Annual report 2015

Investec plc silo (excluding Investec Limited)
annual financial statements

Out of the Ordinary®

Investec

About this report

Cross-referencing tools:

Audited information

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

Reporting standard

Denotes our consideration of a reporting standard

Page references

Refers readers to information elsewhere in this report

Sustainability

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

Website

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

Ongoing and statutory information

During the year the group sold a number of businesses, namely, Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited (as discussed on page 19).

The sale of these businesses has had a significant effect on the comparability of our financial statutory position and results. As a result, comparison on a statutory basis of the 2015 results with 2014 would be less meaningful.

In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. This information is only set out on pages 24 to 29. The additional information presented on an ongoing basis excludes items that in management's view could distort the comparison of performance between periods. Based on this principle, the following items are excluded from underlying statutory profit to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK (as set out on page 30).

A reconciliation between the statutory and ongoing income statement is provided on pages 25 and 26. All information in our annual report is based on our statutory accounts unless otherwise indicated.

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Investec plc in perspective

Overview of Investec's and Investec plc's organisational structure

Investec plc, which houses our non-Southern African businesses, has been listed on the London Stock Exchange since 2002

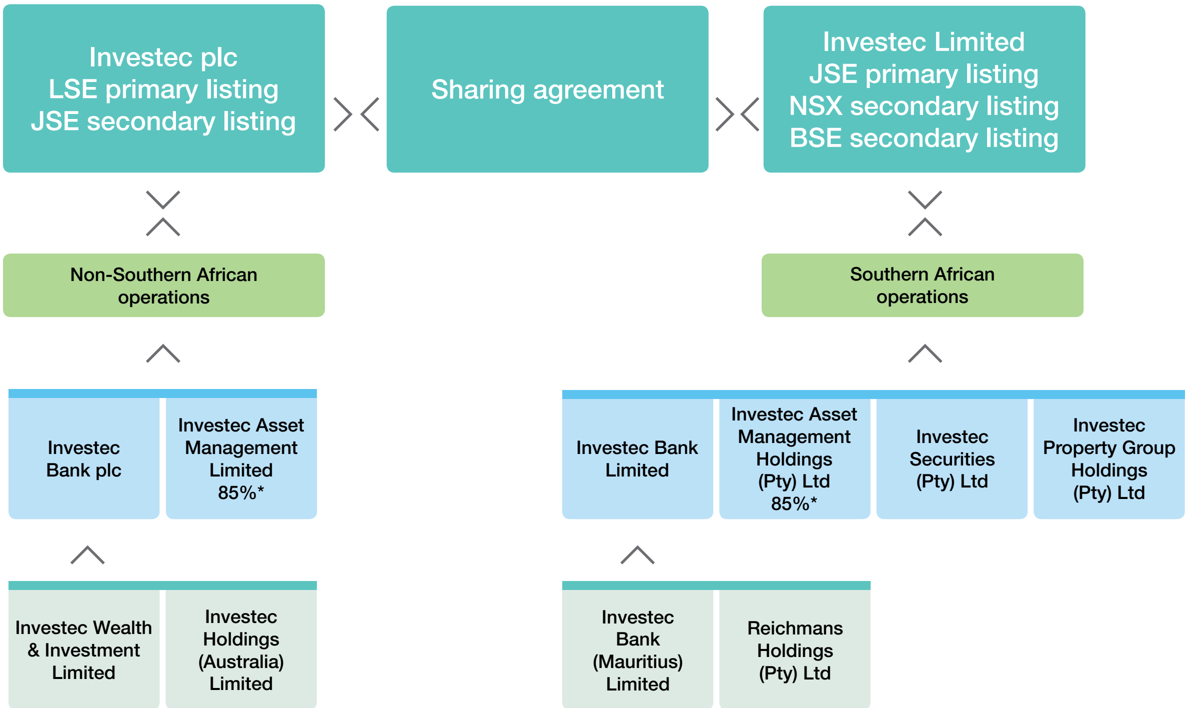
Operating structure

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange.

Our DLC structure and main operating subsidiaries at 31 March 2015



Kensington Group plc was sold on 30 January 2015. Investec Bank (Australia) Limited was sold on 31 July 2014.

** 15% is held by senior management in the company.*

All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

Overview of the activities of Investec plc

What we do. . . Asset Management

At Investec Asset Management, we want to assist people around the globe to retire with dignity. We do this by assisting institutional asset owners and financial advisors to meet the investment objectives of their members and clients. Our business is to manage clients' investments to the highest standard possible by exceeding their investment and client service expectations

Investec Asset Management is a global provider of active investment management services. Established in 1991 in South Africa, we have built a successful global investment management firm from emerging markets. We are still managed by our founding members whose tenure and continuity has balanced stability and growth.

Our investment team of approximately 175 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our target clients around the globe. These teams are supported by our global investment and operational structure.

We manage £77.5 billion assets globally.

What we do. . . Wealth & Investment

Europe

Investments and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Independent financial planning advice for private clients
- Specialist portfolio management services for international clients.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pensions (SIPPs)
- Advice and guidance on pension schemes, life assurance and income protection schemes.

Tax planning

- Succession planning
- ISAs
- Retirement planning
- Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS).

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes.

The European operations are conducted through Investec Wealth & Investment Limited in the UK, Investec Wealth & Investment Ireland, Investec Bank Switzerland and in Guernsey through Investec Wealth & Investment Channel Islands.

Over 1 150 staff operate from offices located throughout the UK and Europe, with combined funds under management of £29.6 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

What we do. . .
Specialist Banking

The bank operates as a specialist bank, focusing on three key areas of activity: Investment activities, Corporate and Institutional Banking activities and Private Banking activities. Each business provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions including risk management, information technology, finance, investor relations, marketing, human resources and organisational development. The head office is also responsible for our central funding.

Corporates/government/institutional clients

Investment activities

Principal investments

Property investment and fund management

Australia

Hong Kong

UK and Europe

Our principal investments business in Hong Kong largely focuses on pre-IPO investment opportunities in Chinese companies with good track records, while our business in the UK focuses on opportunistic investment alongside credible clients.

Our Property business focuses on property fund management and property investments.

Corporate and Institutional Banking activities

Treasury and trading services

Specialised lending, funds and debt capital markets

Advisory and institutional research, sales and trading

Australia

Hong Kong

India

UK and Europe

USA

Corporate and Institutional Banking activities provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of Investec's wholesale debt, structuring, proprietary trading, capital markets and derivatives business.

The investment banking and securities business (a part of the Corporate and Institutional Banking division) engages in a range of investment banking activities and positions itself as an integrated business focused on local client delivery with international access. We target clients seeking a highly customised service, which we offer through a combination of domestic depth and expertise within each geography and a client-centric approach. Our activities include: advisory, institutional research, sales and trading.

High-income and high net worth private clients

Private Banking activities

Transactional banking and foreign exchange

Lending

Deposits

UK and Europe

Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes high net worth individuals, active wealthy entrepreneurs, high-income professionals, owner managers in mid-market companies and sophisticated investors.

Integrated systems and infrastructure

Our operational footprint

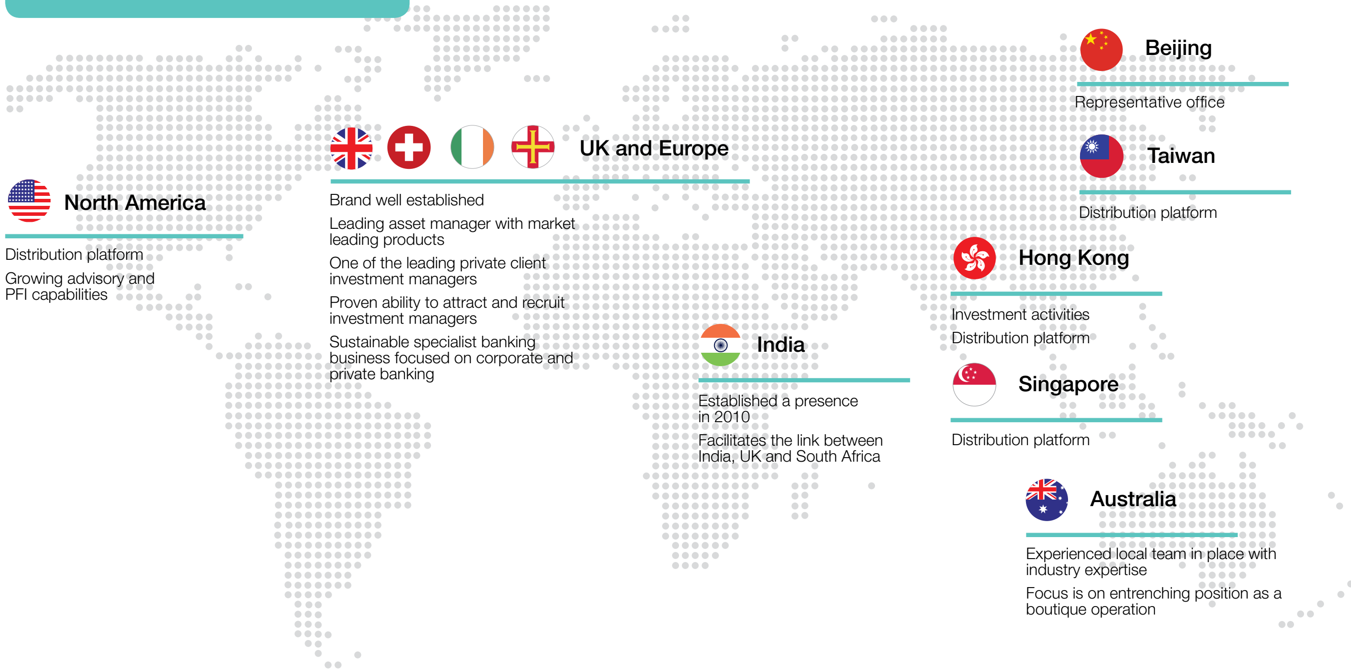
Asset Management value proposition	Wealth & Investment value proposition	Specialist Banking value proposition
• Organically built an independent global platform from an emerging market base • Independently managed entity within the Investec group • Competitive investment performance in chosen specialities • Global approach: – global investing – global client base – global operations platform • Institutional and adviser focus • Unique and clearly understood culture • Stable and experienced leadership.	• Investec Wealth & Investment has been built via the acquisition and integration of businesses and organic growth over a long period of time • Well established platforms in the UK, Switzerland, Ireland and Guernsey • The business currently has four distinct channels: direct, intermediaries, charities and international, and is in the process of developing its online capabilities to form a fifth ‘digital’ distribution channel • Strategy to internationalise within jurisdictions where the Investec group already has an established business • Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.	• High-quality specialist banking solution to corporate, institutional and private clients with leading positions in selected areas • Provide high touch personalised service • Ability to leverage international, cross-border platforms • Well positioned to capture opportunities between the developed and the emerging world • Balanced business model with good business depth and breadth.

Business leaders

Hendrik du Toit	Asset Management
Steve Elliott	Wealth & Investment
David van der Walt	Specialist Banking

Further information on our management structures is available on our website.

Where we operate



Delivering on our strategic objectives – continued to grow core franchises and simplified the Specialist Banking business through restructuring and sales

- Continued investments in Asset Management and Wealth & Investment platforms – supported net inflows of approximately £5.7 billion
- The core corporate banking franchise performed well, benefiting from increased client activity
- The Private Banking business enhanced its offering through the launch of its Private Bank Account and the development of its online and digital platforms
- Operational diversity continued to support a high recurring income base with a sound balance of earnings generated between capital light businesses and capital intensive businesses.

Statutory financial performance

Operating profit* decreased 6.0%

2015	2014
£144.1mn	£153.3mn

Adjusted attributable earnings^ decreased 9.6%

2015	2014
£105.7mn	£117.0mn

We continued to actively manage down the UK legacy portfolio…

- The legacy portfolio reduced from £3.4 billion at 31 March 2014 to £0.7 billion largely through strategic sales, redemptions, write-offs and transfers to the ongoing book on the back of improved performance in these loans
- The legacy business reported a loss before taxation of £107.7 million (2014: £69.1 million) as the group accelerated the clearance of the portfolio, which resulted in an increase in impairments on these assets
- Investec plc posted a non-operating net loss after tax of £113.7 million on the sale of businesses.

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

Solid performance from the ongoing business

Operating profit* increased 11.7%

2015	2014
£231.7mn	£207.5mn

Adjusted attributable earnings^ increased 8.5%

2015	2014
£173.7mn	£160.1mn

Recurring income as a % of total operating income

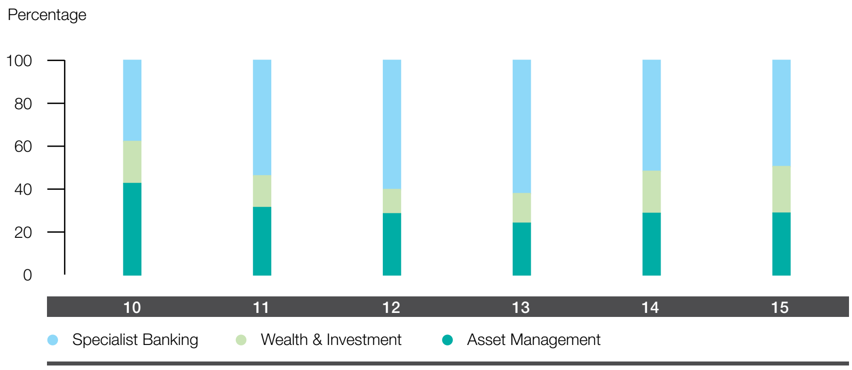
2015	2014
73.1%	64.7%

Credit loss charge as a % of average gross loans and advances

2015	2014
0.23%	0.50%

We have a diversified business model…

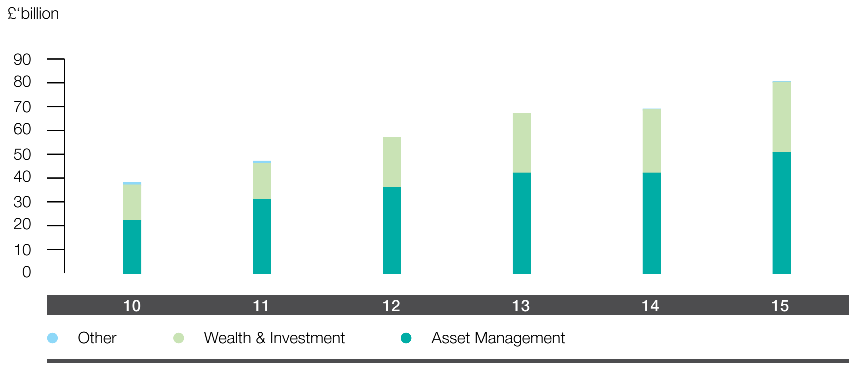
% contribution of operating profit before taxation of the ongoing business*



We continued to grow our key earnings drivers…

Funds under management up 16.9% to £80.5 billion

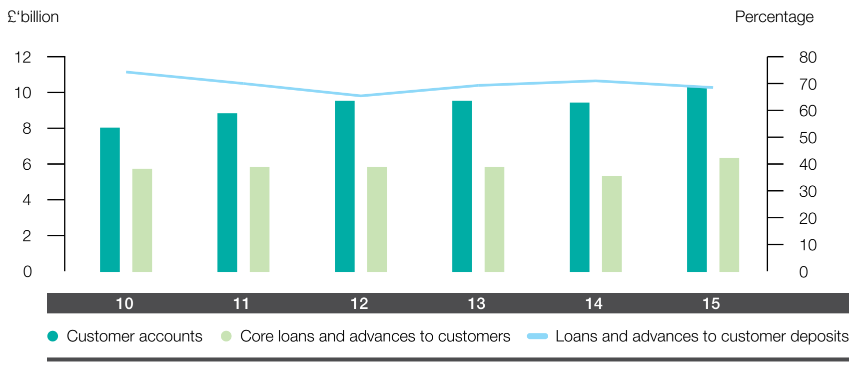
Funds under management ongoing business



Customer accounts (excluding divestments) up 9.4% to £10.3 billion

Core loans and advances (excluding divestments) up 16.4% to £7.1 billion

Customer accounts (deposits) and loans ongoing business

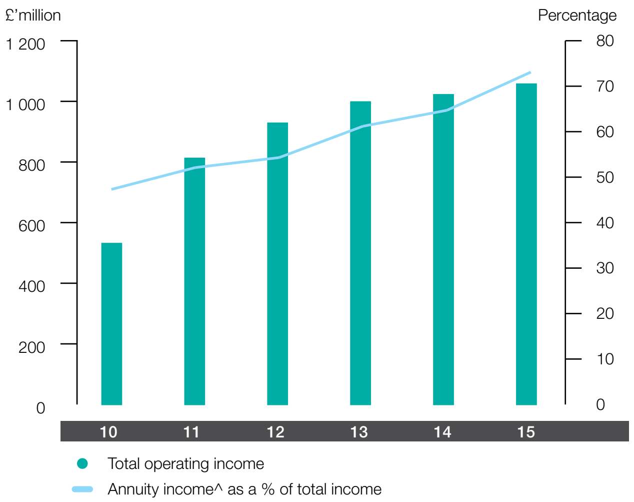


* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*

Supporting growth in operating income…

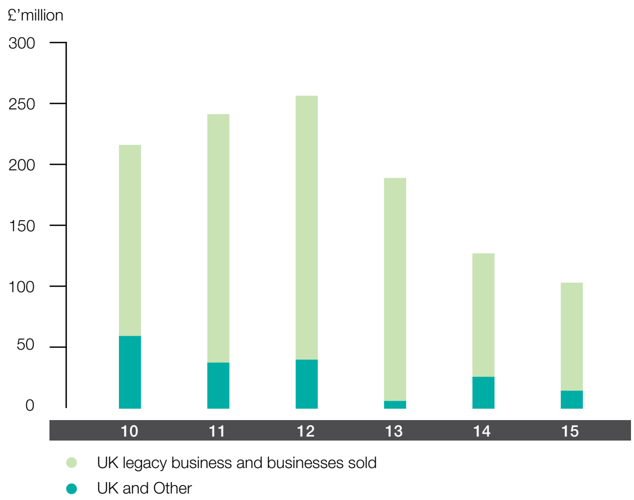
Total operating income ongoing business



^ *Where annuity income is net interest income and annuity fees.*

Impairments continue downward trend…

Impairments



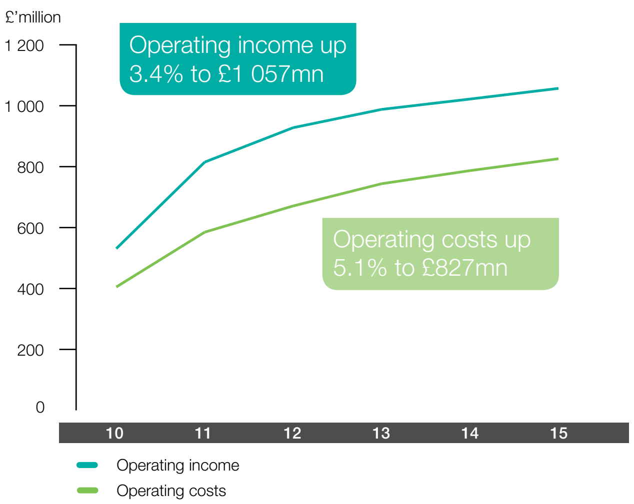
Fixed costs marginally up…

Asset Management
- Headcount increased: 29 people to support growth
- Investment in distribution platforms
- Operating margin: 28.1% (2014: 27.8%)

Wealth & Investment
- Headcount increased: 150 people
- Investment in IT, online infrastructure and experienced portfolio managers
- Operating margin: 22.7% (2014: 20.1%)

Specialist Banking
- Headcount down: 290 people
- Cost to income ratio ongoing business: 76.4% (2014: 73.6%)

Jaws ratio ongoing business

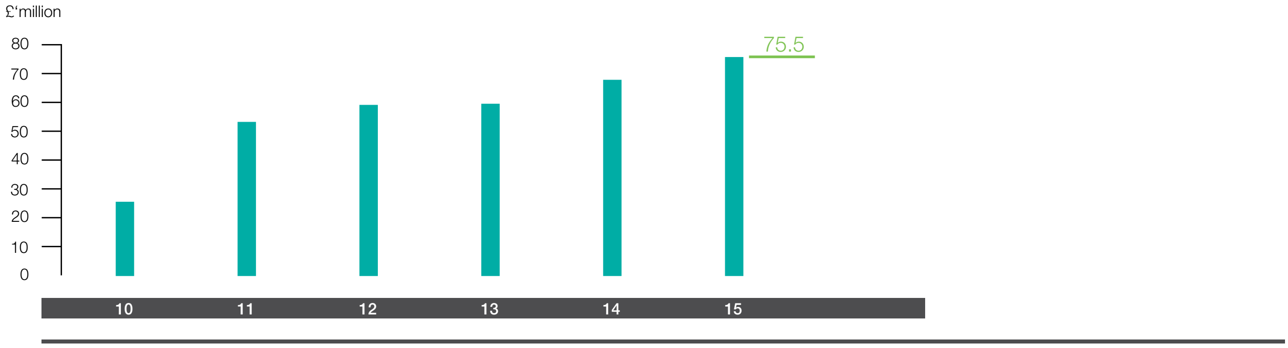


Headcount*

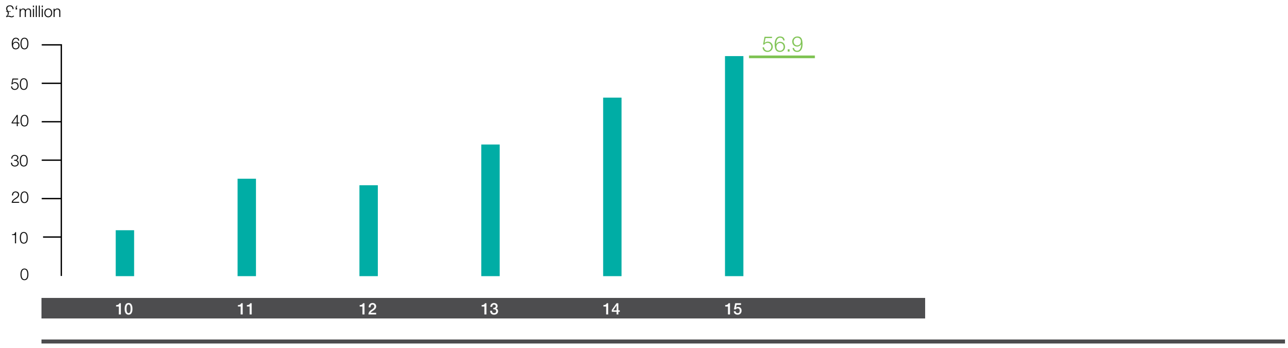
* *Permanent headcount and includes acquisitions.*

Resulting in increased operating profit* from all three of our businesses…

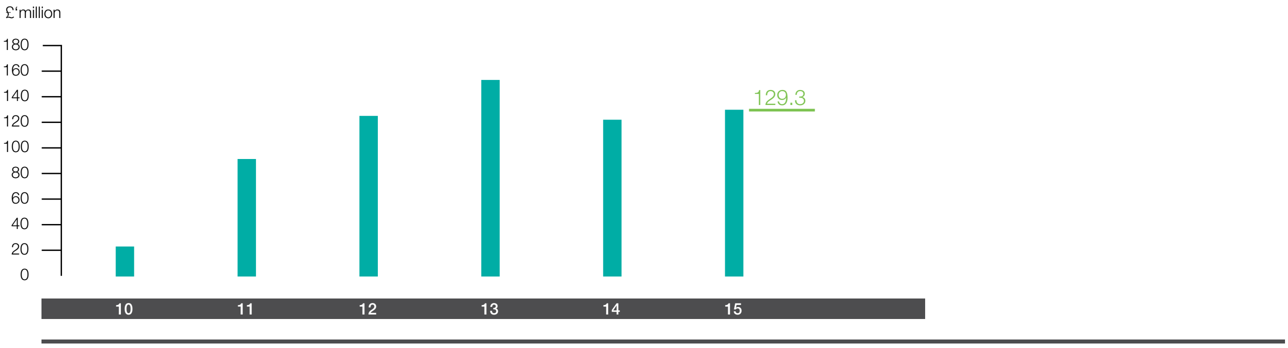
Operating profit – Asset Management



Operating profit – Wealth & Investment



Operating profit – Specialist Banking ongoing business



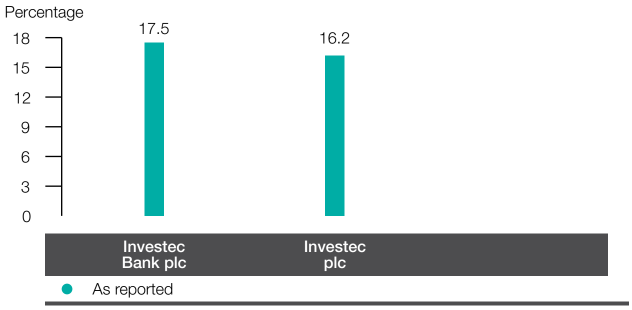
* *Before goodwill, acquired intangibles, non-operating items, taxation, group costs and after other non-controlling interests.*

Maintained a sound balance sheet…

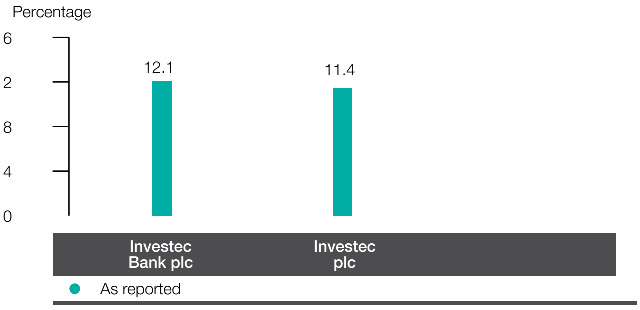
Target

Total capital adequacy: 14.0% – 17.0%
Common equity tier 1 ratio: > 10.0% by March 2016
Total tier 1 ratio: > 11.0% by March 2016
Leverage ratio: > 6.0%

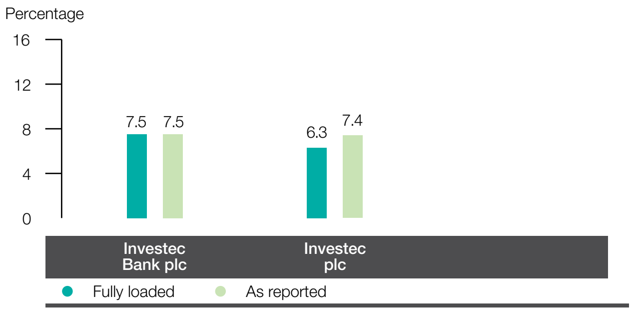
Capital adequacy



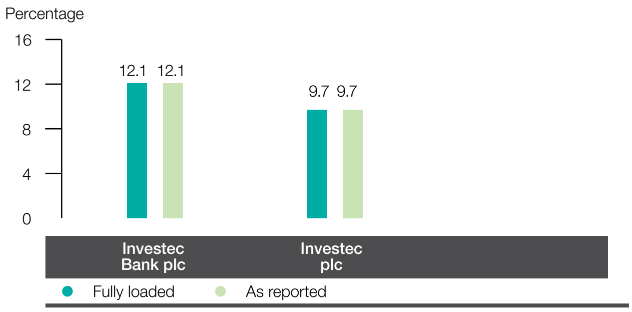
Tier 1



Leverage ratios



Common equity tier 1



Note: Refer to page 108 for detailed definitions and explanations.

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25.0%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk.

The intimate involvement of senior management ensures stringent management of risk and liquidity

A well-established liquidity management philosophy remains in place

The group's loan to deposit ratio is as follows: 68.5% (2014: 71.0%)

Liquidity remains strong with cash and near cash balances amounting to £5.0 billion (2014: £4.3 billion)

Capital remained well in excess of current regulatory requirements

Our banking subsidiaries meet current internal targets

We are comfortable with our common equity tier 1 ratio target at a 10% level, as our current leverage ratio for Investec plc is well above 7%.

2

Financial review

United Kingdom

Our views

The UK recorded the firmest pace of growth of all the advanced economies in 2014, and saw its fastest growth pace since 2006.

2.8%	2.1%
2014/15 Economic growth	**2013/14** Economic growth

GDP per capita has risen

2015	**2014**
£27 770	£26 731

The health of the labour market has also continued to improve markedly with the latest unemployment reading at 5.6% – the lowest level seen since July 2008

UK monetary policy remained steady throughout the financial year, with the bank rate held at 0.5%, marking six years at a record low. Meanwhile the level of the Bank of England's asset purchase scheme was maintained at £375 billion. Over the same period the UK's economic fundamentals continued to strengthen.

Employment growth has also been robust with 617 000 more in work than a year earlier.

The inflation backdrop has been one of very subdued price growth, particularly in the latter part of the fiscal year where CPI inflation fell to a record low of zero in February and March 2015; the main driver has been lower fuel prices, reflecting the sharp decline in the wholesale price of oil. Hence despite the strengthening recovery, there has been little appetite on the MPC for higher interest rates, with the UK Monetary Policy Committee looking to see out the soft price patch and not adjust policy until it gains confidence that inflation is headed back to the 2% target; hence immediate talk of rate hikes has been limited.

The recovery of the UK's housing market stuttered from summer 2014 onwards as the pace of house price growth eased from its 11.9% June 2014 high as activity, particularly mortgage approvals, stumbled after tighter checks on loan affordability and limits on high loan to income ratio mortgage origination were introduced.

Australia

Our views

Australia experienced moderate economic performance over the last calendar year, with GDP growth firming to 2.5%, from the 2.3% that was witnessed over 2013

2.5%	2.3%
2014/15 Economic growth	**2013/14** Economic growth

GDP per capita has risen

2015	**2014**
A$68 102	A$67 061

On a quarterly basis the pace of growth was slower than historical averages, with quarter-on-quarter growth averaging just 0.5% over the year.

Headwinds to the economy were centred on the resources sector where falling commodity prices contributed further to a decline in mining investment, weighing on output overall. Outside of mining activity was mixed, with household consumption below trend, dampened by slow income growth and rising unemployment. Additionally, the strength of the Australian Dollar over the first half of the fiscal year also posed a headwind. Subsequently, the Australian Dollar weakened to A$0.76 against the US Dollar by the end of the period under review, having started at A$0.93. The housing market has, however, seen strength, with house prices rising 9.4% over 2014.

Having kept policy stable through almost the whole of the 2014/15 fiscal year the Reserve Bank of Australia cut the cash rate from 2.50% to a new record low of 2.25%, as the economy proceeded at a below trend pace and inflation hit its lowest level since Q2 2012.

An overview of the operating environment impacting our business (continued)

United States

Our views

The US economy notched up growth of 2.3% in 2014 – the fastest rate since 2010.

The US labour market saw a more substantial improvement over the past financial year with the unemployment rate falling from 6.2% in April 2014 to 5.5% by March 2015 – the lowest level since May 2008

US growth slowed to a near standstill in Q1 2015, recorded at just a 0.2% annualised rate, albeit with several transitory factors, not least adverse weather being a particular drag.

Further, gains in non-farm payrolls averaged 260 000 over the 2014/15 year – the strongest run since the late 1990s.

Reflecting these improvements in the US labour market, the US Federal Reserve's efforts through the first part of the 2014/15 year were focused on bringing its quantitative easing purchases to a close, with the last 'taper' taking place in October 2014 while the Federal funds target rate range was held at 0% – 0.25% throughout the period. From October 2014 onwards the Federal Open Market Committee's (FOMC) communications were focused on adjusting communications to bring the prospect of a near-term rise in interest rates into sight, with the FOMC in its March 2015 communication going as far as removing reference to the committee being 'patient' in beginning its normalisation of monetary policy.

Eurozone

Amid concerns that deflation was becoming a more serious threat in the Eurozone, the European Central Bank (ECB) eased policy further over the 2014/15 year. It opted to cut the ECB's main lending rates twice, taking the main refinancing rate down to a new record low of 0.05% in September 2014 while the deposit rate reached a low of (0.20%); both rates remained at these levels as the financial year closed. However, ECB policy easing did not stop there as the collapse in oil prices heightened deflation concerns in winter 2014 and culminated in the ECB unveiling a full-scale quantitative easing programme in January 2015, including the purchase of Euro area sovereign bonds. The programme is set to amount to some €1 trillion with purchases of around €60 billion per month running until at least Q3 2016; purchases got underway in March 2015.

The economic background has been one of modest growth with a 0.9% expansion seen in calendar year 2014. Euro area growth has now been mildly positive since Q2 2013 but, with the exception of Q1 2014, has failed to surpass a +0.3% quarterly growth rate in any individual period. However, early indications are that we will see something of a pick-up in growth in 2015.

On the Euro crisis front, Greek troubles reared their head again late in 2014 as the failure of the government to see its presidential candidate elected paved the way for new elections in January 2015. They ushered in a new administration, a coalition between Syriza and the Independent Greeks which has since sought a full-out renegotiation of Greece's existing arrangements with the IMF, ECB and the European Commission. Progress in putting the details to a reform plan which would see Greece granted disbursements of cash under a four-month extension to the existing bailout has stalled. Furthermore, its cash estimates indicate that a third bailout will be needed before the summer. Finally, note that the Euro area expanded geographically over the period as well, with Lithuania becoming the nineteenth member of the currency union.

Operating environment

The table below provides an overview of some key statistics that should be considered when reviewing our operational performance.

	Period ended 31 March 2015	Period ended 31 March 2014	% change	Average over the period 1 April 2014 to 31 March 2015
Market indicators				
FTSE All share	3 664	3 556	3.0%	3 591
Australia All ords	5 862	5 403	8.5%	5 494
S&P	2 068	1 872	10.5%	1 988
Nikkei	19 207	14 828	29.5%	16 256
Dow Jones	17 776	16 458	8.0%	17 180
Rates				
UK overnight	0.42%	0.33%		0.43%
UK 10-year	1.58%	2.74%		2.25%
UK clearing banks base rate	0.50%	0.50%		0.50%
LIBOR – three-month	0.57%	0.52%		0.55%
Reserve Bank of Australia cash target rate	2.25%	2.50%		2.46%
US 10 year	1.93%	2.73%		2.34%
Commodities				
Gold	US$1 188/oz	US$1 289/oz	(7.8%)	US$1 248/oz
Gas Oil	US$526/mt	US$904/mt	(41.8%)	US$746/mt
Platinum	US$1 129/oz	US$1 418/oz	(20.4%)	US$1 236/oz
Macro-economic				
UK GDP (% change over the period)	2.8%	2.1%		
UK per capita GDP (£)	27 770	26 731	3.9%	
Australia GDP (% change over the period)	2.5%	2.3%		
Australia per capita GDP (A$)	68 102	67 061	1.6%	

Sources: Datastream, Bloomberg's, Office for National Statistics, Australian Bureau of Statistics.

Key income drivers

We provide a wide range of financial products and services to a niche client base, principally in the UK. We have a number of other distribution and origination channels which support our underlying core businesses, for example in Australia, Beijing, Channel Islands, Hong Kong, India, Ireland, Singapore, Switzerland, Taiwan and the USA. We are organised as a network comprising three principal business divisions: Asset Management, Wealth & Investment and Specialist Banking

Specialist Banking

There are therefore a number of key income drivers for our business which are discussed below and alongside.

Asset Management

Key income drivers

- Fixed fees as a percentage of assets under management
- Variable performance fees

Income statement – primarily reflected as

- Fees and commissions

Income impacted primarily by

- Movements in the value of the assets underlying client portfolios
- Performance of portfolios against set benchmarks
- Net flows

Wealth & Investment

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Commissions earned for executing transactions for clients

Income statement – primarily reflected as

- Fees and commissions

Income impacted primarily by

- Movement in the value of assets underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Lending activities	• Size of portfolios • Clients' capital and infrastructural investments • Client activity • Credit spreads • Shape of yield curve	• Net interest income • Fees and commissions
• Cash and near cash balances	• Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements • Credit spreads	• Net interest income • Trading income arising from balance sheet management activities
• Deposit and product structuring and distribution	• Distribution channels • Ability to create innovative products • Regulatory requirements • Credit spreads	• Net interest income • Fees and commissions
• Investments made (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities	• Net interest income • Investment income
• Advisory services	• The demand for our specialised advisory services, which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals	• Fees and commissions
• Derivative sales, trading and hedging	• Client activity • Market conditions/volatility • Asset and liability creation • Product innovation • Market risk factors, primarily volatility and liquidity	• Fees and commissions • Trading income arising from customer flow
• Transactional banking services	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure	• Net interest income • Fees and commissions

Key risks relating to our operations

In our ordinary course of business we face a number of risks that could affect our business operations

These risks are summarised briefly in the table below with further detail provided in the risk management section of this report.

For additional information pertaining to the management and monitoring of these risks, see the references provided.

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Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.

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Operational risk may disrupt our business or result in regulatory action.

95

Legal and regulatory risks are substantial in our businesses.

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Liquidity risk may impair our ability to fund our operations.

95

Retail conduct risk is the risk that we treat our customers unfairly and deliver inappropriate outcomes. **Wholesale conduct risk** is the risk of conducting ourselves negatively in the market.

94

Reputational, strategic and **business risk.**

81 – 83

Our net interest earnings and net asset value may be adversely affected by **interest rate risk.**

91 – 94

We may be **vulnerable to the failure of our systems** and breaches of our security systems.

94 – 95

We may be exposed to **pension risk** in our UK operations.

70 – 79

Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways.

95 – 100

We may have insufficient capital in the future and may be unable to secure additional financing when it is required.

91 – 94

Employee misconduct could cause harm that is difficult to detect.

We may be unable to **recruit, retain and motivate key personnel.**

See Investec's 2015 integrated annual report on our website.

13 – 15

The **financial services industry** in which we operate is intensely competitive.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

Introduction – understanding our results

Sale of businesses

During the year Investec plc sold a number of businesses, namely Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited as set out below.

Sale of Investec Bank (Australia) Limited

The sale of Investec Bank (Australia) Limited's Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This has resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold. We continue to have a presence in Australia, focusing on its core activities of Specialised Finance, Corporate Advisory, Property Fund Management and Asset Management. The remaining business will operate as a non-banking subsidiary of the Investec group. As a result, we have decided to no longer report the activities of our Australian businesses separately, with these activities now reported under the 'UK and Other' Specialist Banking segment.

Sales of Kensington Group plc and Start Mortgage Holdings Limited

On 9 September 2014 Investec plc announced the sale of our UK intermediated mortgage business Kensington Group plc (Kensington) together with certain other Investec mortgage assets to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners for £180 million in cash based on a tangible net asset value of the business of £165 million at 31 March 2014. This transaction became effective on 30 January 2015.

On 15 September 2014 Investec plc announced the sale of our Irish intermediated mortgage business Start Mortgage Holdings Limited (Start) together with certain other Irish mortgage assets to an affiliate of Lone Star Funds. This transaction became effective on 4 December 2014.

This has resulted in the derecognition of approximately £4.1 billion of assets and approximately £2 billion of external liabilities associated with these businesses sold.

Impact of these sales on our operational performance

The sale of these businesses have had a significant effect on the comparability of our financial statutory position and results. As a result, comparison on a statutory basis of the 2015 results with 2014 would be less meaningful. In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. This information is only set out on pages 24 to 29. The additional information presented on an ongoing basis excludes items, that in management's view, could distort the comparison of performance between periods. Based on this principle, the following items are excluded from underlying statutory profit to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK (as set out on page 30).

A reconciliation between the statutory and ongoing income statement is provided on pages 25 and 26. All information in our annual report is based on our statutory accounts unless otherwise indicated.

Overview of our statutory results

Investec plc reported a 6.0% decrease in operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests to £144.1 million for the year ended 31 March 2015 (2014: £153.3 million). The balance sheet remains strong, supported by sound capital and liquidity ratios.

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2014.

Statutory income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Total operating income

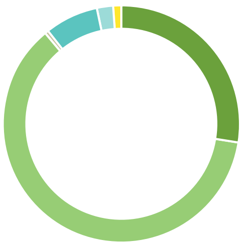
Total operating income before impairment losses on loans and advances of £1 127 million is 4.0% lower than the prior year. The various components of total operating income are analysed below.

£'000	31 March 2015	% of total income	31 March 2014	% of total income	% change
Net interest income	327 482	29.1%	356 734	30.4%	(8.2%)
Net fee and commission income	731 097	64.9%	634 571	54.0%	15.2%
Investment income	(2 210)	(0.2%)	99 099	8.4%	(> 100.0%)
Trading income arising from					
– customer flow	88 259	7.8%	77 043	6.6%	14.6%
– balance sheet management and other trading activities	(28 186)	(2.5%)	(9 308)	(0.8%)	> 100.0%
Other operating income	10 639	0.9%	16 013	1.4%	(33.6%)
Total operating income before impairment losses on loans and advances	1 127 081	100.0%	1 174 152	100.0%	(4.0%)

The following table sets out information on total operating income before impairment losses on loans and advances by division for the year under review:

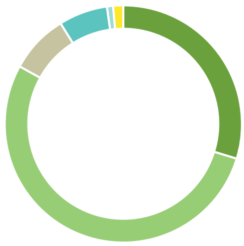
£'000	31 March 2015	% of total income	31 March 2014	% of total income	% change
Asset Management	269 048	23.9%	242 796	20.7%	10.8%
Wealth & Investment	250 883	22.2%	228 825	19.5%	9.6%
Specialist Banking	607 150	53.9%	702 531	59.8%	13.6%
Total operating income before impairment losses on loans and advances	1 127 081	100.0%	1 174 152	100.0%	(4.0%)

% of total operating income before impairment losses on loans and advances



31 March 2015
£1 127.1 million total operating income before impairment losses on loans and advances

Net interest income	29.1%
Net fee and commission income	64.9%
Investment income	(0.2%)
Trading income arising from customer flow	7.8%
Trading income arising from balance sheet management and other trading activities	(2.5%)
Other operating income	0.9%



31 March 2014
£1 174.2 million total operating income before impairment losses on loans and advances

Net interest income	30.4%
Net fee and commission income	54.0%
Investment income	8.4%
Trading income arising from customer flow	6.6%
Trading income arising from balance sheet management and other trading activities	(0.8%)
Other operating income	1.4%

Net interest income

Net interest income decreased by 8.2% to £327.5 million (2014: £356.7 million) largely due to a lower return earned on the legacy portfolios which are running down and the sales of Investec Bank (Australia) Limited, Kensington UK and Start Irish operations. This was partially offset by solid book growth and a lower cost of funding.

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	300	277	23	8.3%
Wealth & Investment	6 209	7 987	(1 778)	(22.3%)
Specialist Banking	320 973	348 470	(27 497)	(7.9%)
Net interest income	327 482	356 734	(29 252)	(8.2%)

For a further analysis of interest received and interest paid refer to page 154.

Net fee and commission income

Net fee and commission income increased by 15.2% to £731.1 million (2014: £634.6 million) as a result of higher average funds under management and net inflows in the Asset Management and Wealth Management businesses. The Specialist Banking business benefited from a solid performance from the corporate finance and corporate treasury businesses.

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	267 111	244 962	22 149	9.0%
Wealth & Investment	238 661	217 414	21 247	9.8%
Specialist Banking	225 325	172 195	53 130	30.9%
Net fee and commission income	731 097	634 571	96 526	15.2%

For a further analysis on net fee and commission income refer to page 155.

Investment income

Investment income decreased substantially to a loss of £2.2 million (2014: profit of £99.1 million) as a result of a poor performance from the Hong Kong portfolio.

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	–	–	–	–
Wealth & Investment	3 486	1 875	1 611	85.9%
Specialist Banking	(5 696)	97 224	(102 920)	(> 100.0%)
Investment income	(2 210)	99 099	(101 309)	(> 100.0%)

For a further analysis on investment income refer to pages 155 and 156.

Trading income

Trading income from customer flow increased 14.6% to £88.3 million (2014: £77.0 million) while trading income from other trading activities reflected a loss of £28.2 million (2014: loss of £9.3 million) due to foreign currency losses largely offset in non-controlling interests as discussed on page 23.

Arising from customer flow

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	–	–	–	–
Wealth & Investment	895	389	506	> 100.0%
Specialist Banking	87 364	76 654	10 710	14.0%
Trading income arising from customer flow	88 259	77 043	11 216	14.6%

Arising from balance sheet management and other trading activities

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	1 501	(2 314)	3 815	(> 100.0%)
Wealth & Investment	356	(72)	428	> 100.0%
Specialist Banking	(30 043)	(6 922)	(23 121)	> 100.0%
Trading income arising from balance sheet management and other trading activities	(28 186)	(9 308)	(18 878)	> 100.0%

Other operating income

Other operating income includes associate income and income earned on an operating lease portfolio acquired.

Impairment losses on loans and advances

Impairments on loans and advances decreased from £126.9 million to £102.7 million. Since 31 March 2014, gross defaults have improved from £457.0 to £400.1 million. The percentage of default loans (net of impairments but before taking collateral into account) to net core loans and advances amounted to 3.00% (2014: 3.21%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.33 times (2014: 1.13 times).

For further information on asset quality refer to pages 59 to 69.

Operating costs

The ratio of total operating costs to total operating income amounted to 79.6% (2014: 76.2%). Total operating costs remained flat at £897.1 million (2014: £896.7 million) reflecting: an increase in headcount in the Asset Management and Wealth Management businesses to support growth initiatives; inflationary increases in fixed costs in the Specialist Bank; an increase in variable remuneration given increased profitability in certain businesses; and a reduction in costs arising from the sale of businesses.

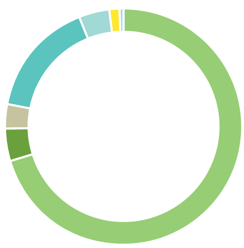
The various components of total expenses are analysed below.

£'000	31 March 2015	% of total expenses	31 March 2014*	% of total expenses	% change
Staff costs (including directors' remuneration)	633 208	70.6%	616 894	68.8%	2.6%
Premises expenses (excluding depreciation)	38 039	4.2%	42 170	4.7%	(9.8%)
Equipment expenses (excluding depreciation)	30 545	3.4%	31 404	3.5%	(2.7%)
Business expenses	142 689	15.9%	147 366	16.4%	(3.2%)
Marketing expenses	36 336	4.1%	35 673	4.0%	1.9%
Depreciation	14 769	1.6%	17 156	1.9%	(13.9%)
Depreciation on operating leased assets	1 535	0.2%	6 044	0.7%	(74.6%)
Total operating costs	897 121	100.0%	896 707	100.0%	0.0%

The following table sets out information on total expenses by division for the year under review.

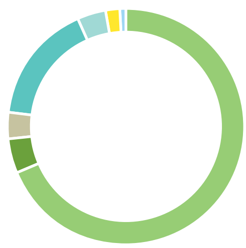
£'000	31 March 2015	% of total expenses	31 March 2014*	% of total expenses	% change
Asset Management	193 557	21.6%	175 211	19.5%	10.5%
Wealth & Investment	194 012	21.6%	182 759	20.4%	6.2%
Specialist Banking	479 504	53.4%	511 065	57.0%	(6.2%)
Group costs	30 048	3.4%	27 672	3.1%	8.6%
Total operating costs	897 121	100.0%	896 707	100.0%	0.0%

% of total operating costs



31 March 2015
£897.1 million total operating costs

Staff costs	70.6%
Premises	4.2%
Equipment	3.4%
Business expenses	15.9%
Marketing	4.1%
Depreciation	1.6%
Depreciation on operating leased assets	0.2%



31 March 2014*
£896.7 million total operating costs

Staff costs	68.8%
Premises	4.7%
Equipment	3.5%
Business expenses	16.4%
Marketing	4.0%
Depreciation	1.9%
Depreciation on operating leased assets	0.7%

* *Restated for adoption of IFRIC 21 as detailed in note 57 on page 222.*

Impairment of goodwill

The impairment of goodwill largely relates to the restructure of the Australian businesses.

Amortisation of acquired intangibles

Amortisation of acquired intangibles largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Net loss after tax on sale of subsidiaries

Net loss on sale of subsidiaries comprises a net profit on the sale of Investec Bank (Australia) Limited offset by a net loss on the sale of the Kensington UK and Start Irish operations as detailed on page 19.

The net loss after taxation can be analysed further as follows:

	£'000
Net loss before goodwill and taxation	(28.1)
Goodwill	(64.9)
Net loss on sale of subsidiaries	(93.0)
Related tax expense	(20.7)
Net loss after tax	(113.7)

Net loss attributable to non-controlling interests

Net loss attributable to non-controlling interests mainly comprises:

- £10.1 million profit attributable to non-controlling interests in the Asset Management business.
- A reduction of £20.7 million relating to Euro-denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of non-controlling interests. (The transaction is hedged and a forex transaction loss arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to non-controlling interests.)

Statutory balance sheet analysis

Since 31 March 2014:

Total shareholders' equity (including non-controlling interests) decreased by 8.6% to £2.1 billion and total assets decreased by 19.4% to £18.3 billion largely as a result of the sale of Investec Bank (Australia) Limited, Kensington UK and Start Irish operations as detailed on page 19.

