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Investec annual financial statements

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Investec

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THE 2020 INTEGRATED ANNUAL REPORT COVERS THE PERIOD 1 APRIL 2019 TO 31 MARCH 2020 AND PROVIDES AN OVERVIEW OF THE INVESTEC GROUP.

MAIN MENU →

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

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Cross reference tools

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

PAGE REFERENCES
Refers readers to information elsewhere in this report

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

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

REPORTING STANDARD
Denotes our consideration of a reporting standard

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FINANCIAL STATEMENTS

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

Section 414A of the UK Companies Act 2006 (the UK Companies Act) requires the directors to present a strategic report in the annual report.

This information can be found on pages 6 to 102 in Volume one.

The company has chosen, in accordance with section 414C(11) of the UK Companies Act, to include certain matters in its strategic report that would otherwise be disclosed in this directors' report.

An indication of likely future developments may be found in the strategic report.

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

Authorised and issued share capital

Investec plc and Investec Limited

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

Investec plc

During the year, the following shares were issued:

- 13 961 407 ordinary shares on 12 June 2019 at 463.00 pence per share

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2020.

At 31 March 2020, Investec plc held 31 744 014 shares in treasury (2019: 21 638 673). The maximum number of shares held in treasury by Investec plc during the period under review was 37 825 365 shares.

Investec Limited

- 13 961 407 special convertible redeemable preference shares of R0.0002 each on 12 June 2019 at par

Investec Limited did not repurchase any of its ordinary sharesduring the financial year ended 31 March 2020.

At 31 March 2020, Investec Limited held 51 026 675 shares in treasury (2019: 29 686 599). The maximum number of shares held in treasury by Investec Limited during the period under review was 51 026 675 shares

Financial results

The combined consolidated results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2020.

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

Ordinary dividends

Investec plc

An interim dividend of 11.0 pence per ordinary share (2019: 11.0 pence) was paid on 18 December 2019, as follows:

- 11.0 pence per ordinary share to non-South African resident shareholders registered on 3 December 2019
- To South African resident shareholders registered on 3 December 2019, through a dividend paid by Investec Limited on the SA DAS share, of 11.0 pence per ordinary share.

In light of regulatory guidance provided to banks in both South Africa and the UK, the board has decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share (2019: 24.5 pence).

Investec Limited

An interim dividend of 211 cents per ordinary share (2019: 206 cents) was declared to shareholders registered on 6 December 2019 and was paid on 18 December 2019.

In light of regulatory guidance provided to banks in both South Africa and the UK, the board has decided not to declare a final ordinary dividend, resulting in a full year dividend of 211 cents per ordinary share (2019: 457 cents).

Preference dividends

Investec plc

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

Preference dividend number 27 for the period 1 April 2019 to 30 September 2019, amounting to 8.77397 pence per share, was declared to members holding preference shares registered on 6 December 2019 and was paid on 17 December 2019.

Preference dividend number 28 for the period 1 October 2019 to 31 March 2020, amounting to 8.43827 pence per share, was declared to members holding preference shares registered on 5 June 2020 and will be paid on 15 June 2020.

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

Preference dividend number 17 for the period 1 April 2019 to 30 September 2019, amounting to 488.20890 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 6 December 2019 and was paid on 17 December 2019.

Preference dividend number 18 for the period 1 October 2019 to 31 March 2020, amounting to 468.29795 cents per share, was declared to members holding preference shares registered on 5 June 2020 and will be paid on 15 June 2020.

Investec Limited

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

Preference dividend number 30 for the period 1 April 2019 to 30 September 2019, amounting to 395.72146 cents per share, was declared to shareholders holding preference shares registered on 13 December 2019 and was paid on 17 December 2019.

Preference dividend number 31 for the period 1 October 2019 to 31 March 2020, amounting to 382.31605 cents per share, was declared to shareholders holding preference shares registered on 5 June 2020 and will be paid on 15 June 2020.

Redeemable cumulative preference shares

Dividends amounting to R nil (2019: R22 462 936) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and company secretaries of Investec plc and Investec Limited are reflected on page 120 and 117 in Volume one.

The names of the current directors of Investec plc and Investec Limited, along with their biographical details, are set out on pages 108 to 111 of Volume one, and are incorporated into this report by reference. Changes to the composition of the board since 1 April 2019 up to date of this report are shown in the table below:

	Appointed to the board	Retired from the board
Nishlan Samujh	1 April 2019	
Laurel Bowden		8 August 2019
Cheryl Carolus		8 August 2019
Bernard Kantor		8 August 2019
Stephen Koseff		8 August 2019
Henrietta Baldock	9 August 2019	
Philisiwe Sibiya	9 August 2019	
Hendrik du Toit		16 March 2020
Kim McFarland		16 March 2020
David van der Walt	1 April 2020	4 June 2020
Ciaran Whelan	1 April 2020	

In accordance with the UK Corporate Governance Code, all of the directors will retire and those willing to serve again will submit themselves for re-election at the annual general meeting. Ian Kantor will not stand for re-election at the 2021 annual general meeting.

