiaries or 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.

2 Directors' remuneration

The directors were employed and remunerated as directors of Investec plc and its subsidiaries (the "group") in respect of their services to the group as a whole and their remuneration has been paid by other group companies. It is estimated that the remuneration for their services to the company in the year totalled £20,000 (2019: £20,000).

3 Employees

The company has no employees (2019: nil).

4 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and associates:	£000's	£000's
For audit services		
Audit of the financial statements of the company	15	15

The auditor's remuneration in respect of the audit of the company's financial statements has been borne by another group entity. Statutory information for other services provided by the company's auditor is given in the consolidated financial statements of its ultimate parent company which are publicly available. There were no non-audit services provided to the company during the year and in the prior year.

5 Finance costs

	2020 £000's	2019 £000's
Interest payable	63	63

Interest payable represents the dividend paid and accrued on the cumulative preference shares classified as financial liabilities.

During the current year and the prior year the payment of the dividend paid and accrued on the cumulative preference shares classified as financial liabilities has been paid on behalf of the company by Investec Group Investments (UK) Limited and the amount owed by parent undertaking reduced accordingly.

		2020 £000's	2019 £000's
Dividends paid			
3.5 per cent cumulative preference shares	1-Jun	7	7
3.5 per cent cumulative preference shares	1-Dec	23	23
5 per cent cumulative preference shares	15-May	2	2
5 per cent cumulative preference shares	15-Nov	9	9
		41	41
Dividends payable			
3.5 per cent cumulative preference shares		15	15
5 per cent cumulative preference shares		7	7
		22	22

6 Taxation

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2020 £000's	2019 £000's
Loss before taxation	(63)	(63)
Expected tax credit based on a corporation tax rate of 19.00% (2019: 19.00%)	(12)	(12)
Effect of expenses not deductible in determining taxable profit	12	12
Loss claimed from other group companies for nil payment	(87)	(90)
Transfer pricing adjustment	87	90
Taxation charge for the year	-	-

6 Taxation **(Continued)**

The Finance Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from January 2016 was enacted in November 2015. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020 but this reduction was reversed in the Finance Bill 2020 and given statutory effect under the provision of the Provisional Collection of Taxes Act 1968.

A deferred tax asset has not been recognised in respect of capital losses carried forward of £137,712 (2019: £137,712) as there is insufficient evidence that the loss will be recovered.

7 Debtors

	2020 £000's	**2019 £000's**
Amount owed by parent undertaking	27,280	27,343

The amount receivable from the immediate parent undertaking currently bears no interest and is repayable on demand at request of the company.

Receivables are carried on the balance sheet at fair value and are measured using level 2 techniques. The fair value of the amount receivable is equal to the undiscounted cash amount payable reflecting the company's right to demand immediate repayment.

8 Preference Shares

	2020 £000's	**2019 £000's**
Secured borrowings at amortised cost		
Preference shares	1,645	1,645

Analysis of preference shares

The balance of preference shares is comprised of two classes: 1,300,000 3.5 per cent cumulative preference shares of £1 each (1.75p each dividend); and 345,438 5.0 per cent cumulative preference shares of £1 each (2.5p each dividend), in both cases authorised, issued, allotted and fully paid up.

Both classes of shares carry the following rights:

- holders are entitled to fixed cumulative preferential dividends at the rates of 3.5 per cent and 5.0 per cent per annum respectively. Payment of such dividends is due on 1 June and 1 December each year in the case of the 3.5 per cent preference shares and 15 May and 15 November each year in the case of the 5.0 per cent preference shares;
- holders are entitled to the amounts paid up on the preference shares together with all arrears of the respective cumulative preferential dividends on a winding up of the company, in priority to the ordinary shareholders; and
- there is no prescribed redemption or repayment date for either class of preference shares.

The preference shares are carried on the balance sheet at amortised cost. The fair value is £1,645k (2019 - £1,645k) and the fair value hierarchy is level 1 (2019 - level 1).

9 Creditors

	2020 £000's	2019 £000's
Other creditors	55	55

10 Share capital

	2020 £000's	2019 £000's
Ordinary share capital		
Authorised		
60,000,000 Ordinary Shares of 25p each	15,000	15,000
Issued and fully paid		
57,744,387 Ordinary Shares of 25p each	14,436	14,436
	14,436	14,436

11 Events after the reporting date

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date.

Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. These do not represent adjusting post balance sheet events. COVID-19 has not had, and is not expected to have, any impact on the liquidity of the Investec group which would adversely impact the company.

Some of the markets in which the group operates, in particular the UK, are showing signs of recovery with fewer new COVID-19 cases being reported, lockdown rules beginning to ease and economic activity starting to increase slightly. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group's provisions for expected credit losses and downward pressure on other valuations. Investec group management continue to closely monitor the impact of the crisis on both liquidity and capital. The company's directors are satisfied that no revision to judgements or estimates is required in these financial statements, and that the disclosures are appropriate.

The directors are not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or that would require additional disclosures.

12 Risk management

As a wholly-owned subsidiary of Investec plc, the company falls under Investec plc Group's Risk Management Framework which is set out in the combined Investec plc and Investec Limited 2020 financial statements, Risk Management and Corporate Governance report.

Credit Risk
The company has no exposure to credit risk other than on the loan advanced to the parent undertaking.

Liquidity Risk
The company's only financial obligations in the foreseeable future are payment of the dividend on the preference shares and administrative expenses. The company is able to recall the loan to the parent undertaking (or part thereof) at any time and provided the parent undertaking has sufficient liquid resources available, the company will be able to meet its financial commitments.

Interest rate risk
The company has a fixed interest obligation in respect of the dividend on the preference shares and is therefore not exposed to fluctuation in interest rates. The loan to the parent is interest free. However, the company has the right at any time and at its sole discretion to charge interest thereon at a commercial rate.

Capital management
The company manages and monitors its capital on an ongoing basis and with consideration for the ongoing commitments of the entity. The company is not regulated and therefore it is not subject to any capital adequacy requirements.

13 Ultimate parent undertaking

The company's ultimate parent and controlling party is Investec plc, a company incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec plc at 30 Gresham Street, London, EC2V 7QP.