Overview of our ongoing results

Consolidated summarised ongoing income statement

For the year to £'000	31 March 2015	31 March 2014	Variance	% change
Net interest income	231 546	200 098	31 448	15.7%
Net fees and commission income	732 489	614 667	117 822	19.2%
Investment income	21 304	120 656	(99 352)	(82.3%)
Trading income arising from				
– customer flow	88 534	76 643	11 891	15.5%
– balance sheet management and other trading activities	(27 803)	(5 737)	(22 066)	> 100.0%
Other operating income	10 591	15 923	(5 332)	(33.5%)
Total operating income before impairment losses on loans and advances	1 056 661	1 022 250	34 411	3.4%
Impairment losses on loans and advances	(13 678)	(25 085)	11 407	(45.5%)
Operating income	1 042 983	997 165	45 818	4.6%
Operating costs	(826 890)	(786 971)	(39 919)	5.1%
Depreciation on operating leased assets	(1 294)	(5 446)	4 152	(76.2%)
Operating profit before goodwill and acquired intangibles	214 799	204 748	10 051	4.9%
Loss/(profit) attributable to other non-controlling interests	16 856	2 720	14 136	> 100.0%
Profit attributable to Asset Management non-controlling interests	(10 053)	(5 535)	(4 518)	81.6%
Operating profit before taxation	221 602	201 933	19 669	9.7%
Taxation	(47 885)	(41 829)	(6 056)	14.5%
Attributable earnings to shareholders before goodwill, acquired intangibles and non-operating items	173 717	160 104	13 613	8.5%
Cost to income ratio	78.4%	77.4%		

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2015 £'000	Statutory as disclosed^	Removal of** UK legacy business excluding sale assets	Removal of** Sale assets UK	Removal of** Sale assets Australia	Ongoing business
Net interest income	327 482	12 526	71 143	12 267	231 546
Net fees and commission income	731 097	756	(4 876)	2 728	732 489
Investment income	(2 210)	(16 204)	(5 443)	(1 867)	21 304
Trading income arising from					
– customer flow	88 259	350	(415)	(210)	88 534
– balance sheet management and other trading activities	(28 186)	19	(248)	(154)	(27 803)
Other operating income	10 639	–	–	48	10 591
Total operating income before impairment losses on loans and advances	1 127 081	(2 553)	60 161	12 812	1 056 661
Impairment losses on loans and advances	(102 707)	(83 468)	(4 085)	(1 476)	(13 678)
Operating income	1 024 374	(86 021)	56 076	11 336	1 042 983
Operating costs	(895 586)	(21 648)	(34 245)	(12 803)	(826 890)
Depreciation on operating leased assets	(1 535)	–	(241)	–	(1 294)
Operating profit before goodwill and acquired intangibles	127 253	(107 669)	21 590	(1 467)	214 799
Loss/(profit) attributable to other non-controlling interests	16 856	–	–	–	16 856
Profit attributable to Asset Management non-controlling interests	(10 053)	–	–	–	(10 053)
Operating profit before taxation	134 056	(107 669)	21 590	(1 467)	221 602
Taxation*	(28 362)	24 010	(4 815)	327	(47 885)
Attributable earnings to shareholders before goodwill, acquired intangibles and non-operating items	105 694	(83 659)	16 775	(1 140)	173 717

* *Applying Investec plc's effective taxation rate of 22.3%.*

^ *Refer to page 139.*

** *Where:*

- The UK legacy business is as described on page 30.
- Sale assets UK refer to the sale of Kensington and Start as discussed on page 19.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 19.

Reconciliation from statutory summarised income statement to ongoing summarised income statement (continued)

For the year to 31 March 2014 £'000	Statutory as disclosed^	Removal of** UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	Ongoing business
Net interest income	356 734	19 355	94 715	42 566	200 098
Net fees and commission income	634 571	8 981	749	10 174	614 667
Investment income	99 099	(11 793)	(9 764)	–	120 656
Trading income arising from					
– customer flow	77 043	695	(625)	330	76 643
– balance sheet management and other trading activities	(9 308)	(1 762)	(875)	(934)	(5 737)
Other operating income	16 013	–	–	90	15 923
Total operating income before impairment losses on loans and advances	1 174 152	15 476	84 200	52 226	1 022 250
Impairment losses on loans and advances	(126 911)	(59 157)	(38 898)	(3 771)	(25 085)
Operating income	1 047 241	(43 681)	45 302	48 455	997 165
Operating costs	(890 663)	(25 370)	(41 136)	(37 186)	(786 971)
Depreciation on operating leased assets	(6 044)	–	(598)	–	(5 446)
Operating profit before goodwill and acquired intangibles	150 534	(69 051)	3 568	11 269	204 748
Loss/(profit) attributable to other non-controlling interests	2 720	–	–	–	2 720
Profit attributable to Asset Management non-controlling interests	(5 535)	–	–	–	(5 535)
Operating profit before taxation	147 719	(69 051)	3 568	11 269	201 933
Taxation*	(30 769)	14 086	(728)	(2 299)	(41 829)
Attributable earnings to shareholders before goodwill, acquired intangibles and non-operating items	116 950	(54 965)	2 840	8 970	160 104

* *Applying Investec plc's effective taxation rate of 20.4%.*

^ *Refer to page 139.*

** *Where:*

- The UK legacy business is as described on page 30.
- Sale assets UK refer to the sale of Kensington and Start as discussed on page 19.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 19.

Reconciliation from statutory summarised income statement to ongoing summarised income statement for the Specialist Banking business

For the year to 31 March 2015 £'000	Specialist Banking statutory as disclosed^	Removal of** UK legacy business excluding sale assets	Removal of** Sale assets UK	Removal of** Sale assets Australia	Specialist Banking ongoing business
Net interest income	320 973	12 526	71 143	12 267	225 037
Net fees and commission income	225 325	756	(4 876)	2 728	226 717
Investment income	(5 696)	(16 204)	(5 443)	(1 867)	17 818
Trading income arising from					
– customer flow	87 364	350	(415)	(210)	87 639
– balance sheet management and other trading activities	(30 043)	19	(248)	(154)	(29 660)
Other operating income	9 227	–	–	48	9 179
Total operating income before impairment losses on loans and advances	607 150	(2 553)	60 161	12 812	536 730
Impairment losses on loans and advances	(102 707)	(83 468)	(4 085)	(1 476)	(13 678)
Operating income	504 443	(86 021)	56 076	11 336	523 052
Operating costs	(477 969)	(21 648)	(34 245)	(12 803)	(409 273)
Depreciation on operating leased assets	(1 535)	–	(241)	–	(1 294)
Operating profit before goodwill and acquired intangibles	24 939	(107 669)	21 590	(1 467)	112 485
Loss/(profit) attributable to other non-controlling interests	16 856	–	–	–	16 856
Operating profit before taxation	41 795	(107 669)	21 590	(1 467)	129 341

For the year to 31 March 2014 £'000	Specialist Banking statutory as disclosed^	Removal of** UK legacy business excluding sale assets	Removal of** Sale assets UK	Removal of** Sale assets Australia	Specialist Banking ongoing business
Net interest income	348 470	19 355	94 715	42 566	191 834
Net fees and commission income	172 195	8 981	749	10 174	152 291
Investment income	97 224	(11 793)	(9 764)	–	118 781
Trading income arising from					
– customer flow	76 654	695	(625)	330	76 254
– balance sheet management and other trading activities	(6 922)	(1 762)	(875)	(934)	(3 351)
Other operating income	14 910	–	–	90	14 820
Total operating income before impairment losses on loans and advances	702 531	15 476	84 200	52 226	550 629
Impairment losses on loans and advances	(126 911)	(59 157)	(38 898)	(3 771)	(25 085)
Operating income	575 620	(43 681)	45 302	48 455	525 544
Operating costs	(505 021)	(25 370)	(41 136)	(37 186)	(401 329)
Depreciation on operating leased assets	(6 044)	–	(598)	–	(5 446)
Operating profit before goodwill and acquired intangibles	64 555	(69 051)	3 568	11 269	118 769
Loss/(profit) attributable to other non-controlling interests	2 720	–	–	–	2 720
Operating profit before taxation	67 275	(69 051)	3 568	11 269	121 489

^ *Refer to page 153.*

** *Where:*

- The UK legacy business is as described on page 30.
- Sale assets UK refer to the sale of Kensington and Start as discussed on page 19.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 19.

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

For the year to 31 March 2015 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total ongoing business
Net interest income	300	6 209	225 037	–	231 546
Net fees and commission income	267 111	238 661	226 717	–	732 489
Investment income	–	3 486	17 818	–	21 304
Trading income arising from					
– customer flow	–	895	87 639	–	88 534
– balance sheet management and other trading activities	1 501	356	(29 660)	–	(27 803)
Other operating income	136	1 276	9 179	–	10 591
Total operating income before impairment losses on loans and advances	269 048	250 883	536 730	–	1 056 661
Impairment losses on loans and advances	–	–	(13 678)	–	(13 678)
Operating income	269 048	250 883	523 052	–	1 042 983
Operating costs	(193 557)	(194 012)	(409 273)	(30 048)	(826 890)
Depreciation on operating leased assets	–	–	(1 294)	–	(1 294)
Operating profit before goodwill and acquired intangibles	75 491	56 871	112 485	(30 048)	214 799
Loss/(profit) attributable to other non-controlling interests	–	–	16 856	–	16 856
Profit attributable to Asset Management non-controlling interests	(10 053)	–	–	–	(10 053)
Operating profit before taxation	65 438	56 871	129 341	(30 048)	221 602
Cost to income ratio	71.9%	77.3%	76.4%	> 100%	78.4%

For the year to 31 March 2014 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total ongoing business
Net interest income	277	7 987	191 834	–	200 098
Net fees and commission income	244 962	217 414	152 291	–	614 667
Investment income	–	1 875	118 781	–	120 656
Trading income arising from					
– customer flow	–	389	76 254	–	76 643
– balance sheet management and other trading activities	(2 314)	(72)	(3 351)	–	(5 737)
Other operating (loss)/income	(129)	1 232	14 820	–	15 923
Total operating income before impairment losses on loans and advances	242 796	228 825	550 629	–	1 022 250
Impairment losses on loans and advances	–	–	(25 085)	–	(25 085)
Operating income	242 796	228 825	525 544	–	997 165
Operating costs	(175 211)	(182 759)	(401 329)	(27 672)	(786 971)
Depreciation on operating leased assets	–	–	(5 446)	–	(5 446)
Operating profit before goodwill and acquired intangibles	67 585	46 066	118 769	(27 672)	204 748
Loss/(profit) attributable to other non-controlling interests	–	–	2 720	–	2 720
Profit attributable to Asset Management non-controlling interests	(5 535)	–		–	(5 535)
Operating profit before taxation	62 050	46 066	121 489	(27 672)	201 933
Cost to income ratio	72.2%	79.9%	73.6%	> 100%	77.4%

An analysis of core loans and advances to customers and asset quality – ongoing business

£'000	31 March 2015	31 March 2014
Gross core loans and advances to customers	6 378 070	5 367 655
Total impairments	(45 573)	(40 527)
Specific impairments	(11 391)	(24 090)
Portfolio impairments	(34 182)	(16 437)
Net core loans and advances to customers	6 332 497	5 327 128
Average gross core loans and advances to customers	5 872 863	5 055 817
Current loans and advances to customers	6 237 545	5 153 666
Past due loans and advances to customers (1 – 60 days)	71 669	92 662
Special mention loans and advances to customers	30 013	66 596
Default loans and advances to customers	38 843	54 731
Gross core loans and advances to customers	6 378 070	5 367 655
Total income statement charge for impairments on core loans and advances	(13 678)	(25 085)
Gross default loans and advances to customers	38 843	54 731
Specific impairments	(11 391)	(24 090)
Portfolio impairments	(34 182)	(16 437)
Defaults net of impairments before collateral held	(6 730)	14 204
Collateral and other credit enhancements	12 297	31 401
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	0.71%	0.76%
Total impairments as a % of gross default loans	117.33%	74.05%
Gross defaults as a % of gross core loans and advances to customers	0.61%	1.02%
Defaults (net of impairments) as a % of net core loans and advances to customers	–	0.27%
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)	0.23%	0.50%

A reconciliation of core loans and advances: statutory basis and ongoing basis

		Removal of**			
	Statutory as disclosed^	UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	Ongoing business
31 March 2015 (£'000)					
Gross core loans and advances to customers	7 249 561	871 491	–	–	6 378 070
Total impairments	(188 444)	(142 871)	–	–	(45 573)
Specific impairments	(154 262)	(142 871)	–	–	(11 391)
Portfolio impairments	(34 182)	–	–	–	(34 182)
Net core loans and advances to customers	7 061 117	728 620	–	–	6 332 497
31 March 2014 (£'000)					
Gross core loans and advances to customers	8 415 568	1 257 077	427 690	1 363 146	5 367 655
Total impairments	(193 303)	(150 636)	(54)	(2 086)	(40 527)
Specific impairments	(176 866)	(150 636)	(54)	(2 086)	(24 090)
Portfolio impairments	(16 437)	–	–	–	(16 437)
Net core loans and advances to customers	8 222 265	1 106 441	427 636	1 361 060	5 327 128

^ *Refer to page 59.*

** *Where:*

- The UK legacy business is as described on page 30.
- Sale assets UK refer to the sale of Kensington and Start and other assets as discussed on page 19.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 19.

Legacy business in the UK Specialist Bank

The legacy business in the UK Specialist Bank comprises:

- Assets put on the bank's books pre-2008 where market conditions post the financial crisis materially impacted the business model
- Assets written prior to 2008 with very low/negative margins
- Assets relating to business we are no longer undertaking.

During the year management performed a comprehensive review of the group's legacy portfolio on the back of improved market performance. As a result, assets of £0.9 billion were transferred to the ongoing book (core loans and other assets) where assets generate yields that support targeted return on equity, are performing and no longer meet the definition of the legacy business.

Legacy business – overview of results

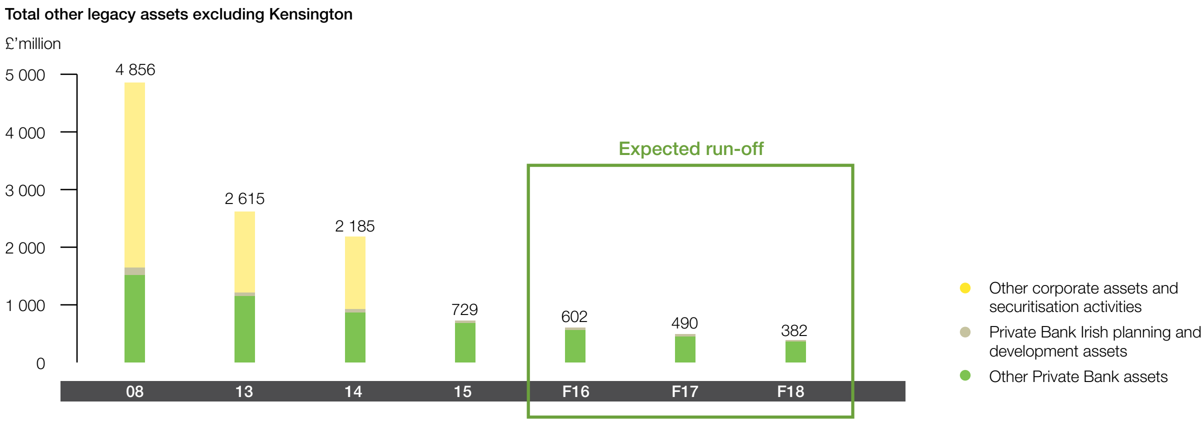
The group's legacy portfolio in the UK has been actively managed down from £3.4 billion at 31 March 2014 to £0.7 billion largely through strategic sales (mentioned on page 19), redemptions, write-offs and transfers (at the end of the period) to the ongoing book on the back of improved performance in these loans. The total legacy business over the period reported a loss before taxation of £107.7 million (2014: £69.1 million) as the group accelerated the clearance of the portfolio, which resulted in an increase in impairments on these assets. The remaining legacy portfolio will continue to be managed down as the group sees opportunities to clear the portfolio. Management believes that the remaining legacy book will still take three to five years to wind down. Total net defaults in the legacy book amount to £218 million.

An analysis of assets within the legacy business

£'million	31 March 2015 Total net assets (after impairments)	31 March 2015 Total balance sheet impairment	31 March 2014 Total net assets (after impairments)	31 March 2014 Total balance sheet impairment
Kensington – UK warehouse assets	–	–	768	4
Kensington – Ireland	–	–	474	138
Total Kensington warehouse assets*	–	–	1 242	142
Performing	–	–	813	1
Non-performing	–	–	429	141
Other corporate assets and securitisation activities	–	–	864	51
Private Bank Irish planning and development assets	47	50	60	59
Other Private Bank assets	682	93	1 261	82
Total other legacy assets	729	143	2 185	192
Performing	511	–	1 798	4
Non-performing	218	143	387	188

* *Assets sold during the year as explained on page 19.*

Expected run-off of legacy assets



Questions and answers

Hendrik du Toit

Chief executive officer of Asset Management

Asset Management...

Can you give us an overview of the environment in which you operate?

A Superficially rising markets have created a benign environment for investment managers, but this year was not without its challenges. The volatility in emerging markets, specifically emerging market currencies, continued throughout the financial year and has impacted our short-term growth as well as demand for some of our services. Furthermore, we have had some capacity constraints across some of our strategies. These were caused by the extremely low levels of liquidity available in financial markets. Without these constraints our net inflows would have been substantially higher.

Regulatory initiatives continue across geographies and, given the global nature of our business, consume more and more resources and management time. We do not see this changing in the near term for our industry. Our industry remains fiercely competitive thus requiring constant productivity increases to assure margin retention.

What have been the key developments in the business over the financial year?

A This financial year we continued to invest in growth initiatives across the business. We have invested in building out our Equities and Multi-Asset capabilities, expanded our footprint in most of our large markets and continued to invest in our global support functions. Big wins for the past year were the excellent performance of our global equities business, the graduation of our global Multi-Asset offering onto many consultants' buy lists and evidence of significant institutional traction in this important growth area.

Our European and Asia Pacific client groups delivered strong net inflows after years of hard work and investment. Our South African business has experienced outflows but we have simplified and focused the business with a clear plan to turn the momentum decisively over the next few years.

Our firm is well positioned in our target markets around the world and as a result of this we are pleased to report the eighth consecutive year of positive net inflows. We continue to attract top talent into our business while maintaining stability across our firm.

What are your strategic objectives in the coming year?

A Our primary goal is to deliver on our clients' mandates. Our reason for existence is to look after other people's money. If we pursue their interests, we will do well.

With a long-term horizon and through five geographically defined client groups, we serve the largest and most sophisticated institutional investors and asset platforms, irrespective of where they may be based. We are also committed to building a strong presence in the advisor market in select regions.

Our strategic objectives are to invest in and nurture growth opportunities, enhance depth and quality, and position the firm for long-term sustainability.

Furthermore, recognising that this is, above all, a people's business, we continue to do our best to attract, develop and promote talent within a stable environment with a long future.

What is your outlook for the coming year?

A Our business has a long-term horizon and as such we do not manage our business for the short term. However, we believe that the opportunity for growth over the next five years is significant. Our momentum is positive and we are confident that we are well positioned to face the future.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

A In our role as a global asset manager, our primary goal is to deliver on our clients' mandates. We want to assist our clients to retire with dignity or meet their financial objectives. The essential purpose of which is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this by assuming a stewardship role over our clients' assets, including exercising of their ownership rights. This includes ensuring that our investments adhere to appropriate ESG standards and considers both risk and opportunities stemming from ESG issues. We believe this approach benefits both our clients and the social realms in which we invest and operate.

Questions and answers

Steve Elliott

Global head

Wealth & Investment...

Can you give us an overview of the environment in which you operated over the past year?

A UK equity markets saw much greater volatility during the second half of the financial year than the first half. Equity indices had begun the year in a positive mood but by September 2014 political and economic risks caused the main indices to fall sharply. Despite a period of volatility, equity indices recovered their lost ground and the FTSE 100 reached an all-time high, finally breaking through 7 000 points. While the UK business has benefited from this recovery during the second half, income growth has been pegged back somewhat by the level of transactional volumes, which have remained subdued in reflection of the element of caution which remains in investor sentiment.

The regulatory environment continues to place increasing pressures on UK investment management businesses. This is contributing to consolidation within the UK investment management sector, which remains a continuing feature of the landscape. We continue to pursue opportunities to recruit experienced investment managers who are attracted by the strength of our offering.

Recent events in the Swiss financial markets have given us a chance to examine a wider range of opportunities to grow the business.

The recent positive momentum and growth in the Irish economy continued. With confidence returning, clients are actively seeking investment solutions, particularly in light of the low interest rate environment, and there has been greater demand for portfolio management, diversification, and risk-adjusted returns.

What have been the key developments in the business over the past financial year?

A In the UK, we recognised the increasing need for investment management services to be delivered digitally. Hence we recently announced the development of Investec Click & Invest, which will be one of the first online discretionary investment management services. This new offering will complement our core investment management service and ensure that we are ready to meet the needs of our clients as they change over time, and reach out to individuals who may not otherwise have formed part of our traditional client base. Our business is built on delivering a bespoke service to our clients, which is tailored to the need of each individual, and our digital capability must reflect this. Consequently, we are continuing to enhance those elements of our core offering that can be delivered digitally, in addition to the development of Investec Click & Invest.

The UK business has formally launched its Private Office service during the year, which draws on all of the resources we can offer to meet the needs of higher net worth individuals. Our ability to offer clients a choice of jurisdictions in which to custody their assets, along with access to banking services that the wider Investec group can provide, enables us to meet the more complex needs of these individuals.

While we pursue specific and measured opportunities for growth, our focus on ensuring that we provide our existing clients with the highest possible service will always be fundamental to what we do. Our offices across the UK have achieved rates of net organic growth in funds under management during the year that are ahead of our long-term target. This achievement reflects our continuing focus on the quality of our service and the strength of our investment processes.

What are your strategic objectives in the coming year?

A Serving our existing client base to the best of our ability is central to the strategy of our global Wealth & Investment business and the foundation on which our future growth and success will be built. We strive to always look forward to predict how our clients' needs will change over time, in order that we can plan to meet those needs into the future. We expect that an increasing portion of our clients will demand more of the service they receive from us to be delivered digitally going forward. With this in mind, we are investing resources to enhance our digital offering to our current and future clients across all geographies.

In the UK, a key priority is the development of the Investec Click & Invest service which we aim to launch during the 2016 financial year. We are also developing digital enhancements to our core service, which are becoming increasingly relevant to our clients. While the digital world brings with it opportunities to enhance the service we provide to our clients, it also brings challenges and risks. The security of our clients' assets is imperative and we continue to invest in our security infrastructure as our digital offering develops.

We remain committed to the continuous development and expansion of our financial planning capability, which is key to our offering and enables clients to access advice in relation to their wider financial position and objectives. Financial planning seems to be growing in importance and the complexity of the personal financial world continues to increase.

We are also seeking to selectively broaden our international presence and build on the opportunities that the geographical spread of our platforms presents. We expect to launch a small operation hosted by the group's Hong Kong office over the coming months, which will enable us to explore the potential for growth in that market.

In Switzerland we will continue to look for opportunities in the domestic market by offering services mainly to external asset managers and expatriates.

What is your outlook for the coming year?

A While UK equity indices have recovered from the low point of the second half of the financial year and the FTSE 100 has reached a record high, there remain significant economic and geopolitical risks which have the potential to cause further volatility.

The proven resilience of our business model and the opportunities which we are pursuing through our strategy means we look forward to the forthcoming financial year with confidence.

Questions and answers

David van der Walt

Geographical business leader

Specialist Banking...

Can you give us an overview of the environment in which you have operated over the past year?

A The UK recorded the firmest pace of growth of all the advanced economies in 2014 and saw its fastest growth pace since 2006. Indeed, at 2.8%, UK growth surpassed that of the United States (2.3%) and our Eurozone neighbours (0.9%). Furthermore, with 2014/15 having been a quieter year for Euro crisis developments, the UK benefited from a more positive risk backdrop. Responding to the solid recovery momentum, the health of the labour market continued to improve markedly over the financial year with the latest unemployment reading at 5.6%, the lowest level seen since July 2008.

The UK inflation background has been one of very subdued price growth, particularly in the latter part of the financial year where CPI inflation fell to a record low of zero in February and March 2015; the main driver has been lower fuel prices, reflecting the sharp decline in the wholesale price of oil. Hence despite the strengthening recovery, there has been little appetite on the UK Monetary Policy Committee (MPC) for higher interest rates, with the MPC not keen to adjust policy until it gains confidence that inflation is headed back to the 2% target. Hence, the bank rate remained at 0.5% through the financial year, marking six years at a record low. Meanwhile the level of the BoE's asset purchase scheme was maintained at £375 billion.

Geopolitical concerns combined with the regulatory effects on liquidity has meant that volatility in markets has increased.

The conditions above translated into a very favourable business environment with good levels of activity.

What have been the key developments in the business over the last financial year?

A The major development during the year has been the effective execution of our strategy to divest ourselves of the Professional Finance business in Australia and the sale of Kensington and Start. This completes the process of simplifying the business and allows us to now focus all our energy on building the core business.

In addition to this we have made substantial progress on reducing our legacy portfolio, which was helped by the sale of Kensington and Start; however, good progress was also made on the other corporate, structured credit and property assets. Impairment losses have been higher than budget mostly as a result of accelerating the tidy up of the legacy portfolio.

Corporate activity was very good. M&A activity was at a high, helping a very good performance from the Investment Banking and Securities business. The high levels of activity also drove good underlying lending growth in both the Corporate and Specialist Banking activities.

Good progress was made within the Private Banking business. The Private Bank account was successfully launched and very good progress was made with our online and digital platforms. Particular emphasis has been placed on improving the client experience with improvements in security and functionality. We are now in a position to roll out our offering and we are working closely with the Wealth & Investment teams to ensure our clients have the benefit of our full product offering.

Overall, we have made very good progress with the only disappointment being the underperformance of the Hong Kong investment portfolio.

What are your strategic objectives in the coming year?

A The business is now simplified and focused. We have significant momentum in the corporate and specialist business. Our main objective in the coming year is to grow and increase our core businesses with particular emphasis on growing and gaining traction in the Private Banking business.

To this end we will continue to invest in our private banking infrastructure to ensure our customer experience is the best in the market. In addition, we will roll out our strategy of targeting the professional market with particular emphasis on the accounting, legal and medical professions.

In addition to the client strategy we have a number of projects running to focus on cost efficiencies, reducing the overall cost of funds and the drag from surplus liquidity following the sale of Kensington.

We will continue to actively manage the legacy portfolio and reduce our exposure in the most appropriate manner.

What is your outlook for the coming year?

A Our central view is that we should see another year of good economic growth in the UK with some of the early election uncertainty out of the way. The event of a Grexit may lead to a drop in confidence and business activity. A certain amount of volatility is to be expected given the geopolitical situation and overall reduced liquidity in markets. Overall, we are expecting our growth momentum to continue.

How do you incorporate environmental and sustainability considerations into your business?

A We continue to focus on developing our people and investing in our communities and the environment, receiving a number of awards for our efforts in the past year. We won the Business Charity Award for our partnership with the Bromley by Bow Beyond Business incubator. With our support, the programme has launched 55 new social enterprise businesses creating over 325 new jobs and generating combined annual turnover of over £4 million. We also received recognition for our environmental efforts with the Gresham Street head office placed as a runner-up in the 2014 Clean City Awards Scheme. We continue to raise awareness around environmental concerns with staff through Team Green which was extended to 14 of our other UK offices during the year. Further, volunteerism remains core to our values and community efforts and through employees' ongoing support of the Amherst School initiative we have volunteered over 50 days per year consistently for the past five years.

3

Risk management and corporate governance

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 40 to 112 with further disclosures provided within the annual financial statements section on pages 131 to 222.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed on are marked as audited.

Information provided in this section of the annual report is prepared on an Investec plc consolidated basis unless otherwise stated.

The risk disclosures comprise the majority of the bank's Pillar III disclosures as required under the Capital Requirements Regulation pertaining to banks in the UK.

Statement from the chairman of the Investec plc group risk and capital committee

Philosophy and approach to risk management

The board risk and capital committee (comprising both executive and non-executive directors) meets six times per annum and approves the overall risk appetite for the Investec group. The group's risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risk arising from running our businesses.

Our comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of our businesses.

Risk awareness, control and compliance are embedded in all our day-to-day activities. We seek to achieve an appropriate balance between risk and reward, taking cognisance of all stakeholders' interests. A strong risk and capital management culture is embedded into our values.

Group Risk Management monitors, manages and reports on our risks to ensure that they are within the stated risk appetite mandated by the board of directors through the board risk and capital committee.

We monitor and control risk exposure through independent Credit, Market, Liquidity, Operational, Legal Risk, Internal Audit and Compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. There are specialist divisions in the UK and smaller risk divisions in other regions tasked with promoting sound risk management practices.

Risk Management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives, continually seeking new ways to enhance techniques.

We believe that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite tolerance as set out on page 41.

This section of our annual report, explains in detail our approach to managing our business within our risk appetite tolerance, across all main aspects of risk.

Group Risk Management objectives are to:

- Be the custodian of adherence to our risk management culture
- Ensure the business operates within the board stated risk appetite
- Support the long-term sustainability of the group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Coordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the boards reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Run appropriate risk committees, as mandated by the board.

A summary of the year in review from a risk perspective

Executive management is intimately involved in ensuring stringent management of risk, liquidity, capital and conduct. Investec plc predominantly remained within its risk appetite limits/targets across the various risk disciplines. Our risk appetite framework as set out on page 41 continues to be assessed in light of prevailing market conditions and group strategy.

Investec plc has significantly derisked its balance sheet through a number of strategic sales completed during the financial year (as discussed in detail on page 19), which resulted in a reduction in legacy assets of approximately £1.5 billion and total assets of approximately £6 billion.

Our core loan book (excluding strategic sales) has grown steadily over the year, reflecting an increase of approximately 16%. This has been supported by solid growth in our residential owner-occupied mortgage portfolios and private client lending, and steady growth in our Asset Finance business and other diversified corporate lending activities.

Credit and counterparty exposures are to a select target market and our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. We expect our target clients to demonstrate sound financial strength and integrity, a core competency and an established track record.

Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 17% of the book, other lending collateralised by property 15%, HNW and private client lending 17% and corporate lending 51% (with most industry concentrations well below 5%). We anticipate that future growth in our core loan portfolios will largely come from professional mortgages, HNW mortgages, asset finance, fund finance and power and infrastructure finance. These asset classes have historically reported low default ratios with satisfactory net margins.

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of the book.

Our legacy portfolio has been actively managed down from £3.4 billion at 31 March 2014 to £0.7 billion largely through strategic sales, redemptions, write-offs and some transfers (at the end of the period) to the ongoing book on the back of improved performance in these loans. The remaining legacy portfolio will continue to be managed down and we are starting to see opportunities to clear this portfolio. Management believes that the remaining legacy book will still take three to five years to wind down as explained in detail on page 30.

Impairments on loans and advances decreased from £126.9 million to £102.7 million. Since 31 March 2014 gross defaults have improved from £457.0 million to £400.1 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 3.00% (2014: 3.21%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.33 times (2014: 1.13 times).

The credit loss ratio increased during the year to 1.16% as we divested assets and increased impairments on the legacy portfolio. Our credit losses on our core 'ongoing' book remain low at 0.23% (2014: 0.50%).

Our investment portfolios in the UK continued to perform well. However, our investment portfolio in Hong Kong unfortunately generated a loss during the period as a result of a poor performance from some of the underlying investments. Overall, we remain comfortable with the performance of our equity investment portfolios which comprise 3.4% of total assets.

Market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels. Potential losses that could arise in our trading book portfolio when stress tested under extreme market conditions (i.e. per extreme value theory) amount to approximately 0.1% of total operating income.

Investec plc has continued to maintain a sound balance sheet with a low gearing ratio of 8.8 times and a core loans to equity ratio of 3.4 times. We have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. Both Investec plc and its banking subsidiary, Investec Bank plc, meet current internal targets. We are comfortable with our common equity tier 1 ratio target at a 10% level, as our current leverage ratios for both Investec plc and Investec Bank plc are above 7%. We believe that we have sufficient capital to support our growth initiatives.

Holding a high level of readily available, high-quality liquid assets remains paramount in the management of our balance sheet. We continue to maintain a low reliance on interbank wholesale funding to fund lending growth. Cash and near cash balances amounted to £5.0 billion at year end, representing 43.3% of our liability base.

We have significant surplus cash following the sale of Kensington and we are actively focusing on reducing both cash and liquidity back to normalised levels through asset growth and further liability management, while maintaining our overall conservative approach to liquidity risk management. Our weighted average cost of funding continued to decrease and we comfortably exceed Basel liquidity requirements for the Liquidity Coverage Ratio and Net Stable Funding Ratio.

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. During the year, Investec enhanced its stress testing framework by developing a repeatable stress testing process designed to identify and regularly test the bank's key 'vulnerabilities under stress'. The key is to understand these potential threats to our sustainability and profitability and thus a number of risk scenarios have been developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process. The stress testing process also informs the risk appetite review process and the management of risk appetite limits, and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

Conclusion

The current regulatory and economic environment continues to prove challenging to our business; however, we are comfortable that we have robust risk management processes and systems in place which provide a strong foundation to the board and the business to manage and mitigate risks within our risk appetite tolerance framework.

Signed on behalf of the board

Stephen Koseff

Chairman of the group risk and capital committee

19 June 2015

Salient features

A summary of key risk indicators is provided in the table below.

Year to 31 March	2015	2014
Net core loans and advances (£'million)	7 061	8 222
Total assets (£'million)	18 272	22 674
Total risk-weighted assets (£'million)	11 608	13 711
Total equity (£'million)	2 074	2 269
Cash and near cash (£'million)	5 039	4 324
Customer accounts (deposits) (£'million)	10 306	10 956
Gross defaults as a % of gross core loans and advances	5.52%	5.43%
Defaults (net of impairments) as a % of net core loans and advances	3.00%	3.21%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–
Credit loss ratio*	1.16%	0.99%
Structured credit investments as a % of total assets	1.92%	1.94%
Banking book investment and equity risk exposures as a % of total assets	3.44%	2.46%
Level 3 (fair value assets) as a % of total assets	4.32%	4.57%
Traded market risk: one day value at risk (£'million)	0.7	0.9
Core loans to equity ratio	3.4x	3.6x
Total gearing ratio**	8.8x	10.0x
Loans and advances to customers to customer deposits	68.5%	71.0%
Capital adequacy ratio°	16.2%	14.9%^
Tier 1 ratio°	11.4%	10.1%^
Common equity tier 1 ratio°	9.7%	8.4%^
Leverage ratio°	7.4%	7.1%^
Return on average assets#	0.44%	0.43%
Return on average risk-weighted assets#	0.72%	0.75%

* *Income statement impairment charge on core loans as a percentage of average advances.*
** *Total assets to total equity.*
^ *Restated for adoption of IFRIC 21 as detailed in note 57 on page 222.*
\# *Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill, acquired intangibles and non-operating items. Average balances are calculated on a straight-line average.*
° *Takes into account the deduction of foreseeable dividends as discussed on page 105.*

Overall group risk appetite

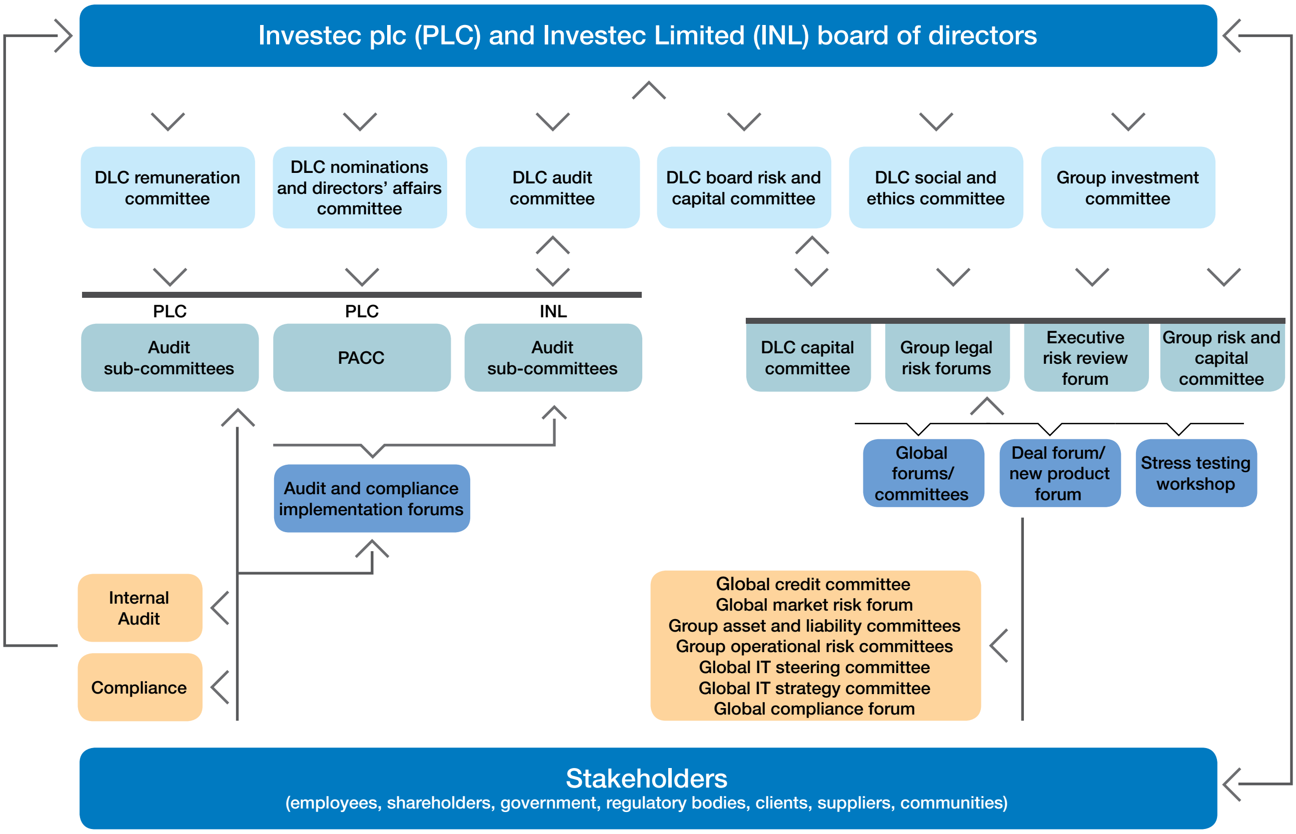
The group has a number of board-approved risk appetite statements and policy documents covering our risk tolerance and approach to all aspects of risk. In addition, a number of committees and forums identify and manage risk at a group level. The group risk appetite statement and framework sets out the board's mandated risk appetite. The group risk appetite framework acts as a guide to determine the acceptable risk profile of the group by the owners of the group's capital. The group risk appetite statement ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The group risk appetite statement is a high-level, strategic framework that supplements and does not replace the detailed risk policy documents at each entity and geographic level. The group risk appetite framework is a function of business strategy, budget process and the regulatory and economic environment in which the group is operating. The group risk appetite framework is reviewed (in light of the above aspects) and approved at least annually or as business needs dictate. A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the group risk and capital committee and the board risk and capital committee.

The table below provides a high-level summary of Investec plc's overall risk tolerance framework.

Investec plc risk appetite and tolerance metrics	Investec plc positioning at 31 March 2015
• We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally the split in revenue should be 50:50, dependent on prevailing market conditions	Capital light activities contributed 66% to total operating income and capital intensive activities contributed 34%
• We have a solid recurring income base supported by diversified revenue streams, and target a recurring income ratio in excess of 65%	Recurring income amounted to 77.1% of total operating income
• We seek to maintain strict control over fixed costs and target a group cost to income ratio of below 70%	The cost to income ratio amounted to 79.6%.
• We aim to build a sustainable business generating sufficient return to shareholders over the longer term. The Investec group targets a long-term return on equity ratio range of between 12% and 16%, and a return on risk-weighted assets in excess of 1.2%	The Investec group's return on equity amounted to 10.6% and its return on risk-weighted assets amounted to 1.25%
• We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target, refer to page 108 for further information
• We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis, a minimum tier 1 ratio of 10.5% (11.0% by March 2016) and a common equity tier 1 ratio above 10.0% (by March 2016)	We meet current capital targets, refer to page 108 for further information
• We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 7.5% of common equity tier 1 capital (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
• There is a preference for primary exposure in Investec plc's main operating geography (i.e. the UK). We will accept exposures where we have a branch/banking business. We will also tolerate exposures to other countries where we have core capabilities	Refer to page 68 for further information
• The level of defaults and impairments continues to improve and we target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.5% under a weak economic environment/stressed scenario), and we target defaults net of impairments less than 2% of total core loans (less than 4% under a weak economic environment/stressed scenario)	The credit loss charge on core loans amounted to 1.16% and defaults net of impairments amounted to 3.00% of total core loans. Refer to page 59 for further information
• We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to £5.0 billion, representing 43.3% of our liability base. Refer to page 87 for further information
• We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a 1 day 95% VaR of less than £5 million for Investec plc	We meet these internal limits, refer to page 77 for further information
• We have moderate appetite for investment risk, and set a risk tolerance of less than 27.5% of common equity tier 1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio is £288 million, representing 24.4% of total common equity tier 1 capital. Refer to page 72 for further information
• Our Operational Risk Management team focuses on improving business performance and compliance with regulatory requirements, through review, challenge and escalation	Refer to pages 91 to 93 for further information
• We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to pages 94 and 95 for further information

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at group level, as shown in the diagram below. These committees and forums operate together with Group Risk Management and are mandated by the board.



In the sections that follow the following abbreviations are used on numerous occasions:

ALCO	Asset and liability committee	ERRF	Executive risk review forum
BCBS	Basel Committee of Banking Supervision	FCA	Financial Conduct Authority
BIS	Bank for International Settlements	FSB	Financial Services Board
BoE	Bank of England	GRCC	Group risk and capital committee
BRCC	Board risk and capital committee	PACC	Prudential audit and conduct committee
ECB	European Central Bank	PRA	Prudential Regulation Authority

An overview of key risks

In our daily business activities, Investec enters into a number of risks that could have the potential to affect our business operations or financial performance.

These risks have been highlighted on page 18.

The sections that follow provide information on a number of these risk areas.

Additional risks and uncertainties that are currently considered immaterial and not included in this report may in the future impact our business operations and financial performance.

Credit and counterparty risk management

Credit and counterparty risk description

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected. Our definition of settlement debtors is a short-term receivable (i.e. less than two days) which is excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

Credit and counterparty risks can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

While we do not have a separate country risk committee, the local and global credit committees will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee is responsible for approving country limits not within the mandate of local group credit committees.

The relevant credit committees within Investec will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the Global Risk Management functions and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk governance structure

To manage, measure and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. There is a

Independent credit committees manage, measure and mitigate credit and counterparty risk

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength

high level of executive involvement and non-executive review and oversight in the credit decision-making forums. It is our policy that all centralised credit committees comprise voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the group credit committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears forecast reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate watch forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- Arrears, default and recoveries forum which specifically reviews and manages distressed loans and potentially distressed loans for private clients. This forum also reviews and monitors counterparties who have been granted forbearance measures.

Credit and counterparty risk appetite

There is a preference for primary exposure in the group's main operating geography (i.e. the UK). The group will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography.

Our assessment of our clients and counterparties includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

We have little appetite for unsecured debt and require that good quality collateral is provided in support of obligations (refer to page 69 for further information).

Target clients include high net worth and/or high-income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates must have scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow.

We are client-centric in our approach and originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship.

Interbank lending is largely reserved for those banks and institutions in the group's core geographies of activity which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures are generally avoided.

In certain instances we have elected to sell certain assets down and/or securitise them (refer to page 73 for further information).

Concentration risk

Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level by Group Risk Management, Group Lending Operations as well as the originating business units.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk.

Risk appetite

The board has set a group risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to the GRCC and BRCC on a regular basis. Should there be any breaches to limits, or where exposures are nearing limits these exceptions are specifically highlighted for attention, and any remedial actions agreed.

Sustainability considerations

Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment and includes our many CSI activities and our funding and investing activities. This is not merely for business reasons, but based on a broader responsibility to our environment and society. Accordingly, sustainability risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

- Environmental considerations (including animal welfare)
- Social considerations
- Economic considerations.

Refer to our sustainability report on our website.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions are made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board at the GRCC and BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by Group Credit.

Despite strict adherence to the above principles, increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility and weak economic conditions.

A large proportion of the bank's portfolio is not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available as support in our decision-making process. Within the credit approval process, internal and external ratings are included in the assessment of the client quality.

Internal credit rating models are being developed to cover all material asset classes. The internal ratings are incorporated in the risk management and decision-making process and are used in credit assessment, monitoring and approval as well as pricing.

Exposures are classified to reflect the bank's risk appetite and strategy. At a high level the exposures are classified according to the Basel asset classes which include sovereign, bank, corporate, retail, equity, securitisation and specialised lending (which is further categorised into project finance; commodities finance; high volatility commercial real estate; and income-producing commercial real estate).

Fitch, S&P, Moody's and DBRS have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns and securitisations, Fitch, Moody's, S&P and DBRS have been selected by Investec as eligible ECAIs.
- In relation to banks, corporates and debt securities, Fitch, Moody's and S&P are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk-weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

The group applies the standardised approach for capital requirements in the assessment of its credit and counterparty exposures. The group's banking subsidiaries conduct their mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the Central Bank Registrar, in the respective geographies in which the group operates.

Stress testing and portfolio management

During the year, Investec has enhanced its stress testing framework by developing a repeatable stress testing process, designed to identify and regularly test the bank's key 'vulnerabilities under stress'.

A fundamental part of the stress testing process is a full and comprehensive analysis of all the bank's material business activities, incorporating views from Risk, the business and the executive – a process called the 'bottom-up' analysis. Out of the 'bottom-up' analysis the Investec-specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio.

These Investec-specific stress scenarios form an integral part of our capital planning process. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

Notwithstanding the form of the stress testing process, the framework should not impede the group from being able to be flexible and perform ad hoc stress tests, which by their nature need to be completed on request and in response to emerging risk issues.

Quarterly portfolio reviews are also undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk – nature of lending activities

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients and other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

Lending collateralised by property

Client quality and expertise are at the core of our credit philosophy. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan to security value ratios.

We provide senior debt and other funding for property transactions, with a strong preference for income producing assets supported by an experienced sponsor providing a material level of cash equity investment into the asset.

An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 66 and 67.

Private client activities

Our private banking activities target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high-income earning potential, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors.

Lending products are tailored to meet the requirements of our clients. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been grouped and defined to include high net worth clients (who, through diversification of income streams, will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- Personal Banking delivers products to enable target clients to create and manage their wealth. This includes private client mortgages, transactional banking, high net worth lending, trust and fiduciary, offshore banking and foreign exchange
- Residential Mortgages provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs as well as vanilla mortgage products for professional target market clients
- Specialised Lending provides tailored credit facilities to high net worth individuals and their controlled entities

An analysis of the private client loan portfolio and asset quality information is provided on pages 66 and 67.

Corporate client activities

We focus on traditional client-driven corporate lending activities, in addition to customer flow-related treasury and trading execution services.

Within the corporate lending businesses, credit risk can arise from corporate loans, acquisition finance, asset finance, power and infrastructure finance, asset-based lending, fund finance and resource finance. We also undertake debt origination activities for corporate clients.

The Credit Risk Management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where they are deemed appropriate.

Investec has limited appetite for unsecured credit risk and facilities are typically secured on the assets of the underlying borrower.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within our corporate lending business is provided below:

- Corporate Loans: provides senior secured loans to mid – to large cap companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business based on historic and forecast information. We typically act as transaction lead or arranger, and have a close relationship with management and the sponsor.
- Corporate Debt Securities: these are tradable corporate debt instruments, purchased based on acceptable credit fundamentals typically with a medium-term hold strategy where the underlying risk is to UK and European corporates. This is a highly diversified, granular portfolio that is robust and spread across a variety of geographies and industries.
- Acquisition Finance: provides debt funding to proven management teams, running small to mid-cap sized companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation of the business. This will be based on historic and forecast information. We typically lend on a bilateral basis and benefit from a close relationship with management.
- Asset-based Lending: provides working capital and corporate loans secured by mid-caps. These loans are secured on the assets of the business, e.g. the accounts receivable, inventory, plant and machinery. In common with our corporate lending activities, strong emphasis is placed on backing companies with scale and relevance to their industry, stability of cash flow, and experienced management.
- Fund Finance: provides debt facilities to asset managers and fund vehicles, principally in private equity and credit asset classes. The geographical focus is the UK, Western Europe and North America, where Investec can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Fund manager loans are structured against committed fund management cash flows and the managers' investment stake in their own funds.
- Small Ticket Asset Finance: provides highly diversified lending to small and medium-sized corporates to support asset purchases and other business requirements. These facilities are secured against the asset being financed and are a direct obligation of the company.

- Large Ticket Asset Finance: provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure.
- Power and Infrastructure Finance: arranges and provides typically long-term financing for infrastructure assets, in particular renewable power projects and transport, against contracted future cash flows of the project(s) from recognised utilities and power companies as well as the balance sheet of the corporate. There is a strong equity contribution from an experienced sponsor.
- Resource Finance: debt arranging and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals and coal. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in one of the following geographies – the UK, North America and Australia. All facilities are secured by the borrower's assets and repaid from mining cash flows.
- Structured Credit: These are bonds secured against a pool of assets, typically UK residential mortgages or European or US leverage loans. The bonds are mainly investment grade rated, which benefit from a high level of credit subordination and can withstand a significant level of portfolio defaults.
- Treasury Placements: The Treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short term (less than one month) money market placements or secured repurchase agreements. These market counterparties are high investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets. These counterparties are located in the UK, Western Europe and North America.
- Corporate advisory and investment banking activities: Counterparty risk in this area is modest. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security.
- Customer trading activities to facilitate client lending: Our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities and equities that are entered to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have a sizeable exposure to foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked to market with daily margin calls to mitigate credit exposure in the event of counterparty default.