The company secretary of Investec plc is David Miller and Niki van Wyk is the company secretary of Investec Limited.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 179 to 237 in Volume one.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 119 to 123 in Volume one.

Share incentives

Details regarding options granted during the year are set out on pages 204 to 222 in Volume one.

Audit committees

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, operational risk, internal audit, compliance and the finance division to consider the nature and scope of the internal and external audit reviews and the effectiveness of our risk and control systems, taking note of the key deliberations of the subsidiary audit committees as part of the process.

Further details on the role and responsibility of the audit committees are set out on pages 132 to 142 in Volume one.

Independent auditor and audit information

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

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

A resolution to re-appoint them as auditors will be proposed at the annual general meeting scheduled to take place on 6 August 2020.

Contracts

Refer to page 117 in Volume one for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 144 to 151 in Volume three.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 155 in Volume one.

Special resolutions

Investec plc

At the annual general meeting held on 8 August 2019, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of section 701 of the UK Companies Act
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of section 701 of the UK Companies Act.

Investec Limited

At the annual general meeting held on 8 August 2019, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary shares in terms of the provisions of the South African Companies Act No. 71 of 2008, as amended (the South African Companies Act)
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act
- A renewable authority was granted to Investec Limited to approve the directors' remuneration in order to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act.

Stakeholder engagement

The directors' section 172 statement, as required under the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) may be found in the strategic report on pages 22 to 26 in Volume one. This statement also provides details of how the directors have engaged with and had regard to the interests of our key stakeholders, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) regulations 2018).

Employees

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

Further information is provided on pages 159 to 177 in Volume one.

Political donations and expenditure

The group did not make any political donations in the financial year ended 31 March 2020 (2019: R1.5 million).

Empowerment and transformation

The group endeavours to prevent and/or eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, nationality or sexual preferences. People with disabilities are an essential part of a diverse talent pool and are always considered, with every effort made to accommodate and facilitate an accessible environment. In the event of employees becoming disabled while in our employ, we are committed to ensuring their continued employment. We have various processes to encourage debate and dialogue around valuing diversity and differences. Emerging and established leaders are invited to participate in discussions with the executive leadership around all issues related to talent management and diversity.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 6 to 91 in Volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 48 and in note 54 in Volume three.

Going concern

Refer to page 123 in Volume one for the directors' statement in relation to going concern.

Environment, including greenhouse gas emissions

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

Further information can be found on pages 159 to 177 in Volume one.

Research and development

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

Viability statement

Refer to pages 151 and 152 Volume one for the directors' viability statement.

Risk management policies

The group's policies for managing the financial risk to which it is exposed as well as exposure to price, credit, liquidity and cash flow risk are set out in the risk management section on pages 6 to 91 in Volume two.

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act). The board considers that this integrated annual report and annual financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's performance, business model and strategy.

DIRECTORS' REPORT
(continued)

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 13 to 35 in Volume three, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

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

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

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

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

Directors' responsibility statement

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

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

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

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

The directors, whose names and functions are set out on pages 108 to 111 in Volume one, confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, on pages 10 to 37 in Volume one, which is incorporated in the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approval of annual financial statements

The directors' report and the annual financial statements of the companies and the group, which appear on pages 5 to 9 and pages 36 to 166 in Volume three, were approved by the board of directors on 16 June 2020.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the UK governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the boards of Investec plc and Investec Limited

Perry Crosthwaite
Chairman

16 June 2020

Fani Titi
Chief executive officer

16 June 2020

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act, I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2020, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Niki van Wyk
Company secretary, Investec Limited

16 June 2020

Additional information for shareholders

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

Share capital

The issued share capital of Investec plc at 31 March 2020 consists of 696 082 618 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 318 904 709 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the UK Companies Act, the UK Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the UK Companies Act, Investec plc may by ordinary resolution from time-to-time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in the nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and, on a poll, every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the UK Companies Act, members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid. In addition, no member shall be entitled to vote if they have been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the UK Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them. Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system. The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any

reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal. The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require. Subject to the UK Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time-to-time and with any other shares of Investec plc that are expressed to rank *pari passu* herewith as regards to participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

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

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards to dividends and a repayment of capital on the winding up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference share and equal basis, the right to a return of capital on the winding up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with the Articles after six months from the due date thereof; and/or
  - A resolution of Investec plc is proposed which directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding up of Investec plc or for the reduction of its capital;

  in which event the preference shareholders shall be entitled to vote only on such resolution.