An analysis of the corporate client loan portfolio and asset quality information is provided on pages 66 and 67.

Wealth & Investment

Investec Wealth & Investment provides investment management services to private clients, charities, intermediaries, pension schemes and trusts. Wealth & Investment is primarily an agency business with a limited amount of principal risk. Its core business is discretionary and non-discretionary investment management services.

Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, are monitored daily, and trades are usually settled within two days.

Asset Management

Investec Asset Management regularly transacts with well known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a movement in the value of the underlying security in the unlikely event a counterparty fails. Direct cash placements follow our policy, as outlined above, of only being exposed to systemic banks of investment grade quality in the UK, Europe and the US.

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients and other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities

Asset quality analysis – credit risk classification and provisioning policy

It is a policy requirement overseen by Central Credit Management that each operating division makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established group guidelines and in conjunction with the watchlist committee process. In the annual financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogeneous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. Management, however, is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil its credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons: • Covenant breaches • There is a slowdown in the counterparty's business activity • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Any restructured credit exposures until appropriate watchlist committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default (non-performing assets)	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency-denominated accounts.	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well-defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable • The bank is relying, to a large extent, on available collateral; or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	The counterparty is placed in doubtful when the credit exposure is considered to be impaired, but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	A counterparty is placed in the loss category when: • The credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted; or • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets are remote.

Investec has limited appetite for unsecured debt, preferring to mitigate risk through good quality tangible collateral

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the bank has a pledge of security, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

As Investec has a limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued.

An analysis of collateral is provided on page 69.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property; its location; and the ease with which the property could be re-let and/or re-sold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are, cash and share portfolios. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

The second primary collateral in private client lending transactions is over a high-net-worth individual's investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at very conservative loan-to-value ratios after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. The primary market standard legal documents that govern this include the International Swaps and Derivatives Association Master Agreements (ISDA), Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with all market and trading counterparties in over-the-counter (OTC) derivatives, a Credit Support Annex (CSA) ensures that all mark-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement.

Set-off has been applied between assets subject to credit risk and related liabilities in the annual financial statements where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities

Risk management and corporate governance

3

- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

Investec places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the bank in the UK will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2015 amounts to £10.9 million, of which £6.3 million is used for credit mitigation purposes and the balance for trading and investment. Total protection bought amounts to £15.2 million (£9.8 million relating to credit derivatives used in credit mitigation) and total protection sold amounts to £4.3 million (£3.5 million relating to credit derivatives used in credit mitigation).

Further information on credit derivatives is provided on page 79.

Investec endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function in Investec ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which Investec operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

For regulatory reporting purposes, exposures may be reduced by eligible collateral. Under the standardised approach credit risk mitigation can be achieved through either funded or unfunded credit protection. Where unfunded credit protection is relied upon for mitigation purposes, the exposure to the borrower will be substituted with an exposure to the protection provider, after applying a 'haircut' to the value of the collateral due to currency and/or maturity mismatches between the original exposure and the collateral provided. Unfunded credit protection includes eligible guarantees and credit derivatives. Where we rely on funded protection in the form of financial collateral, the value of collateral is adjusted using the financial collateral comprehensive method. This method applies supervisory volatility adjustments to the value of the collateral, and includes the currency and/maturity haircuts discussed above.

Please refer to the credit quality step table disclosed on page 111 for a breakdown of regulatory exposure values before and after credit risk mitigation has been applied.

Forbearance

Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulties. These modifications are on terms that would be more advantageous compared with what other debtors with a similar risk profile could have obtained from the bank. The credit committee will assess each application to determine whether the proposed modifications will be considered as forbearance. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice. The amount of loans forborne represents a negligible percentage of the overall loan portfolio in our UK book.

Credit and counterparty risk year in review

We continue to realign and rebalance our portfolio in line with our stated risk appetite, which is reflected in the growth in corporate client exposures and the decline in lending collateralised by property exposures. Material progress has been made during the year in our strategic portfolio rebalancing, in part through strategic divestments but also through active portfolio management and the consistent application of our risk appetite statement.

Three divestments, namely the sale of Kensington, Start (Irish mortgages) and Investec Bank (Australia) Limited's professional finance and asset finance businesses were the principal drivers behind the 56.6% decline in HNW and other private client lending, which has decreased from £2.8 billion at 31 March 2014 to £1.2 billion at 31 March 2015. The Kensington and Start divestments have significantly reduced our legacy exposures.

Active portfolio management has materially refocused the bank's core lending portfolio – lending collateralised by property has declined by 8.7% from £2.5 billion at 31 March 2014 to £2.3 billion at 31 March 2015; while corporate client and other lending has increased 20.2% from £3.1 billion at 31 March 2014 to £3.7 billion at 31 March 2015. On a like-for-like basis, after excluding the impact of divestments, HNW and other private client lending increased by 12% year-on-year.

Net core loans and advances have decreased by 14.1% to £7.1 billion at 31 March 2015 from £8.2 billion at 31 March 2014 reflecting the impact of the divestments, but partially offset by increased net loan growth. Excluding divestments, net core loans increased by approximately 16%, largely as a result of solid growth in our diversified corporate lending activities.

Default loans (net of impairments) have decreased by 19.7% or £52 million on an absolute basis and decreased to 3.00% from 3.21% as a percentage of net core loans and advances. Gross defaults decreased by 12.4% or £56.9 million from £457.0 million at 31 March 2014 to £400.1 million at 31 March 2015. The credit loss ratio is at 1.16% (2014: 0.99%); the increase in the credit loss ratio is largely attributable to the reduction in denominator (gross core loans and advances have decreased to £7.2 billion from £8.4 billion), due to the sale of core loans through the divestments. We have reported an increase in impairments on the legacy portfolio.

The sections that follow provide high-level commentary for each of our key business areas. We are highly focused on reducing legacy assets and originating good quality assets.

Lending collateralised by property

The overall exposure to property collateralised assets, as a proportion of our total loan exposures, has reduced in line with our risk appetite statement. A large proportion of property collateralised assets are located in the UK and, notwithstanding the improved UK market and particularly in London, our underwriting criteria has remained tight and we remain committed to following a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

We have actively managed the legacy portfolio down, working assets to achieve optimal recovery but taking opportunistic offers on properties where appropriate. The continuing improvement in the UK property market has assisted further acceleration of this process and we expect this to continue over the forthcoming 12 months.

Private client activities

The existing high-net-worth mortgage book has continued to grow significantly and is expected to continue in the next 12 months as the bank moves to increase its private client offering, providing a more holistic private bank experience from transactional banking to wealth management. Investec Professional Mortgages was relaunched in October 2014, for professional individuals.

Corporate client activities

Our corporate lending businesses have seen strong growth during the financial year under review. Growth in our corporate lending activities has been diversified across all our business lines, while ensuring that we maintain strong asset quality and adherence to our core credit philosophies.

Performance of the Corporate portfolio, including Small Ticket Asset finance, Large Ticket Asset finance, Power and Infrastructure finance and Fund finance, has remained strong during the financial year 2015, with the markets seeing lending activity levels increase, bolstered by strong private equity sponsor appetite for assets. Underlying asset cover quality is good, and portfolios remain well diversified by borrower, sector and geography, albeit with a natural skew towards the UK.

Credit and counterparty risk information

Pages 40 to 52 describe where and how credit risk is assumed in our operations.

The tables that follow provide an analysis of the credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 11.8% to £16.0 billion largely as a result of the divestments of Kensington, Start and Investec Bank (Australia) Limited. Cash and near cash balances amount to £5.0 billion and are largely reflected in the following line items in the table below: cash and balances at central banks loans and advances to banks and sovereign debt securities.

At 31 March £'000	2015	2014	% change	Average*
Cash and balances at central banks	2 179 822	1 735 333	25.6%	1 957 578
Loans and advances to banks	1 053 932	1 307 570	(19.4%)	1 180 751
Reverse repurchase agreements and cash collateral on securities borrowed	1 448 205	1 215 500	19.1%	1 331 853
Sovereign debt securities	1 212 910	1 232 416	(1.6%)	1 222 663
Bank debt securities	226 273	371 183	(39.0%)	298 728
Other debt securities	221 480	218 190	1.5%	219 835
Derivative financial instruments	516 034	525 526	(1.8%)	520 780
Securities arising from trading activities	513 673	419 408	22.5%	466 541
Loans and advances to customers (gross)	7 249 561	7 967 313	(9.0%)	7 608 437
Own originated loans and advances to customers (gross)	–	448 255	(100.0%)	224 128
Other loans and advances (gross)	393 353	1 451 925	(72.9%)	922 639
Other securitised assets (gross)	51 223	184 483	(72.2%)	117 853
Other assets	55 383	137 665	(59.8%)	96 524
Total on-balance sheet exposures	15 121 849	17 214 767	(12.2%)	16 168 308
Guarantees^	31 664	46 922	(32.5%)	39 293
Contingent liabilities, committed facilities and other	835 858	863 305	(3.2%)	849 582
Total off-balance sheet exposures	867 522	910 227	(4.7%)	888 874
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	15 989 371	18 124 994	(11.8%)	17 057 182

* *Where the average is based on a straight-line average.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

A further analysis of our on-balance sheet credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) our on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2015				
Cash and balances at central banks	2 179 822	1 420		2 181 242
Loans and advances to banks	1 053 932	–		1 053 932
Reverse repurchase agreements and cash collateral on securities borrowed	1 448 205	–		1 448 205
Sovereign debt securities	1 212 910	–		1 212 910
Bank debt securities	226 273	–		226 273
Other debt securities	221 480	1 005		222 485
Derivative financial instruments	516 034	258 987		775 021
Securities arising from trading activities	513 673	156 625		670 298
Investment portfolio	–	400 941	1	400 941
Loans and advances to customers	7 249 561	(188 444)	2	7 061 117
Other loans and advances	393 353	161 559		554 912
Other securitised assets	51 223	360 760	3	411 983
Interest in associated undertakings	–	21 931		21 931
Deferred taxation assets	–	73 618		73 618
Other assets	55 383	1 280 197	4	1 335 580
Property and equipment	–	63 069		63 069
Investment properties	–	65 736		65 736
Goodwill	–	356 090		356 090
Intangible assets	–	136 655		136 655
Total on-balance sheet exposures	15 121 849	3 150 149		18 271 998

1. *Relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 70 to 72 .*
2. *Largely relates to impairments and the impact of hedge accounting.*
3. *While the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these 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'.*
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.*

A further analysis of our on-balance sheet credit and counterparty exposures (continued)

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2014				
Cash and balances at central banks	1 735 333	7 285		1 742 618
Loans and advances to banks	1 307 570	–		1 307 570
Reverse repurchase agreements and cash collateral on securities borrowed	1 215 500	–		1 215 500
Sovereign debt securities	1 232 416	–		1 232 416
Bank debt securities	371 183	–		371 183
Other debt securities	218 190	11 038		229 228
Derivative financial instruments	525 526	394 489		920 015
Securities arising from trading activities	419 408	167 298		586 706
Investment portfolio	–	342 597	1	342 597
Loans and advances to customers	7 967 313	(192 686)	2	7 774 627
Own originated loans and advances to customers	448 255	(617)	2	447 638
Other loans and advances	1 451 925	220 784	3	1 672 709
Other securitised assets	184 483	2 613 675	3, 4	2 798 158
Interest in associated undertakings	–	21 366		21 366
Deferred taxation assets	–	105 109		105 109
Other assets	137 665	1 061 392	5	1 199 057
Property and equipment	–	65 923		65 923
Investment properties	–	61 715		61 715
Goodwill	–	427 011		427 011
Intangible assets	–	153 348		153 348
Total on-balance sheet exposures	17 214 767	5 459 727		22 674 494

1. *Relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 70 to 72.*
2. *Largely relates to impairments and the impact of hedge accounting.*
3. *While the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these 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'.*
4. *Includes net investments in Kensington securitised vehicles to which Investec has no direct exposure.*
5. *Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit and counterparty exposures by residual contractual maturity at 31 March 2015

£'000	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	2 179 822	–	–	–	–	–	2 179 822
Loans and advances to banks	1 053 932	–	–	–	–	–	1 053 932
Reverse repurchase agreements and cash collateral on securities borrowed	1 448 205	–	–	–	–	–	1 448 205
Sovereign debt securities	453 514	157 468	6 639	–	–	595 289	1 212 910
Bank debt securities	65	45 350	132	33 569	147 157	–	226 273
Other debt securities	1 308	272	4 615	49 925	49 479	115 881	221 480
Derivative financial instruments	114 939	63 930	81 953	153 463	61 608	40 141	516 034
Securities arising from trading activities	346 299	79 098	1 556	62 932	4 372	19 416	513 673
Loans and advances to customers (gross)	1 472 478	757 217	754 805	3 160 536	690 441	414 084	7 249 561
Other loans and advances (gross)	29 381	439	127	63 932	46 583	252 891	393 353
Other securitised assets (gross)	467	–	–	–	–	50 756	51 223
Other assets	55 383	–	–	–	–	–	55 383
Total on-balance sheet exposures	7 155 793	1 103 774	849 827	3 524 357	999 640	1 488 458	15 121 849
Guarantees^	28 070	–	2 370	1 224	–	–	31 664
Contingent liabilities, committed facilities and other	63 641	49 430	154 607	447 093	15 753	105 334	835 858
Total off-balance sheet exposures	91 711	49 430	156 977	448 317	15 753	105 334	867 522
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	7 247 504	1 153 204	1 006 804	3 972 674	1 015 393	1 593 792	15 989 371

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

Detailed analysis of gross credit and counterparty exposures by industry

£'000	HNW and professional individuals	Lending collateralised property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
At 31 March 2015							
Cash and balances at central banks	–	–	–	–	2 179 822	–	–
Loans and advances to banks	–	–	–	–	–	–	1 053 932
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–	1 448 205
Sovereign debt securities	–	–	–	–	1 212 910	–	–
Bank debt securities	–	–	–	–	–	–	226 273
Other debt securities	–	–	–	3 935	7 396	3 474	103 486
Derivative financial instruments	3 084	–	–	27 827	–	24 675	304 498
Securities arising from trading activities	–	–	–	34 894	380 262	794	81 267
Loans and advances to customers (gross)	1 203 489	2 318 053	6 789	362 488	187 120	333 841	732 676
Other loans and advances (gross)	–	–	–	–	–	–	144 181
Other securitised assets (gross)	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	55 245
Total on-balance sheet exposures	1 206 573	2 318 053	6 789	429 144	3 967 510	362 784	4 149 763
Guarantees^	29 017	–	–	–	–	650	27
Contingent liabilities, committed facilities and other	77 227	193 955	–	155 654	17 165	31 149	89 661
Total off-balance sheet exposures	106 244	193 955	–	155 654	17 165	31 799	89 688
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 312 817	2 512 008	6 789	584 798	3 984 675	394 583	4 239 451
At 31 March 2014							
Cash and balances at central banks	–	–	–	–	1 735 333	–	–
Loans and advances to banks	–	–	–	–	–	–	1 307 570
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–	1 215 500
Sovereign debt securities	–	–	–	–	1 232 416	–	–
Bank debt securities	–	–	–	–	–	–	371 183
Other debt securities	–	–	–	–	–	–	185 739
Derivative financial instruments	5 598	–	34	10 277	4 863	14 603	422 363
Securities arising from trading activities	–	–	–	–	361 830	–	57 463
Loans and advances to customers (gross)	2 327 713	2 538 625	21 326	349 371	186 485	252 649	486 736
Own originated loans and advances to customers (gross)	448 255	–	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	71 120
Other securitised assets (gross)	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	18 072	103 702
Total on-balance sheet exposures	2 781 566	2 538 625	21 360	359 648	3 520 927	285 324	4 221 376
Guarantees^	14 397	368	–	–	–	631	2 397
Contingent liabilities, committed facilities and other	331 081	166 522	2 519	66 695	6 751	34 789	54 686
Total off-balance sheet exposures	345 478	166 890	2 519	66 695	6 751	35 420	57 083
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	3 127 044	2 705 515	23 879	426 343	3 527 678	320 744	4 278 459

* *Historically legacy positions to non-target market clients.*

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

Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Corporate commercial real estate	Other residential mortgages*	Mining and resources	Leisure, entertain-ment and tourism	Transport	Communi-cation	Total
–	–	–	–	–	–	–	–	–	2 179 822
–	–	–	–	–	–	–	–	–	1 053 932
–	–	–	–	–	–	–	–	–	1 448 205
–	–	–	–	–	–	–	–	–	1 212 910
–	–	–	–	–	–	–	–	–	226 273
1 030	3 535	–	–	63 793	23 237	5 925	–	5 669	221 480
44 136	28 948	8 853	730	–	25 517	13 489	16 445	17 832	516 034
3 828	4 817	–	1 343	–	2 187	1 150	2	3 129	513 673
394 747	468 103	62 591	104 740	–	192 082	97 214	688 892	96 736	7 249 561
–	–	–	9 702	239 470	–	–	–	–	393 353
–	–	–	–	51 223	–	–	–	–	51 223
–	138	–	–	–	–	–	–	–	55 383
443 741	505 541	71 444	116 515	354 486	243 023	117 778	705 339	123 366	15 121 849
–	–	–	–	430	1 540	–	–	–	31 664
37 370	35 989	16 855	208	–	34 996	13 327	126 641	5 661	835 858
37 370	35 989	16 855	208	430	36 536	13 327	126 641	5 661	867 522
481 111	541 530	88 299	116 723	354 916	279 559	131 105	831 980	129 027	15 989 371
–	–	–	–	–	–	–	–	–	1 735 333
–	–	–	–	–	–	–	–	–	1 307 570
–	–	–	–	–	–	–	–	–	1 215 500
–	–	–	–	–	–	–	–	–	1 232 416
–									371 183
–	–	–	–	32 451	–	–	–	–	218 190
24 529	6 977	13 816	1 144	–	1 153	10 962	7 144	2 063	525 526
–	–	–	–	–	–	–	115	–	419 408
363 649	382 334	78 914	72 470	16 074	177 045	160 907	487 014	66 001	7 967 313
–	–	–	–	–	–	–	–	–	448 255
–	–	–	–	1 380 805	–	–	–	–	1 451 925
–	–	–	–	184 483	–	–	–	–	184 483
1 572	9 456	–	–	137	–	–	–	4 726	137 665
389 750	398 767	92 730	73 614	1 613 950	178 198	171 869	494 273	72 790	17 214 767
3 585	1 571	56	–	456	23 375	86	–	–	46 922
40 457	49 882	23 229	2 208	5 293	6 023	16 828	49 983	6 359	863 305
44 042	51 453	23 285	2 208	5 749	29 398	16 914	49 983	6 359	910 227
433 792	450 220	116 015	75 822	1 619 699	207 596	188 783	544 256	79 149	18 124 994

Corporate client loans account for 51.0% of total gross core loans and advances, and are well diversified across various industry classifications

Summary analysis of gross credit and counterparty exposures by industry

A description of the type of corporate client lending we undertake, is provided on pages 46 and 47, and a more detailed analysis of the corporate client loan portfolio is provided on pages 66 and 67.

The remainder of core loans and advances largely relate to private client lending, as represented by the industry classification 'HNW and professional individuals', as well as lending collateralised by property.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and professional individual clients.

A description of the type of private client lending and lending collateralised by property we undertake is provided on page 46, and a more detailed analysis of the private client loan portfolio is provided on pages 66 and 67.

At 31 March £'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	2015	2014	2015	2014	2015	2014
HNW and professional individuals	1 203 489	2 775 968	109 328	351 076	1 312 817	3 127 044
Lending collateralised by property – largely to private clients	2 318 053	2 538 625	193 955	166 890	2 512 008	2 705 515
Agriculture	6 789	21 326	–	2 553	6 789	23 879
Electricity, gas and water (utility services)	362 488	349 371	222 310	76 972	584 798	426 343
Public and non-business services	187 120	186 485	3 797 555	3 341 193	3 984 675	3 527 678
Business services	333 841	252 649	60 742	68 095	394 583	320 744
Finance and insurance	732 676	486 736	3 506 775	3 791 723	4 239 451	4 278 459
Retailers and wholesalers	394 747	363 649	86 364	70 143	481 111	433 792
Manufacturing and commerce	468 103	382 334	73 427	67 886	541 530	450 220
Construction	62 591	78 914	25 708	37 101	88 299	116 015
Corporate commercial real estate	104 740	72 470	11 983	3 352	116 723	75 822
Other residential mortgages	–	16 074	354 916	1 603 625	354 916	1 619 699
Mining and resources	192 082	177 045	87 477	30 551	279 559	207 596
Leisure, entertainment and tourism	97 214	160 907	33 891	27 876	131 105	188 783
Transport	688 892	487 014	143 088	57 242	831 980	544 256
Communication	96 736	66 001	32 291	13 148	129 027	79 149
Total	7 249 561	8 415 568	8 739 810	9 709 426	15 989 371	18 124 994

An analysis of our core loans and advances, asset quality and impairments

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.

At 31 March £'000	2015	2014
Loans and advances to customers as per the balance sheet	7 061 117	7 774 627
Add: own originated loans and advances securitised as per the balance sheet	–	447 638
Net core loans and advances to customers	7 061 117	8 222 265

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

An overview of developments during the financial year is provided on pages 51 and 52.

£'000	31 March 2015	31 March 2014
Gross core loans and advances to customers	7 249 561	8 415 568
Total impairments	(188 444)	(193 303)
Specific impairments	(154 262)	(176 866)
Portfolio impairments	(34 182)	(16 437)
Net core loans and advances to customers*	7 061 117	8 222 265
Average gross core loans and advances to customers	7 832 564	8 429 436
Current loans and advances to customers	6 733 402	7 681 073^
Past due loans and advances to customers (1 – 60 days)	73 489	124 033
Special mention loans and advances to customers	42 556	153 485^
Default loans and advances to customers	400 114	456 977
Gross core loans and advances to customers	7 249 561	8 415 568
Current loans and advances to customers	6 733 402	7 681 073^
Default loans that are current and not impaired	26 785	21 254^
Gross core loans and advances to customers that are past due but not impaired	146 428	308 014^
Gross core loans and advances to customers that are impaired	342 946	405 227
Gross core loans and advances to customers	7 249 561	8 415 568
Total income statement charge for impairments on core loans and advances	(90 709)	(83 231)
Gross default loans and advances to customers	400 114	456 977
Specific impairments	(154 262)	(176 866)
Portfolio impairments	(34 182)	(16 437)
Defaults net of impairments	211 670	263 674
Aggregate collateral and other credit enhancements on defaults	280 697	297 114
Net default loans and advances to customers (limited to zero)	–	–
Ratios:		
Total impairments as a % of gross core loans and advances to customers	2.60%	2.30%
Total impairments as a % of gross default loans	47.10%	42.30%
Gross defaults as a % of gross core loans and advances to customers	5.52%	5.43%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.00%	3.21%
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)**	1.16%	0.99%

^ *The loan book age analysis amounts were restated with no impact on primary statements or key ratios.*

* *Net core loans and advances have decreased by 14.1% to £7.1 billion at 31 March 2015 from £8.2 billion at 31 March 2014 reflecting the impact of the divestments, but partially offset by increased net loan growth. Excluding divestments, net core loans increased by approximately 16%. The assets that were not sold as part of the sale of Investec Bank (Australia) Limited were transferred to the UK and South African balance sheets. The 2015 numbers above include approximately £140 million of assets transferred.*

** *The credit loss ratio is at 1.16% (2014: 0.99%). The increase in the credit loss ratio is largely attributable to the reduction in denominator (gross core loans and advances have decreased to £7.2 billion from £8.4 billion), due to strategic sales.*

An age analysis of past due and default core loans and advances to customers

At 31 March £'000	2015	2014^
Default loans that are current	176 913	145 578
1 – 60 days	119 496	249 900
61 – 90 days	2 249	57 441
91 – 180 days	7 639	13 077
181 – 365 days	45 758	58 634
> 365 days	164 104	209 865
Total past due and default core loans and advances to customers (actual capital exposure)	516 159	734 495
1 – 60 days	5 796	5 415
61 – 90 days	172	2 361
91 – 180 days	2 566	4 645
181 – 365 days	4 742	14 162
> 365 days	156 328	192 952
Total past due and default core loans and advances to customers (actual amount in arrears)	169 604	219 535

^ *The loan book age analysis amounts were restated with no impact on primary statements or key ratios.*

A further age analysis of past due and default core loans and advances to customers

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 31 March 2015							
Watchlist loans neither past due nor impaired							
Total capital exposure	26 785	–	–	–	–	–	26 785
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	113 795	2 249	5 287	9 195	15 902	146 428
Amount in arrears	–	5 754	172	214	525	8 327	14 992
Gross core loans and advances to customers that are impaired							
Total capital exposure	150 128	5 701	–	2 352	36 563	148 202	342 946
Amount in arrears	–	42	–	2 352	4 217	148 001	154 612
At 31 March 2014^							
Watchlist loans neither past due nor impaired							
Total capital exposure	21 254	–	–	–	–	–	21 254
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	243 020	42 999	9 298	11 134	1 563	308 014
Amount in arrears	–	4 497	333	2 197	1 399	724	9 150
Gross core loans and advances to customers that are impaired							
Total capital exposure	124 324	6 880	14 442	3 779	47 500	208 302	405 227
Amount in arrears	–	918	2 028	2 448	12 763	192 228	210 385

^ *The loan book age analysis amounts were restated with no impact on primary statements or key ratios.*

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (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)	–	73 489	–	–	–	–	73 489
Special mention	–	40 307	2 249	–	–	–	42 556
Special mention (1 – 90 days)	–	40 307	–	–	–	–	40 307
Special mention (61 – 90 days and item well secured)	–	–	2 249	–	–	–	2 249
Default	176 913	5 700	–	7 639	45 758	164 104	400 114
Sub-standard	87 505	–	–	5 480	38 175	55 640	186 800
Doubtful	88 040	5 700	–	1 347	7 151	6 071	108 309
Loss	1 368	–	–	812	432	102 393	105 005
Total	176 913	119 496	2 249	7 639	45 758	164 104	516 159

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (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)	–	5 399	–	–	–	–	5 399
Special mention	–	355	172	–	–	–	527
Special mention (1 – 90 days)	–	355	–	–	–	–	355
Special mention (61 – 90 days and item well secured)	–	–	172	–	–	–	172
Default	–	42	–	2 566	4 742	156 328	163 678
Sub-standard	–	–	–	407	2 101	47 871	50 379
Doubtful	–	42	–	1 347	2 209	6 064	9 662
Loss	–	–	–	812	432	102 393	103 637
Total	–	5 796	172	2 566	4 742	156 328	169 604

An age analysis of past due and default core loans and advances to customers at 31 March 2014^ (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)	–	124 033	–	–	–	–	124 033
Special mention	–	110 486	42 999	–	–	–	153 485
Special mention (1 – 90 days)	–	110 486	28 470	–	–	–	138 956
Special mention (61 – 90 days and item well secured)	–	–	14 529	–	–	–	14 529
Default	145 578	15 381	14 442	13 077	58 634	209 865	456 977
Sub-standard	92 563	11 938	13 135	9 785	26 320	45 321	199 062
Doubtful	52 052	3 376	1 305	2 128	31 681	24 971	115 513
Loss	963	67	2	1 164	633	139 573	142 402
Total	145 578	249 900	57 441	13 077	58 634	209 865	734 495

An age analysis of past due and default core loans and advances to customers at 31 March 2014^ (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)	–	4 136	–	–	–	–	4 136
Special mention		339	333	–	–	–	672
Special mention (1 – 90 days)	–	339	129	–	–	–	468
Special mention (61 – 90 days and item well secured)	–	–	204	–	–	–	204
Default	–	940	2 028	4 645	14 162	192 952	214 727
Sub-standard	–	30	1 723	2 473	3 459	42 964	50 649
Doubtful	–	843	303	1 008	10 527	10 416	23 097
Loss	–	67	2	1 164	176	139 572	140 981
Total	–	5 415	2 361	4 645	14 162	192 952	219 535

^ *The loan book age analysis amounts were restated with no impact on primary statements or key ratios.*

An analysis of core loans and advances to customers

£'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
At 31 March 2015								
Current core loans and advances	6 733 402	–	–	6 733 402	–	(34 182)	6 699 220	–
Past due (1 – 60 days)	–	73 489	–	73 489	–	–	73 489	5 399
Special mention	–	42 556	–	42 556	–	–	42 556	527
Special mention (1 – 90 days)	–	40 307	–	40 307	–	–	40 307	355
Special mention (61 – 90 days and item well secured)	–	2 249	–	2 249	–	–	2 249	172
Default	26 785	30 383	342 946	400 114	(154 262)	–	245 852	163 678
Sub-standard	26 219	30 383	130 198	186 800	(36 870)	–	149 930	50 379
Doubtful	566	–	107 743	108 309	(54 494)	–	53 815	9 662
Loss	–	–	105 005	105 005	(62 898)	–	42 107	103 637
Total	6 760 187	146 428	342 946	7 249 561	(154 262)	(34 182)	7 061 117	169 604
At 31 March 2014^								
Current core loans and advances	7 681 073	–	–	7 681 073	–	(16 437)	7 664 636	–
Past due (1 – 60 days)	–	124 033	–	124 033	–	–	124 033	4 136
Special mention	–	153 485	–	153 485	–	–	153 485	672
Special mention (1 – 90 days)	–	138 956	–	138 956	–	–	138 956	468
Special mention (61 – 90 days and item well secured)	–	14 529	–	14 529	–	–	14 529	204
Default	21 254	30 496	405 227	456 977	(176 866)	–	280 111	214 727
Sub-standard	21 055	30 496	147 511	199 062	(36 846)	–	162 216	50 649
Doubtful	–	–	115 513	115 513	(58 591)	–	56 922	23 097
Loss	199	–	142 203	142 402	(81 429)	–	60 973	140 981
Total	7 702 327	308 014	405 227	8 415 568	(176 866)	(16 437)	8 222 265	219 535

^ *The loan book age analysis amounts were restated with no impact on primary statements or key ratios.*

An analysis of core loans and advances to customers and impairments by counterparty type

£'000	Private client, professional and HNW 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
At 31 March 2015						
Current core loans and advances	3 036 989	2 753 200	732 432	185 425	25 356	6 733 402
Past due (1 – 60 days)	68 923	3 696	–	870	–	73 489
Special mention	42 288	268	–	–	–	42 556
Special mention (1 – 90 days)	40 307	–	–	–	–	40 307
Special mention (61 – 90 days and item well secured)	1 981	268	–	–	–	2 249
Default	373 342	25 703	244	825	–	400 114
Sub-standard	172 581	14 219	–	–	–	186 800
Doubtful	97 300	10 280	229	500	–	108 309
Loss	103 461	1 204	15	325	–	105 005
Total gross core loans and advances to customers	3 521 542	2 782 867	732 676	187 120	25 356	7 249 561
Total impairments	(179 681)	(8 128)	(150)	(485)	–	(188 444)
Specific impairments	(145 499)	(8 128)	(150)	(485)	–	(154 262)
Portfolio impairments	(34 182)	–	–	–	–	(34 182)
Net core loans and advances to customers	3 341 861	2 774 739	732 526	186 635	25 356	7 061 117
At 31 March 2014^						
Current core loans and advances	4 692 371	2 294 455	486 551	185 830	21 866	7 681 073
Past due (1 – 60 days)	114 989	9 044	–	–	–	124 033
Special mention	95 493	57 992	–	–	–	153 485
Special mention (1 – 90 days)	81 494	57 462	–	–	–	138 956
Special mention (61 – 90 days and item well secured)	13 999	530	–	–	–	14 529
Default	411 740	44 403	180	654	–	456 977
Sub-standard	180 246	18 816	–	–	–	199 062
Doubtful	90 776	23 963	149	625	–	115 513
Loss	140 718	1 624	31	29	–	142 402
Total gross core loans and advances to customers	5 314 593	2 405 894	486 731	186 484	21 866	8 415 568
Total impairments	(168 010)	(24 937)	(94)	(262)	–	(193 303)
Specific impairments	(151 573)	(24 937)	(94)	(262)	–	(176 866)
Portfolio impairments	(16 437)	–	–	–	–	(16 437)
Net core loans and advances to customers	5 146 583	2 380 957	486 637	186 222	21 866	8 222 265

^ *The loan book age analysis amounts were restated with no impact on primary statements or key ratios.*

An analysis of core loans and advances by risk category at 31 March 2015

£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments*
Lending collateralised by property	2 318 053	343 229	233 676	(134 451)	(49 179)
Commercial real estate	1 510 506	122 886	79 588	(51 517)	(25 358)
Commercial real estate – investment	1 229 217	58 142	50 302	(11 752)	(16 157)
Commercial real estate – development	147 707	20 129	6 544	(13 585)	(3 997)
Commercial vacant land and planning	133 582	44 615	22 742	(26 180)	(5 204)
Residential real estate	807 547	220 343	154 088	(82 934)	(23 821)
Residential real estate – investment	292 089	53 911	50 294	(10 756)	(3 178)
Residential real estate – development	425 258	116 163	74 975	(50 571)	(9 122)
Residential vacant land and planning	90 200	50 269	28 819	(21 607)	(11 521)
High net worth and other private client lending	1 203 489	30 113	29 012	(11 048)	(10 529)
Mortgages	952 617	7 977	13 015	(914)	(713)
High net worth and specialised lending	250 872	22 136	15 997	(10 134)	(9 816)
Corporate and other lending	3 728 019	26 772	18 009	(8 763)	(11 821)
Acquisition finance	731 195	–	–	–	1 231
Asset-based lending	241 859	–	–	–	–
Fund finance	495 037	–	–	–	–
Other corporates and financial institutions and governments	719 049	–	–	–	(3 091)
Asset finance	1 119 165	8 346	3 642	(4 704)	(5 068)
Small ticket asset finance	835 773	8 346	3 642	(4 704)	(5 068)
Large ticket asset finance	283 392	–	–	–	–
Project finance	407 577	4 289	2 585	(1 704)	(515)
Resource finance	14 137	14 137	11 782	(2 355)	(4 378)
Portfolio impairments	–	–	–	(34 182)	(19 180)
Total	7 249 561	400 114	280 697	(188 444)	(90 709)

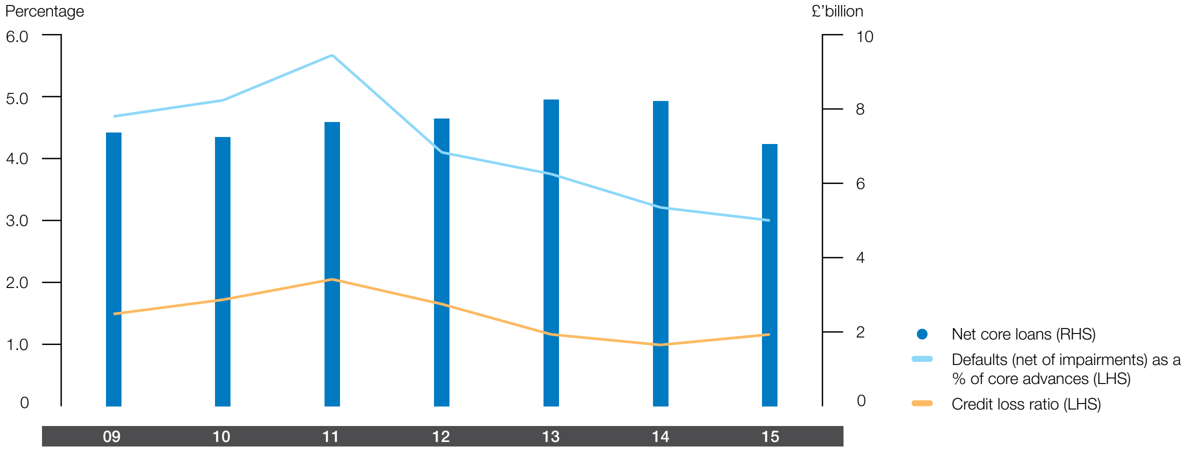
* *Where a positive number represents a recovery.*

An analysis of core loans and advances by risk category at 31 March 2014

£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments*
Lending collateralised by property	2 538 625	381 256	240 435	(143 889)	(39 880)
Commercial real estate	1 662 718	133 222	79 842	(54 089)	(24 273)
Commercial real estate – investment	1 429 725	67 919	50 757	(15 686)	(16 447)
Commercial real estate – development	96 072	21 016	11 243	(10 466)	(2 689)
Commercial vacant land and planning	136 921	44 287	17 842	(27 937)	(5 137)
Residential real estate	875 907	248 034	160 593	(89 800)	(15 607)
Residential real estate – investment	327 937	39 537	30 023	(6 880)	(2 548)
Residential real estate – development	429 011	134 762	80 105	(56 463)	(5 931)
Residential vacant land and planning	118 959	73 735	50 465	(26 457)	(7 128)
High net worth and other private client lending	2 775 968	30 484	36 732	(7 684)	(13 692)
Mortgages	1 160 007	4 787	6 114	(900)	(520)
High net worth and specialised lending	341 465	19 414	26 502	(4 617)	(9 630)
Professional finance	1 274 496	6 283	4 116	(2 167)	(3 542)
Corporate and other lending	3 100 975	45 237	19 947	(25 293)	(19 918)
Acquisition finance	744 427	17 627	7 933	(9 695)	(10 709)
Asset-based lending	165 569	–	–	–	98
Fund finance	277 771	–	–	–	–
Other corporates and financial institutions and governments	420 612	4 241	2 821	(1 421)	(1 641)
Asset finance	982 811	10 677	6 192	(4 486)	(3 670)
Small ticket asset finance	750 351	8 694	2 720	(4 486)	(4 940)
Large ticket asset finance	232 460	1 983	3 472	–	1 270
Project finance	438 641	12 692	3 001	(9 691)	(3 996)
Resource finance	71 144	–	–	–	–
Portfolio impairments	–	–	–	(16 437)	(9 741)
Total	8 415 568	456 977	297 114	(193 303)	(83 231)

* *Where a positive number represents a recovery.*

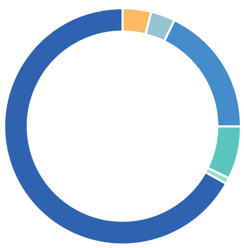
Asset quality trends*

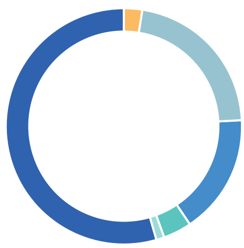


* *Includes Australia, which was previously reported separately.*

Additional information

An analysis of gross core loans and advances to customers by country of exposures





31 March 2015
£7 250 million

Asia	3.9%
Australia	3.4%
Europe (excluding UK)	17.7%
North America	7.4%
Other	0.9%
United Kingdom	66.7%

31 March 2014
£8 416 million

Asia	2.7%
Australia	21.7%
Europe (excluding UK)	16.2%
North America	4.0%
Other	1.1%
United Kingdom	54.3%

Collateral

A summary of total collateral is provided in the table below.

£'000	Collateral held against Core loans and advances	Collateral held against Other credit and counterparty exposures*	Total
At 31 March 2015			
Eligible financial collateral	381 651	557 158	938 809
Listed shares	302 938	82 925	385 863
Cash	78 713	76 511	155 224
Debt securities issued by sovereigns	–	397 722	397 722
Property charge	4 399 279	217 531	4 616 810
Residential property	2 180 115	217 531	2 397 646
Residential development	554 920	–	554 920
Commercial property developments	271 843	–	271 843
Commercial property investments	1 392 401	–	1 392 401
Other collateral	4 064 743	729 614	4 794 357
Unlisted shares	486 524	–	486 524
Charges other than property	50 423	729 614	780 037
Debtors, stock and other corporate assets	2 353 919	–	2 353 919
Guarantees	762 092	–	762 092
Other	411 785	–	411 785
Total collateral	8 845 673	1 504 303	10 349 976
At 31 March 2014			
Eligible financial collateral	407 003	861 779	1 268 782
Listed shares	296 068	95 668	391 736
Cash	110 935	379 300	490 235
Debt securities issued by sovereigns	–	386 811	386 811
Property charge	4 779 482	973 574	5 753 056
Residential property	2 166 383	973 390	3 139 773
Residential development	636 555	184	636 739
Commercial property developments	182 186	–	182 186
Commercial property investments	1 794 358	–	1 794 358
Other collateral	4 151 227	304 944	4 456 171
Unlisted shares	194 838	–	194 838
Charges other than propert y	23 643	304 512	328 155
Debtors, stock and other corporate assets	2 822 119	–	2 822 119
Guarantees	492 741	–	492 741
Other	617 886	432	618 318
Total collateral	9 337 712	2 140 297	11 478 009

* *A large percentage of these exposures (for example bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

Equity and investment risk in the banking book represents a moderate percentage of our total assets and is managed within appropriate risk limits

Equity and investment risk in the banking book

Equity and investment risk description

Equity and investment risk in the banking book arises primarily from the following activities conducted within the group:

- **Principal Investments (Private Equity and Direct Investments):** investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio with the intention to stimulate corporate activity
- **Lending transactions:** the manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- **Property activities:** we source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters.

Management of equity and investment risk

As equity and investment risk arises from a variety of activities conducted by us, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of equity and investment risk	Management of risk
Listed equities	Investment committee, market risk management and ERRF
Investment Banking Principal Finance investments	Investment committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees and ERRF
Investment and trading properties	Investment committee and ERRF

Risk appetite targets are set to limit our exposure to equity and investment risk. An assessment of exposures against targets as well as stress testing scenario analyses are performed and reported to GRCC, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 146 to 150 and pages 170 to 181 for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 4.3% of total assets.

Refer to page 171 for further information.

The table below provides an analysis of income and revalutions recorded with respect to these investments.

£'000 Category	Income (pre-funding costs) Unrealised	Realised	Dividends	Total	Fair value through equity
For the year to 31 March 2015*					
Unlisted investments	(25 673)	60 017	5 106	39 450	709
Listed equities	19 770	1 505	772	22 047	425
Investment and trading properties	8 664	2 354	–	11 018	–
Warrants, profit shares and other embedded derivatives	(70 947)	1 873	–	(69 074)	–
Total	**(68 186)**	**65 749**	**5 878**	**3 441**	**1 134**
For the year to 31 March 2014*					
Unlisted investments	2 130	30 235	9 120	41 485	10 996
Listed equities	(2 032)	7 786	1 571	7 325	(888)
Investment and trading properties	(4 260)	10 500	–	6 240	–
Warrants, profit shares and other embedded derivatives	51 962	(200)	–	51 762	–
Total	**47 800**	**48 321**	**10 691**	**106 812**	**10 108**

* *Includes Australia, which was previously reported separately.*

Unrealised revaluation gains, recognised in the profit and loss account, are included in common equity tier 1 capital. In line with the Capital Requirements Regulation, for the period ended 31 March 2014, Investec plc did not recognise equity revaluation gains, posted directly to equity, in regulatory capital.

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

£'000 Category	On-balance sheet value of investments 31 March 2015^	Valuation change stress test 31 March 2015*^	On-balance sheet value of investments 31 March 2014^°	Valuation change stress test 31 March 2014*^°
Unlisted investments	287 821	43 173	278 728	41 809
Listed equities	113 120	28 280	63 869	15 967
Total investment portfolio	400 941	71 453	342 597	57 776
Investment and trading properties	191 499	31 726	102 058	8 069
Warrants, profit shares and other embedded derivatives	36 111	12 639	112 591	39 407
Total	628 551	115 818	557 246	105 252

^ *Includes Australia, which was previously reported separately.*
° *Restated.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:*

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

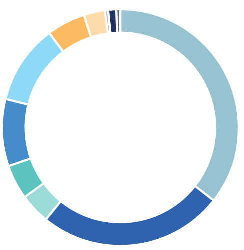
Based on the information at 31 March 2015, as reflected above, we could have a £116 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

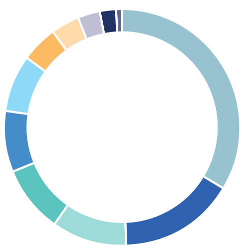
In terms of CRD IV capital requirements for Investec plc, unlisted and listed equities within the banking book are considered in the calculation of capital required for credit risk.

Refer to page 107 for further detail.

An analysis of the investment portfolio, warrants, profit shares and other embedded derivatives by industry of exposure



31 March 2015 (£437 million)	
Manufacturing and commerce	35.7%
Finance and insurance	25.3%
Retailer and wholesalers	4.2%
Agriculture	4.9%
Mining and resources	9.2%
Real estate	10.7%
Communication	5.4%
Transport	3.0%
Business services	0.1%
Medical	1.2%
Other	0.3%



31 March 2014 (£455 million)°	
Manufacturing and commerce	33.7%
Finance and insurance	15.9%
Retailer and wholesalers	10.4%
Agriculture	8.9%
Mining and resources	8.4%
Real estate	7.9%
Communication	4.9%
Transport	4.0%
Business services	3.0%
Medical	2.3%
Other	0.6%

° *Restated.*

Securitisation/structured credit activities exposures

Overview

The group's definition of securitisation/structured credit activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Refer to page 53 for the balance sheet and credit risk classification.

The group applies the standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures at 31 March 2015 are not regarded as material, and therefore no further information is disclosed for these exposures.

The information below sets out the initiatives we have focused on over the past few years, albeit that most of these business lines have been curtailed given the changes in the securitisation market and given the strategic divestments Investec has undertaken in the last year.

The bank plays an originator role in the securitisation of assets it has originated. To date these have largely been traditional securitisations of residential mortgages originated through the Kensington business which was disposed of in January 2015. For regulatory purposes, structured entities are not consolidated where significant risk in the structured entity has been transferred to third parties. The positions we continue to hold in the securitisation will be either risk-weighted and/or deducted from capital.

The bank has no securitisations backed by revolving exposures.

Fitch Ratings, Moody's, S&P and DBRS have been involved in rating these abovementioned transactions.

During the year we undertook one new securitisation transaction: Temese Funding 2 Plc, a £280 million securitisation of finance lease receivables which closed in November 2014. The deal consists of a £228 million A note (AAA rated by S&P) and unrated B and C notes of £47 million and £5.3 million respectively. All of the notes issued by the structure were retained by Investec Bank plc. The purpose of the transaction was for long-term funding at an attractive rate. The group does not apply the securitisation rules to the above originated transactions when calculating risk-weighted assets. For regulatory capital purposes, the group continues to recognise the underlying securitised assets in the consolidated regulatory balance sheet and applies the standardised credit risk rules.

We hold rated structured credit instruments (including resecuritisation exposures). These exposures are largely in the UK and amount to £317 million at 31 March 2015 (31 March 2014: £349 million). This is intended as a hold to maturity portfolio rather than a trading portfolio. Therefore, since our commercial intention is to hold the assets to maturity, the portfolio will be valued on an amortised cost basis. These investments are risk-weighted for regulatory capital purposes.

In the prior year we held £8 million rated securitised assets and £448 million of own originated private client assets, relating to Australia's professional finance business. This business and our residual exposures were sold in July 2014.

In the prior year we held residual net exposures amounting to £927 million to the assets originated, warehoused and securitised by Kensington. This business and our residual exposures were sold in January 2015.

Accounting policies

Refer to page 147.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with final approval typically required from the group's global credit committee. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes, since the bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the group's appetite for such exposures, and each exposure is considered relative to the group's overall risk appetite. We can use explicit credit risk mitigation techniques where required; however, the group prefers to address and manage these risks by only approving exposures to which the group has explicit appetite through the constant and consistent application of the risk appetite policy.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.

At 31 March Nature of exposure/activity	Exposure 2015 £'million	Exposure 2014 £'million	Balance sheet and credit risk classification
Structured credit* (gross exposure)	350	440	Other debt securities and other loans and advances
Rated	317	357	
Unrated	33	83	
Kensington – mortgage assets: net exposures	–^	927	
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised) (net exposure)	170	303	Other loans and advances
Private Client division assets which have been securitised (net exposure)	–^	448	Own originated loans and advances to customers securitised

* *Analysed further below.*
^ *Assets have been sold, refer to page 19.*

***Analysis of rated and unrated structured credit**

At 31 March £'million	2015			2014		
	Rated**	Unrated	Total	Rated**	Unrated	Total
US corporate loans	116	–	116	15	–	15
UK and European ABS	–	–	–	3	7	10
UK and European RMBS	153	29	182	256	72	328
UK and European CMBS	6	4	10	7	4	11
UK and European corporate loans	42	–	42	68	–	68
Australian RMBS	–	–	–	8	–	8
Total	317	33	350	357	83	440

****Further analysis of rated structured credit at 31 March 2015**

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	17	61	29	9	–	–	–	116
UK and European RMBS	30	63	17	20	1	–	22	153
UK and European CMBS	–	–	–	6	–	–	–	6
UK and European corporate loans	17	14	10	1	–	–	–	42
Total at 31 March 2015	64	138	56	36	1	–	22	317
Total at 31 March 2014	126	78	45	62	23	2	21	357

The information provided below is provided for Investec plc in terms of regulatory definitions and requirements.

Aggregate amount of securitisation positions retained or purchased

At 31 March 2015 £'million	Banking book Retained^^	Banking book Purchased^	Total
Exposure type			
Residential mortgages	14	144	158
Commercial mortgages	–	7	7
Loans to corporates	–	154	154
Resecuritisation	–	3	3
	14	308	322

Aggregate amount of securitisation positions retained or purchased

At 31 March 2014 £'million	Banking book Retained^^	Banking book Purchased^	Total
Exposure type			
Residential mortgages	50	101	151
Commercial mortgages	–	6	6
Loans to corporates	–	91	91
Resecuritisation	–	29	29
	50	227	277

^ *Purchased positions include positions we hold as sponsor or investor.*
^^ *Retained positions include positions we have retained in securitisations we have originated.*

Securitisation positions retained or purchased by risk-weight bands

At 31 March 2015 £'million	Exposure values Banking book Retained^^	Exposure values Banking book Purchased^	Capital requirement Banking book Retained^^	Capital requirement Banking book Purchased^
Risk-weight band				
Greater than 0% and less than or equal to 40%	14	180	–	3
Greater than 40% but less than or equal to 100%	–	123	–	8
Greater than 100% but less than and equal to 225%	–	–	–	–
Greater than 225% but less than and equal to 350%	–	1	–	–
Greater than 350% but less than and equal to 650%	–	–	–	–
Greater than 650% but less than 1 250%	–	–	–	–
Greater than 1 250%/deduction	–	4	–	4
	14	308	–	15

Securitisation positions retained or purchased by risk-weight bands

At 31 March 2014 £'million	Exposure values Banking book Retained^^	Exposure values Banking book Purchased^	Capital requirement Banking book Retained^^	Capital requirement Banking book Purchased^
Risk-weight band				
Greater than 0% and less than or equal to 40%	29	179	1	3
Greater than 40% but less than or equal to 100%	18	37	1	2
Greater than 100% but less than and equal to 225%	–	6	–	1
Greater than 225% but less than and equal to 350%	–	1	–	–
Greater than 350% but less than and equal to 650%	–	3	–	2
Greater than 650% but less than 1 250%	–	–	–	–
Greater than 1 250%/deduction	3	1	3	1
	50	227	5	9

^ *Purchased positions include positions we hold as sponsor or investor.*
^^ *Retained positions include positions we have retained in securitisations we have originated.*

No further disclosure is provided for deductions due to the materiality of the numbers.

Market risk in the trading book

Traded market risk description

Traded market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting from changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel and policies determined by the board.

Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making, arbitrage, underwriting and investments in the foreign exchange, capital and money markets. The focus of these businesses is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded market risk governance structure

To manage, measure and mitigate market risk, we have independent Market Risk Management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels.

A global market risk forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global market risk forum and ratified at the ERRF in accordance with the risk appetite defined by the board. Limits are reviewed at least annually or in the event of a significant market event (e.g. 11 September 2001) or at the discretion of senior management.

Management and measurement of traded market risk

Market Risk Management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk and for the aggregate risk of the trading book.

These reports are distributed to management and traders. There is a formal process for management recognition and authorisation for any risk excesses incurred. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Valuation models for new instruments or products are independently validated by Market Risk Management before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

The Market Risk Management teams perform a profit attribution, where our daily traded revenue is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR (sVaR), expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following: October 1987 (Black Monday), 11 September 2001 and the Lehmans crisis. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through backtesting. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a 'backtesting breach' is considered to have occurred. Over time we expect the average rate of observed backtesting breaches to be consistent with the percentile of the VaR statistic being tested.

The market risk capital requirement is measured using an internal risk management model, approved by the PRA, for netting certain parts of the portfolio, while the capital requirements of the whole portfolio are calculated using standard rules.

The graph that follows shows the result of backtesting total daily VaR against profit and loss figures for our trading activities over the reporting period. The values shown are for the 99% one-day VaR, i.e. 99% of the time, the total trading activities will not be expected to lose more than the values depicted below. Based on this graph, we can gauge the accuracy of the VaR figures.

VaR

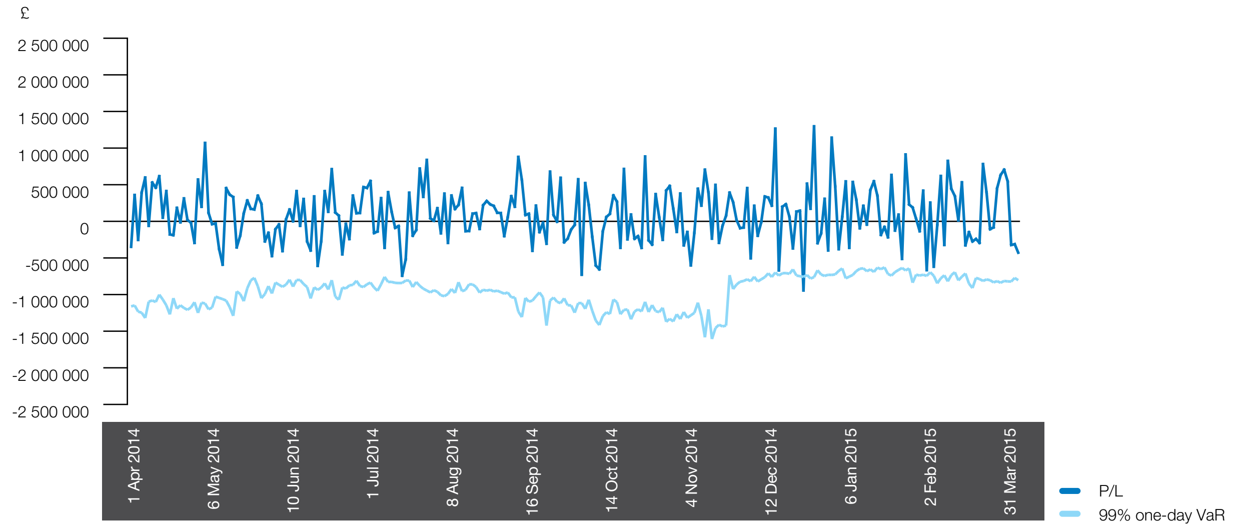
£'000	31 March 2015				31 March 2014			
	Year end	Average	High	Low	Year end	Average	High	Low
(Using 95% VaR)								
Equities	524	573	825	436	751	908	1 596	467
Foreign exchange	23	20	64	1	9	15	73	2
Interest rates	495	300	536	197	299	412	602	204
Consolidated*	691^	617	921	475	852^	1 055	1 496	522

* *The consolidated VaR is lower than the sum of the individual VaRs. This arises from the consolidation offset between various asset classes (diversification).*

^ *Where 31 March 2015 includes Australia and 31 March 2014 excludes Australia. Australia consolidated VAR at 31 March 2014 was A$45 600.*

The average VaR utilisation was lower than in 2014, largely as a result of a reduction in risk in the Structured Equity business. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception over the year at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is less than expected at the 99% level and is largely due to continued subdued volatility levels over most of the past year.

99% one-day VaR backtesting**



** *Includes Australia, which was previously reported separately.*

ETL

95% (one-day) £'000	31 March 2015	31 March 2014
Equities	663	1 108
Foreign exchange	34	13
Interest rates	717	481
Consolidated*	874^	1 202^

* *The consolidated ETL is lower than the sum of the individual ETLs. This arises from the correlation offset between various asset classes (diversification).*

^ *Where 31 March 2015 includes Australia and 31 March 2014 excludes Australia. Australia consolidated ETL at 31 March 2014 was A$72 600.*

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.

	31 March 2015				31 March 2014
£'000	Year end	Average	High	Low	Year end
(Using 99% EVT)					
Equities	1 658	1 960	3 868	1 070	3 844
Foreign exchange	102	57	391	14	24
Interest rates	1 676	1 269	1 929	986	1 457
Consolidated**	1 413^^	1 954	3 340	1 197	3 439^^

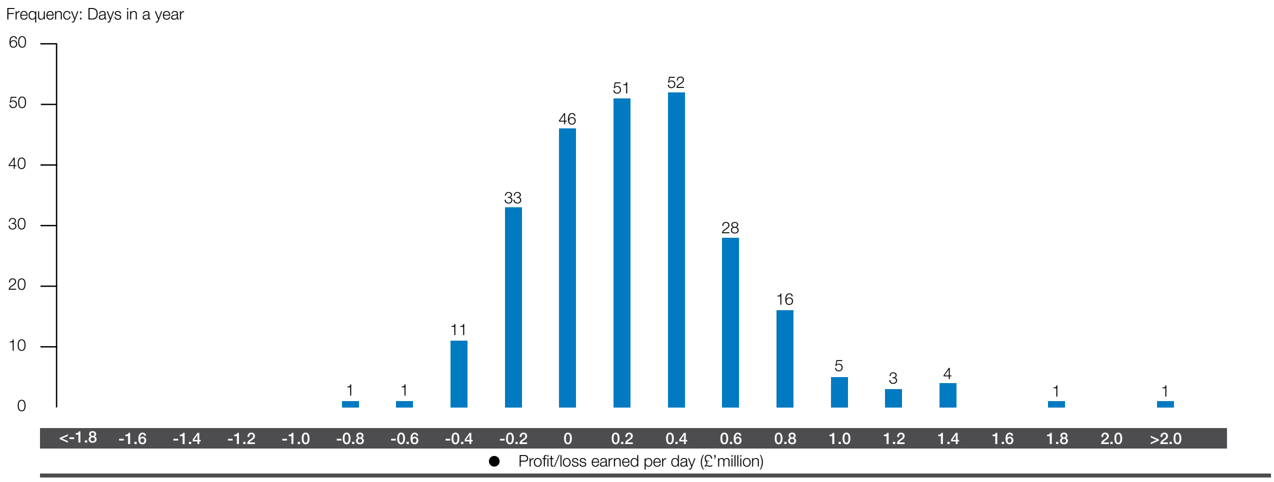
** *The consolidated stress test number is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).*

^^ *Where 31 March 2015 includes Australia and 31 March 2014 excludes Australia. Australia consolidated stress test at 31 March 2014 was A$137 700.*

Profit and loss histogram

The histogram below illustrates the distribution of revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 161 days out of a total of 253 days in the trading business. The average daily trading revenue generated for the year to 31 March 2015 was £162 486 (2014: £132 949).

Profit and loss**



** *Includes Australia, which was previously reported separately.*

Traded market risk mitigation

The market risk management team has a reporting line that is separate from the trading function, thereby ensuring independent oversight. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are reconciled daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 510 days of unweighted data), where every 'risk factor' is exposed to daily moves over a sample period. With the equity markets e.g. the price history for every share and index is taken into account as opposed to techniques where a reduced set of proxies are used.

Non-statistical limits include limits on risk exposure to individual products, transaction tenors, notionals, liquidity, buckets and option sensitivities (greeks).

When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three-month intervals out to two years and then, on a less granular basis, out to 30 years.

It is risk policy that any significant open position in a foreign currency is held in the trading book. These positions are managed within approved limits and monitored within VaR models.

Traded market risk year in review

There continues to be ongoing growth in client activity across the Interest Rate and Foreign Exchange Corporate Sales desks. The Structured Equity desk's retail product sales have remained strong, consistent with the performance of underlying equity markets, and the desk continues to develop both their product range and distribution capacity across geographies. Equity market making has further expanded its coverage of stocks listed in the United Kingdom, Ireland and South Africa. Market risk exposures across all asset classes have remained small throughout the year.

In June 2014 responsibility for managing the market risk in the Australian portfolio was transferred to London.

Market risk – derivatives

We enter into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, commodity, equity and interest rate exposures and to a small extent as principal for trading purposes. 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 to take into account possible correlations.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 185.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, non-trading interest rate and foreign exchange risks on balance sheet, encumbrance and leverage.

Balance sheet risk governance structure and risk mitigation

Under delegated authority of the board, the group has established asset and liability management committees (ALCOs) within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within a board-approved risk appetite.

The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

The group's liquidity policy requires each geography to be self-funding so that there is no reliance on intergroup lines either from or to other group entities.

Geographic entities have no responsibility for contributing to group liquidity.

The ALCOs typically comprise the group risk and finance director, the head of risk, the head of corporate and institutional banking activities and Private banking, economists, divisional heads, the Balance Sheet Risk Management team, the treasurer and business heads. The ALCOs formally meet on a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Central Treasury function within each region is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis. The treasurers are required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the Treasury function.

The Central Treasury, by core geography, directs pricing for all deposit products (including deposit products offered to the private clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions. The Central Treasury functions are the sole interface to the wholesale market for both cash and derivative transactions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of short-term and long-term liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management, thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

The Balance Sheet Risk Management team, in their respective geographies based within Group Risk Management, independently identify, quantify and monitor risks, providing daily independent governance and oversight of the Treasury activities and the execution of the bank's policy, continuously assessing the risks while taking changes in market conditions into account. In carrying out its duties the Balance Sheet Risk Management teams monitor historical liquidity trends, track prospective on- and off-balance sheet liquidity obligations, identify and measure internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting, and further perform scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework. The Balance Sheet Risk Management team proactively identify proposed regulatory developments, best risk practice, and measures adopted in the broader market, and implements changes to the bank's risk management and governance framework where relevant.

Scenario modelling and rigorous daily liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal, company-specific and market-driven stress scenarios. These assume the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted.

The parameters used in the scenarios are reviewed regularly, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of economic event risk on cash flows, liquidity, profitability and solvency position, so as to maintain sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite.

The integrated balance sheet risk management framework is based on similar methodologies to those contemplated under the Basel Committee on Banking Supervision's (BCBS) 'liquidity risk measurement standards and monitoring'.

It is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk in the banking book'. The BCBS announced that they propose to both strengthen and harmonise global liquidity standards and plan to introduce two new liquidity standards. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are due to be implemented by 2015 and 2018, respectively. The BCBS published the final calibration of the LCR in January 2013 to be phased in from 2015 and the final consultation paper for the NSFR was published in October 2014.

Each banking entity within the group maintains a contingency funding plan designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions and pave the way for the group to emerge from a potential funding crisis with the best possible reputation and financial condition for continuing operations. The liquidity contingency plans outline extensive early warning indicators, clear lines of communication, and decisive crisis response strategies.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by the independent audit committees.

The group operates an industry-recognised third party risk modelling system in addition to custom-built MIS systems designed to identify, measure, manage and monitor liquidity risk on both a current and forward- looking basis. The system is reconciled to the bank's general ledger and audited by Internal Audit thereby ensuring integrity of the process.

Daily, weekly and monthly reports are independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the Central Treasury function, ERRF, GRCC, BRCC and the board.

Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate.

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of interest rate risk include:

- Repricing risk: arises from the timing differences in the fixed-rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate-sensitive portfolios
- Yield curve risk: repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk: arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Embedded option risk: we are not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk
- Endowment risk: refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services. The group considers the management of banking margin of vital importance, and our core non-trading interest rate risk philosophy is reflected in day-to-day practices which encompass the following:

- The group complies with the BCBS framework for assessing banking book (non-trading) interest rate risk
- The management of interest rate risk in the banking book is centralised within the Central Treasury function and Treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios
- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- The non-trading interest rate risk appetite has been set based on the loss under a worst-case 200bps parallel shock as a percentage of capital. This level applies to both earnings risk and economic value risk
- Internal capital is allocated for non-trading interest rate risk
- The non-trading interest rate risk policy dictates that long-term non-trading interest rate risk is materially eliminated. In accordance with the policy the bank swaps its fixed deposits and loans into variable rate in the wholesale market via interest rate swaps
- Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and ALCO
- It is the responsibility of the liability product and pricing forum, a sub-committee of ALCO, to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance, ensuring that both standard and non-standard deposit products, particularly those designed for the Private Banking customers, both match market curves and can be hedged if necessary
- Pricing for all deposit products (including deposit products offered to the private clients) is set centrally, in so doing we manage access to funding at cost-effective levels, considering also the stressed liquidity value of the liabilities

- Balance Sheet Risk Management independently measures and analyses both traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent ALCO review
- Treasury is the primary interface to the wholesale market
- We carry out technical interest rate analysis and economic review of fundamental developments by geography and global trends.

Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors. We detail the sources of interest rate exposure, whether repricing risk, yield curve risk, basis risk or embedded option risk. This is performed for a variety of interest rate scenarios, covering:

- Interest rate expectations and perceived risks to the central view
- Standard shocks to levels and shapes of interest rates and yield curves
- Historically-based yield curve changes.

This is consistent with the standardised interest rate measurement recommended by the Basel framework for assessing interest rate risk in the banking book (non-trading interest rate risk).

The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk appetite and ensure a high degree of net interest margin stability over an interest rate cycle. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings to changes to interest rates calculated off the repricing gap. This allows for the detection of interest rate risk by concentration of repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, while economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape, after taking global trends into account.

These combinations of measures provide senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value.

Our risk appetite policy requires that interest rate risk arising from fixed-interest loans is transferred from the originating business to the Central Treasury function by match-funding. In turn, Treasury hedges material fixed-rate assets with a term of more than one year on a deal-by-deal basis with the use of variable versus fixed-interest-rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury also hedges all fixed-rate deposits with a term of more than one year to variable rate. These derivative hedging trades are executed with the bank's Interest Rate Trading desk. Limits exist to ensure there is no undesired risk retained within any business or product area.

Operationally, non-trading interest rate risk is transferred within pre-defined guidelines from the originating business to the Central Treasury function and aggregated or netted providing Central Treasury with a holistic view of the exposure. Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions which transfer the risk into the trading books within the Corporate and Institutional Banking division to be traded with the external market. The treasury mandate allows for a tactical response to market opportunities which may arise during changing interest rate cycles. Any resultant interest rate position is managed under the market risk limits.

Investec has a relatively small endowment risk due to paying market rates on all deposits, compared to banks with significant low or non-interest-bearing current and cheque accounts. Endowment risk due to free funding, comprising mainly ordinary share capital and reserves, is managed passively, with the focus on measuring and monitoring. The endowment risk is included within our non-trading interest rate risk measures.

The Basel Financial Market Committee has indicated that after completing and embedding the current reforms (covering capital, leverage and liquidity), the capital framework for interest rate risk on the banking book will be revisited. In part this is due to the increase in the quantum of high-quality liquid assets (HQLA) banks will need to hold in meeting the new liquidity ratios and the potential increase in interest rate risk thereon.

The expectation is that Basel will produce additional consultation documents in the next year on minimum standards for interest rate risk measurement in the banking book.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

Interest rate sensitivity at 31 March 2015*

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	3 402	2	–	–	7	148	3 559
Investment/trading assets and statutory liquids	920	201	16	56	581	561	2 335
Securitised assets	412	–	–	–	–	–	412
Advances	5 706	603	273	772	260	–	7 614
Non-rate assets	–	–	–	–	–	1 571	1 571
Assets	10 440	806	289	828	848	2 280	15 491
Deposits – banks	(208)	–	–	–	–	–	(208)
Deposits – non-banks	(7 888)	(825)	(776)	(809)	–	–	(10 298)
Negotiable paper	(580)	(7)	(21)	(169)	(191)	–	(968)
Securitised liabilities	(331)	–	–	–	–	–	(331)
Investment/trading liabilities	(3)	–	–	(2)	–	–	(5)
Subordinated liabilities	(4)	–	–	(18)	(575)	–	(597)
Other liabilities	–	–	–	–	–	(961)	(961)
Liabilities	(9 014)	(832)	(797)	(998)	(766)	(961)	(13 368)
Intercompany loans	71	–	–	–	–	(76)	(5)
Shareholders' funds	–	–	–	–	–	(2 074)	(2 074)
Balance sheet	1 497	(26)	(508)	(170)	82	(831)	44
Off-balance sheet	938	176	(174)	(342)	(598)	–	–
Repricing gap	2 435	150	(682)	(512)	(516)	(831)	44
Cumulative repricing gap	2 435	2 585	1 903	1 391	875	44	

* *Includes Australia, which was previously reported separately.*

Economic value sensitivity at 31 March 2015*

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	All (GBP)
200bps down	(72.9)	(9.7)	4.4	0.8	1.8	(0.5)	(76.9)
200bps up	65.8	10.2	(0.1)	(0.8)	(1.8)	0.5	73.3

* *Includes Australia, which was previously reported separately.*

Liquidity risk

Liquidity risk description

Liquidity risk is the risk that we, despite being solvent, have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss
- Unpredicted customer non-payment of loan obligations
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

Maturity transformation performed by banks is a crucial part of financial intermediation that contributes to efficient resource allocation and credit creation.

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. Inadequate liquidity can bring about the untimely demise of any financial institution. As such, the group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk:

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the PRA, the Guernsey Financial Service Commission and the Swiss Financial Market Supervisory Authority
- The group complies with the BCBS Principles for Sound Liquidity Risk Management and Supervision
- The group has committed itself to implementation of the updated BCBS guidelines for liquidity risk measurement, standards and monitoring to be phased in from 2015
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- Each geographic entity must be self-sufficient from a funding and liquidity standpoint so that there is no reliance on intergroup lines either from or to other group entities
- Geographic entities have no responsibility for contributing to group liquidity
- We maintain a liquidity buffer in the form of unencumbered, cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite
- Our liquidity risk parameters reflect a collection of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis
- The Balance Sheet Risk Management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators to potential normal market disruption
- The group centrally manages access to funds in both domestic and offshore markets through the Corporate and Institutional Banking division
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The Treasury function charges out the price of long- and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment. Liquidity risk management encompasses the ongoing management of structural, tactical day-to-day and contingent stress liquidity.

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates and projected balance sheet growth, to estimate future funding and liquidity needs while taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital, thus maintaining an appropriate mix of structural and term funding, resulting in strong balance sheet liquidity ratios.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. Metrics and ratios include:

- Local regulatory requirements
- Contractual run-off-based actual cash flows with no modelling adjustment
- 'Business as usual' normal environment where we apply rollover and reinvestment assumptions under benign market conditions
- Stress conditions based on statistical historical analysis, documented experience and prudent judgement
- Basel standards for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Quantification of a 'survival horizon' under stress conditions. The survival horizon is the number of business days it takes before the bank's cash position turns negative based on statistical historical analysis, documented experience and prudent judgement
- Other key funding and balance sheet ratios
- Monitoring and analysing market trends and the external environment.

This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions in the event of either a firm-specific or general market contingent event.

We maintain a funding structure with stable private client deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This validates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source so as to ensure a satisfactory overall funding mix to support loan growth.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for Investec's risk assets and continue to develop products to attract and service their investment needs. We continued to successfully raise private client deposits with total deposits (excluding divestments of businesses) increasing by 9.4% to £10.3 billion at 31 March 2015. The growth in retail deposits benefited from the wider macro-economic trend of expanded money supply, customer deleveraging and loan growth. We also have a number of innovative retail deposit initiatives within our Private Banking division and these continued to experience strong inflows during the financial year. On average our fixed and notice customer deposits have amounted to approximately 84% of total deposits since April 2006 thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business. We have instituted various offshore syndicated loan programmes to broaden and diversify term funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors including, business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high-quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows, this puts us in a favourable position to meet the Basel III liquidity requirements. These portfolios are managed within board-approved targets, and apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on interbank deposits to fund term lending. From 1 April 2014 to 31 March 2015 average cash and near cash balances over the period amounted to £4.4 billion.

The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

The liquidity contingency plans outline extensive early warning indicators, clear lines of communication and decisive crisis response strategies. Early warning indicators span bank-specific and systemic crises. Rapid response strategies address action plans, roles and responsibilities, composition of decision-making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements required to manage liquidity during such an event. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business.

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it has not been pledged against an existing liability. Risk Management monitors and manages total balance sheet encumbrance via a board-approved risk appetite framework. The group holds a liquidity buffer in the form of unencumbered, readily available, high-quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central banks in the respective jurisdictions.

The group utilises securitisation in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the group and which are available to provide a pool of collateral eligible to support central bank liquidity facilities including the Bank of England Funding for Lending Scheme. During the year Investec Bank plc issued £280 million of notes through securitisations in the UK.

The group uses secured transactions to manage short-term cash and collateral needs. Details of assets pledged through repurchase activity and collateral pledges are reported by line item of the balance sheet on which they are reflected on page 208. Related liabilities are also reported.

On page 183 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

The below asset encumbrance disclosures are based on the requirements set out in the Capital Requirements Regulation and the related Guidelines issued by the European Banking Authority in June 2014.

Information on importance of encumbrance

Encumbered assets have been identified in accordance with the reporting requirements under European Capital Requirements Regulation (CRR). As at 31 March 2015, £2 039 million of the group's assets were encumbered. An asset is defined as encumbered if it has been pledged as collateral against an existing liability and as a result is no longer freely available to the group.

Assets

£'million		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
010**	Assets of the reporting institution*	2 039		15 884	
030**	Equity instruments	114	114	587	587
040**	Debt securities	776	776	1 887	1 887
120**	Other assets	454		1 272	

Collateral received

£'million		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
130**	Collateral received by the reporting institution*	383	1 279
150**	Equity instruments	5	83
160**	Debt securities	378	1 020
230**	Other collateral received	–	107
240**	Own debt securities issued other than own covered bonds or ABSs	–	–

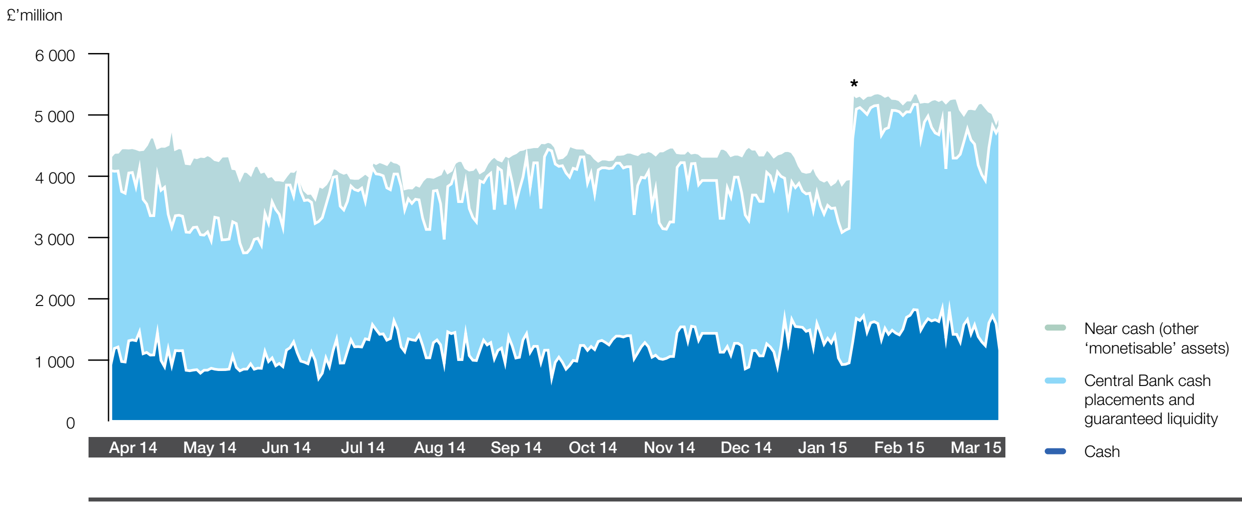
Encumbered assets/collateral received and associated liabilities

£'million		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
010**	Carrying amount of selected financial liabilities	1 962	2 059

* *The above tables only include a subset of underlying product categories and therefore when aggregated may not agree back to the total line items indicated.*

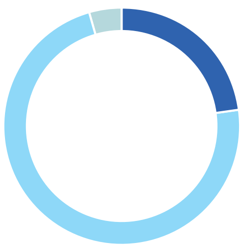
** *The numerical row references included in the above tables reference the asset encumbrance reporting instructions specified in Annexure XVII of the Commission Implementing Regulation and can also be found in the European Banking Authority encumbrance disclosure guidelines which were published in June 2014.*

Cash and near cash trend



* *Increase in cash balances due to the sale of Kensington.*

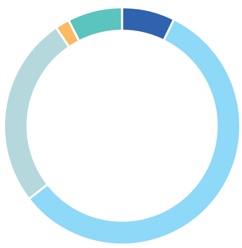
An analysis of cash and near cash at 31 March 2015



£5 039 million

Cash	23.0%
Central Bank cash placements and guaranteed liquidity	72.6%
Near cash (other 'monetisable' assets)	4.4%

Bank and non-bank depositor concentration by type at 31 March 2015



£11 103 million^

Banks	7.3%
Individuals	57.3%
Non-financial corporates	26.0%
Other financials	2.0%
Small business	7.4%

^ *Includes Australia, which was previously reported separately.*

The liquidity position of the bank remained sound with total cash and near cash balances amounting to £5.0 billion

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch.

The table will not agree directly to the balances disclosed in the balance sheet since the table incorporates cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

The liquidity position of the group remained sound with total cash and near cash balances amounting to £5.0 billion. We continued to enjoy strong inflows of customer deposits while maintaining good access to wholesale markets despite the underlying market environment. Our liquidity and funding profile reflects our strategy, risk appetite and business activities.

The table reflects that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government or rated securities and near cash against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities.

  We have:

  – set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;
  – set the time horizon to one month to monetise our cash and near cash portfolio of 'available-for-sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class; and
  – reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display a fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity at 31 March 2015^

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	2 736	1 592	119	–	–	–	–	4 447
Investment/trading assets	226	848	212	346	121	569	1 141	3 463
Securitised assets	–	2	7	10	19	264	110	412
Advances	–	690	648	794	893	3 025	1 564	7 614
Other assets	121	986	86	7	17	74	743	2 034
Assets	3 083	4 118	1 072	1 157	1 050	3 932	3 558	17 970
Deposits – banks	(128)	(591)	(5)	–	–	–	(81)	(805)
Deposits – non-banks	(1 133)	(2 488)	(1 564)	(2 507)	(653)	(1 607)	(346)	(10 298)
Negotiable paper	–	(15)	(24)	(38)	(75)	(654)	(386)	(1 192)
Securitised liabilities	–	(4)	(5)	(8)	(15)	(99)	(200)	(331)
Investment/trading liabilities	–	(288)	(77)	(75)	(130)	(353)	(183)	(1 106)
Subordinated liabilities	–	–	–	–	–	(34)	(563)	(597)
Other liabilities	(237)	(921)	(176)	(87)	(20)	(60)	(61)	(1 562)
Liabilities	(1 498)	(4 307)	(1 851)	(2 715)	(893)	(2 807)	(1 820)	(15 891)
Intercompany loans	(78)	–	225	–	1	7	(160)	(5)
Shareholders' funds	–	–	–	–	–	–	(2 074)	(2 074)
Contractual liquidity gap	1 507	(189)	(554)	(1 558)	158	1 132	(496)	–
Cumulative liquidity gap	1 507	1 318	764	(794)	(636)	496	–	

Behavioural liquidity^

As discussed on page 88.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	3 776	(536)	(44)	(447)	158	(1 843)	(1 064)	–
Cumulative	3 776	3 240	3 196	2 749	2 907	1 064	–	

^ *Includes Australia, which was previously reported separately.*

Balance sheet risk year in review

The bank has maintained a strong surplus liquidity position throughout the year. During the first half of the year, the liquidity surplus was bolstered by raising funds to fund strong asset growth, including the transfer of residual assets from Australia as part of the disposal of Investec Bank (Australia) Limited.

The liquidity position in the second half of the year was then further enhanced by the disposal of the Kensington and Start (Irish) mortgage businesses. A strategy to manage down surplus liabilities was initiated following the strategic sales.

This strategy has continued through to the year end and into 2015/16, with the aim of reducing both cash and liquidity back to normalised levels through both asset growth and further liability management, while maintaining our overall conservative approach to liquidity risk management.

Funding rates continued to be driven down throughout the year, while the weighted average contractual maturity of the liability book has been lengthening, to give closer matching of asset and liability maturities.

The bank has continued to diversify its funding mix including utilisation of the Bank of England's Funding for Lending Scheme and has pre-positioned several mortgage portfolios together with retained securitisation investments.

Cash and near cash balances at 31 March 2015 amounted to £5.0 billion (2014: £4.3 billion), enhanced by the strategic business sales. Total customer deposits (excluding divestments) increased by 9.4% to £10.3 billion at 31 March 2015. We continue to exceed Basel liquidity requirements for the LCR and NSFR comfortably.

Regulatory considerations – balance sheet risk

The banking industry, continued to experience elevated levels of prospective changes to laws and regulations from national and supranational regulators.

Regulators propose to both strengthen and harmonise global liquidity standards and to ensure a strong financial sector and global economy. We believe that we are well positioned for the proposed regulatory reform as we have maintained strong capital, funding and liquidity positions.

The BCBS published the final calibration of the LCR in January 2013. The main changes to the LCR were to introduce level 2b qualifying assets and recalibrate run-off factors for non-financial commercial depositors and committed facilities. The LCR ratio will be phased in from 2015 to 2019.

The BCBS published the final consultation document on the NSFR in October 2014 with a number of changes. The main changes to the NSFR were to introduce a bucket to recognise financial deposits greater than six months in sources of available stable funding, recalibrate run-off factors for performing loans less than one year, and revise treatment of both derivative and repo transactions. The NSFR ratio will be introduced in 2018.

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks while the regulatory developments could result in additional costs.

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. Investec already exceeds minimum requirements of these standards. We continue to reshape our liquidity and funding profile where necessary as we approach the compliance timeline.

In June 2013, the European Union published legislation to implement within the EU Basel III, the international regulatory framework for banks via CRD IV. This requires the reporting of the LCR and the NSFR to the EBA from March 2014. The LCR will be introduced on 1 October 2015 with a minimum requirement of 60% increasing to 100% by January 2018 as stated in the regulation document. However, individual member states can require a higher standard and the PRA has indicated that it will set the initial requirement at 80% from October 2015.

Investec Bank plc currently comfortably exceeds its regulatory liquidity requirements and will progress to implement the forthcoming liquidity proposals included in the CRD IV (Basel III) package. Investec Bank plc is currently shadowing and comfortably exceeds the draft LCR and NSFR liquidity ratios. We will continue to monitor these rules until final implementation.

Operational risk

Operational risk definition

Operational risk is defined as any instance where there is potential or actual impact to the group resulting from inadequate or failed internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk exists as part of the normal activities of a bank. The group aims to manage operational risk by adopting sound operational risk management practices which are fit for purpose. These include, inter alia, minimising internal losses in a cost effective manner in accordance with the operational risk appetite and tolerance.

Operational risk management framework

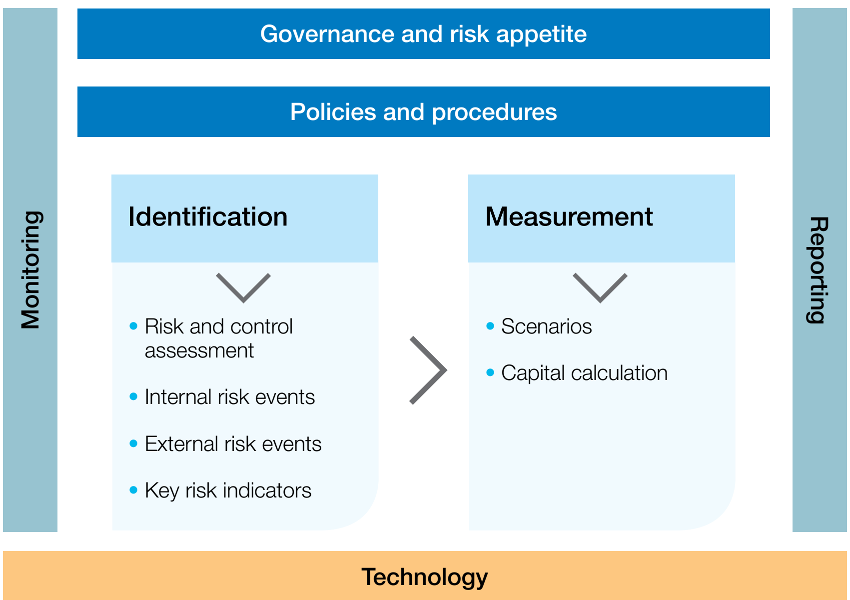
The bank continues to operate under the Standardised Approach (TSA) to operational risk which forms the basis of the operational risk management framework. The framework is embedded at all levels of the organisation and is continually reviewed to ensure appropriate and effective management of operational risk.

During the year under review, significant enhancements of all the components of the operational risk management framework have been made and the focus on advancing practices will continue.

The process of advancing practices and understanding regulatory requirements is supported by regular interaction with the regulator and with industry counterparts at formal industry forums.

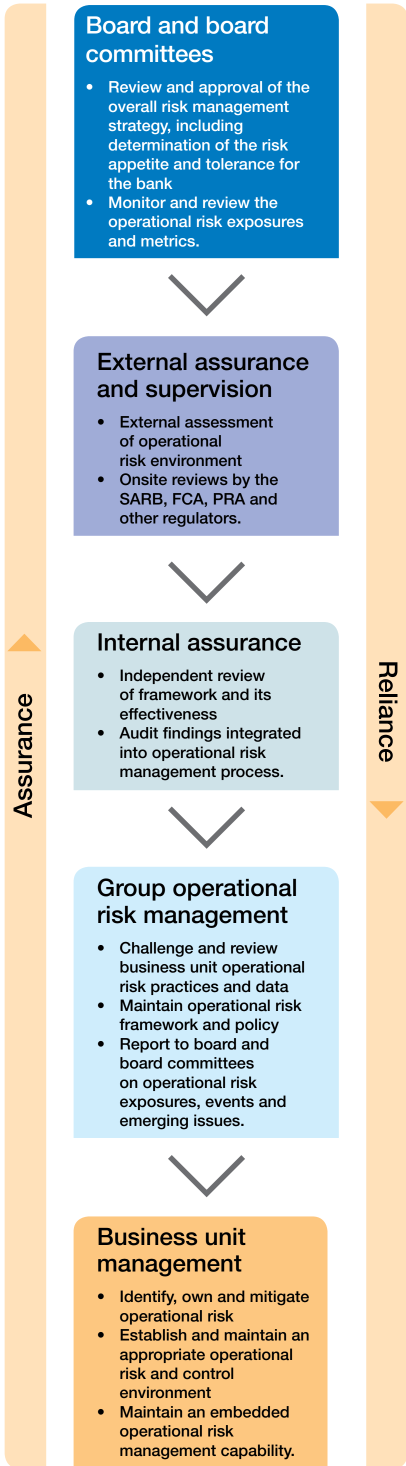
An independent group operational risk management function, mandated by the board risk and capital committee, ensures that operational risk policies and procedures are developed and applied consistently and effectively throughout the bank. Business unit management, supported by operational risk managers (ORMs) who operate at a business unit level, are responsible for embedding and implementing operational risk practices and policies. All personnel are adequately skilled at both a business unit and a group level.

The diagram below depicts how the components of operational risk are integrated.



Governance

The governance structure adopted to manage operational risk is enforced in terms of a levels of defence model and supports the principle of combined assurance in the following manner:



Risk appetite and tolerance

The Operational Risk Tolerance policy defines the amount of operational risk exposure, or potential adverse impact from a risk event, that the bank is willing to accept or retain. The objective of the policy is to encourage action and mitigation of risk exposures and provides management guidance to respond appropriately. Additionally, the policy defines capturing and reporting thresholds for risk events and guidance to respond to key risk indicators appropriately.

Operational risk practices

The following practices are used for the management of operational risk as illustrated in the diagram below:

Enhancement of all the components of the operational risk management framework have been made and the focus on advancing practices will continue

Risk and control assessment	Internal risk events	External risk events	Key risk indicators	Scenarios and capital calculation	Reporting and monitoring	Technology
Qualitative assessments that identify key operational risks and controls Identifies ineffective controls and improves decision-making through an understanding of the operational risk profile	Incidents resulting from failed systems, processes, people or external events A causal analysis is performed Enables business to identify trends in risk events and address control weaknesses	Access to data from an external data consortium Events are analysed to inform potential control failures within the bank The output of this analysis is used as input into the operational risk assessment process	Metrics are used to monitor risk exposures against identified thresholds Assists in predictive capability	Extreme, yet plausible scenarios are evaluated for financial and non-financial impacts Used to measure exposure arising from key risks, which is considered in determining internal operational risk capital requirements	A reporting process is in place to ensure that risk exposures are identified and that key risks are appropriately escalated and managed Monitoring compliance with operational risk policies and practices ensure the framework is embedded in day-to-day business activities	An operational risk system is in place to support operational risk practices and processes

Key operational risk considerations

The following key risks may result in loss of value should they materialise.

Definition of risk	Approach to mitigation	Priority for 2015/16
Financial crime		
Risk associated with money laundering, terrorist financing, bribery, fraud, and tax evasion.	• Proactive strategy which includes business-wide and customer risk assessments • Development of policies which comply with regulations and industry guidance • Monitoring the adequacy and effectiveness of financial crime controls and reporting to governance bodies e.g. audit committee • Training all staff with enhanced bespoke training delivered to staff in higher risk functions • Frequent delivery of management information focused on key risk indicators • Understanding and proactively managing the emerging threat of cybercrime across the industry.	• Financial crime awareness training internally including the use of e-learning platforms • Development of a money laundering, counter terrorist financing, bribery and sanctions compliance risk appetite statement • Enhance money laundering transaction monitoring capabilities and bespoke training for staff in key risk functions.
Information security		
Risks associated with the confidentiality, availability or integrity of our information assets, irrespective of location or media.	• Identification of threats and associated risks to our information assets including legal and regulatory requirements • Development and monitoring of policies, processes and technical controls designed to mitigate the risks to our information • Evaluation of risks introduced by our information supply chain • Maintenance and testing of our security incident and breach response processes.	• Ensure appropriate controls are in place to manage cyber threats, including the sharing of information with peers, law enforcement and industry bodies • Raising awareness with internal and external stakeholders of the threats, controls and policies relating to information security and their responsibility in protecting our information.
Process failure		
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations.	• Weaknesses in controls are identified through the causal analysis process following the occurrence of risk events • Thematic reviews are performed to monitor the effectiveness of controls across business units • Effective management of change remains a focus area for the year ahead.	• Enhancement of processes to identify risks related to new products and projects.
Regulatory and compliance		
Risk associated with identification, implementation and monitoring of compliance with regulations.	• Group Compliance and Group Legal Risk assist in the management of regulatory and compliance risk • Identification and adherence to legal and regulatory requirements • Review practices and policies as regulatory requirements change.	• Alignment of regulatory and compliance approach to reflect new regulatory landscapes (particularly change of regulatory structures in the UK) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Ensuring existing monitoring remains focused appropriately as areas of conduct and regulatory risk develop.
Technology		
Risk associated with the reliance on technology to support business processes and client services. This relates to the operations, usage, ownership and responsibility of IT systems across the business.	• Establishment and maintenance of an IT risk assessment framework to consistently and effectively assess IT exposures across the business • Monitoring risk exposures related to adoption of new technologies • Identification and remediation of vulnerabilities identified in IT systems, applications, and processes • Establishing appropriate IT recovery capabilities to safeguard against business disruptions resulting from systems failures and IT service outages.	• Enhancing resilience of our technical infrastructure and our process to IT failures or service interruptions • Identifying, monitoring and reducing risks in our digital channel, following the introduction of mobile applications and our increased online presence.

Insurance

The group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the group insurance risk manager. Regular interaction between Group Operational Risk Management and Group Insurance Risk Management ensures that there is an exchange of information in order to enhance the mitigation of operational risks.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced

Business continuity management

The group maintains a global business continuity management capability which incorporates an appropriate level of resilience into the bank's operations to minimise the risk of severe operational disruptions occurring.

In the event of a major disruption, an incident management framework will be used to manage the disruption. Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site. Dedicated resources ensure all governance processes are in place with business and technology teams responsible for activating and managing the recovery process.

The group conducts regular exercises and testing of recovery procedures to ensure that its recovery capability remains appropriate.

Recovery and resolution planning

In the EU, the Bank Recovery and Resolution Directive (BRRD) was adopted in June 2014 by the European Commission. The BRRD came into effect from 1 January 2015, with the option to delay implementation of bail-in provisions until 1 January 2016. Regardless of this, the UK introduced bail-in powers from 1 January 2015. The UK transposition of the BRRD builds on the resolution framework already in place in the UK.

In January 2015, the PRA published a policy statement containing updated requirements for recovery and resolution planning, which revises PRA rules that have been in force since 1 January 2014. In addition, the EBA has produced a number of regulatory technical standards, some of which are yet to be finalised, and will further inform the BRRD requirements.

In line with PRA and EU requirements, Investec plc maintains a resolution pack and a recovery plan.

The purpose of the recovery plans is to document how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties. The plan is reviewed and approved by the board on an annual basis.

The recovery plan for Investec plc:

- Integrates with existing contingency planning
- Analyses the potential for severe stress in the group
- Identifies roles and responsibilities
- Identifies early warning indicator and trigger levels
- Analyses how the group could be affected by the stresses under various scenarios
- Includes potential recovery actions available to the board and management to respond to the situation, including immediate, intermediate and strategic actions
- Assesses how the group might recover as a result of these actions to avoid resolution.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Pension risk

Pension risk arises from obligations arising from defined benefit pension schemes, where Investec plc is required to fund any deficit in the schemes.

There are two defined benefit schemes within Investec plc and both are closed to new business. Pension risk arises if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary sources at risk include:

- A mismatch in the duration of the assets relative to the liabilities
- Market-driven asset price volatility
- Increased life expectancy of individuals leading to increased liabilities.

Investec plc monitors the position of the funds closely and regularly assesses potential adverse movements in the schemes in close conjunction with external, independent advisers.

Further information is provided on pages 197 to 200.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered into.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing minimum standards for mitigating and controlling each risk. This is the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing legal risk forums (bringing together the various legal risk managers) to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the global head of legal risk. The global head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

A legal risk forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the global head of legal risk or an appointed deputy.

Conduct risk

As part of the regulatory restructure, the new Financial Conduct Authority (FCA) in the UK has outlined its approach to managing firms' conduct.

By conduct risk we mean the risk that detriment is caused to the bank, its customers, its counterparties or the market, as a result of inappropriate execution of business activities.

The focus on conduct risk is intended to go beyond the current compliance monitoring frameworks in order to move away from the culture of 'tick box' compliance. As a result, firms are expected to look across their business models and strategies and assess how to balance the pursuit of profits with good outcomes for clients and proper standards of markets conduct. All firms will be expected to take a holistic approach to assessing their key conduct risks and to ensure that these are being managed in accordance with FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition.

The group's work on conduct risk, particularly in the UK, includes assessing key risks across the business, identifying key controls and ensuring that the board is receiving the right information to enable it to challenge effectively the management of risks by the business. This work is set to continue for the coming year and will aim to build on the existing controls such as the compliance monitoring, Treating Customers Fairly (TCF) and operational risk frameworks.

Capital management and allocation

Capital measurement

Investec Limited (and its subsidiaries) and Investec plc (and its subsidiaries) are managed independently and have their respective capital bases ring-fenced; however, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital adequacy of both Investec Limited and Investec plc.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single, unified enterprise.

Investec Limited and Investec plc are separately regulated entities. The following provides a brief outline of the regulatory environment relevant to Investec plc's capital management framework.

Regulatory capital

Current regulatory framework

Investec plc is authorised by the PRA and is regulated by the FCA and the PRA on a consolidated basis. Since 1 January 2014 Investec plc has been calculating capital resources and requirements at a group level using the Basel III framework, as implemented in the European Union through the Capital Requirements Directive IV (CRD IV). The group continues to phase-in the remaining CRD IV rule changes, notably the grandfathering provisions applicable to non-qualifying capital instruments (reducing by 10% per annum until fully derecognised in 2022) and the increase in the minimum regulatory capital ratios. With effect from 1 January 2015, the common equity tier 1 capital requirement increased from 4% to 4.5%, while the tier 1 capital requirement increased from 5.5% to 6%. The group continues to hold capital in excess of the new minimum requirements.

Investec plc have also implemented the PRA Pillar 2A rule change and has from 1 January 2015 met at least 56% of its individual capital guidance, as determined by the internal capital adequacy assessment and supervisory review process, with common equity tier 1 capital. During April 2015 the PRA issued the Investec plc group with a revised Pillar 2A requirement of 2.5% of risk-weighted assets effective from 30 April 2015, of which 1.4% has to be met from common equity tier 1 capital.

The Investec plc group has changed significantly during the financial year due to three strategic disposals, namely the sale of Investec Bank (Australia) Limited's professional finance business, asset finance and leasing businesses and deposit book and the sales of Start Mortgage Holdings Limited and Kensington Group plc. Further information on these disposals can be found on page 19.

Investec plc uses the standardised approach to calculate its credit and counterparty credit risk, securitisation and operational risk capital requirements. The mark-to-market method is used to calculate the counterparty credit risk exposure amount. The market risk capital requirement is calculated using standard rules. The group has obtained permission from its regulator to apply an internal risk management model when netting certain over-the-counter (OTC) derivative options within its portfolio.

Subsidiaries of Investec plc may be subject to additional regulations, as implemented by local regulators in other relevant jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. For capital management purposes, it is the prevailing rules applied to the consolidated Investec plc group that are monitored closely. With the support of the group's capital management function, local management of each regulated entity ensures that capital remains prudently above minimum requirements at all times.

Regulatory considerations

The UK regulatory environment has continued to evolve during 2015, with a vast number of new consultations, regulatory and implementing technical standards and other proposals being published or adopted, notably by the PRA, the BCBS and the European Banking Authority (EBA).

International

Counterparty credit risk

The BCBS continues to review the capital framework and its balance of simplicity, comparability and risk sensitivity. In March 2014 the BCBS published a final standardised approach for measuring counterparty credit risk exposures. The new standardised approach replaces both the Current Exposure Method and the Standardised Method and will apply to OTC derivatives, exchange-traded derivatives and long settlement transactions. In August 2014 the BCBS published a technical paper explaining the different modelling assumptions used in developing this new approach. The new standardised approach for counterparty credit risk will take effect from 1 January 2017.

Pillar III disclosures

In June 2014, the BCBS consulted on revisions to the Pillar 3 disclosure requirements, to promote greater consistency in the way banks disclose information about risks, as well as their risk measurement and management. The review proposed greater use of templates to achieve consistency. The final standard was published in January 2015 and will take effect from year end 2016 (Investec's first disclosure will be for year end March 2017).