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

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

Shares required for the DLC structure

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

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

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

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

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

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

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors. For details regarding the shareholding requirements for executive directors of Investec plc, once appointed, please refer to the page 181 of the remuneration report in Volume one.

Powers of directors

Subject to the Articles, the UK Companies Act, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

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

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Opinion

In our opinion:

- Investec plc's combined consolidated group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with ("IFRS") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 101 "Reduced Disclosure Framework"); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the International Accounting Standards Regulation.

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

Group	*Parent company*
Combined consolidated balance sheet as at 31 March 2020	Balance sheet as at 31 March 2020
Combined consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Combined consolidated statement of comprehensive income for the year then ended	Related notes a to i to the financial statements
Combined consolidated statement of changes in equity for the year then ended	
Combined consolidated cash flow statement for the year then ended	
Related notes 1 to 62 to the financial statements	
Information identified as 'audited' in the annual report on remuneration in Volume One; and	
Information identified as 'audited' in the annual report on risk management in Volume Two.	

The financial reporting framework that has been applied in the preparation of the combined consolidated group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 30 of Volume One in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 123 of Volume One in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' viability statement set out on page 151 of Volume One in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Impact of COVID-19; • Adequacy of the allowance for expected credit losses on loans and advances to customers; • Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans; • Accounting for the demerger of Investec Asset Management; • Adequacy of the provisions for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne: and • IT systems and controls impacting financial reporting.
Audit scope	• We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further three components. • The components where we performed full or specific audit procedures accounted for 99% of Adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions, 99% of Revenue and 99% of Total assets.
Materiality	• We applied group materiality of £34.4 million, which represents 5% of Adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("Adjusted operating profit").

Key audit matters

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

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER
Impact of COVID-19	
Refer to the Audit Committee Report (pages 135 to 138 of Volume One); Accounting policies (pages 51 and 52); and Note 61 of the Consolidated Financial Statements (page 157) The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. As a result of the pandemic there are significant judgements and assumptions that impact financial reporting that need to be considered within the financial statements The areas of our audit most impacted by COVID-19 include: **Going concern:** The group financial statements are prepared on the going concern basis of accounting. This basis is dependent on the group's ability to meet its liabilities as they fall due. The directors are required to determine the appropriateness of preparing the financial statements on a going concern basis. Management has performed a COVID-19 impact analysis to support the director's going concern assessment using information available to the date of issue of these financial statements. In addition to their existing stress test scenarios, management has modelled two scenarios to assess the potential impact that COVID-19 may have on the group's operations, liquidity, solvency and regulatory capital position. Management has also performed a reverse stress test that analyses the factors that would have to simultaneously occur for the group to be forced into a wind-down scenario or sale. The duration and impact of the COVID-19 pandemic remains highly uncertain. There is a risk that the director's going concern assessment has not appropriately considered the full effect of COVID-19 on the group.	**Going concern:** We evaluated whether management's going concern assessment appropriately considered the impact of COVID-19. With the support of our working capital specialists our procedures included: • Assessing the level of liquidity within the group to support ongoing requirements and the ability to refinance debt for a period of at least 12-months from the date of approval of the financial statements. • Evaluating the reasonableness of management's adverse forecasts and associated stress testing, and their impact on the group's capital and liquidity positions. • Obtaining the reverse stress test performed by management and reviewing the assumptions used for appropriateness including the plausibility of management actions available to mitigate the impact of the reverse stress test. • Discussing with management and the non-executive directors their governance structure and protocols relating to their going concern assessment and corroborating our understanding by attending Audit Committee meetings that debated and approved the assessment; and • Assessing the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and in compliance with the relevant reporting requirements.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER
Adequacy of the allowance for expected credit losses on loans and advances to customers: Refer to the separate Key Audit Matter below for details of the Key Audit Matter. **Significant judgements related to fair value:** *Level 3 instruments* Refer to the separate Key Audit Matter below. *Level 1 & 2 instruments* Market conditions towards the end of the financial year resulted in less liquidity and greater volatility in the value of certain level 1 and 2 financial instruments. Where there is a lack of observable, liquid market inputs, determining appropriate valuations is highly judgemental and this may result in subjective fair value movements which are material. **Events after the reporting date:** COVID-19 was an evolving crisis as at 31 March 2020. As a result, judgements were made by management to determine and evidence the conditions that existed at the balance sheet date and in determining whether events occurring after that date were adjusting or non-adjusting events. The impact of COVID-19 is a new risk for the current year.	**Adequacy of the allowance for expected credit losses on loans and advances to customers:** Refer to the separate Key Audit Matter below for details of our audit response. **Significant judgements related to fair value:** *Level 3 instruments* Refer to the separate Key Audit Matter below for details of our audit response. *Level 1 & 2 instruments* • We tested the design and operating effectiveness of key controls supporting the valuation of level 1 and 2 financial instruments. • We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of inputs, key assumptions and contractual obligations. As part of this assessment we also considered the appropriateness of the financial instrument levelling within the fair value hierarchy. • We have engaged valuation specialists to assist with these procedures. **Events after the reporting date:** We have reviewed relevant management information, as well as key meeting minutes, and held discussions with management. We also reviewed and assessed the implications for the group of external market pronouncements. We evaluated the completeness and appropriateness of the financial statement disclosures as they pertain to events after the reporting date in relation to the impact of COVID-19.