Operational risk

In October 2014, the BCBS proposed revisions to the standardised approach for measuring operational risk capital. Once finalised, the revised standardised approach will replace the non-model-based approaches, which comprise the basis indicator approach, the standardised approach and the alternative standardised approach. No implementation timeframe has been set.

Market risk

The BCBS continues to consult on the fundamental review of the trading book, and in December 2014 issued a third consultation paper, addressing outstanding issues. The proposals make further refinements to the new proposed market risk framework. A further Quantitative Impact Study (QIS) will be carried out in early 2015 to inform the final calibration of the new framework. The final standard will be published once all comments and the results of the QIS exercise have been assessed by the committee. No formal implementation date has been published by the BCBS to date.

Securitisation risk

In December 2014 the BCBS published the revised securitisation framework, which aims to address a number of shortcomings in the Basel II securitisation framework and to strengthen the capital standards for securitisations held in the banking book. The framework will take effect in January 2018. The revised framework has been through multiple consultation processes and two separate QIS exercises to ensure the standard is appropriately calibrated and refined.

Credit risk

In addition to the above reforms, the BCBS released a consultation paper in late December 2014 recommending changes to the current standardised approach. The committee seeks to substantially improve the standardised approach for credit risk in a number of ways, including reducing the reliance on external credit ratings, increasing risk sensitivity, reducing national discretions, and more importantly strengthening the link between the standardised approach and the internal ratings-based approach so as to enhance comparability of capital requirements across banks. The committee will conduct a comprehensive QIS as part of the Basel III monitoring exercise collecting data as of end December 2014. This information will help inform the overall calibration of the new standard before the final standard is published. The committee will consider this proposal along with all other reforms currently under discussion to ensure sufficient time is given for implementation, including providing appropriate grandfathering provisions where appropriate.

The revised standards published by the BCBS will need to be adopted by the European Commission before they become binding on UK firms.

UK

Pillar 2 framework

With effect from 1 January 2015 the PRA requires firms to meet at least 56% of their individual capital guidance under the Pillar 2A capital framework with common equity tier 1 capital. Previously the individual capital guidance, which is determined by the internal capital adequacy assessment and supervisory review process, could be met with total capital.

In January 2015, the PRA released a consultation paper proposing changes to their Pillar 2 framework, including introducing the PRA's methodologies for setting Pillar 2 capital. In addition the PRA proposed to introduce the PRA buffer, which will replace the current Capital Planning Buffer (known as Pillar 2B). The PRA buffer will be met from common equity tier 1 capital, and will transition in from January 2016 at 25%, increasing by 25% in each consecutive year until fully phased-in by January 2019. All firms will be subject to a PRA buffer assessment and the PRA will set a PRA buffer only if it judges that the CRD IV buffers (capital conservation buffer and systemic risk buffer, if applicable) are inadequate for a particular firm given its vulnerability in a stress scenario, or where the PRA has identified risk management and governance failings, which the CRD IV buffers are not intended to address. To address weak risk management and governance, the PRA proposes applying a scalar ranging from 10% to 40% of a firms common equity tier 1 Pillar 1 plus Pillar 2A capital requirement. The PRA are expected to issue final rules in July 2015, ahead of implementation from 1 January 2016.

Capital buffers

In April 2014 the PRA published its final rules and supervisory statement to implement the CRD IV provisions on capital buffers in the UK. The CRD IV creates a combined capital buffer that all firms will be expected to meet in addition to their Pillar 1 and Pillar 2 capital requirements. The combined buffer will include the capital conservation buffer, countercyclical capital buffer, buffer for global systemically important institutions (G-SIIs) and the systemic risk buffer (if applicable) and must be met with common equity tier 1 capital. These buffers will be phased-in from 1 January 2016. Firms that do not meet their combined buffer shall face restrictions on their distributions.

The CRD IV rules also require HM Treasury to designate authorities responsible for setting certain CRD IV buffers in the UK. From 1 May 2014 the Bank of England is the designated authority for the countercyclical capital buffer (CCB) with policy decisions delegated to the Financial Policy Committee (FPC). At the FPC's policy meeting held in March 2015, the committee chose to maintain the CCB buffer rate for UK exposures at 0%.

The PRA will be responsible for identifying G-SIIs and setting their buffers and will also be responsible for identifying other systemically important institutions from 1 January 2016.

Leverage ratio

In July 2014 the FPC launched a consultation on the design of the leverage ratio framework for the UK. In November 2013 the Chancellor of the Exchequer asked the FPC to conduct a review into the role for the leverage ratio within the capital framework for UK banks and to consider the case for the FPC having the power to implement a leverage ratio requirement ahead of the international timetable, or to set a higher baseline ratio in some circumstances for UK banks. The FPC issued its final report in October 2014 introducing a leverage ratio framework ahead of the international timetable for G-SIIs and other major domestic UK banks and building societies. The final recommendations included a minimum leverage ratio requirement of 3% to be implemented immediately, a supplementary leverage ratio buffer of 35% of corresponding risk-weighted systemic buffer rates, and a countercyclical leverage ratio buffer of 35% of the relevant risk-weighted countercyclical capital buffer rates applicable from 2018. The minimum leverage ratio requirement and countercyclical leverage ratio buffer will also apply to all PRA regulated banks, building societies and investment firms from 2018, subject to a review of progress of the international standards in 2017.

Europe

Leverage ratio

In October 2014 the European Commission adopted the leverage ratio delegated Act, establishing a common definition of the leverage ratio for EU banks which will be the basis for publishing the leverage ratio from the beginning of 2015 onwards. It does not introduce a binding leverage ratio. A decision on whether or not to introduce a binding leverage ratio will only be made in 2016. The Act aims to align the leverage ratio currently included in the Capital Requirements Regulation (CRR) with the internationally agreed BCBS standard.

Capital targets

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec plc has always held capital in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, we are targeting a minimum common equity tier 1 capital ratio of above 10% by March 2016, a tier 1 capital ratio of above 11% by March 2016 (current 10.5% target) and a total capital adequacy ratio target in the range of 14% to 17%. These targets are continuously assessed for appropriateness.

The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood, prepared and planned for. To allow the committee to carry out this function, the group's Regulatory and Capital Management teams closely monitor regulatory developments and regularly present to the committee on the latest developments and proposals. As part of any assessment the committee is provided with analysis setting out the group's capital adequacy position taking into account the most up to date interpretation of the rule changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored and understood.

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite

Management of leverage

In the UK, the leverage ratio is a non-risk-based measure, with public disclosure applicable from 1 January 2015, applying the rules set out in the leverage ratio delegated Act. The leverage ratio is subject to a monitoring period from 1 January 2014 to 30 June 2016, at which point the EBA will report to the European Commission suggesting adequate calibration and appropriate adjustments to the capital and total exposure measure.

As with the governance of capital management, the DLC capital committee is responsible for ensuring that the impact of any regulatory changes on the leverage ratio is calculated, analysed and understood at all reporting levels.

Leverage ratio target

Investec is currently targeting a leverage ratio above 6%, but will continue to reassess this target for appropriateness pending the outcome of the EBA's report in 2016.

Capital management

Philosophy and approach

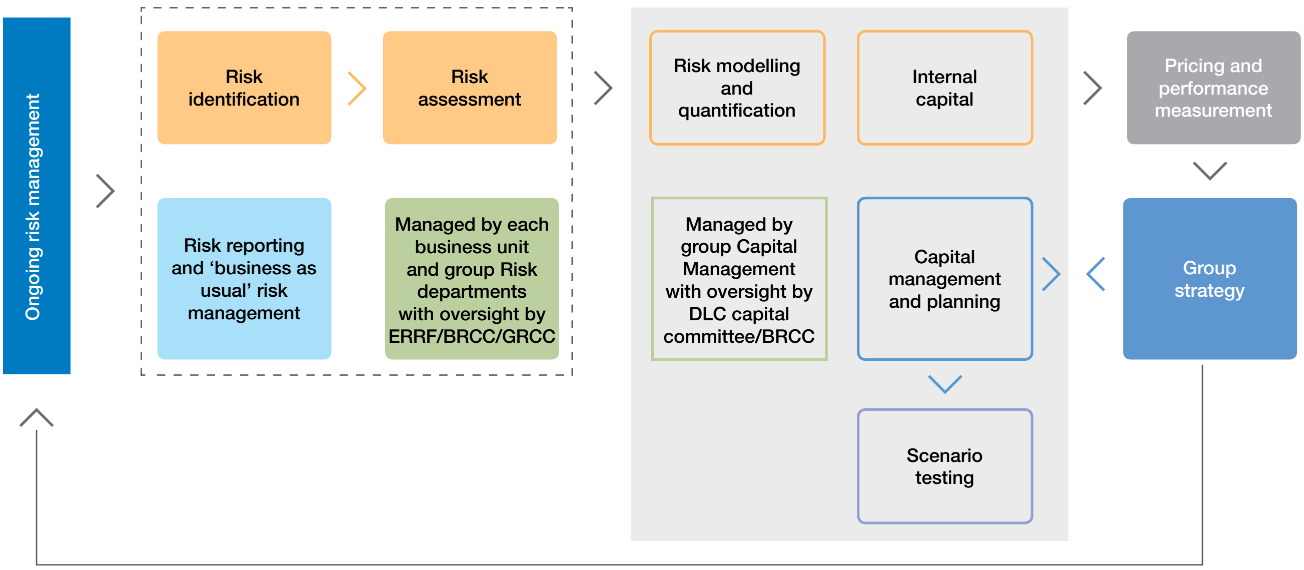
Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital, as appropriate to that jurisdiction, and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate for the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

Our internal capital framework is designed to manage and achieve this balance. The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going-concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the supervisory review process (SREP).

The (simplified) integration of risk and capital management



The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

- Investment decision-making and pricing that is commensurate with the risk being taken
- Allocating capital according to the greatest expected marginal risk-based return, and tracking performance on this basis
- Determining transactional risk-based returns on capital
- Rewarding performance, taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence the basis for discretionary variable remuneration
- Comparing risk-based performance across business areas.

The framework has been approved by the board and is managed by the DLC capital committee, which is responsible for oversight of the management of capital on a regulatory and an internal basis.

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

Risk assessment and reporting

We review the business continuously to maintain a close understanding of our universe of risks, which are analysed through the risk management governance framework under stewardship of BRCC. Key risks are reviewed and debated by senior management on a continuous basis. Assessment of the materiality of risks is directly linked to the board's stated risk appetite and approved risk management policies covering all key risks.

Key identified risks are monitored by Group Risk Management and by Internal Audit to ensure that each risk is managed to an acceptable level. Detailed performance and control metrics of these risks are reported to each ERRF and BRCC meeting including, where appropriate, the results of scenario testing. Key risk types that are considered fall within the following:

- Credit and counterparty risk
- Market risk
- Equity and investment risk in the banking book
- Balance sheet liquidity and non-trading interest rate risk
- Operational, conduct and reputational risk
- Legal risk (considered within operational risk for capital purposes).

Each of these risk categories may consist of a number of specific risks, each of which are analysed in detail and managed by ERRF, GRCC and BRCC.

Risk modelling and quantification (internal capital)

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite. Internal capital requirements are supported by the board-approved risk assessment process described above. Quantification of all risks is based on analysis of internal data, management expertise and judgement, and external benchmarking.

The following risks are included within the internal capital framework and quantified for capital allocation purposes:

- Credit and counterparty risk, including:
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Market risk
- Equity and investment risk held in the banking book
- Balance sheet risk, including:
  - Liquidity
  - Banking book interest rate risk
- Strategic and reputational risks
- Pension risk
- Operational risk, which is considered as an umbrella term and covers a range of independent risks including, but not limited to, fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant review of the underlying business environment.

Capital planning and stress/scenario testing

A group capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed regularly, with regulatory capital being the key driver of decision-making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after research and consultation with relevant internal experts. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet its regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible

- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis, the DLC capital committee and the BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

The use of internal capital as an allocation tool means that all transactions are considered in the context of their contribution to return on risk-adjusted capital. This ensures that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key decisions at both a group and at a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.

Accounting and regulatory treatment of group subsidiaries

Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank plc is the main banking subsidiary of Investec plc.

Basis of consolidation

The regulatory basis of consolidation differs from the basis of consolidation used for financial reporting purposes. The financial accounting position of the Investec plc group is reported under IFRS and is described on page 144 of the annual financial statements.

The regulatory consolidation includes all financial sector subsidiaries, the majority of which are wholly owned by the relevant parent company. Investments in financial sector associates that are equity accounted in the financial accounting consolidation, whereas their exposures are proportionally consolidated in the regulatory consolidation. Subsidiaries and associates engaged in non-financial activities are excluded from the regulatory consolidation. In addition SPEs are not consolidated for regulatory purposes, where significant credit risk has been transferred to third parties. The positions the firm continues to hold in these securitisation SPEs will either be risk-weighted and/or deducted from common equity tier 1 capital.

The principal SPEs excluded from the regulatory scope of consolidation are Landmark Mortgage Securities No. 2 plc and Tamarin Securities Limited.

Investec Bank plc, a regulated subsidiary of Investec plc, applies the provisions laid down in article 9 of the CRR (solo-consolidation waiver) and reports to the PRA on a solo-consolidation basis. Investec Bank plc has two solo-consolidation subsidiaries, namely Investec Finance plc and Investec Investments (UK) Limited.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

The table which follows reconciles the Investec plc group's financial accounting balance sheet to the regulatory scope balance sheet.

The alphabetic references included in the reconciliation provide a mapping of the balance sheet items to elements included in the capital structure table, set out on pages 105 and 106.

The regulatory capital requirements are driven by the regulatory balance sheet and not the financial accounting balance sheet.

A detailed list of principal subsidiaries and associates included in the financial accounting scope of consolidation are disclosed on pages 214 to 217.

Regulatory capital and requirements

For regulatory capital purposes, our regulatory capital is divided into three main categories, namely common equity tier 1, tier 1 and tier 2 capital as follows:

- Common equity tier 1 capital comprises shareholders' equity and related eligible non-controlling interests after giving effect to deductions for disallowed items (e.g. goodwill and intangible assets) and other adjustments
- Other tier 1 capital includes qualifying capital instruments that are capable of being fully and permanently written down or converted into common equity tier 1 capital at the point of non-viability of the firm and other additional tier 1 instruments, which no longer qualify as additional tier 1 capital and are subject to grandfathering provisions
- Tier 2 capital comprises qualifying subordinated debt and related eligible non-controlling interests and other tier 2 instruments, which no longer qualify as tier 2 capital and are subject to grandfathering provisions.

Capital disclosures

The composition of our regulatory capital under a CRD IV basis is provided in the table below.

Reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation

At 31 March 2015 £'million	Ref^	Accounting balance sheet	Decon-solidation of non-financial/ other entities	Consolidation of banking associates	Regulatory balance sheet
Cash and balances at central banks		2 181	–	–	2 181
Loans and advances to banks		1 054	(33)	6	1 027
Reverse repurchase agreements and cash collateral on securities borrowed		1 448	–	–	1 448
Sovereign debt securities		1 213	–	–	1 213
Bank debt securities		226	–	–	226
Other debt securities		222	(1)	–	221
Derivative financial instruments		775	(3)	–	772
Securities arising from trading activities		670	–	–	670
Investment portfolio		401	5	–	406
Loans and advances to customers		7 061	–	13	7 074
Other loans and advances		555	(116)	–	439
Other securitised assets		412	(180)	–	232
Capital invested in insurance and other entities		–	6	–	6
Interests in associated undertakings		22	–	(17)	5
Deferred taxation assets		74	–	–	74
of which:					
– relates to losses carried forward	a	8	–	–	8
Other assets		1 336	(24)	12	1 324
of which:					
– pension asset	b	36	–	–	36
Property and equipment		63	(23)	–	40
Investment property		66	–	–	66
Goodwill	c	356	–	6	362
Intangible assets	c	137	–	–	137
Total assets		18 272	(369)	20	17 923

^ *The references identify balance sheet components which are used in the calculation of regulatory capital.*

Reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation

(continued)

At 31 March 2015 £'million	Ref^	Accounting balance sheet	Deconsolidation of non-financial/other entities	Consolidation of banking associates	Regulatory balance sheet
Deposits by banks		222	(73)	7	156
Derivative financial instruments		953	–	–	953
Other trading liabilities		252	–	–	252
Repurchase agreements and cash collateral on securities lent		597	–	–	597
Customer accounts (deposits)		10 306	64	–	10 370
Debt securities in issue		1 352	(160)	–	1 192
Liabilities arising on securitisation of other assets		331	(134)	–	197
Current taxation liabilities		105	–	–	105
Deferred taxation liabilities		45	(11)	–	34
of which:					
– in respect of acquired intangibles	c	26	–	–	26
– in respect of pension assets	b	7	–	–	7
Other liabilities		1 438	10	13	1 461
Subordinated liabilities		597	–	–	597
of which:					
– term subordinated debt included in tier 2 capital	d	597	–	–	597
Total liabilities		**16 198**	**(304)**	**20**	**15 914**
Shareholders' equity excluding non-controlling interests	e	1 914	(65)	–	1 849
of which:					
– perpetual preference shares included in additional tier 1 capital	f	130	–	–	130
– perpetual preference shares included in tier 2 capital	d	20	–	–	20
Non-controlling interests	g	160	–	–	160
of which:					
– preferred securities included in additional tier 1 capital	h	144	–	–	144
Total equity		**2 074**	**(65)**	**–**	**2 009**
Total liabilities and equity		**18 272**	**(369)**	**20**	**17 923**

^ *The references identify balance sheet components which are used in the calculation of regulatory capital.*

Reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation

(continued)

At 31 March 2014* £'million	Ref^	Accounting balance sheet	Deconsolidation of non-financial/ other entities	Consolidation of banking associates	Regulatory balance sheet
Cash and balances at central banks		1 743	–	–	1 743
Loans and advances to banks		1 307	(25)	6	1 288
Reverse repurchase agreements and cash collateral on securities borrowed		1 215	–	–	1 215
Sovereign debt securities		1 232	–	–	1 232
Bank debt securities		371	–	–	371
Other debt securities		229	(11)	–	218
Derivative financial instruments		920	(149)	–	771
Securities arising from trading activities		587	–	–	587
Investment portfolio		343	12	–	355
Loans and advances to customers		7 775	–	14	7 789
Own originated loans and advances to customers securitised		448	–	–	448
Other loans and advances		1 673	(57)	–	1 616
Other securitised assets		2 798	(2 166)	–	632
Capital invested in insurance and other entities		-	5	–	5
Interests in associated undertakings		21	–	(17)	4
Deferred taxation assets		105	–	–	105
of which:					
– relates to losses carried forward	a	38	–	–	38
Other assets		1 199	195	17	1 411
of which:					
– pension asset	b	25	–	–	25
Property and equipment		66	(17)	–	49
Investment property		62	–	–	62
Goodwill	c	427	–	7	434
Intangible assets	c	153	–	–	153
Total assets		22 674	(2 213)	27	20 488

^ *The references identify balance sheet components which are used in the calculation of regulatory capital.*
* *Restated for the adoption of IFRIC 21.*

Reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation

(continued)

At 31 March 2014* £'million	Ref^	Accounting balance sheet	Decon-solidation of non-financial/ other entities	Consolidation of banking associates	Regulatory balance sheet
Deposits by banks		1 433	(217)	10	1 226
Derivative financial instruments		669	–	–	669
Other trading liabilities		392	–	–	392
Repurchase agreements and cash collateral on securities lent		615	–	–	615
Customer accounts (deposits)		10 956	98	–	11 054
Debt securities in issue		1 369	(259)	–	1 110
Liabilities arising on securitisation of own originated loans and advances		449	30	–	479
Liabilities arising on securitisation of other assets		2 374	(1 745)	–	629
Current taxation liabilities		107	(19)	–	88
Deferred taxation liabilities		69	–	–	69
of which:					
– in respect of acquired intangibles	c	29	–	–	29
– in respect of pension assets	b	5	–	–	5
Other liabilities		1 231	(2)	17	1 246
Subordinated liabilities		741	–	–	741
of which:					
– term subordinated debt included in tier 2 capital	d	741	–	–	741
Total liabilities		20 405	(2 114)	27	18 318
Shareholders' equity excluding non-controlling interests	e	2 092	(99)	–	1 993
of which:					
– perpetual preference shares included in additional tier 1 capital	f	130	–	–	130
– perpetual preference shares included in tier 2 capital	d	20	–	–	20
Non-controlling interests	g	177	–	–	177
of which:					
– preferred securities included in additional tier 1 capital	h	165	–	–	165
Total equity		2 269	(99)	–	2 170
Total liabilities and equity		22 674	(2 213)	27	20 488

^ *The references identify balance sheet components which are used in the calculation of regulatory capital.*

* *Restated for the adoption of IFRIC 21.*

Capital management and allocation

Capital structure and capital adequacy

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 201 to 206.

The transitional own funds disclosure template and capital instruments' main features template, prescribed by the Capital Requirements Regulation, will be available on the Investec group website.

£'million	Ref^	31 March 2015 Investec Plc*°	31 March 2015 IBP*°	31 March 2014** Investec plc*°	31 March 2014** IBP*°
Tier 1 capital					
Shareholders' equity		1 642	1 734	1 782	1 854
Shareholders' equity per balance sheet	e	1 914	1 800	2 092	1 915
Foreseeable dividends		(57)	(15)	(61)	(32)
Perpetual preference share capital and share premium	f; d	(150)	–	(150)	–
Deconsolidation of special purpose entities	e	(65)	(51)	(99)	(29)
Non-controlling interests		9	–	4	(3)
Non-controlling interests per balance sheet	g	160	1	177	(3)
Non-controlling interests transferred to tier 1	h	(144)	–	(165)	–
Non-controlling interests in deconsolidated entities		–	(1)	–	–
Surplus non-controlling interest disallowed in common equity tier 1		(7)	–	(8)	–
Regulatory adjustments to the accounting basis		(44)	(15)	(32)	(11)
Defined benefit pension fund adjustment	b	(29)	–	(20)	–
Unrealised gains on available-for-sale equities		–	–	(7)	(7)
Additional value adjustments		(15)	(15)	(12)	(11)
Cash flow hedging reserve		–	–	7	7
Deductions		(485)	(394)	(608)	(480)
Goodwill and intangible assets net of deferred taxation	c	(473)	(382)	(558)	(431)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	a	(8)	(8)	(38)	(38)
Securitisation positions		(4)	(4)	(4)	(3)
Connected funding of a capital nature		–	–	(8)	(8)
Common equity tier 1 capital		1 122	1 325	1 146	1 360
Additional tier 1 capital		205	–	234	–
Additional tier 1 instruments	f; h	274	–	295	–
Phase out of non-qualifying additional tier 1 instruments		(69)	–	(61)	–
Tier 1 capital		1 327	1 325	1 380	1 360

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

** *The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.*

° *The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec's 2015 integrated annual report, which follow our normal basis of presentation and do not include the deduction for foreseeable dividends when calculating common equity tier 1 capital. Investec plc and IBP's common equity tier 1 ratios will be 50bps (31 March 2014: 40bps) and 10bps (31 March 2014: 30bps) higher on this basis.*

^ *The references refer to those in the reconciliation of the regulatory scope balance sheet set out on pages 101 to 104.*

Capital management and allocation (continued)

Capital structure and capital adequacy (continued)

£'million	Ref^	31 March 2015 Investec plc*	31 March 2015 IBP*	31 March 2014** Investec plc*	31 March 2014** IBP*
Tier 2 capital		556	590	662	637
Tier 2 instruments	d	610	590	686	642
Phase out of non-qualifying tier 2 instruments		–	–	–	(3)
Non-qualifying surplus capital attributable to non-controlling interests		(54)	–	(24)	(2)
Total regulatory capital		1 883	1 915	2 042	1 997
Risk-weighted assets		11 608	10 967	13 711	12 668
Capital ratios					
Common equity tier 1 ratio		9.7%	12.1%	8.4%	10.7%
Tier 1 ratio		11.4%	12.1%	10.1%	10.7%
Total capital ratio		16.2%	17.5%	14.9%	15.8%

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

** *The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.*

^ *The references refer to those in the reconciliation of the regulatory scope balance sheet set out on pages 101 to 104.*

Capital management and allocation (continued)

Capital requirements

£'million	31 March 2015 Investec plc*	31 March 2015 IBP*	31 March 2014 Investec plc*	31 March 2014 IBP*
Capital requirements	929	878	1 097	1 014
Credit risk – prescribed standardised exposure classes	649	634	830	787
Corporates	287	285	298	294
Secured on real estate property	133	133	161	154
Retail	36	36	102	102
Institutions	36	33	41	38
Other exposure classes	146	136	218	189
Securitisation exposures	11	11	10	10
Equity risk – standardised approach	11	11	21	21
Listed equities	4	4	5	5
Unlisted equities	7	7	16	16
Counterparty credit risk	35	35	22	22
Credit valuation adjustment risk	3	4	16	16
Market risk	74	71	55	52
Interest rate	26	26	21	21
Foreign exchange	20	17	8	5
Securities underwriting	–	–	1	1
Equities	23	23	22	22
Options	5	5	3	3
Operational risk – standardised approach	157	123	153	116
Risk-weighted assets (banking and trading)	11 608	10 967	13 711	12 668
Credit risk – prescribed standardised exposure classes	8 111	7 923	10 374	9 844
Corporates	3 588	3 561	3 728	3 683
Secured on real estate property	1 657	1 657	2 007	1 923
Retail	453	450	1 281	1 278
Institutions	450	410	506	473
Other exposure classes	1 822	1 704	2 729	2 364
Securitisation exposures	141	141	123	123
Equity risk – standardised approach	140	140	267	267
Listed equities	52	52	62	62
Unlisted equities	88	88	205	205
Counterparty credit risk	436	436	271	271
Credit valuation adjustment risk	42	47	194	194
Market risk	922	888	689	648
Interest rate	328	328	262	262
Foreign exchange	246	212	98	57
Securities underwriting	–	–	13	13
Equities	291	291	276	276
Options	57	57	40	40
Operational risk – standardised approach	1 957	1 533	1 916	1 444

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

Investec plc

Movement in risk-weighted assets

Total risk-weighted assets (RWAs) have decreased by 15% over the period, predominantly within credit risk RWAs.

Credit risk RWAs

For Investec plc consolidated reporting, we have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs, which include equity risk, decreased by £2.4 billion. The decrease is primarily attributable to the strategic disposals, partially offset by strong loan growth across various business lines in our core loan book.

Counterparty credit risk RWAs and Credit Valuation Risk

Counterparty credit risk RWAs increased by £165 million mainly due to increased trading volumes, while CVA RWAs decreased by £152 million driven by the application of CVA exemptions, post an internal review.

Market risk RWAs

We apply the standardised approach for calculating market risk RWAs. Market risk RWAs increased by £233 million, primarily due to an increase in foreign exchange risk, driven by the removal of an Australian Dollar hedge.

Operational risk RWAs

Operational risk RWAs are calculated using the standardised approach and increased by £41 million. The increase is due to a higher three-year average operating income.

A summary of capital adequacy and leverage ratios

	31 March 2015		31 March 2014	
	Investec plc^*	IBP^*	Investec plc^*	IBP^*
Common equity tier 1 (as reported)	9.7%	12.1%	8.4%	10.7%
Common equity tier 1 ('fully loaded')^^	9.7%	12.1%	8.4%	10.8%
Tier 1 (as reported)	11.4%	12.1%	10.1%	10.7%
Total capital adequacy ratio (as reported)	16.2%	17.5%	14.9%	15.8%
Leverage ratio** – permanent capital	7.8%	7.5%	7.4%	7.2%
Leverage ratio** – current	7.4%	7.5%	7.1%	7.2%
Leverage ratio** – 'fully loaded'^^	6.3%	7.5%	5.9%	7.3%

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

^ *The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec's 2015 integrated annual report, which follow our normal basis of presentation and do not include the deduction for foreseeable dividends when calculating common equity tier 1 capital. Investec plc and IBP's common equity tier 1 ratios will be 50bps (31 March 2014: 40bps) and 10bps (31 March 2014: 30bps) higher on this basis.*

^^ *Based on the group's understanding of current regulations 'fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*

** *The leverage ratios are calculated on an end-quarter basis.*

Reconciliation of the leverage ratio

The 31 March 2015 leverage ratio is calculated using the CRR definition of leverage which was adopted by the European Commission via a delegated Act in October 2014 and came into force from 1 January 2015. The leverage ratio has been disclosed using both a transitional and 'fully loaded' capital measure. The 2014 comparative leverage ratios, included in the summary of capital adequacy and leverage ratios table were calculated following the original definition of leverage as per the CRR adopted in June 2013.

The leverage ratio at both reporting levels has improved with the increase mainly attributable to a decrease in the exposure measure due to the strategic disposals. A change in the credit conversion factors applied to off-balance sheet exposures, as required by the delegated Act, has also contributed to the decrease in the exposure measure. These improvements in the exposure measure are marginally offset by the delegated Act requirement to include securities financing transactions at their accounting value plus a further add-on for counterparty credit risk.

At 31 March 2015 £'million	Investec plc*	IBP*
Total assets per accounting balance sheet	18 272	17 943
Deconsolidation of non-financial/other entities	(369)	(372)
Consolidation of banking associates	20	12
Total assets per regulatory balance sheet	17 923	17 583
Reversal of accounting values:		
Derivatives	(772)	(803)
Regulatory adjustments:	792	964
Market risk		
Derivatives market value	264	289
Derivative add-on amounts per the mark-to-market method	449	452
Securities financing transaction add-on for counterparty credit risk	324	324
Off-balance sheet items	315	301
Add-on for written credit derivatives	7	7
Exclusion of items already deducted from the capital measure	(567)	(409)
Exposure measure	17 943	17 744
Tier 1 capital	1 327	1 325
Leverage ratio – current	7.4%	7.5%
Tier 1 capital 'fully loaded'^	1 122	1 325
Leverage ratio – 'fully loaded'^	6.3%	7.5%

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*
^ *Based on the group's understanding of current regulations 'fully loaded' is based on capital requirements as fully phased in by 2022.*

Movement in total regulatory capital

The table below analyses the movement in common equity tier 1, additional tier 1 and tier 2 capital during the year.

Total regulatory capital flow statement

£'million	31 March 2015 Investec plc*	31 March 2015 IBP*	31 March 2014** Investec plc*	31 March 2014** IBP*
Restated opening common equity tier 1 capital	1 146	1 360	1 210	1 402
New capital issues	25	–	16	20
Dividends	(121)	(172)	(70)	–
(Loss)/profit after taxation	(31)	110	93	52
Treasury shares	(55)	–	(58)	–
Gain on transfer of non-controlling interests	(1)	–	73	–
Share-based payment adjustments	35	4	37	–
Movement in other comprehensive income	(46)	(53)	(51)	(42)
Goodwill and intangible assets (deduction net of related taxation liability)	85	49	40	41
Deferred taxation that relies on future profitability (excluding those arising from temporary differences)	30	30	(38)	(38)
Deconsolidation of special purpose entities	34	(22)	(31)	(34)
Foreseeable dividend	4	17	(61)	(32)
Other, including regulatory adjustments and transitional arrangements	17	2	(14)	(9)
Closing common equity tier 1 capital	1 122	1 325	1 146	1 360
Opening additional tier 1 capital	234	–	295	–
Other, including regulatory adjustments and transitional arrangements	(29)	–	(61)	–
Closing additional tier 1 capital	205	–	234	–
Closing tier 1 capital	1 327	1 325	1 380	1 360
Opening tier 2 capital	662	637	834	681
Redeemed capital	(13)	(13)	–	–
Amortisation adjustments	–	–	(27)	(15)
Sale of subsidiaries	(63)	(39)	–	–
Collective impairment allowances	–	–	(120)	(20)
Other, including regulatory adjustments and transitional arrangements	(30)	5	(25)	(9)
Closing tier 2 capital	556	590	662	637
Opening other deductions from total capital	–	–	(57)	(54)
Connected funding of a capital nature	–	–	6	6
Investments that are not material holdings or qualifying holdings	–	–	51	48
Closing other deductions from total capital	–	–	–	–
Closing total regulatory capital	1 883	1 915	2 042	1 997

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*
** *The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.*

Analysis of rated counterparties in each standardised credit exposure class

Investec plc

The table below shows the breakdown of rated credit risk exposures by credit quality step.

Credit quality step £'million	31 March 2015 Exposure	31 March 2015 Exposure after credit risk mitigation	31 March 2014 Exposure	31 March 2014 Exposure after credit risk mitigation
Central banks and sovereigns				
1	3 374	3 374	3 187	2 950
2	23	23	–	–
3	–	–	–	–
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Institutions*				
1	279	279	281	281
2	663	549	990	903
3	52	52	131	131
4	2	2	35	35
5	–	–	2	2
6	–	–	–	–
Corporates				
1	–	–	5	5
2	–	–	15	15
3	–	–	2	1
4	–	–	7	7
5	6	6	19	19
6	–	–	–	–
Securitisation positions				
1	184	184	171	171
2	56	56	20	20
3	76	76	34	26
4	1	1	5	1
5	–	–	–	–
Re-securitisation positions				
1	–	–	15	15
2	3	3	9	9
3	–	–	4	4
4	–	–	–	–
5	–	–	–	–
Total rated counterparty exposure	4 719	4 605	4 932	4 595

* *The institutions exposure class includes exposures to institutions with an original effective maturity of more than and less than three months.*

Credit ratings

In terms of our dual listed companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned separate ratings to the significant banking entities within the group, namely Investec Bank plc and Investec Bank Limited. Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings at 19 June 2015 are as follows:

Rating agency	Investec plc	Investec Bank plc – a subsidiary of Investec plc
Fitch		
Long-term rating		BBB-
Short-term rating		F3
Viability rating		bbb-
Support rating		5
Moody's		
Long-term rating	Baa3	A3
Short-term rating	Prime-3	Prime-2
Baseline Credit Assessment (BCA) and adjusted BCA		baa3
Global Credit Ratings		
Long-term rating		BBB+
Short-term rating		A2

Internal Audit

Internal Audit's activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function

The head of internal audit reports at each audit committee meeting and has a direct reporting line to the chairman of the audit committee as well as the appropriate chief executive officers. The head of Internal audit operates independently of executive management, but has regular access to their chief executive officer and to BU executives. The head of internal audit is responsible for coordinating internal audit efforts to ensure departmental skills are leveraged to maximise efficiency. For administrative purposes, the head of internal audit also reports to the global head of corporate governance and compliance. The functions comply with the International Standards for the Professional Practice of Internal Auditing, and are subject to an independent Quality Assurance Review (QAR) at appropriate intervals. The most recent independent QAR benchmarked the functions against the July 2013 publication by the Chartered Institute for Internal Auditors entitled *Effective Internal Audit in the Financial Services Sector*. The results were communicated to the audit committees in March 2014 and to the respective regulators. A QAR follow-up review was completed and results issued to the audit committees in January 2015 as well as to the respective regulators.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. Very high risk businesses and processes are audited at least every 12 months, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec's dependence on IT systems. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of integrated assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the local assurance forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committee receives a report on significant issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by Internal Audit to each audit committee. If there are concerns in relation to overdue issues, these will be escalated to the executive risk review forum to expedite resolution.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness to meet an increasingly demanding corporate governance and regulatory environment. The audit team comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec's diverse requirements. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal Audit resources are subject to review by the respective audit committees.

Compliance

Over the last year the pace of regulatory change in the financial sector has shown little signs of abating, and the pressure the industry has faced to implement various regulatory initiatives has continued to be resource intensive. In addition, the scale and frequency of regulatory fines and redress orders continues to impact firms' balance sheets with the regulators' intensive and intrusive approach to supervision expected to continue for the foreseeable future.

Global regulators have continued to focus on promoting stability and resilience in financial markets, with increasing emphasis on recovery and resolution plans and structural reforms to the banking sector as well as customer and market conduct related reforms.

Investec remains focused on complying with the highest levels of compliance professional standards and integrity in each of our jurisdictions. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

Year in review

Conduct risk

The FCA continues to focus on advancing its three operational objectives: securing an appropriate degree of protection for consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interests of consumers. The FCA's aim is to ensure that clients' interests are at the forefront of firms' agendas and that their needs are placed at the heart of the firms' strategy. Firms are also expected to behave appropriately in the wholesale markets in which they operate.

Investec has focused over the period on delivering good customer outcomes and effectively managing conduct risk throughout our business. This has included continued and ongoing investment in and enhancement of the conduct risk and compliance frameworks in place throughout the group.

Consumer protection

The FCA has vigorously pursued its consumer protection objective since taking over from the FSA. This has included several strategic thematic reviews into most areas of consumer activity. These reviews have included: firms' complaint handling, conflict management arrangements, manufacturing and distribution of structured products, affordability assessment and forbearance policies in consumer credit and mortgage lending, as well as the way firms incentivise front line sales staff and protect client assets.

Market integrity

The FCA has adopted a markedly different approach to supervising conduct in the wholesale markets to its predecessor, the FSA. The FCA is now adopting a more interventionist and assertive approach in identifying and addressing risks arising from wholesale conduct and scrutinising these markets more broadly than before. It is driven by the recognition that poor conduct in wholesale markets can result in detriment to retail customers and erode trust and confidence in the integrity of UK markets. This has become apparent in FCA's more pronounced focus on the wholesale markets and outcomes for clients irrespective of their categorisation as either retail or professional.

Specific wholesale conduct areas of regulatory focus over the past 12 months have included: conflicts of interests management; best execution and benchmark regulation.

Competition

On 1 April 2015, the FCA gained additional competition powers alongside the Competition and Markets Authority (the CMA), including investigation of breaches and enforcement of competition laws. The FCA has made use of these powers to carry out a number of competition market studies in areas such as: cash savings, credit cards and SME banking. The FCA is also planning further market studies into the investment and corporate banking sector, mortgage markets and investor charges in the asset management sector.

Investment services reform

European Regulators are in the process of reforming the rulebooks for Investment Services in the EU Markets, via enhancements to the Markets in Financial Instruments Directive (MiFID). This reform package, known as MiFID II, will form the legal framework governing the requirements applicable to investment firms, trading venues, data reporting service providers and third-country firms providing investment services or activities in the EU.

These reforms will drive change across Investec Bank plc, Investec Asset Management and Investec Wealth & Investment, with the majority of these reforms required to be implemented by January 2017.

Segregation of client assets and funds

Following the failures of Lehman Brothers and MF Global, the FCA has proposed fundamental changes to the Client Assets Protection Regime (CASS). These changes are designed to ensure that client assets and client money are segregated at all times and capable of being returned to clients swiftly in the event of a firm failure.

These new rules will require operational changes across Investec Bank plc, Investec Asset Management and Investec Wealth & Investment. This will include the manner in which firms segregate and manage client money and assets – through customer relationships, outsourcing arrangements, operations, IT systems and related policies and procedures.

These new CASS rules come into force in stages between December 2014 and 1 June 2015.

Senior managers and certified persons regime

The FCA and PRA are putting in place a new regulatory framework for individuals working in the UK banking sector. The incoming regime will consist of three key components:

I. A new Senior Managers Regime which will clarify the lines of responsibility at the top of banks, enhance the regulators' ability to hold senior individuals in banks to account and require banks to regularly vet their senior managers for fitness and propriety.

II. A Certification Regime requiring firms to assess fitness and propriety of staff in positions where the decisions they make could pose significant harm to the bank or any of its customers; and

III. A new set of Conduct Rules, which take the form of brief statements of high-level principles setting out the standards of behaviour for bank employees.

The new regime will come into force on 7 March 2016.

Structural banking reform

The Banking Reform Act received Royal Assent on 18 December 2013 and gave the UK authorities the powers to implement key recommendations of the Independent Commission on Banking (ICB) on banking reform, including ring-fencing of UK retail banking activities of a universal bank into a legally distinct, operationally separate and economically independent entity within the same group.

Ring-fencing was a key area of strategic focus during the period for the largest UK banks. The Banking Reform Act contains a de minimis exemption from the requirement to ring-fence, which is relevant to all but the largest UK deposit takers. Investec falls within this de minimis exemption and is therefore out of scope from the ring-fencing requirement.

Changes to regulatory landscape in the UK

On 1 April 2014 the FCA took over the regulation and supervision of consumer credit from the Office of Fair Trading. At the same time the newly established Competition and Markets Authority assumed responsibility for wider consumer protection and promotion of competition.

The Payment Systems Regulator was created on 1 April 2014 and became fully operational on 1 April 2015. The PSR is a competition-focused, economic regulator for domestic retail payment systems in the UK. It aims to promote innovation and ensure that payment systems are operated and developed in a way that promotes the interests of all the businesses and consumers that utilise them.

Financial crime

Financial crime continues to be a regulatory focus with regulators globally encouraging firms to adopt a dynamic approach to the management of risk and to increase efforts around systems and controls to combat both money laundering and bribery and corruption. In particular, the UK government published its first UK National Anti-Corruption Plan in December 2014, thereby indicating its intent to tie in anti-corruption with its efforts to strengthen the governance of banks and conduct in financial markets. The last year also saw the advent of a new type of targeted international sanctions in the midst of the Ukraine crisis.

The sectoral sanctions imposed by the US and the EU on the Russian financial, energy and defence sectors will continue to be a challenge for firms as they attempt to comply with increasingly complex rules and expanding lists of banned individuals and businesses. This, together with developments around the EU fourth money laundering directive, will become a focus for Investec Bank plc.

Tax reporting

To combat tax evasion by US tax residents using offshore accounts and investments, the US has enacted the Foreign Account Tax Compliance Act (FATCA) which has a global impact on firms. Under FATCA, financial institutions outside the US are required to report specific information on their US customers to the US tax authorities, the Internal Revenue Service (IRS). Failure to meet the reporting obligations under FATCA would result in a 30% withholding tax on financial institutions. The UK, along with a number of other countries, has entered into an intergovernmental agreement with the US whereby the information will be passed over to the UK tax authorities who will then deal with the IRS.

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in Investec's 2015 integrated annual report.

Chairman's introduction

Dear Shareholder

It is pleasing to present the 2015 annual corporate governance report which sets out Investec's approach to corporate governance.

Continuing and embedding our structured board refreshment programme has been a particular area of focus over the past year. It is pleasing that a thorough selection process, overseen by the nominations and directors affairs' committee (NOMDAC) has led to the appointment of five independent non-executive directors, bringing further diversity of background, skills and experience to the board.

The last year also saw Sir David Prosser stepping down as joint chairman of the board. The transition from a joint chairmanship to a sole chairman has been a smooth one due, in no small part, to the invaluable role Sir David played in chairing the board and supporting me during this time.

Our culture and values

Our culture, values and philosophies provide the framework for how we conduct our business and measure behaviour and practices to ensure that we demonstrate the characteristics of good governance. Our values require that directors and employees act with moral strength and integrity, and conduct themselves to the highest ethical standard to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures, and a written statement of values serves as our code of ethics.

Regulatory context

The disclosure of our governance practices requires a description of the regulatory context that Investec, as a dual listed company (DLC), operates within.

We operate under a DLC structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group which also complies with requirements in both jurisdictions. All international business units operate in accordance with the above determined corporate governance principles, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

The board, management and employees of Investec are committed to complying with the disclosure, transparency and listing rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) Listings Requirements the UK Corporate Governance Code (the Code) which was issued by the UK's Financial Reporting Council in 2010, revised in September 2012 with the most recent version being published in September 2014 for reporting periods commencing after 1 October 2014, and the King Code of Governance Principles for South Africa (King III).

Therefore, all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

The past year in focus

Sir David Prosser

Sir David decided in 2014 that it would be an appropriate time for him to retire and therefore stepped down from the board following the annual general meetings of Investec plc and Investec Limited held on 7 August 2014.

Consequently, I assumed the role of sole chairman of the board, with effect from 8 August 2014.

Composition of the board and board refreshment

The board, on the recommendation of the NOMDAC, implemented a structured refreshment programme so as to ensure that we are recruiting new independent non-executive directors and retiring some of our longer serving non-executive directors. Accordingly, the following changes were made to the composition of the board:

- George Alford, Olivia Dickson and Peter Malungani did not seek re-election as directors at the 2014 annual general meeting, and accordingly stepped down from the board at the conclusion of the 2014 annual general meeting

- The board appointed, with effect from 8 August 2014, Charles Jacobs, Lord Malloch-Brown and Khumo Shuenyane as independent non-executive directors
- Perry Crosthwaite was appointed as the senior independent director in place of George Alford on 8 August 2014
- Zarina Bassa was appointed as an independent non-executive director of the board, with effect from 1 November 2014, and Laurel Bowden was appointed as an independent non-executive director on 1 January 2015.

Additionally, discussions have been concluded with Haruko Fukuda, who has served on the board for a period exceeding nine years, who has agreed that she will not stand for re-election at the August 2015 annual general meeting.

The board continues to monitor the impact of the evolving regulatory landscape in the UK, and consideration is being given to appoint a UK independent non-executive director with specific and recent financial services knowledge to the board.

Composition of the DLC remuneration committee

- Charles Jacobs was appointed as a member of the committee, effective from 8 August 2014
- Bradley Fried stepped down as a member of the committee, with effect from 18 September 2014.

Composition of the audit committees

- Khumo Shuenyane was appointed as a member of the committees with effect from 8 August 2014
- Zarina Bassa became a member of the committees on 1 November 2014
- Laurel Bowden was appointed to the committees with effect from 1 January 2015.

Composition of NOMDAC

- Perry Crosthwaite and David Friedland were appointed as members of NOMDAC on 16 September 2014.

Board and directors' effectiveness review

The 2015 review of the board's effectiveness took the form of a detailed questionnaire and a series of structured interviews between the chairman and each individual director (the 2015 review). All directors completed the questionnaire and were interviewed during the course of the 2015 review.

Key themes to emerge from the effectiveness review included:

- Board composition: bedding down the board refreshment programme
- Management succession planning
- Continuing to improve management information
- Strengthening the structures of the regulated subsidiaries
- Directors' ongoing development particularly within the context of the changing regulatory landscape
- Streamlining the working between the group risk and capital committee (GRCC) and the board risk and capital committee (BRCC)
- The number of directors on the board.

An externally facilitated board effectiveness evaluation last took place in 2013.

The board has agreed that the 2016 review of the board's effectiveness will be conducted by an external independent facilitator.

Priorities for the new year

In broad terms, our priorities for 2015, from a corporate governance perspective, are as follows:

Board diversity and effectiveness

The board will continue with its structured refreshment programme to ensure its composition is the most appropriate to provide effective entrepreneurial leadership and robust oversight.

The board believes that diversity in terms of a broad range of skills, experience, background and outlook is required for it to be effective. While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC is mindful of all aspects of diversity when making recommendations for appointments to the board.

Per Lord Davies' report on 'Women on Boards', the board has an aspirational target of 25% female representation on the board by the end of 2015. The board recognises that gender is an important aspect of diversity. The NOMDAC continues to implement the structured refreshment programme referred to above so as to ensure that we are retiring some of our longer serving non-executive directors over a period of years. At the date of this report, the board had adopted a board diversity policy and female directors currently comprise 24% of the board.

Management succession

Succession planning for senior management is also a key area of focus and the identification of talented future leaders is essential for Investec's long-term success.

The NOMDAC received a detailed presentation from the executive management regarding senior management succession, and the NOMDAC is satisfied that there is a formal management succession plan in place. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date and the respective succession plans in the three core activities continue to be implemented within the respective businesses.

Regulatory and governance best practice

In the United Kingdom, the year ahead will see the group's implementation of the Financial Services (Banking Reform) Act 2013, bringing about a new Senior Managers Regime which will include specific responsibilities for non-executive directors. A revised UK Corporate Governance Code, published in September 2014, effective for reporting periods beginning on or after 1 October 2014, will see changes to its provisions relating to remuneration, engagement with shareholders and risk management.

Conclusion

It is important to emphasise that underpinning our governance framework, and at the core of everything we do, are Investec's culture, values and philosophies.

Increasingly, the importance of organisational culture and its part in ensuring good corporate governance and conduct is understood by other organisations and by our regulators. Our culture and values have always been at the heart of how we operate, and we believe the strength with which these are embedded and lived throughout the organisation distinguishes Investec from others. We believe that these will, as ever, provide the group with a strong foundation to enable it to meet the challenges of the future.

Fani Titi
Chairman

19 June 2015

Governance framework

Investec Limited and Investec plc, together with their subsidiaries, are merged as a single economic enterprise as a result of the DLC structure.

The group has adopted a risk and governance structure which allows for the operation of the various committees and forums at group level.

Investec's governance framework is depicted on page 42.

This avoids the necessity of having to duplicate various committees and forums at group subsidiary level. Due to the DLC structure, we have combined board committees of Investec Limited and Investec plc. Full disclosure of the functioning and responsibilities of these board committees can be found in Investec's 2015 integrated annual report.

Statement of compliance

UK Corporate Governance Code

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the group has complied with the relevant provisions set out in the UK Corporate Governance Code, save that Bradley Fried, was appointed as a member of the DLC remuneration committee (Remco) on 3 April 2013. Bradley Fried was not considered to be independent as he was employed as Investec Bank plc CEO during the five years prior to his appointment as a director. The board believes that Bradley Fried's knowledge and experience was beneficial to the work of the Remco for the period of his appointment, that he exercised independent judgement, and that the balance of independent non-executive directors on the Remco meant that it was able to effectively discharge its responsibilities. Bradley Fried stepped down as a member of the Remco with effect from 18 September 2014.

Financial reporting and going concern

The directors have confirmed that they are satisfied that Investec plc has adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial results by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity
- Solvency.

The board is of the opinion, based on its knowledge of the group, key processes in operation and enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future.

Further information on our liquidity and capital position is provided on pages 84 to 90 and pages 95 to 111.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control operate effectively.

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc annual financial statements, accounting policies and the information contained in the integrated annual report, and to ensure that the annual financial statements are fair, balanced and understandable.

The process is implemented by management and independently monitored for effectiveness by audit, risk and other sub-committees of the board.

Our annual financial statements are prepared on a going concern basis.

Management and succession planning

Global business unit heads, geographic management and the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed-term employment contracts and there are no employment contracts with managers for a term of more than three years.

Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network.

Each strategic business unit has a management committee and is responsible for implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

The NOMDAC receives a detailed presentation from the executive regarding senior management succession and the NOMDAC is satisfied that there is a formal management succession plan in place.

The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date. Senior management succession plans are also presented annually to the banking regulators.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The DLC board risk and capital committee (BRCC), group risk and capital committee (GRCC) and audit committees assist the board in this regard.

Sound risk management practices are promoted by the group risk management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision as well as oversight forums, and assurance and control functions such as group risk management, internal audit and compliance.

Internal Audit reports any control recommendations to senior management, group risk management and the relevant audit committee. Appropriate processes, including review by the audit committees' support structures, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are regularly considered by the executive risk review forum (ERRF) and by the GRCC and BRCC. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC and the audit committees. Reports from the audit committees, BRCC and risk and control functions are reviewed at each board meeting.

Conflict of interests

Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006. In accordance with these Acts and the Articles of Association (Articles), the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the Articles, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committees and are independently assessed by Internal Audit and Compliance. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. Group Finance and Investor Relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the external audit process.

Board of directors

Biographical details of the directors are set out on pages 123 and 124, with more information in Investec's 2015 integrated annual report.

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and affairs of Investec. It provides leadership for the group within a framework of prudent and effective controls which allow risks to be assessed and managed.

The board has adopted a board charter which is reviewed annually and which provides, a framework of how the board operates as well as the type of decisions to be taken by the board and which decisions should be delegated to management.

For more information on the board's objectives, role and responsibilities refer to Investec's 2015 integrated annual report.

Composition, structure and process

At the end of the year under review, the Investec board, including the chairman, comprised four executive directors and 13 non-executive directors.

Refer to the Investec 2015 integrated annual report for disclosures on:

- Board changes during the past year
- Independence of board members and the chairmen
- Skills, knowledge, experience, diversity and attributes of directors
- Board and directors' performance evaluation
- Terms of appointment
- Ongoing training and development
- The role of the joint chairmen and chief executive officer
- Board meetings
- Dealings in securities
- Directors' dealings
- Independent advice
- IT governance.

The names of the directors at the date of this report, the year of their appointment and their independence status for the year under review are set out below:

	Date of appointment: Investec plc	Independent
Executive directors		
S Koseff (chief executive officer)	26 Jun 2002	–
B Kantor (managing director)	26 Jun 2002	–
GR Burger (group risk and finance director)	3 Jul 2002	–
HJ du Toit	15 Dec 2010	–
Non-executive directors		
F Titi (chairman)	30 Jan 2004	Yes
ZBM Bassa	1 Nov 2014	Yes
LC Bowden	1 Jan 2015	Yes
CA Carolus	18 Mar 2005	Yes
PKO Crosthwaite (senior independent director)	18 Jun 2010	Yes
B Fried	1 Apr 2010	No
D Friedland	1 Mar 2013	Yes
H Fukuda OBE	21 Jul 2003	Yes
CR Jacobs	8 Aug 2014	Yes
IR Kantor	26 Jun 2002	No
Lord Malloch-Brown KCMG	8 Aug 2014	Yes
KL Shuenyane	8 Aug 2014	Yes
PRS Thomas	26 Jun 2002	Yes

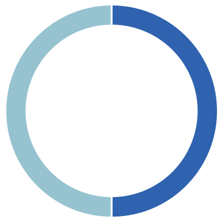
Independence

Chairman	1
Executives	4
Non-executives	13

65% of board independent

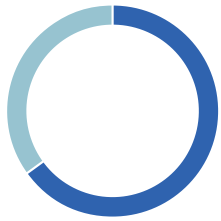
Balance of non-executive and executive directors

Pre-2014 AGM



Independent	50.0%
Non-independent	50.0%

Post-2014 AGM



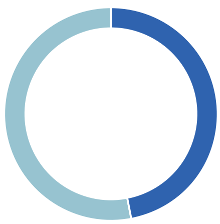
Independent	65.0%
Non-independent	35.0%

Diversity

Aspirational target:

Per the Davies Report: 25% female representation by 2015

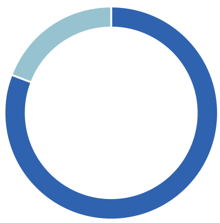
Geographical mix



South Africa	47.0%
UK including Europe	53.0%

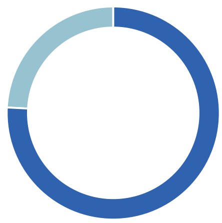
Board gender balance:

Pre-2014 AGM



Male	81.0%
Female	19.0%

Post-2014 AGM



Male	76.0%
Female	24.0%

Tenure

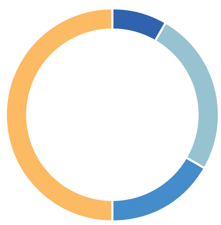
Average length of service:

(Length of service by band) for non-executive directors

UK Corporate Governance recommendations:

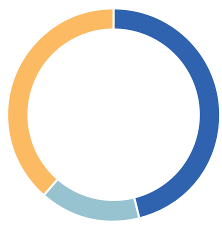
Recommendation that non-executives should not serve longer than nine years from the time of their appointment.

Pre-2014 AGM: 8 years average



0 – 3 years	1
3 – 6 years	3
6 – 9 years	2
9 years plus	6

Post-2014 AGM: 5 years average



0 – 3 years	6
3 – 6 years	2
6 – 9 years	–
9 years plus	5

Board committees

In exercising control of the group, the directors are empowered to delegate to various board and executive committees. The committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

The full terms of reference are available on our website. The reports of the chairman of the board committees are provided in Investec's 2015 integrated annual report.

The full terms of reference are available on our website.

Remuneration

The board believes that a properly constituted and effective remuneration committee is key to maintaining the link between pay and performance. Our remuneration philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and the group.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short-, medium- and long-term success. In summary, we recognise that banks have to divide the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities.

Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our core values and philosophies which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society. Further information regarding our remuneration philosophy and processes and directors' remuneration is provided in Investec's 2015 integrated annual report.

PRA Remuneration Code disclosures

In terms of the PRA's Chapter 11 Disclosure Requirements (BIPRU 11.5.18) the bank, as a tier 2 organisation, in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to PRA Code staff.

Code staff are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile.

These disclosures can be found in Investec's 2015 integrated annual report.

External audit

Investec's external auditors are Ernst & Young LLP. The independence of the external auditors is reviewed by the audit committees each year.

The audit committees meet with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to attend audit committee meetings and have access to the chairman of each audit committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3, were adhered to during the year under review.

Non-audit services are dealt with in terms of an agreed policy which states that:

- External audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the audit committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors.

For further details on non-audit services see note 6 on page 157.

Regulation and supervision

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the UK Prudential Regulation Authority and the Financial Conduct Authority, and the Australian Securities and Investment Commission.

Values and code of conduct

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as our code of ethics, and is continually reinforced.

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such all new employees are invited, and are strongly encouraged, to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our Organisation Development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the human resources practices manual, available on the intranet.

Directorate

Executive directors

(details as at 30 June 2015)

Stephen Koseff (63)

Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Board committees: DLC board risk and capital, DLC capital and DLC social and ethics

Appointed to the board in October 1986.

Stephen joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking.

Other directorships include: Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

Bernard Kantor (65)

Managing director
CTA

Board committees: DLC board risk and capital, DLC capital and DLC social and ethics

Appointed to the board in June 1987.

Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the Trading division, marketing manager and chief operating officer.

Other directorships include: Phumelela Gaming and Leisure Limited, Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

Glynn R Burger (58)

Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Board committees: DLC board risk and capital and DLC capital

Appointed to the board in July 2002.

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Other directorships include: Investec Bank Limited and a number of Investec subsidiaries.

Hendrik J du Toit (53)

Investec Asset Management chief executive officer
BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)

Appointed to the board in December 2010.

After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 as portfolio manager and later chief executive officer of Investec Asset Management.

Other directorships include: Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited as well as their subsidiaries.

Non-executive directors

(details as at 30 June 2015)

Fani Titi (53)

Chairman
BSc (Hons), MA, MBA

Board committees: DLC remuneration, DLC board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and DLC capital

Appointed to the board in January 2004. Following the retirement of Sir David Prosser in August 2014, Fani became the sole chairman.

Fani is chairman of Investec Bank Limited, Investec Bank plc and former chairman of Tiso Group Limited and former deputy chairman of the Bidvest Group.

Other directorships include: Investec Bank Limited (chairman), Investec Bank plc (chairman), Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, Kumba Iron Ore Limited (chairman), MTN Group Limited and MRC Media (Pty) Ltd.

Zarina BM Bassa (51)

BAcc, DipAcc, CA(SA)

Board committees: DLC audit, Investec plc audit and Investec Limited group audit and DLC board risk and capital

Appointed to the board in November 2014.

Zarina is the executive chairman of Songhai Capital. A former partner of Ernst & Young Inc., she joined the Absa Group in 2002 and was an executive director and a member of the bank's executive committee, with accountability for private banking. She has previously chaired the Public Accountants' and Auditors' Board and the Auditing Standards Board and has been a member of the JSE GAAP Monitoring Panel.

Other directorships include: Financial Services Board, Investec Bank Limited, Kumba Iron Ore Limited, Lewis Group Limited, Oceana Group Limited, Senwes Limited, Sun International Limited, Vodacom Proprietary Limited and Woolworths Holdings Limited.

Laurel C Bowden (50)

National Higher Diploma Engineering, BSc, MBA

Board committees: DLC audit committee, Investec plc audit and Investec Limited group audit

Appointed to the board in January 2015.

Laurel is a partner at 83 North, where her areas of focus include internet, enterprise software and fintech. Laurel has over 15 years' investment experience and was previously a director at GE Capital in London, where she was responsible for acquisitions in consumer and transport finance in Europe.

Other directorships include: Bluevine Capital Inc., Edbury Partners Limited, 83 North, GE Ventures Limited, iZettle AB, Notonthehighstreet Enterprises Limited, and Wonga Group Limited.

Cheryl A Carolus (57)

BA (Law), BEd, Honorary doctorate in Law

Board committees: DLC social and ethics

Appointed to the board in March 2005.

Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was chief executive officer of South African Tourism.

Other directorships include: De Beers Consolidated Mines Limited, Gold Fields Limited, Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, The IQ Business Group (Pty) Ltd, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, executive chairperson of Peotona Group Holdings (Pty) Ltd and director of a number of the Peotona group companies and International Crisis Group.

Perry KO Crosthwaite (66)

Senior independent director
MA (Hons) in modern languages

Board committees: DLC remuneration and DLC nominations and directors' affairs

Appointed to the board in June 2010.

Perry is a former chairman of Investec Investment Banking and Securities and director of Investec Bank plc.

Other directorships include: Investec Bank plc, Jupiter Green Investment Trust plc, Melrose Industries plc, Investec Holdings (Ireland) Limited and Investec Capital and Investments (Ireland) Limited.

Bradley Fried (49)

BCom, CA(SA), MBA

Board committees: DLC board risk and capital

Appointed to the board in April 2010.

Bradley previously held the positions of joint head of investment banking and chief executive of Investec Bank plc. He is the chief executive in residence at Judge Business School.

Other directorships include: Investec Wealth & Investment Limited, Grovepoint Capital LLP and deputy chairman of the Court of Bank of England.

David Friedland (62)

BCom, CA(SA)

Board committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC board risk and capital, DLC capital and DLC nominations and directors' affairs

Appointed to the board in March 2013.

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG, Cape Town office.

Other directorships include: Investec Bank Limited, Investec Bank plc, The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les (Pty) Ltd.

Haruko Fukuda OBE (68)

MA (Cantab), DSc

Board committees: DLC board risk and capital

Appointed to the board in July 2003.

Haruko was previously chief executive officer of the World Gold Council, and senior adviser at Lazard. She is former vice chairman of Nikko Europe plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.

Other directorships include: Investec Bank plc, director of Aberdeen Asian Smaller Companies Investment Trust Plc. She is an adviser to Braj Binani Group of India.

Charles R Jacobs (48)

LLB

Board committees: DLC remuneration

Appointed to the board in August 2014.

Charles Jacobs is a senior partner of Linklaters LLP specialising in public and private M&A, capital raisings and initial public offerings, joint ventures, corporate governance and other corporate work. Charles also heads Linklaters' global mining team and much of his work is in this sector. Charles has been a solicitor at Linklaters for over 20 years and has been a partner since 1999.

Other directorships include: Linklaters LLP and Fresnillo plc (director and chairman of the remuneration committee)

Ian R Kantor (68)

BSc (Eng), MBA

Appointed to the board in July 1980.

Other directorships include: Insinger de Beaufort Holdings SA (in which Investec Limited indirectly holds an 8.6% interest), Bank Insinger de Beaufort NV (where he is chairman of the management board) Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited.

Lord Malloch-Brown KCMG (61)

BA (Hons) History, MA (Political Science)

Board committees: DLC social and ethics

Appointed to the board in August 2014.

Lord Malloch-Brown is a former chairman of Europe, Middle East and Africa at FTI Consulting.

From 2007 to 2009, Lord Malloch-Brown was a UK government minister. Lord Malloch-Brown was formerly the deputy secretary-general of the United Nations as well as development specialist at the World Bank and United Nations and a communications consultant and journalist with wide-ranging experience of boards.

Other directorships include: Gadco Cooperatief U.A., Seplat Petroleum Development Company plc and Smartmatic Limited.

Khumo L Shuenyane (44)

Associate CA (Member of the Institute of Chartered Accountants in England and Wales)

Bachelor in Social Science (International studies with Economics)

Board committees: DLC audit, Investec plc audit and Investec Limited group audit and DLC board risk and capital

Appointed to the board in August 2014.

Khumo is a chartered accountant (England and Wales), BEcon and International Studies and was previously group chief officer (Mergers and Acquisitions and International Business Development) of MTN Group Limited. Until 2007, Khumo was head of Principal Investments at Investec Bank Limited.

Other directorships include: Investec Bank Limited and Famous Brands Limited.

Peter RS Thomas (70)

CA(SA)

Board committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and DLC capital

Appointed to the board in June 1981.

Peter was the former managing director of The Unisec Group Limited.

Other directorships include: Investec Bank Limited, various Investec subsidiaries, JCI Limited and various unlisted companies.

Footnotes

- George FO Alford, Olivia C Dickson and M Peter Malungani resigned as directors with effect from 7 August 2014
- Charles R Jacobs, Lord Malloch-Brown and Khumo L Shuenyane were appointed as directors with effect from 8 August 2014
- Zarina BM Bassa was appointed as a director with effect from 1 November 2014
- Laurel C Bowden was appointed as a director with effect from 1 January 2015.

Details of the Investec committees can be found in Investec's 2015 integrated annual report.

Details of the board members of our major subsidiaries are available on our website.

Shareholder analysis

Investec ordinary shares

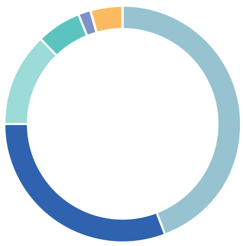
As at 31 March 2015, Investec plc had 613.6 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2015

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
13 872	1 – 500	52.9%	2 455 958	0.4%
4 284	501 – 1 000	16.4%	3 306 452	0.5%
5 224	1 001 – 5 000	19.9%	11 904 952	1.9%
960	5 001 – 10 000	3.7%	7 021 993	1.1%
1 013	10 001 – 50 000	3.9%	23 509 064	3.8%
297	50 001 – 100 000	1.1%	21 028 850	3.4%
542	100 001 and over	2.1%	544 382 373	88.9%
26 192		100.0%	613 609 642	100.0%

Geographical holding by beneficial ordinary share owner as at 31 March 2015



Investec plc

South Africa	44.3%
UK	30.9%
USA and Canada	12.7%
Rest of Europe	6.2%
Asia	1.5%
Other countries and unknown	4.4%

Largest ordinary shareholders as at 31 March 2015

In accordance with the terms provided for in section 793 of the UK Companies Act, 2006, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below.

Investec plc

Shareholder analysis by manager group	Number of shares	% holding
1. Public Investment Corporation (ZA)	44 869 699	7.3%
2. Allan Gray (ZA)	40 919 413	6.7%
3. BlackRock Inc (UK and US)	30 602 600	5.0%
4. Sanlam Group (ZA)	23 730 568	3.9%
5. Old Mutual (ZA)	23 168 373	3.8%
6. T Rowe Price Associates (UK)	20 065 100	3.3%
7. Prudential Group (ZA)	19 544 351	3.2%
8. Legal & General Investment Mgt (UK)	15 362 770	2.5%
9. Royal London Mutual Assurance Society (UK)	15 278 506	2.5%
10. State Street Corporation (UK and US)	14 887 417	2.4%
	248 428 797	**40.5%**

The top 10 shareholders account for 40.5% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Shareholder classification as at 31 March 2015

	Number of Investec plc shares	% holding
Public*	593 522 426	96.7%
Non-public	20 087 216	3.3%
Non-executive directors of Investec plc/Investec Limited	3 650 183	0.6%
Executive directors of Investec plc/Investec Limited	8 111 062	1.3%
Investec staff share schemes	8 325 971	1.4%
Total	613 609 642	100.0%

* *As per the JSE Listings Requirements.*

Share statistics

Investec plc

For the period ended	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Closing market price per share (Pounds)							
– year ended	5.61	4.85	4.59	3.82	4.78	5.39	2.92
– highest	6.06	5.08	5.14	5.22	5.50	5.62	4.21
– lowest	4.91	3.66	3.10	3.18	4.29	2.87	1.69
Number of ordinary shares in issue (million)[1]	613.6	608.8	605.2	598.3	537.2	471.1	444.9
Market capitalisation (£'million)[1]	3 442	2 953	2 778	2 286	2 568	2 539	1 299
Daily average volumes of share traded ('000)	2 170	1 985	1 305	1 683	1 634	1 933	2 604
Price earnings ratio[2]	14.2	12.8	12.7	12.0	11.1	12.0	6.9
Dividend cover (times)[2]	2.0	2.0	2.0	1.9	2.5	2.8	3.3
Dividend yield (%)[2]	3.5	3.9	3.9	4.5	3.6	3.0	4.5
Earnings yield (%)[2]	7.0	7.8	7.9	8.3	9.0	8.4	14.5

[1] *The LSE only includes the shares in issue for Investec plc, i.e. currently 613.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*

[2] *Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.*

Investec perpetual preference shares

Investec plc has issued perpetual preference shares.

Spread of perpetual preference shareholders as at 31 March 2015

Investec plc perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
135	1 – 500	12.6%	35 263	0.2%
156	501 – 1 000	14.6%	128 958	0.9%
521	1 001 – 5 000	48.8%	1 108 245	7.3%
79	5 001 – 10 000	7.4%	600 669	4.0%
117	10 001 – 50 000	11.0%	2 556 637	17.0%
30	50 001 – 100 000	2.8%	2 108 240	14.0%
30	100 001 and over	2.8%	8 543 137	56.6%
1 068		100.0%	15 081 149	100.0%

Investec plc (Rand-denominated) perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
85	1 – 500	23.0%	23 417	1.0%
71	501 – 1 000	19.2%	55 451	2.4%
150	1 001 – 5 000	40.4%	340 114	15.0%
26	5 001 – 10 000	7.0%	189 132	8.3%
28	10 001 – 50 000	7.6%	543 226	23.9%
5	50 001 – 100 000	1.4%	370 903	16.3%
5	100 001 and over	1.4%	753 697	33.1%
370		100.0%	2 275 940	100.0%

Largest perpetual preference shareholders as at 31 March 2015

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec plc perpetual preference shares

Pershing Nominees Limited	5.6%
Chase Nominees Limited (Artemis)	10.6%

Investec plc (Rand-denominated) perpetual preference shares

NES Investments (Pty) Limited	5.3%
Liberty Active Investment	6.5%
Regent Insurance Company	6.6%
Standard Chartered Bank – Cadiz Absolute Yield fund	9.6%

Building trust and credibility among our stakeholders is vital to good business

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UKLA and JSE and other exchanges on which our shares are listed and with any public disclosure obligations as required by the UK Regulators and SARB. We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations.

The Investor Relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial division, ensures that we meet our public disclosure obligations.

We have a board-approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

Employees

- Communication policy
- Quarterly magazine *(Impact)*
- Comprehensive intranet site
- Staff updates hosted by executive management

Investors and shareholders

- Annual general meeting
- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Shareholder roadshows and presentations
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Government and regulatory bodies

- Active participation in policy forums
- Response and engagement on regulatory matters
- Industry consultative bodies

Clients

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored client presentations
- Annual and interim reports
- Client relationship managers within the business

Suppliers

- Centralised negotiation process

Rating agencies

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with Investor Relations team, Group Risk Management and executive management
- Tailored presentations
- Annual and interim reports

Media

- Regular email and telephonic communication
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management

Equity and debt analysts

- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Sustainable business practices

Our sustainability philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet.

Investec as a responsible corporate

At Investec we recognise that while our shareholders remain at the forefront, our purpose ultimately is not only about driving profits. We strive to be a distinctive specialist bank and asset manager, demonstrating cast-iron integrity, moral strength and behaviour which promote trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstanding and empowered talent, entrepreneurial spirit and regard for the planet are other qualities that align with the culture of our organisation and our approach to responsible business.

Our culture and values demonstrate our belief that as an organisation we can and must have a positive impact on the success and well-being of communities local to our offices, the environment, and on overall macro-economic stability.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive or exhaustive, but allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our sustainability efforts while the individual business units provide the key drivers behind our activities, in a manner that best makes sense to each.

Please refer to the website for Investec's full Corporate Citizenship statement.

Sustainability at Investec

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet:

Profit

Financial strength and resilience (of the business and the economy)
- Balanced and resilient business model.

Risk management and compliance
- Strong risk consciousness
- Responsible banking practices
- Responsible lending and investing.

Governance
- Strong culture and values to underpin our processes, functions and structures.

People

Internal employees:
- Strong, diverse and capable workforce
- Provide a progressive work environment.

External CSI initiatives:
- Education
- Entrepreneurship
- Environment.

Planet

Internal
- Reduce operational impacts.

External
- Embed environmental considerations into business activities.

Sustainability at Investec is about:

- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients' and stakeholders' wealth based on strong relationships of trust.

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

4

Annual financial statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditor's report set out on page 138, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the special purpose consolidated annual financial statements.

The directors are responsible for the preparation, integrity and objectivity of the special purpose consolidated annual financial statements that fairly present the state of affairs of the company and the group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties
- The group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group audit committee, appraises and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business
- The group audit committee, together with the Internal Audit department, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRS) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.

The special purpose consolidated annual financial statements have been prepared in accordance with accounting policies set out on pages 144 to 152.

The directors are of the opinion, based on their knowledge of the company, key processes in operation and specific enquiries that adequate resources exist to support the group on a going concern basis over the next year. These annual financial statements have been prepared on that basis.

It is the responsibility of the independent auditors to report on the special purpose consolidated annual financial statements. Their report to the members of the company is set out on page 138 of this report. As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. All steps which ought to have been taken as directors have been completed in order to be aware of the relevant audit information and to establish that the company's auditors are aware of that information.

Approval of annual financial statements

The directors' report which appears on pages 132 to 134 was approved by the board of directors on 19 June 2015. The annual financial statements of the company, which are set out on pages 223 to 225, were approved by the board of directors on 10 June 2015. The special purpose consolidated annual financial statements of the group on pages 139 to 222 were approved by the board of directors on 19 June 2015.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the United Kingdom governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board

Stephen Koseff
Chief executive officer

Bernard Kantor
Managing director

19 June 2015

Strategic report

The strategic report for the year ended 31 March 2015 was approved by the board of directors on 19 June 2015. The operational and financial review in sections 1 and 2 of this report provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read in conjunction with the sections referenced below which elaborate on the aspects highlighted in the strategic report:

- The operational and strategic report on pages 18 and 21 of volume one in Investec's 2015 integrated annual report
- The risk management section in section 3 of this report provides a description of the principal risks and uncertainties facing the company; and
- The Sustainability report on our website which highlights the sustainability economic, social and environmental considerations.

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the United Kingdom, South Africa and 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.

The information on pages 13 to 35 provides an overview of our strategic position, performance during the financial year and outlook for the business.

Authorised and issued share capital

Details of the share capital are set out in note 41 to the annual financial statements.

During the year, the following shares were issued:

- 4 243 045 ordinary shares on 19 June 2014 at 516.00 pence per share
- 2 814 094 special converting shares on 23 June 2014 of £0.0002 each at par
- 610 254 ordinary shares on 15 August 2014 at 492.60 pence per share.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2015.

Financial results

The combined results of Investec plc are set out in the annual financial statements and accompanying notes for the year ended 31 March 2015. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

An interim dividend was declared to shareholders as follows:

- 8.5 pence per ordinary share to non-South African resident shareholders and South African resident shareholders (2013: 8.0 pence) registered on 12 December 2014 and was paid on 29 December 2014

The dividends were paid on 29 December 2014.

The directors have proposed a final dividend to shareholders registered on 31 July 2015, of 11.5 pence (2014: 11.0 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 6 August 2015 and, if approved, will be paid on 14 August 2015, as follows:

- 11.5 pence per ordinary share to non-South African resident shareholders (2014: 11.0 pence) registered on 31 July 2015
- To South African resident shareholders registered on 31 July 2015, through a dividend paid by Investec Limited on the SA DAS share, of 9.0 pence per ordinary share and 2.5 pence per ordinary share paid by Investec plc.

Preference dividends

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

Preference dividend number 17 for the period 1 April 2014 to 30 September 2014, amounting to 7.52055 pence per share, was declared to members holding preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 18 for the period 1 October 2014 to 31 March 2015, amounting to 7.47945 pence per share, was declared to members holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

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

Preference dividend number 7 for the period 1 April 2014 to 30 September 2014, amounting to 433.55137 cents per share, was declared to members holding Rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 8 for the period 1 October 2014 to 31 March 2015, amounting to 438.17123 cents per share, was declared to members holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

Preferred securities

The seventh annual distribution, fixed at 7.075%, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005, is due and will be paid on 24 June 2014.

Directors and secretaries

Details of directors and secretaries of Investec plc are reflected on pages 123 and 124.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2015 annual general meeting.

OC Dickson, GFO Alford and MP Malungani did not offer themselves for re-election at the annual general meeting held on 7 August 2014.

Sir David Prosser retired from the board on 8 August 2014.

CR Jacobs, Lord Malloch-Brown and KL Shuenyane were appointed as directors on 8 August 2014. On 1 November 2014 and 1 January 2015 respectively, ZBM Bassa and LC Bowden were appointed as directors.

The appointments of CR Jacobs, Lord Malloch-Brown, KL Shuenyane, ZBM Bassa and LC Bowden terminate at the end of the annual general meeting on 6 August 2015, but being eligible will offer themselves for election.

The company secretary of Investec plc is David Miller.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out in the Investec 2015 Integrated annual report.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 116 to 122.

Share incentives

Details regarding options granted during the year are set out on pages 158 and 159.

Audit committees

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems.

Further details on the role and responsibility of the audit committee are set out in the Investec 2015 integrated annual report.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc.

A resolution to reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 6 August 2015.

Contracts

Refer to the Investec 2015 integrated annual report for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 125 and 126.

Major shareholders

The largest shareholders of Investec plc are reflected on page 125.

Special resolutions

At the annual general meeting held on 7 August 2014, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of section 701 of the Companies Act 2006
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of section 701 of the Companies Act 2006.

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom law and International Financial Reporting Standards.

The parent company accounts of Investec plc continue to be prepared under UK Generally Accepted Accounting Practice (UK GAAP).

These policies are set out on pages 144 to 152 and 224 respectively.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 37 to 111.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 149 and in notes 23 and 51.

Employees

Our policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants.

In the event of employees becoming disabled, every effort is made to ensure their continued employment. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices.

This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate, the appointment of individuals responsible for various areas of health and safety is made.

Further information is provided in Investec's 2015 integrated annual report.

Political donations and expenditure

Investec plc did not make any donations for political purposes in the UK or the rest of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year.

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 in Investec's 2015 integrated annual report.

Going concern

Refer to page 118 for the directors' statement in relation to going concern.

Research and development

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

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act 2006).

The board considers that this integrated annual report and annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

On behalf of the board of Investec plc

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

19 June 2015

Schedule A to the directors' report

Additional information for shareholders

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

Share capital

The issued share capital of Investec plc at 31 March 2015 consists of 613 609 642 ordinary shares of £0.0002 each, 15 081 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 2 275 940 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 285 748 623 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 2006, the uncertificated securities regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the Companies Act 2006, Investec plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act 2006.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the Companies Act 2006 members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them. Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require. Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu interse* and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with any other shares of Investec plc that are expressed to rank *pari passu* therewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

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

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards dividends and a repayment of capital on the winding up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference shares and equal basis, the right on a return of capital on the winding-up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with Article 150.2(e)(ii) after six months from the due date thereof; and/or
  - A resolution of Investec plc is proposed which resolution directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding-up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

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

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

Shares required for the DLC structure

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

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

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the: (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

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

Appointment and replacement of directors

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

Powers of directors

Subject to the Articles, the Companies Act 2006, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Association of both Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Independent auditor's report to the members of Investec plc

We have audited the accompanying special purpose annual financial statements of Investec plc for the year ended 31 March 2015 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, and notes 1 to 57. The special purpose financial statements have been prepared by the directors in accordance with the accounting policies set out on pages 144 to 152.

Under the contractual arrangements implementing the dual listed companies structure, Investec plc and Investec Limited effectively form a single economic enterprise, in which the economic and voting rights of shareholders are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined consolidated annual financial statements are prepared separately so as to show a true and fair view in accordance with International Financial Reporting Standards.

As explained in the accounting policies, these special purpose annual financial statements have been prepared to present the financial position, results and cash flows of Investec plc and its subsidiaries. For the avoidance of doubt, they exclude Investec Limited and its subsidiaries.

Directors' responsibility for the annual financial statements

The directors are responsible for the preparation of these annual financial statements in accordance with the accounting policies, and for such internal control as the directors determine is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the company's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the special purpose financial statements of Investec plc for the year ended 31 March 2015 are prepared, in all material respects, in accordance with the accounting policies.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to the accounting policies, which describes the basis of accounting. The special purpose financial statements are prepared to present the financial position and results of Investec plc and its directly owned subsidiaries as if the contractual arrangements which create the DLC structure did not exist. As a result, the special purpose financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the board of Investec plc and should not be used by parties other than the board of Investec plc.

Other matter

Investec plc has prepared a separate set of statutory financial statements for the year ended 31 March 2015 in accordance with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the International Accounting Standards Board and Companies Act 2006 on which we issued a separate auditor's report to the shareholders of Investec plc dated 10 June 2015.

Ernst & Young LLP

Ernst & Young LLP
London

19 June 2015

Notes:

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

Consolidated income statement

For the year to 31 March £'000	Notes	2015	2014*
Interest income	2	669 466	803 768
Interest expense	2	(341 984)	(447 034)
Net interest income		327 482	356 734
Fee and commission income	3	844 505	766 675
Fee and commission expense	3	(113 408)	(132 104)
Investment income	4	(2 210)	99 099
Trading income arising from:			
– customer flow		88 259	77 043
– balance sheet management and other trading activities		(28 186)	(9 308)
Other operating income	5	10 639	16 013
Total operating income before impairment losses on loans and advances		1 127 081	1 174 152
Impairment losses on loans and advances	26	(102 707)	(126 911)
Operating income		1 024 374	1 047 241
Operating costs	6	(895 586)	(890 663)
Depreciation on operating leased assets	31	(1 535)	(6 044)
Operating profit before goodwill and acquired intangibles		127 253	150 534
Impairment of goodwill	33	(4 376)	(11 233)
Amortisation of acquired intangibles	34	(14 497)	(13 393)
Operating cost arising from integration, restructuring and partial disposals of subsidiaries		–	(18 919)
Operating profit		108 380	106 989
Net (loss)/gain on disposal of subsidiaries	35	(93 060)	9 653
Profit before taxation		15 320	116 642
Taxation on operating profit before goodwill and acquired intangibles	8	(28 362)	(30 769)
Taxation on acquired intangibles and acquisition/ disposal/integration of subsidiaries	8	(17 574)	7 289
(Loss)/profit after taxation		(30 616)	93 162
Profit attributable to Asset Management non-controlling interests		(10 053)	(5 535)
Loss attributable to other non-controlling interests		16 856	2 720
Earnings attributable to shareholders		(23 813)	90 347

Consolidated statement of comprehensive income

For the year to 31 March £'000	Notes	2015	2014*
(Loss)/profit after taxation		(30 616)	93 162
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income**	8	1 040	2 793
Losses/(gains) on realisation of available-for-sale assets recycled through the income statement**	8	1 935	(2 896)
Fair value movements on available-for-sale assets taken directly to other comprehensive income**	8	(4 216)	1 239
Foreign currency adjustments on translating foreign operations		(51 484)	(45 682)
Items that will never be reclassified to the income statement			
Re-measurement of net defined benefit pension asset	8	6 340	(5 870)
Total comprehensive (loss)/income		(77 001)	42 746
Total comprehensive (loss)/income attributable to non-controlling interests		(6 807)	3 222
Total comprehensive (loss)/income attributable to ordinary shareholders		(84 722)	24 108
Total comprehensive income attributable to perpetual preferred securities		14 528	15 416
Total comprehensive (loss)/income		(77 001)	42 746

* *As restated for restatements detailed in note 57.*

** *Net of taxation.*

Consolidated balance sheet

At 31 March £'000	Notes	2015	2014*
Assets			
Cash and balances at central banks	17	2 181 242	1 742 618
Loans and advances to banks	18	1 053 932	1 307 570
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 448 205	1 215 500
Sovereign debt securities	20	1 212 910	1 232 416
Bank debt securities	21	226 273	371 183
Other debt securities	22	222 485	229 228
Derivative financial instruments	23	775 021	920 015
Securities arising from trading activities	24	670 298	586 706
Investment portfolio	25	400 941	342 597
Loans and advances to customers	26	7 061 117	7 774 627
Own originated loans and advances to customers securitised	27	–	447 638
Other loans and advances	26	554 912	1 672 709
Other securitised assets	27	411 983	2 798 158
Interests in associated undertakings	28	21 931	21 366
Deferred taxation assets	29	73 618	105 109
Other assets	30	1 335 580	1 199 057
Property and equipment	31	63 069	65 923
Investment properties	32	65 736	61 715
Goodwill	33	356 090	427 011
Intangible assets	34	136 655	153 348
		18 271 998	22 674 494
Liabilities			
Deposits by banks		221 666	1 433 141
Derivative financial instruments	23	953 391	668 722
Other trading liabilities	36	251 879	391 650
Repurchase agreements and cash collateral on securities lent	19	597 259	614 733
Customer accounts (deposits)		10 306 331	10 956 136
Debt securities in issue	37	1 352 314	1 369 268
Liabilities arising on securitisation of own originated loans and advances	27	–	449 079
Liabilities arising on securitisation of other assets	27	330 526	2 374 599
Current taxation liabilities		104 605	107 271
Deferred taxation liabilities	29	45 403	69 256
Other liabilities	38	1 437 628	1 231 096
		15 601 002	19 664 951
Subordinated liabilities	40	596 923	740 950
		16 197 925	20 405 901
Equity			
Ordinary share capital	41	180	178
Perpetual preference share capital	42	151	151
Share premium	43	1 171 441	1 146 548
Treasury shares	44	(37 960)	(56 997)
Other reserves		1 782	312 886
Retained income		778 023	689 116
Shareholders' equity excluding non-controlling interests		1 913 617	2 091 882
Non-controlling interests	45	160 456	176 711
– Perpetual preferred securities issued by subsidiaries		144 598	165 319
– Non controlling interests in partially held subsidiaries		15 858	11 392
Total equity		2 074 073	2 268 593
Total liabilities and equity		18 271 998	22 674 494

* *As restated for restatements detailed in note 57.*

Consolidated cash flow statement

For the year to 31 March £'000	Notes	2015	2014*
Operating profit adjusted for non-cash items	47	280 929	314 257
Taxation paid		(4 323)	(9 907)
Increase in operating assets	47	(119 790)	1 848 293
Increase in operating liabilities	47	171 050	(1 743 426)
Net cash inflow from operating activities		**327 866**	**409 217**
Cash flow on acquisition of subsidiaries	35	(6 503)	(270)
Cash flow on disposal of group operations and subsidiaries	35	226 291	–
Cash flow on net (acquisition)/disposal of non-controlling interests		39	37 836
Cash flow on net (acquisition)/disposal of associates		131	6 231
Cash flow on acquisition of property, equipment and intangible assets		(29 937)	(21 400)
Cash flow on disposal of property, equipment and intangible assets		16 834	18 128
Net cash inflow outflow from investing activities		**206 855**	**40 525**
Dividends paid to ordinary shareholders		(97 068)	(53 200)
Dividends paid to other equity holders		(24 015)	(17 210)
Proceeds on issue of shares, net of related costs		24 895	16 339
Cash flow on acquisition of treasury shares, net of related costs		(54 997)	(57 635)
Proceeds from partial disposal of subsidiaries	35	–	72 582
Repayment of subordinated debt		(33 793)	–
Net cash inflow from financing activities		**(184 978)**	**(39 124)**
Effects of exchange rates on cash and cash equivalents		**12 434**	**(7 527)**
Net increase in cash and cash equivalents		**362 177**	**403 091**
Cash and cash equivalents at the beginning of the year		2 741 430	2 338 339
Cash and cash equivalents at the end of the year		**3 103 607**	**2 741 430**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		2 181 242	1 742 618
On demand loans and advances to banks		922 365	998 812
Cash and cash equivalents at the end of the year		**3 103 607**	**2 741 430**

* *As restated for restatements detailed in note 57.*

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

Consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
Balance at 1 April 2013 as previously reported	177	151	1 130 210	(52 098)
Restatements on adoption of IFRIC 21	–	–	–	–
Balance at 1 April 2013 – as restated	177	151	1 130 210	(52 098)
Movement in reserves 1 April 2013 – 31 March 2014				
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	–	–	–	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	1	–	16 338	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to partial disposal of subsidiaries	–	–	–	–
Movement of treasury shares	–	–	–	(4 899)
Transfer to capital reserve account	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
At 31 March 2014	178	151	1 146 548	(56 997)
Movement in reserves 1 April 2014 – 31 March 2015				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Losses 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	–	–	–	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive loss for the year	–	–	–	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	24 893	–
Gain on transfer of non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	–	19 037
Transfer from capital reserve account	–	–	–	–
Transfer from other reserves	–	–	–	–
At 31 March 2015	180	151	1 171 441	(37 960)

Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Shareholders' equity excluding non-controlling interests	Non-controlling interests	Total Equity
	Other reserves							
313 582	5 492	17 141	(12 073)	85 027	572 600	2 060 209	164 554	2 224 763
–	–	–	–	–	3 738	3 738	–	3 738
313 582	5 492	17 141	(12 073)	85 027	576 338	2 063 947	164 554	2 228 501
–	–	–	–	–	90 347	90 347	2 815	93 162
–	–	–	2 793	–	–	2 793	–	2 793
–	(2 896)	–	–	–	–	(2 896)	–	(2 896)
–	1 239	–	–	–	–	1 239	–	1 239
–	(271)	(3 254)	2 189	(44 310)	(443)	(46 089)	407	(45 682)
–	–	–	–	–	(5 870)	(5 870)	–	(5 870)
–	(1 928)	(3 254)	4 982	(44 310)	84 034	39 524	3 222	42 746
–	–	–	–	–	36 740	36 740	–	36 740
–	–	–	–	–	(53 200)	(53 200)	–	(53 200)
–	–	–	–	–	(3 395)	(3 395)	–	(3 395)
–	–	–	–	–	(12 021)	(12 021)	12 021	–
–	–	–	–	–	–	–	(12 021)	(12 021)
–	–	–	–	–	–	–	(1 794)	(1 794)
–	–	–	–	–	–	16 339	–	16 339
–	–	–	–	–	–	–	(270)	(270)
–	–	–	–	–	61 583	61 583	10 999	72 582
(52 736)	–	–	–	–	–	(57 635)	–	(57 635)
5	–	–	–	–	(5)	–	–	–
–	–	958	–	–	(958)	–	–	–
260 851	3 564	14 845	(7 091)	40 717	689 116	2 091 882	176 711	2 268 593
–	–	–	–	–	(23 813)	(23 813)	(6 803)	(30 616)
–	–	–	1 040	–	–	1 040	–	1 040
–	1 935	–	–	–	–	1 935	–	1 935
–	(4 216)	–	–	–	–	(4 216)	–	(4 216)
–	–	(138)	62	(51 404)	–	(51 480)	(4)	(51 484)
–	–	–	–	–	6 340	6 340	–	6 340
–	(2 281)	(138)	1 102	(51 404)	(17 473)	(70 194)	(6 807)	(77 001)
–	–	–	–	–	35 050	35 050	–	35 050
–	–	–	–	–	(97 068)	(97 068)	–	(97 068)
–	–	–	–	–	(14 528)	(14 528)	–	(14 528)
–	–	–	–	–	–	–	(9 487)	(9 487)
–	–	–	–	–	–	24 895	–	24 895
–	–	–	–	–	(1 423)	(1 423)	39	(1 384)
(74 034)	–	–	–	–	–	(54 997)	–	(54 997)
(175 631)	–	–	–	–	175 631	–	–	–
–	–	(14 707)	5 989	–	8 718	–	–	–
11 186	1 283	–	–	(10 687)	778 023	1 913 617	160 456	2 074 073

Accounting policies

Basis of presentation

These annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the DLC structure did not exist and, with this exception and the exclusion of certain other remuneration and related party disclosures, are prepared in accordance with International Financial Reporting Standards (IFRS). For an understanding of the financial position, results and cash flows of the Investec DLC group, the user is referred to Investec's integrated annual report.

Investec DLC group consists of two separate legal entities, being Investec plc and Investec Limited, that operate under a dual listed company (DLC) structure. 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.

These 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 2015, IFRS as endorsed by the EU are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards. However, the group has early adopted these relevant standards to ensure compliance with both frameworks.

The group annual financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting, and liabilities for pension fund surpluses and deficits that have been measured at fair value.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: 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 32 to 117.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report in Investec's integrated annual report.

Restatements and presentation of information

The group has adopted the following new or revised standards from 1 April 2014:

IFRIC 21 Levies

The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy and an entity does not have a constructive obligation to pay a levy that will be triggered in a future period as a result of being economically compelled to continue to operate in that future period. The new interpretation has been applied retrospectively and its application has caused the recognition date for the Financial Services Compensation Scheme (FSCS) levy to be changed from 31 December prior to the beginning of the relevant levy year to the following 1 April. The group has accordingly restated the prior periods to reflect this change and additional details are shown in note 57.

Other standards became effective during the year which did not have an impact on the group.

Basis of consolidation

As discussed above, these annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the DLC structure did not exist.

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.

Investec performs a reassessment of consolidation 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. Investec also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates, the consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains and losses within the group that do not reflect an impairment to the asset, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by chief operating decision-makers which include members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions, namely, Asset Management, Wealth & Investment and Specialist Banking.

Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group-led activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group. Historically, these numbers were reflected solely in the results of the Specialist Bank and the group have now decided to reflect these separately.

For further detail on the group's segmental reporting basis refer to pages 13 to 35 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 at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. 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 this circumstance 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.

Foreign operations are subsidiaries, interests in associated undertakings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction.

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 and 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 recognised in 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.

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 transaction.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue related to provision of services is recognised when the related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest rate yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged *in lieu* of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life.

Fee and commission income includes fees earned from providing advisory services as well as portfolio management and includes rental income from investment properties. Investment advisory and management fees are accrued over the period to which the income relates. Performance fees are recognised when they become receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains and losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings, income from assurance activities and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in 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 fair value. 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 time frame established by market convention are recorded at trade date.

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

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss.

Financial instruments classified as held-for-trading or designated as held at fair value through profit or loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; and
- A contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest 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 at fair value through profit or loss
- Those that the group designates as available-for-sale
- Those for which the group may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for as available-for-sale instruments.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line 'impairment losses on loans and advances'.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages and lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to or rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain debt instruments that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets.

Financial assets classified as available-for-sale are measured at fair value with unrealised gains and 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 recognised in the income statement. Interest earned while holding available-for-sale financial assets is reported 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 of payment has been established.

If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified.

Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held-for-trading or designated as held at fair value through profit or loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest 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, or when the instrument is derecognised or over the life of the transaction.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for impairment at each balance sheet date and when an indicator of impairment is identified.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level (within the Specialist Banking business segment) that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group.

An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

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

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risk 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 asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group may reclassify, in certain rare circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit and 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 transacted 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 profit and loss, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variation in cash flows that could ultimately affect profit and loss
- 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 released to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

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

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec plc 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 has 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 shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, at a fixed price or a selling price plus a lender's return, they remain on balance sheet. Proceeds received are recorded as a liability on 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 in 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.

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

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 financial 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 income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals are accrued to the income statement when incurred.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment is as follows:

- Computer and related equipment 20% – 33%
- Motor vehicles 20% – 25%
- Furniture and fittings 10% – 20%
- Freehold buildings 2%
- Leasehold property and improvements*

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

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment property

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried at fair value, with fair value gains and 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.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the expected useful life of the asset (currently three to twenty years). 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 value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current 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.

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 income as incurred, in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus (to the extent that it is considered recoverable) or deficit in the balance sheet.

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income.

The group has no liabilities for other post-retirement benefits.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations issued but not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 and will replace certain key elements of IAS 39. The mandatory effective date for IFRS 9 is from 1 January 2018 with early adoption permitted. However, IFRS 9 has not yet been endorsed by the European Union. The two key elements that would impact the group's accounting policies include:

- Classification and measurement of financial assets and financial liabilities – the standard requires that all financial assets be classified as either held at fair value or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest. The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk is taken directly to other comprehensive income without recycling.

- Impairment methodology – the key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

IFRS 9 also includes guidance on hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

There are additional disclosures and consequential amendments in IFRS 7 resulting from the introduction of the hedge accounting chapter in IFRS 9. These will become effective when IFRS 9 is applied.

The group is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2017 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The group is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

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

Key management assumptions

In preparation of the annual financial statements the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments in the private equity, direct investments portfolios and embedded derivatives. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility

Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on pages 70 to 72.

- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature

Refer to pages 59 to 68 in the risk management section for further analysis on impairments.

- 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 recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

Notes to the annual financial statements

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
1. Consolidated segmental analysis					
2015					
Segmental business analysis – income statement					
Net interest income	300	6 209	320 973	–	327 482
Fee and commission income	360 032	239 584	244 889	–	844 505
Fee and commission expense	(92 921)	(923)	(19 564)	–	(113 408)
Investment income	–	3 486	(5 696)	–	(2 210)
Trading income arising from					
– customer flow	–	895	87 364	–	88 259
– balance sheet management and other trading activities	1 501	356	(30 043)	–	(28 186)
Other operating income	136	1 276	9 227	–	10 639
Total operating income before impairment losses on loans and advances	269 048	250 883	607 150	–	1 127 081
Impairment losses on loans and advances	–	–	(102 707)	–	(102 707)
Operating income	269 048	250 883	504 443	–	1 024 374
Operating costs	(193 557)	(194 012)	(477 969)	(30 048)	(895 586)
Depreciation on operating leased assets	–	–	(1 535)	–	(1 535)
Operating profit/(loss) before goodwill and acquired intangibles	75 491	56 871	24 939	(30 048)	127 253
Operating loss attributable to other non-controlling interests	–	–	16 856	–	16 856
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	75 491	56 871	41 795	(30 048)	144 109
Operating profit attributable to Asset Management non-controlling interests	(10 053)	–	–	–	(10 053)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	65 438	56 871	41 795	(30 048)	134 056
Selected returns and key statistics					
Cost to income ratio	71.9%	77.3%	78.9%	> 100%	79.5%
Total assets (£'million)	329	897	17 046	–	18 272
2014					
Segmental business analysis – income statement					
Net interest income	277	7 987	348 470	–	356 734
Fee and commission income	340 316	219 434	206 925	–	766 675
Fee and commission expense	(95 354)	(2 020)	(34 730)	–	(132 104)
Investment income	–	1 875	97 224	–	99 099
Trading income arising from					
– customer flow	–	389	76 654	–	77 043
– balance sheet management and other trading activities	(2 314)	(72)	(6 922)	–	(9 308)
Other operating income	(129)	1 232	14 910	–	16 013
Total operating income before impairment losses on loans and advances	242 796	228 825	702 531	–	1 174 152
Impairment losses on loans and advances	–	–	(126 911)	–	(126 911)
Operating income	242 796	228 825	575 620	–	1 047 241
Operating costs	(175 211)	(182 759)	(505 021)	(27 672)	(890 663)
Depreciation on operating leased assets	–	–	(6 044)	–	(6 044)
Operating profit/(loss) before goodwill and acquired intangibles	67 585	46 066	64 555	(27 672)	150 534
Operating loss attributable to other non-controlling interests	–	–	2 720	–	2 720
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	67 585	46 066	67 275	(27 672)	153 254
Operating profit attributable to Asset Management non-controlling interests	(5 535)	–	–	–	(5 535)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	62 050	46 066	67 275	(27 672)	147 719
Selected returns and key statistics					
Cost to income ratio	72.2%	79.9%	72.5%	> 100%	76.2%
Total assets (£'million)	335	931	21 408	–	22 674

No geographical segmental analysis is provided as the group operates in a single significant geography.

2. Net interest income

	Notes	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	6 122 562	50 150
Core loans and advances	2	7 061 117	424 071
Private client		3 341 861	169 272
Corporate, institutional and other clients		3 719 256	254 799
Other debt securities and other loans and advances		777 397	102 066
Other interest-earning assets	3	411 983	93 179
Total interest-earning assets		**14 373 059**	**669 466**

For the year to 31 March 2015 £'000	Notes	Balance sheet value	Interest expense
Deposits by banks and other debt-related securities	4	2 171 239	51 286
Customer accounts (deposits)		10 306 331	163 388
Other interest-bearing liabilities	5	330 526	67 429
Subordinated liabilities		596 923	59 881
Total interest-bearing liabilities		**13 405 019**	**341 984**
Net interest income			**327 482**

For the year to 31 March 2014 £'000	Notes	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 869 287	61 907
Core loans and advances	2	8 222 265	542 480
Private client		5 146 583	267 408
Corporate, institutional and other clients		3 075 682	275 072
Other debt securities and other loans and advances		1 901 937	74 598
Other interest-earning assets	3	2 798 158	124 783
Total interest-earning assets		**18 791 647**	**803 768**

For the year to 31 March 2014 £'000	Notes	Balance sheet value	Interest expense
Deposits by banks and other debt-related securities	4	3 417 142	76 542
Customer accounts (deposits)		10 956 136	222 458
Other interest-bearing liabilities	5	2 823 678	80 766
Subordinated liabilities		740 950	67 268
Total interest-bearing liabilities		**17 937 906**	**447 034**
Net interest income			**356 734**

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; reverse 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.*

For the year to 31 March £'000	2015	2014
3. Net fee and commission income		
Asset management and wealth management businesses net fee and commission income	505 772	462 376
Fund management fees/fees for assets under management	540 050	497 863
Private client transactional fees	59 566	61 887
Fee and commission expense	(93 844)	(97 374)
Specialist Banking net fee and commission income	225 325	172 195
Corporate and institutional transactional and advisory services	219 870	177 053
Private client transactional fees	25 019	29 871
Fee and commission expense	(19 564)	(34 729)
Net fee and commission income	731 097	634 571
Annuity fees (net of fees payable)	541 327	461 427
Deal fees	189 770	173 144

Trust and fiduciary fees amounted to £33 000 (2014: £8.1 million) and is included in private client transactional fees.

For the year to 31 March £'000	2015	2014
4. Investment income		
Realised	80 014	53 986
Unrealised	(90 296)	34 991
Dividend income	5 878	10 885
Funding and other net related income/(costs)	2 194	(763)
	(2 210)	99 099

£'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
4. Investment income (continued)					
2015					
Realised	63 395	8 494	–	8 125	80 014
Unrealised	(76 850)	(23 175)	8 726	1 003	(90 296)
Dividend income	5 878	–	–	–	5 878
Funding and other net related income	–	–	–	2 194	2 194
Total investment income/(loss)	(7 577)	(14 681)	8 726	11 322	(2 210)
2014					
Realised	37 822	11 457	–	4 707	53 986
Unrealised	52 058	(12 836)	–	(4 231)	34 991
Dividend income	10 692			193	10 885
Funding and other net related costs	–	–	–	(763)	(763)
Total investment income/(loss)	100 572	(1 379)	–	(94)	99 099

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

For the year to 31 March £'000	2015	2014
5. Other operating income		
Rental income from properties	5 643	851
Gains on realisation of properties	66	–
Unrealised gains on other investments	816	–
Income from operating leases	2 181	9 335
Operating income from associates	1 933	5 827
	10 639	16 013

For the year to 31 March £'000	2015	2014*
6. Operating costs		
Staff costs	633 208	616 894
– Salaries and wages (including directors' remuneration)	532 383	503 565
– Training and other costs	10 734	18 043
– Share-based payment expense	27 649	34 169
– Social security costs	39 015	38 446
– Pensions and provident fund contributions	23 427	22 671
Premises expenses (excluding depreciation)	38 039	42 170
Equipment expenses (excluding depreciation)	30 545	31 404
Business expenses*	142 689	147 366
Marketing expenses	36 336	35 673
Depreciation, amortisation and impairment on property, equipment and intangibles	14 769	17 156
	895 586	890 663
Depreciation on operating leased assets	1 535	6 044
	897 121	896 707
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group		
Ernst & Young fees		
Fees payable to the company's auditors for the audit of the company's accounts	445	529
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	4 113	5 056
Audit-related assurance services	551	153
Tax compliance services	110	169
Tax advisory services	621	584
Other assurance services	1 225	10
	7 065	6 501
KPMG fees		
Fees payable to the company's auditors for the audit of the company's accounts	122	131
Fees payable to the company's auditors and its associates for other services:		
Audit of the company's subsidiaries pursuant to legislation	550	372
Audit-related assurance services	433	–
Tax advisory services	1 262	69
Services related to corporate finance transactions	9	–
Other assurance services	161	223
	2 537	795
Total	9 602	7 296

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*

7. Share-based payments

The group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis. The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term incentive plans are provided in the remuneration report included in Investec's 2015 integrated annual report and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
Share-based payments expense				
2015				
Equity-settled	1 665	5 617	20 367	27 649
Total income statement charge	1 665	5 617	20 367	27 649
Equity-settled – accelerated charges included in the income statement in operating costs arising from integration restructuring and disposal of subsidiaries	–	–	3 873	3 873
	1 665	5 617	24 240	31 522
2014				
Equity-settled	2 841	5 715	25 613	34 169
Total income statement charge	2 841	5 715	25 613	34 169
Equity-settled – accelerated charges included in the income statement in operating costs arising from integration restructuring and partial disposal of subsidiaries	1 784	–	787	2 571
	4 625	5 715	26 400	36 740

Included in the above income statement charge is an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £0.01 million (2014: £0.3 million).

For the year to 31 March £'000	2015	2014
Fair value of options granted in the year		
UK schemes	24 943	30 054

	2015		2014	
Details of options outstanding during the year	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	42 877 067	0.04	50 514 354	0.05
Granted during the year	6 721 210	0.16	9 200 128	0.05
Exercised during the year^	(15 562 258)	0.02	(12 249 975)	0.01
Options forfeited during the year	(1 605 255)	0.28	(4 587 440)	0.19
Outstanding at the end of the year	32 430 764	0.06	42 877 067	0.04
Exercisable at the end of the year	137 197	–	561 720	0.11

^ *The weighted average share price during the year was £5.41 (2014: £4.35).*

7. Share-based payments (continued)

Additional information relating to options	2015	2014
Options with strike prices		
Exercise price range	£3.20 – £5.72	£3.20 – £5.00
Weighted average remaining contractual life	2.07 years	2.79 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.80 years	2.58 years
Weighted average fair value of options and long-term grants at measurement date	£3.71	£3.27
The fair values of options granted where calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£5.16 – £5.72	£4.26 – £4.59
– Exercise price	£nil, £5.16 – £5.72	£nil, £4.26 – £4.59
– Expected volatility	25.24% – 30%	30%
– Option life	4.5 – 5.25 years	4.5 – 5.25 years
– Expected dividend yields	4.86% – 5.04%	4.42% – 5.90%
– Risk-free rate	1.36% – 1.70%	0.98% – 1.44%

Expected volatility was determined based on the implied volatility levels quoted by the 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	2015	2014
8. Taxation		
Income statement tax charge		
Current taxation		
UK		
Current tax on income for the year	19 457	23 882
Adjustments in respect of prior years	6 309	(8 193)
Corporation tax before double tax relief	25 766	15 689
– Double tax relief	(425)	(611)
	25 341	15 078
Europe	2 272	2 998
Australia	211	–
Other	1 626	981
	4 109	3 979
Total current taxation	29 450	19 057
Deferred taxation		
UK	(22 814)	4 482
Europe	5 097	96
Australia	34 200	(154)
Other	3	(1)
Total deferred taxation	16 486	4 423
Total taxation charge for the year	45 936	23 480
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	28 362	30 769
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	17 574	(7 289)
	45 936	23 480
Deferred taxation comprises:		
Origination and reversal of temporary differences	21 116	3 000
Changes in tax rates	274	(289)
Adjustment in respect of prior years	(4 904)	1 712
	16 486	4 423

For the year to 31 March £'000	2015	2014
8. Taxation (continued)		
The rates of corporation tax for the relevant years are:	%	%
UK	21	23
Europe (average)	10	10
Australia	30	30
Profit before taxation	15 320	116 642
Taxation on profit before taxation	45 936	23 480
Effective tax rate	299.8%	20.1%
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 21% (2014: 23%)	3 217	26 828
Taxation adjustments relating to foreign earnings	(16 270)	(14 471)
Taxation relating to prior years	1 405	(6 481)
Goodwill and non-operating items	40 995	4 669
Share options accounting expense	9 328	3 828
Share options exercised during the year	(11 032)	(10 386)
Unexpired share options future tax deduction	256	4 904
Non-taxable income	(3 165)	(1 831)
Net other permanent differences	17 079	16 786
Unrealised capital losses	776	789
Movement of brought forward trading losses	3 071	(888)
Change in tax rate	276	(267)
Total taxation charge as per income statement	45 936	23 480
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	1 040	2 793
Pre-taxation	1 040	3 990
Taxation effect	–	(1 197)
Gains on realisation of available-for-sale assets recycled through the income statement	1 935	(2 896)
Pre-taxation	1 628	(3 978)
Taxation effect	307	1 082
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(4 216)	1 239
Pre-taxation	(5 344)	1 394
Taxation effect	1 128	(155)
Remeasurement of net defined pension assets (note 39)	6 340	(5 870)
Pre-taxation	5 247	(7 686)
Taxation effect	1 093	1 816
Statement of changes in equity taxation effects		
Share-based payment adjustment	35 050	36 740
Pre-taxation IFRS 2 option reserve	30 890	36 740
Taxation effect	4 160	–

For the year to 31 March £'000	2015 Pence per share	2015 Total £'000	2014 Pence per share	2014 Total £'000
9. Dividends				
Ordinary dividend				
Final dividend for prior year	11.0	45 836	10.0	32 253
Interim dividend for current year	8.5	51 232	8.0	20 947
Total dividends attributable to ordinary shareholders recognised in current financial year	19.5	97 068	18.0	53 200

The directors have proposed a final dividend in respect of the financial year ended 31 March 2015 of 11.5 pence per ordinary share (31 March 2014: 11.0 pence).

This will be paid as follows:

- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 11.5 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 2.5 pence per ordinary share and through a dividend payment on the SA DAS share of 9 pence per ordinary share.

The final dividend will be payable on 14 August 2015 to shareholders on the register at the close of business on 31 July 2015.

For the year to 31 March	2015 Pence per share	2015 Cents per share	2015 Total £'000	2014 Pence per share	2014 Cents per share	2014 Total £'000
Perpetual preference dividend						
Final dividend for prior year	7.48	410.58	1 641	7.48	402.64	1 712
Interim dividend for current year	7.52	433.55	1 674	7.52	404.86	1 683
Total dividend attributable to perpetual preference shareholders recognised in current financial year	15.00	844.13	3 315	15.00	807.50	3 395

The directors have declared a final dividend in respect of the financial year ended 31 March 2015 of 7.47945 pence (Investec plc shares traded on the JSE Limited) and 7.47945 pence (Investec plc shares traded on the Channel Island Stock Exchange), and 438.17 cents per perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on Monday, 22 June 2015.

For the year to 31 March	2015	2014
Dividend attributable to perpetual preferred securities	11 213	12 021

The €200 000 000 fixed/floating rate guaranteed, non-voting, non-cumulative perpetual preferred securities paid dividends of 7.075% in both years as set out in note 45.

For the year to 31 March

£'000	2015	2014
10. Operating lease income and expenses		
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	20 111	24 788
	20 111	24 788
Operating lease income recognised in income:		
Minimum lease payments	5 830	15 627
Sub-lease payments	–	18
	5 830	15 645

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'.

11. Analysis of income and impairments by category of financial instrument

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
2015		
Net interest income	(23 349)	2 086
Fee and commission income	54 821	1 507
Fee and commission expense	(971)	–
Investment income	1 211	(3 262)
Trading income arising from		
– customer flow	78 657	8 547
– balance sheet management and other trading activities	(25 999)	(3 274)
Other operating income	–	136
Total operating income before impairment losses on loans and advances	84 370	5 740
Impairment losses on loans and advances	–	–
Operating income	84 370	5 740
2014		
Net interest income	(20 661)	14 498
Fee and commission income	41 352	(332)
Fee and commission expense	(124)	(6 116)
Investment income	–	65 025
Trading income arising from		
– customer flow	75 402	1 677
– balance sheet management and other trading activities	(4 912)	19
Other operating income	–	(129)
Total operating income before impairment losses on loans and advances	91 057	74 642
Impairment losses on loans and advances	–	–
Operating income	91 057	74 642

	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	567	590 307	24 357	(272 048)	–	5 562	327 482
	–	96 150	147	2 945	21 297	667 638	844 505
	–	(8 445)	–	(5 633)	(3 185)	(95 174)	(113 408)
	–	(11 408)	463	–	10 786	–	(2 210)
							–
	–	–	–	1 055	–	–	88 259
	–	1 271	(103)	(81)	–	–	(28 186)
	–	–	–	–	10 503	–	10 639
	567	667 875	24 864	(273 762)	39 401	578 026	1 127 081
	–	(98 768)	(3 939)	–	–	–	(102 707)
	567	569 107	20 925	(273 762)	39 401	578 026	1 024 374
	4 988	691 141	20 718	(361 677)	–	7 727	356 734
	–	75 873	134	3 161	3 056	643 431	766 675
	(68)	(2 515)	–	(3 136)	(229)	(119 916)	(132 104)
	–	6 324	13 595	–	14 155	–	99 099
	–	–	–	(36)	–	–	77 043
	–	(4 689)	156	118	–	–	(9 308)
	–	–	–	–	16 142	–	16 013
	4 920	766 134	34 603	(361 570)	33 124	531 242	1 174 152
	–	(126 911)	–	–	–	–	(126 911)
	4 920	639 223	34 603	(361 570)	33 124	531 242	1 047 241

12. Analysis of financial assets and liabilities by category of financial instrument

At 31 March 2015 £'000	At fair value through profit or loss Trading	 Designated at inception	Available-for-sale	Total instruments at fair value
Assets				
Cash and balances at central banks	1 302	–	–	1 302
Loans and advances to banks	–	124 694	–	124 694
Reverse repurchase agreements and cash collateral on securities borrowed	397 722	–	–	397 722
Sovereign debt securities	–	–	1 212 910	1 212 910
Bank debt securities	–	–	19 553	19 553
Other debt securities	–	20 535	91 216	111 751
Derivative financial instruments*	775 021	–	–	775 021
Securities arising from trading activities	450 959	219 339	–	670 298
Investment portfolio	–	348 368	52 573	400 941
Loans and advances to customers	–	37 847	–	37 847
Other loans and advances	–	–	–	–
Other securitised assets	–	401 375	–	401 375
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	33 200	21 697	–	54 897
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	1 658 204	1 173 855	1 376 252	4 208 311
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	953 391	–	–	953 391
Other trading liabilities	251 879	–	–	251 879
Repurchase agreements and cash collateral on securities lent	489 822	–	–	489 822
Customer accounts (deposits)	–	–	–	–
Debt securities in issue	–	292 682	–	292 682
Liabilities arising on securitisation of other assets	–	330 526	–	330 526
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	–	21 697	–	21 697
	1 695 092	644 905	–	2 339 997
Subordinated liabilities	–	–	–	–
	1 695 092	644 905	–	2 339 997

Held-to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Non-financial instruments	Total
–	2 179 940	–	2 179 940	–	2 181 242
–	929 238	–	929 238	–	1 053 932
–	1 050 483	–	1 050 483	–	1 448 205
–	–	–	–	–	1 212 910
–	206 720	–	206 720	–	226 273
–	110 734	–	110 734	–	222 485
–	–	–	–	–	775 021
–	–	–	–	–	670 298
–	–	–	–	–	400 941
–	7 023 270	–	7 023 270	–	7 061 117
–	554 912	–	554 912	–	554 912
–	10 608	–	10 608	–	411 983
–	–	–	–	21 931	21 931
–	–	–	–	73 618	73 618
–	1 034 255	–	1 034 255	246 428	1 335 580
–	–	–	–	63 069	63 069
–	–	–	–	65 736	65 736
–	–	–	–	356 090	356 090
–	–	–	–	136 655	136 655
–	13 100 160	–	13 100 160	963 527	18 271 998
–	–	221 666	221 666	–	221 666
–	–	–	–	–	953 391
–	–	–	–	–	251 879
–	–	107 437	107 437	–	597 259
–	–	10 306 331	10 306 331	–	10 306 331
–	–	1 059 632	1 059 632	–	1 352 314
–	–	–	–	–	330 526
–	–	–	–	104 605	104 605
–	–	–	–	45 403	45 403
–	–	1 109 398	1 109 398	306 533	1 437 628
–	–	12 804 464	12 804 464	456 541	15 601 002
–	–	596 923	596 923	–	596 923
–	–	13 401 387	13 401 387	456 541	16 197 925

12. Analysis of financial assets and liabilities by category of financial instrument (continued)

At 31 March 2014 £'000	At fair value through profit or loss Trading	 Designated at inception	Available-for-sale	Total instruments at fair value
Assets				
Cash and balances at central banks	7 143	–	–	7 143
Loans and advances to banks	–	110 649	–	110 649
Reverse repurchase agreements and cash collateral on securities borrowed	277 952	–	–	277 952
Sovereign debt securities	–		1 232 416	1 232 416
Bank debt securities	–	1 928	166 114	168 042
Other debt securities	–	72 272	132 358	204 630
Derivative financial instruments*	920 015	–	–	920 015
Securities arising from trading activities	503 818	82 888	–	586 706
Investment portfolio	–	274 875	67 722	342 597
Loans and advances to customers	–	48 052	–	48 052
Own originated loans and advances to customers securitised				–
Other loans and advances				–
Other securitised assets	–	624 245	–	624 245
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	16 695	18 896	–	35 591
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	1 725 623	1 233 805	1 598 610	4 558 038
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	668 722	–	–	668 722
Other trading liabilities	391 650	–	–	391 650
Repurchase agreements and cash collateral on securities lent	336 246	–	–	336 246
Customer accounts (deposits)	–	–	–	–
Debt securities in issue	–	323 108	–	323 108
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	524 222	–	524 222
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	42 279	18 050	–	60 329
	1 438 897	865 380	–	2 304 277
Subordinated liabilities	–	–	–	–
	1 438 897	865 380	–	2 304 277

* *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	Non-financial instruments	Total
–	1 735 475	–	1 735 475	–	1 742 618
–	1 196 921	–	1 196 921	–	1 307 570
–	937 548	–	937 548	–	1 215 500
–		–	–	–	1 232 416
–	203 141	–	203 141	–	371 183
–	24 598	–	24 598	–	229 228
–	–	–	–	–	920 015
–	–	–	–	–	586 706
–	–	–	–	–	342 597
40 234	7 686 341	–	7 726 575	–	7 774 627
–	447 638	–	447 638	–	447 638
–	1 672 709	–	1 672 709	–	1 672 709
–	2 173 913	–	2 173 913	–	2 798 158
–		–	–	21 366	21 366
–		–	–	105 109	105 109
–	984 245	–	984 245	179 221	1 199 057
–	–	–	–	65 923	65 923
–	–	–	–	61 715	61 715
–	–	–	–	427 011	427 011
–	–	–	–	153 348	153 348
40 234	17 062 529	–	17 102 763	1 013 693	22 674 494
–	–			–	
–	–	1 433 141	1 433 141	–	1 433 141
–	–	–	–	–	668 722
–	–	–	–	–	391 650
–	–	278 487	278 487	–	614 733
–	–	10 956 136	10 956 136	–	10 956 136
–	–	1 046 160	1 046 160	–	1 369 268
–	–	449 079	449 079	–	449 079
–	–	1 850 377	1 850 377	–	2 374 599
–	–	–	–	107 271	107 271
–	–	–	–	69 256	69 256
–	–	880 238	880 238	290 529	1 231 096
–	–	16 893 618	16 893 618	467 056	19 664 951
–	–	740 950	740 950	–	740 950
–	–	17 634 568	17 634 568	467 056	20 405 901

13. Reclassifications of financial instruments

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

The group did not undertake any further reclassifications under the amendment to IAS 39 in the current year and in the prior year.

The following table shows carrying values and fair values of the assets reclassified:

At 31 March £'000	2015 Carrying value	2015 Fair value	2014 Carrying value	2014 Fair value
Trading assets reclassified to loans and receivables	21 244	21 071	31 746	16 441
	21 244	21 071	31 746	16 441

If the reclassifications had not been made, the group's profit before taxation in 2015 would have increased by £15.0 million (2014: increase of £3.9 million).

In the current year the reclassified assets have contributed a £0.2 million loss through the margin line and a gain of £0.4 million through impairments before taxation. In the prior year, after reclassification, the assets contributed a £0.3 million loss through the margin line and a loss of £4.1 million through impairments before taxation.

14. Fair value hierarchy

The table to the right 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 disclosures on investment properties are included in the Investment properties note 32 on page 192.

14. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
2015				
Assets				
Cash and balances at central banks	1 302	1 302	–	–
Loans and advances to banks	124 694	124 694	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	397 722	–	397 722	–
Sovereign debt securities	1 212 910	1 212 910	–	–
Bank debt securities	19 553	12 622	6 931	–
Other debt securities	111 751	2 083	91 035	18 633
Derivative financial instruments	775 021	204 686	513 194	57 141
Securities arising from trading activities	670 298	667 905	2 393	–
Investment portfolio	400 941	67 417	57 652	275 872
Loans and advances to customers	37 847	–	1 847	36 000
Other securitised assets	401 375	–	–	401 375
Other assets	54 897	54 897	–	–
	4 208 311	2 348 516	1 070 774	789 021
Liabilities				
Derivative financial instruments	953 391	328 224	622 501	2 666
Other trading liabilities	251 879	251 879	–	–
Repurchase agreements and cash collateral on securities lent	489 822	–	489 822	–
Debt securities in issue	292 682	–	292 682	–
Liabilities arising on securitisation of other assets	330 526	–	–	330 526
Other liabilities	21 697	21 697	–	–
	2 339 997	601 800	1 405 005	333 192
Net assets/(liabilities)	1 868 314	1 746 716	(334 231)	455 829

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
14. Fair value hierarchy (continued)				
2014				
Assets				
Cash and balances at central banks	7 143	7 143	–	–
Loans and advances to banks	110 649	110 649	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	277 952	–	277 952	–
Sovereign debt securities	1 232 416	1 232 416	–	–
Bank debt securities	168 042	29 659	138 383	–
Other debt securities	204 630	1 808	130 688	72 134
Derivative financial instruments	920 015	164 785	632 919	122 311
Securities arising from trading activities	586 706	586 706	–	–
Investment portfolio	342 597	70 535	97 626	174 436
Loans and advances to customers	48 052	–	4 899	43 153
Other securitised assets	624 245	1	–	624 244
Other assets	35 591	34 318	426	847
	4 558 038	2 238 020	1 282 893	1 037 125
Liabilities				
Derivative financial instruments	668 722	267 895	389 522	11 305
Other trading liabilities	391 650	391 650	–	–
Repurchase agreements and cash collateral on securities lent	336 246	–	336 246	–
Debt securities in issue	323 108	–	322 492	616
Liabilities arising on securitisation of other assets	524 222	–	–	524 222
Other liabilities	60 329	60 329	–	–
	2 304 277	719 874	1 048 260	536 143
Net assets	2 253 761	1 518 146	234 633	500 982

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

Transfers between level 1 and level 2

There were no significant transfers between level 1 and level 2 in the current or prior years.

14. Fair value hierarchy (continued)

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:

	Total level 3 financial instruments	Fair value movements through income statement	Fair value movements through compre-hensive income
Balance as at 1 April 2013	483 772	454 848	28 924
Total gains or losses	44 441	45 759	(1 318)
In the income statement	45 658	45 658	–
In the statement of comprehensive income	(1 217)	101	(1 318)
Purchases	72 393	72 393	–
Sales	(69 030)	(65 953)	(3 077)
Issues	537	537	–
Settlements	(22 370)	(22 364)	(6)
Transfers into level 3	33 965	33 965	–
Transfers out of level 3	(19 240)	(19 831)	591
Foreign exchange adjustments	(23 486)	(23 517)	31
Balance as at 31 March 2014	500 982	475 837	25 145
Total gains or losses	73 890	72 063	1 827
In the income statement	73 464	72 063	1 401
In the statement of comprehensive income	426	–	426
Purchases	108 725	78 842	29 883
Sales	(251 078)	(213 875)	(37 203)
Issues	(805)	(805)	–
Settlements	(59 954)	(43 525)	(16 429)
Transfers into level 3	62 706	20 577	42 129
Transfers out of level 3	2 356	2 356	–
Foreign exchange adjustments	19 007	13 589	5 418
Balance as at 31 March 2015	455 829	405 059	50 770

For the year ended 31 March 2015, instruments to the value of (£2.4 million) were transferred from level 3 into level 2 (31 March 2014: £19.2 million). The valuation methodologies were reviewed and observable inputs are used to determine the fair value.

There were transfers from level 2 to the level 3 category to the value of £62.7 million (31 March 2014: £34.0 million) because the significance of the unobservable inputs used to determine the fair value increased significantly to warrant a transfer.

14. Fair value hierarchy (continued)

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the year to 31 March £'000	Total	Realised	Unrealised
2015			
Total gains or (losses) included in the income statement for the year			
Fee and commission (expense)/income	7 859	(51)	7 910
Investment income	57 364	59 348	(1 984)
Trading income arising from customer flow	8 616	–	8 616
Trading income arising from balance sheet management and other trading activities	877	877	–
Other operating income	(1 252)	–	(1 252)
	73 464	60 174	13 290
Total gains included in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement	1 401	1 401	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	426	–	426
	1 827	1 401	426
2014			
Total gains or (losses) included in the income statement for the year			
Net interest income	15 047	–	15 047
Fee and commission (expense)	(485)	–	(485)
Investment income	37 227	858	36 369
Trading income arising from customer flow	(1 246)	–	(1 246)
Trading income arising from balance sheet management and other trading activities	(5 732)	–	(5 732)
Other operating income	847	–	847
	45 658	858	44 800
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement	101	101	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(1 318)	–	(1 318)
	(1 217)	101	(1 318)

14. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2015 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		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Discount rates, swap curves and NCD curves
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model net asset, value model Comparable quoted inputs	Discount rate and fund unit price Net assets
Loans and advances to customers	Discounted cash flow model	Discount rates
Other assets	Discounted cash flow model	Discount rates
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flow model	Discount rates

14. Fair value hierarchy (continued)

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in income statement £'000 Favourable changes	Reflected in income statement £'000 Unfavourable changes
Assets					
Other debt securities	18 633			156	(205)
		Discount rates	(5%) – 5%	14	(60)
		Credit spreads	(2%) – 3%	114	(128)
		Other	(6%) – 5%	28	(17)
Derivative financial instruments	57 141			5 858	(4 540)
		Discount rates	(5%) – 5%	358	(283)
		Volatilities	(4%) – 3%	626	(1 536)
		Credit spreads		–	(5)
		Cash flow adjustments	(3%) – 8%	7	(6)
		Other	(11%) – 10%	4 867	(2 710)
Investment portfolio	236 930			54 088	(12 515)
		Price earnings multiple	(10%) – 10% or	1 517	(1 210)
		EBITDA	5x EBITDA	6 958	(2 640)
		Other	(10%) – 10%	45 613	(8 665)
Loans and advances to customers	36 000			6 500	(1 347)
		Cash flows	(5%) – 5%	5 407	–
		Other	(9%) – 3%	1 093	(1 347)
Other securitised assets*	401 375	Credit spreads	– 6 months/+ 12 month adjustment to CDR curve	5 228	(167)
Liabilities					
Derivative financial instruments	2 666	Cash flow adjustments	(2%) – 1%	1 830	(1 442)
Liabilities arising on securitisation of other assets*	330 526	Credit default rates, loss severity, prepayment rates#	(5%) – 5%	5 228	(167)
				78 888	(20 383)

At 31 March 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in other comprehensive income Favourable changes £'000	Reflected in other comprehensive income Unfavourable changes £'000
Assets					
Investment portfolio	38 942	EBITDA	(10%) – 10% or 5x EBITDA	2 658	(2 058)

The valuation techniques applied have changed from the previous year due to the sale and deconsolidation of various liabilities well in the previous year.

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*

14. Fair value hierarchy (continued)

At 31 March 2014	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in income statement £'000 Favourable changes	Reflected in income statement £'000 Unfavourable changes
Assets					
Other debt securities	72 134			2 004	(1 688)
		Discount rates	(5%) – 5%	5	(20)
		Credit spreads	(2%) – 3%	1 135	(1 037)
		Other	(6%) – 5%	864	(631)
Derivative financial instruments	122 311			4 754	(2 116)
		Volatilities	(2%) – 2%	601	(698)
		Credit spreads	(6.5bps) – 6.5bps	42	(21)
		Other	(11%) – 10%	4 111	(1 397)
Investment portfolio	149 290			17 146	(11 185)
		Volatilities	(10%) – 10%	4	(4)
		EBITDA	(10%) – 10% or 5x EBITDA	606	(9 665)
		Other	(10%) – 10%	16 536	(1 516)
Loans and advances to customers	43 153			2 439	(5 615)
		Cash flows	(5%) – 5%	1 337	(4 076)
		Other	(9%) – 3%	1 102	(1 539)
Other securitised assets*	624 244	Price adjustments	(6.5bps) – 6.5bps	8 122	(8 810)
Liabilities					
Derivative financial instruments	11 305	Volatilities	(4%) – 4%	648	(438)
Debt securities in issue	616	Volatilities	(2%) – 4%	15	(8)
Liabilities arising on securitisation of other assets	524 222	Credit spreads	(6.5bps) – 6.5bps	6 078	(6 120)
				41 206	(35 980)

At 31 March 2014	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in other comprehensive income Favourable changes £'000	Reflected in other comprehensive income Unfavourable changes £'000
Assets				13 001	(1 007)
Investment portfolio	25 146	EBITDA	(10%) – 10% or 5x EBITDA	12 769	(891)
		Other	(10%) – 10%	232	(116)

14. Fair value hierarchy (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. It is an unobservable input into a discounted cash flow valuation.

Discount rates

Discount rates are the interest rates used to discount future cash flows in a discounted cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time. Volatilities are a key input into the Black-Scholes valuation method.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and require judgement. Cash flows are inputs into a discounted cash flow valuation.

EBITDA

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

Price earnings multiple

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

At 31 March £'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost					
2015					
Assets					
Cash and balances at central banks	2 179 940	2 179 940	^	^	^
Loans and advances to banks	929 238	929 238	834 868	94 370	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 050 483	1 050 753	^	^	^
Bank debt securities	206 720	225 508	–	225 508	–
Other debt securities	110 734	103 817	–	–	103 817
Loans and advances to customers	7 023 270	7 066 995	667 321	393 102	6 006 572
Other loans and advances	554 912	600 652	27 040	10 854	562 758
Other securitised assets	10 608	10 608	10 608	–	–
Other assets	1 034 255	1 034 130	822 276	155 378	56 476
	13 100 160	13 201 641			
Liabilities					
Deposits by banks	221 666	221 666	140 272	8 577	72 817
Repurchase agreements and cash collateral on securities lent	107 437	107 437	^	^	^
Customer accounts (deposits)	10 306 331	10 285 033	5 862 178	4 422 855	–
Debt securities in issue	1 059 632	1 167 608	30 600	787 766	349 242
Other liabilities	1 109 398	1 107 301	856 392	206 833	44 076
Subordinated liabilities	596 923	591 185	591 185	–	–
	13 401 387	13 480 230			

^ Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed-rate financial instruments

The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.

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

At 31 March £'000	Carrying amount	Fair value	Fair value category Level 1	Level 2	Level 3
2014					
Assets					
Cash and balances at central banks	1 735 475	1 735 471	^	^	^
Loans and advances to banks	1 196 921	1 190 585	1 118 665	71 920	
Reverse repurchase agreements and cash collateral on securities borrowed	937 548	937 548	^	^	^
Bank debt securities	203 141	203 460	–	203 460	–
Other debt securities	24 598	24 061	–	–	24 061
Loans and advances to customers	7 726 575	7 720 541	49 316	955 934	6 715 291
Own originated loans and advances to customers securitised	447 638	465 235	^	^	^
Other loans and advances	1 672 709	1 508 952	1 196	445 980	1 061 776
Other securitised assets	2 173 913	2 210 065	392 584	–	1 817 481
Other assets	984 245	975 008	740 740	221 953	12 315
	17 102 763	16 970 926			
Liabilities					
Deposits by banks	1 433 141	1 429 262	679 149	685 282	64 831
Repurchase agreements and cash collateral on securities lent	278 487	278 487	^	^	^
Customer accounts (deposits)	10 956 136	10 937 293	4 457 330	6 479 963	–
Debt securities in issue	1 046 160	1 030 211	29 712	720 554	279 945
Liabilities arising on securitisation of own originated loans and advances	449 079	449 079	^	^	^
Liabilities arising on securitisation of other assets	1 850 377	1 771 834	–	1 414 274	357 560
Other liabilities	880 238	866 909	692 985	144 545	29 379
Subordinated liabilities	740 950	737 184	737 184	–	–
	17 634 568	17 500 259			

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

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

Bank debt securities	Valued using a cashflow model of the bonds discounted by an observable market credit curve
Other debt securities	Priced with reference to similar trades in an observable market.
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 securitised assets	Calculated using a model based on future cash flows.
Deposits by banks	Calculation of fair value using appropriate funding rates.
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.
Liabilities arising on securitisation of other assets	Valued using a cash flow model taking into account any hedging and discounted as appropriate.
Other liabilities	Where the other liabilities are short term in nature, carrying amounts are assumed to approximate fair value.
Subordinated liabilities	Valued with reference to market prices.

16. Designated at fair value: loans and receivables and financial liabilities

Loans and receivables designated at fair value through profit or loss

At 31 March £'000	Carrying value	Fair value adjustment Year to date	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Year to date	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit risk
2015						
Loans and advances to customers	37 847	(665)	1 197	–	–	36 039
Other securitised assets	401 375	(38 703)	(20 293)	(38 703)	(22 461)	399 207
	439 222	(39 368)	(19 096)	(38 703)	(22 461)	435 246
2014*						
Loans and advances to customers	48 052	(1 363)	(3 172)	–	–	48 052
Other securitised assets	624 245	26 674	(99 870)	26 674	(123 546)	624 245
Other assets	847	59	847	–	–	847
	673 144	25 370	(102 195)	26 674	(123 546)	673 144

* Restated – loans and advances to banks are primarily money market accounts and do not bear the characteristics of loans and receivables.

Financial liabilities designated at fair value through profit or loss

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Year to date	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Year to date	Change in fair value attributable to credit risk Cumulative
2015						
Debt securities in issue	292 682	285 039	(8 573)	7 643	(2 722)	(7 690)
Liabilities arising on securitisation of other assets	330 526	365 282	30 011	(34 755)	30 011	(34 755)
Other liabilities	21 697	21 697	–	–	–	–
	644 905	672 018	21 438	(27 112)	27 289	(42 445)
2014						
Debt securities in issue	323 108	308 350	29 977	14 758	3 470	5 229
Liabilities arising on securitisation of other assets	524 222	652 106	42 629	(127 884)	43 209	(118 954)
Other liabilities	18 050	18 050	–	–	–	–
	865 380	978 506	72 606	(113 126)	46 679	(113 725)

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.

17. Cash and balances at central banks

At 31 March £'000	2015	2014
The country risk of cash and balances at central banks lies in the following geographies:		
United Kingdom	2 146 946	1 681 929
Europe (excluding UK)	34 296	24 490
Australia	–	36 199
	2 181 242	1 742 618

At 31 March £'000	2015	2014
18. Loans and advances to banks		
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	4 110	31 125
United Kingdom	651 100	893 448
Europe (excluding UK)	140 080	167 479
Australia	92 766	75 270
United States of America	133 282	120 863
Other	32 594	19 385
	1 053 932	1 307 570

At 31 March £'000	2015	2014
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent		
Assets		
Reverse repurchase agreements	1 360 696	1 104 430
Cash collateral on securities borrowed	87 509	111 070
	1 448 205	1 215 500

As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or re-pledge. £480.6 million (2014: £602.5 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.

	2015	2014
Liabilities		
Repurchase agreements	489 822	525 588
Cash collateral on securities lent	107 437	89 145
	597 259	614 733

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £366.6 million (2014: £431.0 million). They are pledged as security for the term of the underlying repurchase agreement.

At 31 March £'000	2015	2014
20. Sovereign debt securities		
Bonds	–	357 341
Floating rate notes	–	48 855
Government securities	613 272	476 286
Treasury bills	599 638	349 934
	1 212 910	1 232 416
The country risk of the sovereign debt securities lies in the following geographies:		
United Kingdom	1 196 877	826 220
Europe (excluding UK)*	16 033	119 785
Australia	–	286 411
	1 212 910	1 232 416

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

At 31 March £'000	2015	2014
21. Bank debt securities		
Bonds	95 431	120 307
Floating rate notes	130 842	248 948
Other	–	1 928
	226 273	371 183
The country risk of bank debt securities lies in the following geographies:		
South Africa	6 931	6 042
United Kingdom	120 757	131 383
Europe (excluding UK)	98 585	128 561
Australia	–	99 661
Other	–	5 536
	226 273	371 183

At 31 March £'000	2015	2014
22. Other debt securities		
Bonds	119 618	40 361
Floating rate notes	12 994	23 105
Asset-based securities	87 790	154 599
Residual notes	–	9 340
Other investments	2 083	1 823
	222 485	229 228
The country risk of other debt securities lies in the following geographies:		
United Kingdom	126 031	141 477
Europe (excluding UK)	61 357	55 480
Australia	192	8 150
United States of America	17 014	24 121
Other	17 891	–
	222 485	229 228

23. Derivative financial instruments

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

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

At 31 March £'000	2015 Notional principal amounts	2015 Positive fair value	2015 Negative fair value	2014 Notional principal amounts	2014 Positive fair value	2014 Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	9 754 855	146 952	187 175	10 246 738	66 423	57 466
Currency swaps	397 942	17 442	17 304	1 351 326	187 261	25 128
OTC options bought and sold	5 036 568	103 811	96 178	2 690 830	41 091	40 219
Other foreign exchange contracts	–	6	1 826	14 320	9	15
OTC derivatives	15 189 365	268 211	302 483	14 303 214	294 784	122 828
Interest rate derivatives						
Caps and floors	1 265 153	29 667	1 592	685 563	4 660	7 258
Swaps	11 862 050	127 615	171 511	20 516 636	193 330	97 705
Forward rate agreements	26 192	21	–	454 785	16	64
OTC derivatives	13 153 395	157 303	173 103	21 656 984	198 006	105 027
Exchange traded futures	–	–	–	28 636	87	65
	13 153 395	157 303	173 103	21 685 620	198 093	105 092
Equity and stock index derivatives						
OTC options bought and sold	1 756 450	66 772	145 219	2 050 659	33 556	93 273
Equity swaps and forwards	28 428	–	11	177 105	3 832	77
OTC derivatives	1 784 878	66 772	145 230	2 227 764	37 388	93 350
Exchange traded futures	1 023 132	4 368	4 076	1 748 014	38 532	75 663
Exchange traded options	6 063 785	177 251	289 916	4 789 428	119 093	158 046
Warrants	965	965	–	1 018	1 018	
	8 872 760	249 356	439 222	8 766 224	196 031	327 059
Commodity derivatives						
OTC options bought and sold	15 701	483	483	58 549	118	–
Commodity swaps and forwards	1 109 951	49 318	33 846	748 682	105 920	107 738
OTC derivatives	1 125 652	49 801	34 329	807 231	106 038	107 738
Credit derivatives	423 062	15 204	4 254	452 349	13 496	6 005
Embedded derivatives*		35 146	–		111 573	–
Derivatives per balance sheet		775 021	953 391		920 015	668 722

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

At 31 March £'000	2015	2014
24. Securities arising from trading activities		
Bonds	138 885	76 335
Government securities	380 274	361 830
Listed equities	148 746	148 541
Other investments	2 393	–
	670 298	586 706

At 31 March £'000	2015	2014
25. Investment portfolio		
Listed equities	113 120	63 869
Unlisted equities*	287 821	278 728
	400 941	342 597

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

At 31 March £'000	2015	2014
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	7 249 561	7 967 313
Impairments of loans and advances to customers	(188 444)	(192 686)
Net loans and advances to customers	7 061 117	7 774 627
Gross other loans and advances to customers	584 904	1 875 637
Impairments of other loans and advances to customers	(29 992)	(202 928)
Net other loans and advances to customers	554 912	1 672 709

For further analysis on loans and advances refer to pages 59 to 68 in the risk management section.

At 31 March £'000	2015	2014
26. 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	176 589	186 353
Charge to the income statement	79 503	76 420
Reversals and recoveries recognised in the income statement	(7 870)	(4 701)
Utilised	(83 341)	(77 210)
Disposals	(1 432)	–
Exchange adjustment	(9 187)	(4 273)
Balance at the end of the year	154 262	176 589
Portfolio impairment		
Balance at the beginning of the year	16 098	6 277
Charge to the income statement	19 240	10 068
Disposals	(1 127)	–
Exchange adjustment	(29)	(247)
Balance at the end of the year	34 182	16 098
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	85 974	76 446
Charge to the income statement	11 158	28 916
Utilised	(8 314)	(19 676)
Disposals	(56 653)	–
Exchange adjustment	(3 005)	288
Balance at the end of the year	29 160	85 974
Portfolio impairment		
Balance at the beginning of the year	116 954	106 864
Charge to the income statement	4 703	10 165
Disposals	(120 826)	–
Exchange adjustment	1	(75)
Balance at the end of the year	832	116 954
Total specific impairments	183 422	262 563
Total portfolio impairments	35 014	133 052
Total impairments	218 436	395 615
Interest income recognised on loans that have been impaired	6 480	19 125
Reconciliation of income statement charge:		
Loans and advances to customers	90 873	81 788
Specific impairment charged to income statement	71 633	71 720
Portfolio impairment charged to income statement	19 240	10 068
Securitised assets (refer to note 27)	(4 027)	6 042
Specific impairment charged to income statement	3 860	20 574
Portfolio impairment charged to income statement	(7 887)	(14 532)
Other loans and advances	15 861	39 081
Specific impairment charged to income statement	11 158	28 916
Portfolio impairment charged to income statement	4 703	10 165
Total income statement charge	102 707	126 911

At 31 March £'000	2015	2014
27. Securitised assets and liabilities arising on securitisation		
Gross own originated loans and advances to customers securitised	–	448 255
Impairments of own originated loans and advances to customers securitised	–	(617)
Net own originated loans and advances to customers securitised	–	447 638
Other securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	10 608	85 590
Loans and advances to customers	401 375	925 719
Kensington securitised assets net of impairments	–	1 786 849
Total other securitised assets	411 983	2 798 158
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	–	449 079
Liabilities arising on securitisation of other assets	330 526	2 374 599
Specific and portfolio impairments		
Reconciliation of movements in group-specific and portfolio impairments of assets that have been securitised:		
Specific impairment		
Balance at the beginning of the year	(3 380)	(2 421)
Charge to the income statement	3 941	20 574
Utilised	(5 215)	(20 224)
Recoveries	(81)	–
Disposals	4 735	–
Exchange adjustment	–	(1 309)
Balance at the end of the year	–	(3 380)
Own originated loans and advances to customers securitised	–	277
Kensington loans and advances securitised and other securitised assets	–	(3 657)
Portfolio impairment		
Balance at the beginning of the year	30 543	45 038
Charge to the income statement	(7 887)	(14 532)
Disposals	(22 631)	–
Exchange adjustment	(25)	37
Balance at the end of the year	–	30 543
Own originated loans and advances to customers securitised	–	340
Kensington loans and advances securitised and other securitised assets	–	30 203
Total portfolio and specific impairments on balance sheet	–	27 163

At 31 March £'000	2015	2014
28. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	14 897	14 300
Goodwill	7 034	7 066
Investment in associated undertakings	21 931	21 366
Associated undertakings comprise unlisted investments.		
Analysis of the movement in our share of net assets:		
At the beginning of the year	14 300	17 666
Exchange adjustments	343	(1 344)
Disposals	(255)	(6 527)
Acquisitions	124	296
Operating income from associates (included in other operating income)	1 933	5 827
Dividends received	(1 548)	(1 618)
At the end of the year	14 897	14 300
Analysis of the movement in goodwill:		
At the beginning of the year	7 066	7 041
Exchange adjustments	(32)	25
At the end of the year	7 034	7 066

At 31 March £'000	2015	2014
29. Deferred taxation		
Deferred taxation assets	73 618	105 109
Deferred taxation liabilities	(45 403)	(69 256)
Net deferred taxation assets	28 215	35 853
The net deferred taxation assets arise from:		
Deferred capital allowances	30 540	26 362
Income and expenditure accruals	(92)	(2 861)
Asset in respect of unexpired options	23 052	21 833
Unrealised fair value adjustments on financial instruments	(1 072)	480
Losses carried forward	8 153	37 713
Liability in respect of pensions surplus	(6 553)	(5 112)
Asset in respect of pension contributions	–	569
Deferred tax on acquired intangibles	(25 617)	(28 844)
Debt buyback	(170)	(15 839)
Other temporary differences	(26)	1 552
Net deferred taxation assets	28 215	35 853
Reconciliation of net deferred taxation assets:		
At the beginning of the year	35 853	48 971
Charge to income statement – current year taxation	(16 486)	(4 423)
Credit directly in other comprehensive income	5 241	897
Other	2 975	(243)
Exchange adjustments	632	(9 349)
At the end of the year	28 215	35 853

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections.

Deferred taxation assets are not recognised in respect of capital losses and excess management expenses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £105.9 million (2014: £131.5 million) , capital losses carried forward of £32.1 million (2014: £26.2 million) and excess management expenses of £11.4 million (2014: £12.5 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 2013 reduced the main rate of corporate taxation to 20% with effect from 1 April 2015. The effect of these reductions is reflected in the above calculation as the rate was substantively enacted before 31 March 2015.

At 31 March £'000	2015	2014
30. Other assets		
Settlement debtors	887 883	891 759
Dealing properties	125 763	40 343
Prepayments and accruals	43 096	84 370
Pension assets (refer to note 39)	35 900	25 560
Trading initial margin	33 200	426
Other	209 738	156 599
	1 335 580	1 199 057

31. Property and equipment

At 31 March £'000	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
2015						
Cost						
At the beginning of the year	2 665	69 842	11 388	28 477	32 832	145 204
Exchange adjustments	207	(1 135)	27	(6)	(3)	(910)
Disposal of subsidiary undertakings	–	–	(552)	(336)	–	(888)
Additions	–	13 152	83	7 435	9 508	30 178
Disposals	(117)	(8 191)	(5 060)	(1 883)	(16 402)	(31 653)
At the end of the year	2 755	73 668	5 886	33 687	25 935	141 931
Accumulated depreciation						
At the beginning of the year	(419)	(26 197)	(8 137)	(21 970)	(22 558)	(79 281)
Exchange adjustments	247	251	(10)	89	2	579
Disposals	–	1 836	2 445	1 418	6 064	11 763
Disposal of subsidiary undertakings	–	–	536	306	–	842
Depreciation charge for year	(47)	(5 111)	(371)	(5 701)	(1 535)	(12 765)
At the end of the year	(219)	(29 221)	(5 537)	(25 858)	(18 027)	(78 862)
Net carrying value	2 536	44 447	349	7 829	7 908	63 069
2014						
Cost						
At the beginning of the year	2 721	66 126	16 461	28 888	63 247	177 443
Exchange adjustments	(30)	(1 468)	(529)	(614)	–	(2 641)
Disposal of subsidiary undertakings	–	(1 824)	(1 951)	(1 722)	–	(5 497)
Additions	–	8 422	543	4 338	3 428	16 731
Disposals	(26)	(1 414)	(3 136)	(2 413)	(33 843)	(40 832)
At the end of the year	2 665	69 842	11 388	28 477	32 832	145 204
Accumulated depreciation						
At the beginning of the year	(376)	(23 818)	(10 642)	(21 822)	(32 793)	(89 451)
– Exchange adjustments	–	649	426	458	–	1 533
– Disposals	–	1 007	3 136	2 282	16 279	22 704
– Disposal of subsidiary undertakings	–	1 379	939	1 443	–	3 761
Depreciation charge for year	(43)	(5 414)	(1 996)	(4 331)	(6 044)	(17 828)
At the end of the year	(419)	(26 197)	(8 137)	(21 970)	(22 558)	(79 281)
Net carrying value	2 246	43 645	3 251	6 507	10 274	65 923

* *These are assets held by the group, in circumstances where the group is the lessor.*

On 3 December 2010, the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been shown separately on the face of the income statement.

At 31 March £'000	2015	2014
32. Investment property		
At the beginning of the year	61 715	11 500
Additions	–	61 715
Disposals	–	(11 500)
Fair value movement	8 726	–
Exchange adjustment	(4 705)	–
At the end of the year	65 736	61 715

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

Fair value hierarchy – Investment property

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.

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.

At 31 March £'000	2015	2014
33. Goodwill		
Cost		
At the beginning of the year	528 665	564 394
Acquisition of subsidiaries	180	–
Disposals of subsidiaries	(145 688)	(8 148)
Written off	–	(17 327)
Exchange adjustments	(1 267)	(10 254)
At the end of the year	381 890	528 665
Accumulated impairments		
At the beginning of the year	(101 654)	(107 748)
Income statement charge	(4 376)	(11 233)
Written off	–	17 327
Disposals of subsidiaries	80 230	–
At the end of the year	(25 800)	(101 654)
Net carrying value	356 090	427 011
Analysis of goodwill by line of business		
Asset Management	88 045	88 045
Wealth & Investment	242 126	242 951
Specialist Banking	25 919	96 015
	356 090	427 011

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.

The three most significant cash-generating units giving rise to goodwill are Investec Asset Management, Kensington and Investec Wealth & Investment (IWI) which now includes the business of Williams de Broe (acquired in 2012 as part of the Evolution Group) which was merged with IWI in August 2012.

For IWI, goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 9.9% (2014 :10.3%) which incorporate an expected revenue growth rate of 2% (March 2014: 2%).

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, the value placed on the business from the sale of 15% of the company to management in July 2013 comfortably supports the value of the goodwill of £88.0 million.

The sale of Kensington Group Plc was effective on 31 January 2015. The net goodwill balance held of £39.7 million was written off to the loss on sale and is shown as a disposal in the reconciliation above.

The sale of Investec Bank (Australia) Limited's (IBAL) Professional Finance (Experian), Asset Finance and deposit-taking businesses was effective 31 July 2014. Goodwill of £24.6 million was disposed of in relation to these businesses.

The balance of goodwill in Australia mainly relates to the Specialist Banking business and, following an assessment, it has now been fully impaired.

33. Goodwill (continued)

Movement in goodwill

2015

Goodwill arising from acquisitions (£0.18 million) relates to the acquisition of Mann Island Finance group in April 2014 (as detailed in note 35).

Goodwill cost and impairment reduced following the disposal of Investec Bank (Australia) Ltd and the Kensington Group in 2015 (as detailed in note 35).

2014

Goodwill cost and impairment reduced following the disposal of certain subsidiaries in 2014 (as detailed in note 36).

34. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Intellectual property	Management contracts	Client relationships	Total
2015						
Cost						
At the beginning of the year	47 301	–	2 034	916	185 084	235 335
Exchange adjustments	(1 047)	–	–	(104)	(569)	(1 720)
Acquisition of a subsidiary undertaking	–	–	–	–	3 416	3 416
Additions	2 180	61	–	–	–	2 241
Disposals	(13 275)	–	(2 034)	(85)	–	(15 394)
At the end of the year	35 159	61	–	727	187 931	223 878
Accumulated amortisation and impairments						
At the beginning of the year	(39 827)	–	(378)	(216)	(41 566)	(81 987)
Exchange adjustments	576	–	–	(19)	186	743
Disposals	11 640	–	378	39	–	12 057
Amortisation	(3 539)	–	–	(117)	(14 380)	(18 036)
At the end of the year	(31 150)	–	–	(313)	(55 760)	(87 223)
Net carrying value	4 009	61	–	414	132 171	136 655
2014						
Cost						
At the beginning of the year	48 485	–	3 526	883	185 253	238 147
Exchange adjustments	(2 276)	–	(565)	33	(169)	(2 977)
Additions	2 368	–	727	–	–	3 095
Disposals	(1 276)	–	(1 654)	–	–	(2 930)
At the end of the year	47 301	–	2 034	916	185 084	235 335
Accumulated amortisation and impairments						
At the beginning of the year	(37 122)	–	(328)	(79)	(28 487)	(66 016)
Exchange adjustments	1 603	–	84	(3)	180	1 864
Disposals	929	–	–	–	–	929
Amortisation	(5 237)	–	(134)	(134)	(13 259)	(18 764)
At the end of the year	(39 827)	–	(378)	(216)	(41 566)	(81 987)
Net carrying value	7 474	–	1 656	700	143 518	153 348

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010 and EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

35. Acquisitions and disposals

2015

Acquisitions

On 8 April 2014 the group acquired the entire share capital of Robert Smith Group (Automotive) Limited (the parent of Mann Island Finance Group), a vehicle finance brokerage business.

£'000	Book value of assets and liabilities Total	Fair value of assets and liabilities Total
Loans and advances to banks	559	559
Deferred taxation assets	332	332
Other assets	2 484	2 484
Property and equipment	74	74
Intangible assets	–	5 824
Goodwill	–	180
	3 449	9 453
Current taxation liabilities	530	530
Other liabilities	2 396	2 396
	2 926	2 926
Net assets/fair value of net assets acquired	523	6 527
Fair value of cash consideration		7 062
		7 062
Loans and advances to banks at acquisition		559
Fair value of cash consideration		(7 062)
Net cash outflow		(6 503)

For the post-acquisition period of 8 April 2014 to 31 March 2015, the operating income of MIF totalled £27.5 million and profit before taxation totalled £0.9 million. There is no material difference between this and the operating income and profit if the acquisition had been on 1 April 2014 as opposed to 8 April 2014.

Disposals

The net loss on sale of subsidiaries of £93 million in the income statement arises from the sale of Investec Bank (Australia) Limited and the sale of the Start Mortgage Holdings and Kensington Group plc companies and subsidiaries as described below. The net cash inflow on these items amount to £226 million. Cash and cash equivalents in the subsidiaries disposed of was £75 million.

The sale of Investec Bank (Australia) Limited's Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This has resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold.

The sale of the group's Irish intermediated mortgage business, Start Mortgage Holdings Limited, together with certain other Irish mortgage assets to an affiliate of Lone Star Funds was effective on 4 December 2014.

The sale of the UK intermediated mortgage business Kensington Group plc (Kensington), together with certain other Investec mortgage assets, to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners was effective on 30 January 2015 for cash proceeds of £170 million.

This has resulted in the derecognition of approximately £4.1 billion of assets and approximately £2 billion of external liabilities associated with these businesses.

35. Acquisitions and disposals (continued)

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

	Book value of assets and liabilities		
£'000	IBAL	Kensington and Start	Total
Loans and advances to banks	–	47 540	47 540
Debt securities	299 904	42 141	342 045
Derivatives	–	95 565	95 565
Loans and advances to customers	1 009 199	755 270	1 764 469
Own originated loans and advances securitised	372 094	–	372 094
Other loans and advances	–	1 185 465	1 185 465
Other securitised assets	–	1 981 729	1 981 729
Combined other asset lines	44 377	7 087	51 464
Total assets	1 725 574	4 114 797	5 840 371
Deposits by banks	–	311 660	311 660
Customer accounts	1 212 467	–	1 212 467
Debt securities in issue	68 488	–	68 488
Liabilities arising on securitisation of own originated loans and advances	367 531	(128 979)	238 552
Liabilities arising on securitisation of other assets	–	1 616 003	1 616 003
Subordinated debt	42 291	71 173	113 464
Combined other liability lines	4 343	171 435	175 778
Total liabilities	1 695 120	2 041 292	3 736 412
Net assets and liabilities sold			2 103 959
Cash received in settlement of pre-existing relationships*			1 914 167
Proceeds on sale of subsidiaries			226 291
Goodwill and other adjustments on sale			(129 559)
Loss on disposal of subsidiaries			(93 060)

* *Reflected as movements in operating assets and operating liabilities within the cash flow (note 47).*

2014

Acquisitions

There were no significant acquisitions of subsidiaries during the year ended 31 March 2014.

Disposals

The net gain on the sale of subsidiaries of £9.7 million in the income statement arises from the sale of Lease Direct Finance Limited and the sale of Investec Trust (Switzerland) SA and Investec Trust (Jersey) Limited.

The net cash inflow on these items amounted to £37.8 million.

On 31 July 2013, Investec completed the sale of 15% of its Asset Management business, owned by Investec plc and Investec Limited, for a consideration of £180 million in cash to the senior management of the business who have also been granted options to acquire, over a period of seven years beginning on 1 April 2013, a further 5% interest. As part of this transaction Investec plc has realised a gain of £61.6 million on the disposal of a non-controlling interest in its subsidiary, Investec Asset Management Limited, which is reflected in equity together with an increase in non-controlling interests of £11.0 million.

At 31 March £'000	2015	2014
36. Other trading liabilities		
Short positions		
– Equities	88 920	114 041
– Gilts	162 959	277 609
	251 879	391 650

At 31 March £'000	2015	2014
37. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	24 365	9 210
Three months to one year	74 911	136 499
One to five years	230 911	142 660
Greater than five years	66 766	34 427
	396 953	322 796
Other unlisted debt securities in issue repayable:		
Less than three months	14 170	11 258
Three months to one year	36 476	38 765
One to five years	431 136	445 850
Greater than five years	473 579	550 599
	955 361	1 046 472
	1 352 314	1 369 268

At 31 March £'000	2015	2014
38. Other liabilities		
Settlement liabilities	935 815	732 906
Other creditors and accruals	374 398	362 312
Other non-interest-bearing liabilities	127 415	135 878
	1 437 628	1 231 096

At 31 March £'000	2015	2014
39. Pension commitments		
Income statement charge		
Defined benefit obligations net income included in net interest income	(1 219)	(1 329)
Defined benefit net costs included in administration costs	442	482
Cost of defined contribution schemes included in staff costs	23 427	22 671
Net income statement charge in respect of pensions	22 650	21 824

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of two schemes in the United Kingdom being the Guinness Mahon Pension Fund scheme (GM scheme) and the Investec Asset Management Pension scheme (IAM scheme). Both schemes are final salary pension plans with assets held in separate trustee-administered funds. The plans are subject to UK regulations, which require the trustees to agree a funding strategy and contribution schedule for the plans. The role of the trustees is to ensure that the schemes are administered in accordance with the scheme rules and relevant legislation, and to safeguard the assets in the best interest of all members and beneficiaries.

The trustees are solely responsible for setting investment policy and for agreeing funding requirements with the employer through the triennial valuation process. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2015 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions in relation to the defined contribution schemes outstanding at year end.

At 31 March £'000	2015	2014
39. Pension commitments (continued)		
The major assumptions used were:		
Discount rate	3.20%	4.40%
Rate of increase in salaries	3.00%	3.40%
Rate of increase in pensions in payment	1.80% – 3.00%	1.80% – 3.40%
Inflation (RPI)	3.00%	3.40%
Inflation (CPI)	2.00%	2.40%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PCMA00 MC and PCFA00 base tables with allowance for future improvements in line with the medium cohort projection subject to a 1% underpin. The life expectancies underlying the valuation are as follows:

	Years	Years
Male aged 65	87.8	87.7
Female aged 65	89.8	89.7
Male aged 45	89.7	89.6
Female aged 45	91.2	91.1

Sensitivity analysis of assumptions

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

If the discount rate was 0.25% higher (lower), the scheme liabilities would decrease by approximately £6.2 million (increase by £6.6 million) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £3.4 million (decrease by £3.4 million). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

If the salary increase assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £0.4 million (decrease by £0.4 million) if all the other assumptions remained unchanged.

If the pension increases assumptions were 0.25% higher (lower), the scheme liabilities would increase by approximately £2.4 million (decrease by £2.4 million) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by one year, the scheme liabilities would increase by approximately £5.1 million (decrease by £5.1 million) if all the other assumptions remained unchanged.

If the deferred revaluation assumption was 0.25% higher the scheme liabilities would increase by £1.4 million, or decrease by £1.3 million if the deferred revaluation assumption decreased by 0.25%.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis has been performed on the basis that the relevant assumption would occur in isolation, holding other assumptions constant.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the same methodology that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Risk exposures

A description of the risks which the pension schemes expose Investec and can be found in the Risk Management report on pages 94 to 95.

The group ultimately underwrites the risks relating to the defined benefit plans. If the contributions currently agreed are insufficient to pay the benefits due, the group will need to make further contributions to the plans.

At 31 March £'000	2015	2014
39. Pension commitments (continued)		
The plan assets held in the scheme were:		
GM scheme		
Gilts	165 729	132 799
Cash	2 600	2 634
Total market value of assets	168 329	135 433
IAM Scheme		
Managed funds	24 442	22 280
Cash	49	34
Total market value of assets	24 491	22 314

There are no assets which are unquoted.

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

The investment strategy in place for the GM scheme is to switch to gilts over the period to 31 March 2021. At 31 March 2015, the allocation of the GM scheme's invested assets was 100% to gilts and cash. This is ahead of the investment strategy. The higher allocation is due to additional switches from equities to gilts during the first and third quarter of 2013 under the agreed outperformance trigger mechanism. Details of the investment strategy can be found in the GM scheme's statement of investment principles, which the trustees update as its policy evolves.

The trustees' current investment strategy is to strike a balance between maximising the returns on the scheme's assets and minimising the risks associated with lower than expected returns.

At 31 March	2015			2014		
£'000	GM	IAM	Total	GM	IAM	Total
Recognised in the balance sheet						
Fair value of fund assets	168 329	24 491	192 820	135 433	22 314	157 747
Present value of obligations	(137 947)	(18 973)	(156 920)	(116 083)	(16 104)	(132 187)
Net asset (recognised in other assets)	30 382	5 518	35 900	19 350	6 210	25 560
Recognised in the income statement						
Net interest income	947	272	1 219	1 057	272	1 329
Past service costs	(377)	(65)	(442)	(310)	(172)	(482)
Net amount recognised in the income statement	570	207	777	747	100	847
Recognised in the statement of comprehensive income						
Return on plan assets (excluding amounts in net interest income)	(28 219)	(1 982)	(30 201)	7 858	197	8 055
Actuarial gain arising from changes in financial assumptions	22 106	2 956	25 062	–	–	–
Actuarial loss arising from experience adjustments	(33)	(75)	(108)	(285)	(84)	(369)
Remeasurement of defined benefit/asset	(6 146)	899	(5 247)	7 573	113	7 686
Deferred tax	(1 229)	136	(1 093)	(1 501)	(315)	(1 816)
Remeasurement of net defined benefit asset	(7 375)	1 035	(6 340)	6 072	(202)	5 870

At 31 March £'000	GM	IAM	Total
39. Pension commitments (continued)			
Changes in the net asset recognised in the balance sheet			
Balance at 1 April 2013	21 860	6 223	28 083
Net income charged to the income statement	747	100	847
Amount recognised in other comprehensive income	(7 573)	(113)	(7 686)
Contributions paid	4 316	–	4 316
Balance at 1 April 2014	19 350	6 210	25 560
Net income charged to the income statement	570	207	777
Amount recognised in other comprehensive income	6 146	(899)	5 247
Contributions paid	4 316	–	4 316
Balance at 31 March 2015	30 382	5 518	35 900
Changes in the present value of defined benefit obligations			
Defined benefit obligation at 1 April 2013	115 643	15 721	131 364
Interest expense	4 994	685	5 679
Remeasurement gains and losses:			
– Actuarial loss arising from experience adjustments	(285)	(84)	(369)
Past service cost	–	172	172
Benefits and expenses paid	(4 269)	(390)	(4 659)
Defined benefit obligation at 1 April 2014	116 083	16 104	132 187
Interest expense	4 993	693	5 686
Remeasurement gains and losses:			
– Actuarial gain arising from changes in financial assumptions	22 106	2 956	25 062
– Actuarial loss arising from experience adjustments	(33)	(75)	(108)
Benefits and expenses paid	(5 202)	(705)	(5 907)
Defined benefit obligation at 31 March 2015	137 947	18 973	156 920
Changes in the fair value of plan assets			
Fair value of plan assets at 1 April 2013	137 503	21 944	159 447
Interest income	6 051	957	7 008
Remeasurement (loss)/gain:			
– Return on plan assets (excluding amounts in net interest income)	(7 858)	(197)	(8 055)
Contributions by the employer	4 316	–	4 316
Benefits and expenses paid	(4 579)	(390)	(4 969)
Fair value of plan assets at 1 April 2014	135 433	22 314	157 747
Interest income	5 940	965	6 905
Remeasurement gain:			
– Return on plan assets (excluding amounts in net interest income)	28 219	1 982	30 201
Contributions by the employer	4 316	–	4 316
Benefits and expenses paid	(5 579)	(770)	(6 349)
Fair value of plan assets at 31 March 2015	168 329	24 491	192 820

The triennial funding valuation of the schemes was carried out as at 31 March 2012. Contributions requirements, including any deficit recovery plans, were agreed between the group and the Trustees in March 2013 to address the scheme deficit.

Under the agreed contribution plan deficit contributions of £6 million were paid into the IAM scheme in March 2013 such that the scheme is now fully funded.

Under the agreed contribution plan deficit contributions of £4.3 million were paid into the GM scheme in the year to March 2015 and the group expects to make £4.3 million of contributions to the defined benefit schemes in the 2015/16 financial year.

The weighted average duration of the GM scheme's liabilities at 31 March 2015 is 19 years (31 March 2014: 17 years). This includes average duration of active members of 25 years, average duration of deferred pensioners of 24 years and average duration of pensioners in payment of 11 years.

The weighted average duration of the IAM scheme's liabilities at 31 March 2015 is 19 years (31 March 2014: 18 years). This includes average duration of deferred pensioners of 20.5 years and average duration of pensioners in payment of 11.5 years.

At 31 March £'000	2015	2014
40. Subordinated liabilities		
Issued by Investec Finance plc		
Guaranteed subordinated step-up notes	–	33 979
Guaranteed undated subordinated callable step-up notes	18 510	18 750
Issued by Investec Bank plc		
Subordinated fixed-rate medium-term notes	578 413	577 941
Issued by Investec Bank (Australia) Limited		
Subordinated floating rate medium-term notes	–	39 106
Issued by Kensington Group Limited (formerly Kensington Group plc)		
Callable subordinated notes	–	71 174
	596 923	740 950
Remaining maturity:		
In one year or less, or on demand	–	–
In more than one year, but not more than two years	18 510	105 153
In more than two years, but not more than five years*	–	18 750
In more than five years	578 413	617 047
	596 923	740 950

* *Where notes are undated the maturity has been taken as the first potential call date.*

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Guaranteed subordinated step-up notes

On 13 February 2015, Investec Finance plc redeemed at par the entire issue £33 793 000 of guaranteed subordinated step-up notes due in 2016. The notes had been guaranteed by Investec Bank plc and listed on the Luxembourg Stock Exchange.

Guaranteed undated subordinated callable step-up notes

Investec Finance plc has in issue £17 861 000 of 6.25% guaranteed undated subordinated step-up notes callable in 2017 at a discount (perpetual notes). Interest is paid semi-annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 23 January 2017, subject to the prior consent of the Prudential Regulation Authority. On 23 January 2017, the interest rate will be reset to become three-month LIBOR plus 2.11% payable quarterly in arrears.

Medium-term notes

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

On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due in 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 17 February 2022. On 29 June 2011 Investec Bank plc issued £75 000 000 of 9.625% subordinated notes due 2022 at a premium (2022 Notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 Notes issued on 17 February 2011).

Subordinated floating-rate medium-term notes (denominated in Australian Dollars)

The group disposed of its interest in Investec Bank (Australia) Limited on 31 July 2014. At that date, the A$20 000 000 of floating-rate medium-term notes issued by the company on 12 February 2010 and the A$50 000 000 of floating-rate medium-term notes issued by the company on 20 December 2012, due to parties outside the Investec group, were removed from the balance sheet.

Callable subordinated notes

The group disposed of its interest in Kensington Group Limited on 30 January 2015. At that date, the £69 767 000 of callable subordinated notes due 2015, due to parties outside the Investec group, were removed from the balance sheet.

At 31 March £'000	2015	2014
41. Ordinary share capital		
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	Number	Number
At the beginning of the year	608 756 343	605 196 771
Issued during the year	4 853 299	3 559 572
At the end of the year	613 609 642	608 756 343
Nominal value of ordinary shares	£'000	£'000
At the beginning of the year	122	121
Issued during the year	1	1
At the end of the year	123	122
Number of special converting shares	Number	Number
At the beginning of the year	282 934 529	279 639 164
Issued during the year	2 814 094	3 295 365
At the end of the year	285 748 623	282 934 529
Nominal value of special converting shares	£'000	£'000
At the beginning of the year	56	56
Issued during the year	1	-
At the end of the year	57	56
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.*

41. Ordinary share capital (continued)

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 7.

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

For the year to 31 March	Number 2015	Number 2014
Opening balance	42 877 067	50 514 354
Granted during the year	6 721 210	9 200 128
Exercised	(15 562 258)	(12 249 975)
Forfeited during the year	(1 605 255)	(4 587 440)
Closing balance	32 430 764	42 877 067

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 group's share price.

At present, the practice of the group is to give all permanent staff members a share allocation, based on their annual package, after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from four to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members.

At 31 March £'000	2015	2014
42. Perpetual preference shares of holding company		
Perpetual preference share capital	151	151
Perpetual preference share premium (refer to note 43)	149 449	149 449
	149 600	149 600
Issued by Investec plc		
9 381 149 (2014: 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Preference share capital	94	94
– Preference share premium	79 490	79 490
5 700 000 (2014: 5 700 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share.		
– Preference share capital	57	57
– Preference share premium	49 917	49 917
Preference shareholders will receive an annual dividend, if declared, based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared.		
If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September, respectively.		
Issued by Investec plc – Rand-denominated		
1 859 900 (2014: 1 859 900) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR99.999 per share on 29 June 2011.		
– Preference share capital	*	*
– Preference share premium	16 601	16 601
416 040 (2014: 416 040) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR99.999 per share on 11 August 2011.		
– Preference share capital	*	*
– Preference share premium	3 441	3 441
Rand-denominated preference shareholders will receive a dividend, if declared, based on the coupon rate (being equivalent to South African prime rate multiplied by 95%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the Rand preference dividend has been declared.		
If declared, Rand preference dividends are payable semi-annually at least seven business days prior to the date on which Investec pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September, respectively.		
	149 600	149 600

At 31 March £'000	2015	2014
43. Share premium		
Share premium account – Investec plc	1 021 992	997 099
Perpetual preference share premium	149 449	149 449
	1 171 441	1 146 548

At 31 March £'000	2015	2014
44. Treasury shares	£'000	£'000
Treasury shares held by subsidiaries of Investec plc	37 960	56 997
	Number	Number
Investec plc ordinary shares held by subsidiaries	8 325 971	12 539 920
Reconciliation of treasury shares	Number	Number
At the beginning of the year	12 539 920	11 079 853
Purchase of own shares by subsidiary companies	12 556 847	15 062 850
Shares disposed of by subsidiaries	(16 770 796)	(13 602 783)
At the end of the year	8 325 971	12 539 920
Market value of treasury shares	£'000	£'000
Investec plc	46 709	60 794
	46 709	60 794

At 31 March £'000	2015	2014
45. Non-controlling interests		
Perpetual preferred securities issued by subsidiaries	144 598	165 319
Non-controlling interests in partially held subsidiaries	15 858	11 392
	160 456	176 711
Perpetual preferred securities issued by subsidiaries		
Issued by Investec plc subsidiaries	144 598	165 319
€200 000 000 (2014: €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities (preferred securities) were issued by Investec Tier 1 (UK) LP (a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities, which are guaranteed by Investec plc, are callable at the option of the issuer, subject to the approval of the UK Regulator on the tenth anniversary of the issue and if not called, are subject to a step-up in coupon of one and a half times the initial credit spread above the three-month Euro zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the preferred securities will be at 7.075%.		
The issuer has the option not to pay a distribution when it falls due, but this would then prevent the payment of ordinary dividends by the company.		
Under the terms of the issue, there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.		
	144 598	165 319

At 31 March £'000	Investec Asset Management Limited 2015	2014
45. Non-controlling interests (continued)		
The following table summarises the information relating to the group's subsidiary that has material non-controlling interests.		
Non-controlling interests (NCI) (%)	15.0	15.0
Summarised financial information	£'000	£'000
Total assets	411 419	335 020
Total liabilities	(309 501)	(237 589)
Revenue	269 048	242 796
Operating profit	75 491	67 585
Carrying amount of NCI	15 180	14 614
Profit allocated to NCI	10 053	5 535

At 31 March £'000	2015 Total future minimum payments	2015 Present value	2014 Total future minimum payments	2014 Present value
46. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	201 556	159 545	239 218	188 594
One to five years	311 830	270 249	521 637	439 811
Later than five years	4 510	4 289	20 055	15 159
	517 896	434 083	780 910	643 564
Unearned finance income	83 813		137 346	

At 31 March 2015, unguaranteed residual values accruing to the benefit of Investec were £2.7 million (2014: £29.4 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

For the year to 31 March £'000	2015	2014
47. Notes to cash flow statement		
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	15 320	116 642
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	4 376	11 233
Amortisation of intangible assets	14 497	13 393
Net loss/(gain) on disposal of subsidiaries	93 060	(9 653)
Depreciation of operating lease assets	1 535	6 044
Depreciation and impairment of property, equipment and intangibles	14 769	17 156
Impairment of loans and advances	102 707	126 911
Operating income from associates	(1 933)	(5 827)
Dividends received from associates	1 548	1 618
Share-based payment charges	35 050	36 740
Profit before taxation adjusted for non-cash items	280 929	314 257
Decrease/(increase) in operating assets		
Loans and advances to banks	(1 548)	49 847
Reverse repurchase agreements and cash collateral on securities borrowed	(232 705)	313 093
Sovereign debt securities	(114 409)	427 961
Bank debt securities	(14 030)	84 018
Other debt securities	8 443	(38 718)
Derivative financial instruments	67 422	217 836
Securities arising from trading activities	(83 592)	87 057
Investment portfolio	(61 284)	12 900
Loans and advances to customers	(393 816)	205 333
Securitised assets	871 705	346 097
Other assets	(157 250)	193 084
Investment properties	(8 726)	(50 215)
	(119 790)	1 848 293
Increase/(decrease) in operating liabilities		
Deposits by banks	(918 276)	(348 059)
Derivative financial instruments	293 262	(148 804)
Other trading liabilities	(139 771)	18 888
Repurchase agreements and cash collateral on securities lent	(17 474)	(327 663)
Customer accounts	562 662	(234 446)
Debt securities in issue	51 534	(393 070)
Securitised liabilities	(660 080)	(140 378)
Other liabilities	999 193	(169 894)
	171 050	(1 743 426)

At 31 March £'000	2015	2014
48. Commitments		
Undrawn facilities	812 364	850 283
Other commitments	38 226	13 022
	850 590	863 305

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.

	2015	2014
Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	24 878	27 552
One to five years	79 711	86 045
Later than five years	59 555	28 669
	164 144	142 266
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	5 791	3 847
One to five years	3 706	2 838
Later than five years	–	320
	9 497	7 005

Investec 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.

At 31 March	Carrying amount of pledged assets		Related liability	
£'000	2015	2014	2015	2014
Pledged assets				
Other loans and advances	25 253	–	25 253	–
Loans and advances to banks	210 061	224 254	164 661	247 937
Sovereign debt securities	151 841	339 455	139 202	336 246
Bank debt securities	59 516	38 173	54 562	28 639
Securities arising from trading activities	580 156	514 089	530 660	424 619
	1 026 827	1 115 971	914 338	1 037 441

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.

At 31 March £'000	2015	2014
49. Contingent liabilities		
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	53 137	77 536

Guarantees are issued by Investec plc and its subsidiaries on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) as at 31 December of the year preceding the scheme year.

Following the default of a number of deposit takers in 2008, the FSCS has borrowed from HM Treasury to fund the compensation costs for customers of those firms. Although the majority of this loan is expected to be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the firms that defaulted, any shortfall will be funded by deposit-taking participants of the FSCS.

Investec Bank plc is a participating member of the FSCS and the bank has accrued £1.65 million for its share of levies that will be raised by the FSCS. The accrual is based on estimates for the interest the FSCS will pay on the loan and estimates of the level of the bank's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

Specifically, a claim has been made in the Royal Court of Guernsey against ITG Limited (formerly Investec Trust (Guernsey) Limited), a subsidiary of Investec plc, for breach of equitable duty for skill and care with a related claim for liability for the debts of a client trust. The outcome of these claims cannot reasonably be estimated at this time but Investec does not expect the ultimate resolution of the proceedings to have a material adverse effect on the financial position of the group.

At 31 March £'000	2015	2014
50. Related party transactions		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	33 472	43 463
Increase in loans	14 461	5 666
Repayment of loans	(10 024)	(11 026)
Exchange adjustments	(694)	(4 631)
At the end of the year	37 215	33 472
Guarantees		
At the beginning of the year	4 409	4 757
Additional guarantees granted	6 062	4 409
Guarantees cancelled	(1 876)	(4 591)
Exchange adjustment	(83)	(166)
At the end of the year	8 512	4 409
Deposits		
At the beginning of the year	(27 668)	(53 544)
Increase in deposits	(27 261)	(20 463)
Decrease in deposits	19 245	26 089
Exchange adjustment	147	20 250
At the end of the year	(35 537)	(27 668)

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

Transactions with other related parties	Investec Limited and subsidiaries	
	2015	2014
Assets		
Loans and advances to banks	3 520	30 547
Other loans and advances	1 746	1 196
Reverse repo	233 256	306 063
Derivative financial instruments	38 724	1 146
Bank debt securities	6 931	–
Other assets	18 188	16 269
Liabilities		
Deposits by banks	(13 703)	(16 445)
Customer accounts	(7 838)	(17 346)
Debt securities in issue	(160 328)	(261 066)
Derivative financial instruments	(99 144)	(25 852)
Other liabilities	(25 901)	(42 279)
Subordinated liabilities	–	(27 874)

During the year to March 2015, interest of £15.0 million (2014: £31.1 million) was paid to entities in the Investec Limited Group. Interest of £1.4 million (2014: £1.7 million) was received from Investec Limited Group.

In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2015, this resulted in a net payment to Investec Limited of £21.5 million (2014: £8.6 million). Specific transactions of an advisory nature between group entities have resulted in a net fee payment to Investec Limited of £0.3 million (2014: £nil).

	2015	2014
Amounts due from associates	9 069	16 409
Interest income from loans to associates	1 218	959
Fees and commission income from associates	202	108

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

51. 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, Central 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 designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2015						
Assets	Interest rate swap	(103 554)	(103 554)	(101 806)	91 472	95 474
Liabilities	Interest rate swap	8 276	8 276	3 023	(8 161)	(2 989)
		(95 278)	(95 278)	(98 783)	83 311	92 485
2014						
Assets	Interest rate swap	(2 039)	(2 039)	39 090	(3 711)	(38 197)
	Cross-currency swap	(165)	(165)	306	165	(306)
Liabilities	Interest rate swap	5 614	5 614	(13 991)	(5 534)	14 774
	Cross-currency swap	(124)	(124)	336	124	(336)
		3 286	3 286	25 741	(8 956)	(24 065)

Cash flow hedges

As at 31 March 2015, the group had no financial instruments designated as cash flow hedges. During the year certain cash flow hedges had existed where changes in fair value were initially recognised in other comprehensive income and then recycled to the income statement when the cash flow occurred. In the prior year the nominal expected future cash flows subject to cash flow hedges were:

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
2014			
Assets	Interest rate swap	516	Three months to five years
	Cross-currency swap	370	One to five years
Liabilities	Interest rate swap	(6 084)	Three months to five years
		(5 198)	

There was no ineffective portion recognised in the income statement for the current and prior year. The release to the income statement for cash flow hedges has been included in net interest income.

Hedges of net investments in foreign operations

During the current year, the group has closed out various foreign exchange contracts it held to hedge the exposure of the Investec plc group balance sheet to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	Hedging instrument fair value
2015	–
2014	(1 081)

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

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

At 31 March £'000	Demand	Up to one month	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
2015								
Liabilities								
Deposits by banks	86 550	48 801	5 008	–	–	–	107 025	247 384
Derivative financial instruments	193 619	24 557	107 903	47 158	68 183	270 830	253 138	965 388
Derivative financial instruments – held for trading	192 878	–	–	–	–	–	–	192 878
Derivative financial instruments – held for hedging risk	741	24 557	107 903	47 158	68 183	270 830	253 138	772 510
Other trading liabilities	251 879	–	–	–	–	–	–	251 879
Repurchase agreements and cash collateral on securities lent	505 160	–	–	–	–	11 925	96 261	613 346
Customer accounts (deposits)	2 494 331	1 256 623	1 656 016	2 555 973	799 230	1 465 096	135 752	10 363 021
Debt securities in issue	–	31 332	75 309	79 976	199 671	773 067	408 712	1 568 067
Liabilities arising on securitisation of other assets	–	5 726	2 194	7 688	14 835	116 944	238 262	385 649
Other liabilities	257 656	966 932	229 516	22 794	12 704	64 951	15 251	1 569 804
Subordinated liabilities	–	–	–	558	55 902	240 345	685 688	982 493
Total on balance sheet liabilities	3 789 195	2 333 971	2 075 946	2 714 147	1 150 525	2 943 158	1 940 089	16 947 031
Contingent liabilities	31 592	1 087	4 327	674	3 384	11 767	305	53 136
Commitments	310 298	2 230	22 054	42 773	123 180	345 054	5 001	850 590
Total liabilities	4 131 085	2 337 288	2 102 327	2 757 594	1 277 089	3 299 979	1 945 395	17 850 757

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.

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

(continued)

At 31 March £'000	Demand	Up to one month	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
2014								
Liabilities								
Deposits by banks	385 512	294 581	117 402	76 151	132 408	341 101	196 566	1 543 721
Derivative financial instruments	227 877	3 148	147 275	6 727	42 625	194 881	76 692	699 225
Derivative financial instruments – held for trading	200 406	–	–	–	–	–	–	200 406
Derivative financial instruments – held for hedging risk	27 471	3 148	147 275	6 727	42 625	194 881	76 692	498 819
Other trading liabilities	391 650	–	–	–	–	–	–	391 650
Repurchase agreements and cash collateral on securities lent	425 391	–	–	–	189 773	–	–	615 164
Customer accounts (deposits)	2 213 489	1 395 270	2 686 124	2 931 338	715 480	1 057 359	98 463	11 097 523
Debt securities in issue	3 947	15 730	154 990	121 244	284 188	532 296	590 763	1 703 158
Liabilities arising on securitisation of own originated loans and advances	300	15 499	41 311	47 388	165 880	230 499	3 352	504 229
Liabilities arising on securitisation of other assets	–	25 277	92 218	94 165	178 694	1 008 438	1 316 309	2 715 101
Other liabilities	204 009	722 051	109 234	85 639	29 086	69 760	14 906	1 234 685
Subordinated liabilities	–	222	942	1 732	77 247	424 853	830 973	1 335 969
Total on-balance sheet liabilities	3 852 175	2 471 778	3 349 496	3 364 384	1 815 381	3 859 187	3 128 024	21 840 425
Contingent liabilities	40 624	3 095	17 781	4 394	4 068	7 434	140	77 536
Commitments	443 739	42 436	25 784	8 379	76 806	250 465	15 696	863 305
Total liabilities	4 336 538	2 517 309	3 393 061	3 377 157	1 896 255	257 899	3 143 860	22 781 266

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 please refer to pages 88 and 89.

53. Principal subsidiaries and associated companies – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest % 2015	Interest % 2014
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holding Company Limited	Investment holding	England and Wales	100.0%	100.0%
Indirect subsidiaries of Investec plc				
Investec Asset Finance plc	Leasing company	England and Wales	100.0%	100.0%
Investec Asset Finance & Leasing (Pty) Ltd	Leasing company	Australia	–	100.0%
Investec Asset Management Limited	Asset management	England and Wales	85.0%	85.0%
Investec Bank plc	Banking institution	England and Wales	100.0%	100.0%
Investec Bank (Australia) Limited	Banking Institution	Australia	–	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment banking	Hong Kong	100.0%	100.0%
Investec Capital & Investments (Ireland) Limited	Financial services	Ireland	100.0%	100.0%
Investec Professional Finance (Pty) Ltd	Financial services	Australia	–	100.0%
Investec Finance plc	Debt issuer	England and Wales	100.0%	100.0%
Investec Group (UK) plc	Holding company	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holdings (Australia) Limited	Holding company	Australia	100.0%	100.0%
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Ireland Limited	Financial services	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%
Investec Trust Holdings AG	Investment holding	Switzerland	100.0%	100.0%
Investec Wealth & Investment Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%
Kensington Group Limited (formerly Kensington Group plc)	Financial services	England and Wales	–	100.0%
Reichmans Geneva SA	Trade finance	Switzerland	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
St James Park Mortgage Funding Limited	Financial services	England and Wales	–	100.0%
Start Funding No 1 Limited	Financial services	Ireland	–	100.0%
Start Funding No 2 Limited	Financial services	Ireland	–	100.0%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%

All of the above subsidiary undertakings are included in the consolidated accounts. There have been no changes to the subsidiaries listed above as a result of the adoption of IFRS 10, as control over these entities continues to be demonstrated through the ownership of the majority of voting equity shares.

The company has taken advantage of the exemption under section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements. A complete list of subsidiary and associated undertakings will be included in the next Investec plc annual return filed with the Registrar of Companies.

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

At 31 March	Principal activity	Country of incorporation	Interest % 2015	Interest % 2014
Principal associated companies				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0%	35.0%

For more details on associated companies refer to note 28.

Consolidated structured entities

Investec plc has no equity interest in the following structured entities which are consolidated. Typically, a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Bedrock CMBS GMBH	Structured commercial real estate loan assets
Foundation CMBS Limited	Structured commercial real estate loan assets
Gresham Capital CLO V BV	Structured debt and loan portfolios
Landmark Mortgage Securities No 2 plc	Securitised Residential Mortgages
Landmark Mortgage Securities No 3 plc	Securitised Residential Mortgages
Residential Mortgage Securities 23 plc	Securitised Residential Mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 1 plc	Securitised receivables
Temese Funding 2 Plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation refer to note 27. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 73.

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

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

Securitised residential mortgages

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

Structured debt and loan portfolios

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

Structured commercial real estate loan assets

The group has securitised a number of commercial real estate loan assets. These structured entities are consolidated as the group has retained all of the notes issued. The group continues to recognise the commercial real estate loan assets on its balance sheet. The group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables

The group has securitised portfolios 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 £169.1 million (2014: £157.9 million).

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 95 to 100.

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

Statutory requirements

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

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in notes 19 and 56.

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 2015 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	35 443	Limited to the carrying value	Investment income	2 751

31 March 2014 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	39 883	Limited to the carrying value	Investment income	1 825

54. Unconsolidated structured entities

At 31 March 2015

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 page 144.

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.

31 March 2015 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	5 015	Limited to the carrying value	302 703	Investment loss	(11 732)
Residential mortgage securitisations	Other debt securities	7 139	Limited to the carrying value	192 891	Investment income Net interest income	260 120
	Other loans and advances	77 628	Limited to the carrying value	1 642 784	Net interest income	9 057

31 March 2014 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	5 568	Limited to the carrying value	199 946	Investment income	15 139
Residential mortgage securitisations	Other debt securities	41 791	Limited to the carrying value	163 829	Interest expense Investment expense	(1 042) (98)

Financial support provided to the unconsolidated structured entity

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.

54. Unconsolidated structured entities (continued)

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

	2015 Structured CDO and CLO securitisation^	2014 Residential mortgage securitisations
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable returns do not follow the shareholding.	These are residential mortgage securitisations where Investec has no continuing interest as the notes previously held have been redeemed or fully written off. The entities are considered structured as the vehicles are set up so that the variable returns do not follow the shareholding.
Income amount and type	Nil	Mortgage manager fees of £83 000 per annum
Carrying amount of all assets transferred	£222 million of CDO and CLO assets	£269 million of mortgage 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; e.g. 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 page 74.

55. Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March 2015 £'000	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Assets						
Cash and balances at central banks	2 181 242	–	2 181 242	–	–	2 181 242
Loans and advances to banks	1 053 932	–	1 053 932	–	(185 581)	868 351
Reverse repurchase agreements and cash collateral on securities borrowed	1 453 618	(5 413)	1 448 205	(480 647)	(3 657)	963 901
Sovereign debt securities	1 212 910	–	1 212 910	(151 841)	–	1 061 069
Bank debt securities	226 273	–	226 273	(59 516)	–	166 757
Other debt securities	222 485	–	222 485	–	–	222 485
Derivative financial instruments*	8 718 191	(7 943 170)	775 021	(285 518)	(81 087)	408 416
Securities arising from trading activities	670 298	–	670 298	(562 139)	–	108 159
Investment portfolio	400 941	–	400 941	–	–	400 941
Loans and advances to customers	7 069 592	(8 475)	7 061 117	–	–	7 061 117
Other loans and advances	554 912	–	554 912	–	(25 253)	529 659
Other securitised assets	411 983	–	411 983	–	–	411 983
Other assets*	18 802 022	(17 466 442)	1 335 580	–	–	1 335 580
	42 978 399	(25 423 500)	17 554 899	(1 539 661)	(295 578)	15 719 660
Liabilities						
Deposits by banks	230 141	(8 475)	221 666	–	(46 431)	175 235
Derivative financial instruments	1 835 308	(881 917)	953 391	(386 671)	(203 056)	363 664
Other trading liabilities*	24 352 976	(24 101 097)	251 879	(243 315)	–	8 564
Repurchase agreements and cash collateral on securities lent	597 259	–	597 259	(597 259)	–	–
Customer accounts (deposits)	10 306 331	–	10 306 331	–	(18 094)	10 288 237
Debt securities in issue	1 352 314	–	1 352 314	(312 416)	(7 777)	1 032 121
Liabilities arising on securitisation of other assets	330 526	–	330 526	–	–	330 526
Other liabilities*	1 869 639	(432 011)	1 437 628	–	–	1 437 628
Subordinated liabilities	596 923	–	596 923	–	–	596 923
	41 471 417	(25 423 500)	16 047 917	(1 539 661)	(275 358)	14 232 898

* *Obligations arising in equity transactions in our prime brokerage business and are legally enforceable and settled net.*

55. Offsetting (continued)

At 31 March 2014 £'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
Assets						
Cash and balances at central banks	1 742 618	–	1 742 618	–	–	1 742 618
Loans and advances to banks	1 309 043	(1 473)	1 307 570		(167 766)	1 139 804
Reverse repurchase agreements and cash collateral on securities borrowed	1 421 139	(205 639)	1 215 500	(272 846)	(122 792)	819 862
Sovereign debt securities	1 232 416	–	1 232 416	(196 073)	–	1 036 343
Bank debt securities	371 183	–	371 183	(44 656)	–	326 527
Other debt securities	229 228	–	229 228	–	–	229 228
Derivative financial instruments	2 075 207	(1 155 192)	920 015	(158 514)	(356 769)	404 732
Securities arising from trading activities	586 706	–	586 706	(417 401)	–	169 305
Investment portfolio	342 597	–	342 597	–	–	342 597
Loans and advances to customers	7 812 755	(38 128)	7 774 627	–	(150)	7 774 477
Own originated loans and advances to customers securitised	447 638	–	447 638	–	–	447 638
Other loans and advances	1 672 709	–	1 672 709	–	–	1 672 709
Other securitised assets	2 798 158	–	2 798 158	–	–	2 798 158
Other assets*	24 333 092	(23 134 035)	1 199 057	–	(15 661)	1 183 396
	46 374 489	(24 534 467)	21 840 022	(1 089 490)	(663 138)	20 087 394
Liabilities						
Deposits by banks	1 433 152	(11)	1 433 141	–	(226 667)	1 206 474
Derivative financial instruments	674 775	(6 053)	668 722	(131 235)	(281 705)	255 782
Other trading liabilities*	24 373 527	(23 981 877)	391 650	(272 846)	–	118 804
Repurchase agreements and cash collateral on securities lent	614 836	(103)	614 733	(363 525)	(68 073)	183 135
Customer accounts (deposits)	10 994 264	(38 128)	10 956 136	–	(33 748)	10 922 388
Debt securities in issue	1 369 268	–	1 369 268	(321 884)	(1 224)	1 046 160
Liabilities arising on securitisation of own originated loans and advances	449 079	–	449 079	–	–	449 079
Liabilities arising on securitisation of other assets	2 374 599	–	2 374 599	–	–	2 374 599
Other liabilities	1 739 391	(508 295)	1 231 096	–	–	1 231 096
Subordinated liabilities	740 950	–	740 950	–	–	740 950
	44 763 841	(24 534 467)	20 229 374	(1 089 490)	(611 417)	18 528 467

* *Obligations arising in equity transactions in our prime brokerage business and are legally enforceable and settled net.*

56. Derecognition

Transfer 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.

At 31 March £'000	2015 Carrying amount of assets that are continued to be recognised	2015 Carrying amount of associated liabilities	2014 Carrying amount of assets that are continued to be recognised	2014 Carrying amount of associated liabilities
No derecognition achieved				
Loans and advances to customers	542 057	(110 067)	837 711	(233 450)
Other loans and advances	172 582	–	560 461	(181 996)
Other securitised assets	231 979	(197 208)	428 513	(347 234)
	946 618	(307 275)	1 826 685	(762 680)

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

57. Restatements

The group has adopted the following new or revised standards from 1 April 2014:

IFRIC 21 Levies

The group has adopted IFRIC 21 Levies from 1 April 2014. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy and an entity does not have a constructive obligation to pay a levy that will be triggered in a future period as a result of being economically compelled to continue to operate in that future period. The new interpretation has been applied retrospectively and its application has caused the recognition date for the Financial Services Compensation Scheme levy in the UK to be changed from 31 December prior to the beginning of the relevant levy year, to the following 1 April. The group has accordingly restated the prior periods to reflect this change.

The impact in the year to 31 March 2013 is a decrease in operating costs and other liabilities of £4.7 million and an increase in taxation on operating profit before goodwill and deferred taxation liabilities of £1.0 million. The net impact on retained income at 31 March 2014 is an increase of £2.8 million.

Balance sheet

At 31 March £'000	Notes	2015	2014
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 817 840	1 817 840
Current assets			
Amounts owed by group undertakings		473 982	545 581
Tax		20 207	14 550
Other debtors		23	32
Prepayments and accrued income		259	371
Cash at bank and in hand			
– balances with other banks		563	567
		495 034	561 101
		2 312 874	2 378 941
Current liabilities			
Bank loans	c		
– with subsidiary undertaking		66 710	44 498
– with other banks		–	40 013
Debt securities in issue		18 078	29 712
Derivative financial instruments		104	178
Amounts owed to group undertakings		630 817	754 940
Other liabilities		721	509
Accruals and deferred income		4 539	3 094
		720 969	872 944
Capital and reserves			
Called-up share capital	d	180	178
Perpetual preference shares	d	151	151
Share premium account	d	1 171 441	1 146 548
Capital reserve	d	180 483	356 292
Retained income	d	239 650	2 828
Total capital and reserves		1 591 905	1 505 997
Total capital and liabilities		2 312 874	2 378 941

The notes on pages 224 and 225 form an integral part of the financial statements.

Approved and authorised for issue by the board of directors on 10 June 2015 and signed on its behalf by:

Stephen Koseff
Chief executive officer

10 June 2015

Notes to the Investec plc parent company annual financial statements

a Accounting policies

Basis of preparation

The parent accounts of Investec plc are prepared under the historical cost convention and in accordance with UK accounting standards, and on a going concern basis.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into 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 are stated at cost less any impairment in value.

Income

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

Taxation

Corporate tax is provided on taxable profits at the current rate.

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.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 to not present its own cash flow statement. A cash flow statement, prepared under International Financial Reporting Standards, is included in the consolidated financial statements of the group.

Financial instruments

The company has taken advantage of the exemption in Financial Reporting Standard 29 to not present its own disclosures in respect of financial instruments, as disclosures prepared in accordance with International Reporting Standards are included in the consolidated annual financial statements of the group.

Financial liabilities

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

Related party transactions

Transactions, arrangements and agreements involving directors and others are disclosed in note 50 to the group financial statements. The company has taken advantage of the exemptions available in Financial Reporting Standard 8 group from disclosing transactions with related parties which are wholly owned members of Investec plc group.

b Investments in subsidiary undertakings

£000	2015	2014
At the beginning of the year and the end of the year	1 817 840	1 817 840

Notes to the Investec plc parent company annual financial statements (continued)

c Bank loans

The company drew down a sterling denominated loan of £40 million on 10 February 2014 which bears interest at a fixed margin above three-month LIBOR and was repaid on 10 February 2015. During the year ended 31 March 2014, the company launched its own European Medium-term Note programme (EMTN). The company issued two fixed-rate notes under this programme. A US Dollar-denominated note of US$15 million was issued on 14 February 2014, repaid 16 February 2015 and, on the same day, a Euro-denominated note of €25 million was issued which matures 29 September 2017 and pays interest semi-annually.

d Statement of changes in shareholders' equity

£000	Share capital	Perpetual preference shares	Share premium	Capital reserve	Profit and loss account	Total shareholders' equity
At 1 April 2014	178	151	1 146 548	356 292	2 828	1 505 997
Issue of ordinary shares	2	–	24 893	–	–	24 895
Release of capital reserve to profit and loss	–	–	–	(175 809)	175 809	–
Profit for the year	–	–	–	–	161 330	161 330
Dividends paid to preference shareholders	–	–	–	–	(3 315)	(3 315)
Dividends paid to ordinary shareholders	–	–	–	–	(97 002)	(97 002)
At 31 March 2015	180	151	1 171 441	180 483	239 650	1 591 905

e Parent company profit and loss account

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006. The company's profit for the year, determined in accordance with the Act, was £161 330 000 (2014: £48 309 000).

f Audit fees

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

g Dividends

Details of the company's dividends are set out in note 9 of the group financial statements.

h Share capital

Details of the company's ordinary share capital are set out in note 41 of the group financial statements. Details of the perpetual preference shares are set out in note 42 of the group financial statements.

i 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 2015.

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.

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Notes

Annual financial statements

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