The primary audit engagement team and component auditors have considered the impact of COVID-19 throughout the year-end audit.

Key observations communicated to the Audit Committee

As a result of our procedures, we concluded on the matters described above as follows:

Going concern: The directors have an appropriate basis on which to conclude that there is no material uncertainty relating to going concern. We have reviewed the disclosures relating to going concern and determined that they are appropriate.

Adequacy of the allowance for expected credit losses on loans and advances to customers expected credit losses: Refer to the separate Key Audit Matter below for further information.

Significant judgement related to fair value: We are satisfied that management's valuations for level 1 and 2 financial instruments, which were within our range of expected outcomes, were reasonable. Refer to the separate Key Audit Matter below further information on level 3 instruments.

Events after the reporting date: We are satisfied that the financial statements appropriately capture significant events after the balance sheet date.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER

Adequacy of the allowance for expected credit losses on loans and advances to customers

Refer to the Audit Committee Report (pages 135 to 138 of Volume One); Accounting policies (pages 51 and 52); and Note 27 of the Consolidated Financial Statements (page 105)

The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of COVID-19 across the group and the South African sovereign downgrades has resulted in additional judgements and assumptions being applied as at 31 March 2020.

At the year-end the group reported total gross loans and advances to customers subject to Expected Credit Loss ("ECL") of £24 152 million (2019: £23 945 million); impairment provisions of £324 million (2019: £291 million); and credit losses of £137 million (2019: £105 million).

Given the subjective nature of the calculation of ECL there is a heightened risk that the extent of allowances could be misstated.

We focused on the following significant judgements and estimates:

- The assumptions used in the models to calculate expected credit losses (ECL), including:
  - Completeness and accuracy of historical data used to build the models;
  - Completeness and accuracy of data used to run the models; and
  - Key model assumptions and techniques.

Modelled ECL represents 34% (2019: 30.5%) of the total ECL.

- Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages (this testing includes the impact of payment holidays on staging of customers);
- The inputs and assumptions used to estimate the impact of multiple economic scenarios;
- Completeness and valuation of post model adjustments, including a new post model adjustment in relation to COVID-19 (these represented 10.4% (2019: 2.6%) of the total ECL);
- Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. Individually assessed provisions represent 55.7% (2019: 66.9%) of ECL; and
- Finance and credit processes to produce the financial statement disclosures.

As a result of the impact of COVID-19 the risk has increased since the prior year.

To address the significant judgements and estimates we focused on the following key procedures:

Assessment of significant increase in credit risk

We assessed the design effectiveness and tested the operating effectiveness of key controls focusing on the following:

- Assessment and approval of a significant increase or reduction in credit risk and credit-impaired criteria and monitoring of asset levels in each stage. As part of the assessment we considered the impact of any payment holidays granted to counterparties during the period as a result of COVID-19;
- Approval of staging criteria;
- Assessment and governance of manual overrides to staging outcomes; and
- Data quality.

We also performed substantive testing for a sample of assets in stages 1, 2 and 3 (including assets granted payment holidays as a result of COVID-19) to verify they were included in the appropriate stage.

ECL model

We tested the design and operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9 and obtained audit evidence that appropriate interpretations were reflected in the models.

We involved our modelling specialists to test assumptions and calculations used in the ECL model.

This included performing an assessment of:

- estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9;
- the model design documentation; and
- the appropriateness of the methodology, considering alternative techniques; and the programming code to verify it was consistent with the design documentation.

We also tested a sample of the data used in the models for accuracy.

Multiple economic scenarios

We assessed the design effectiveness and tested the operating effectiveness of key controls focusing on the following:

- Generation and approval of base case scenario;
- Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and
- Production and approval of models used to calculate the ECL impact of the scenarios.

We also reviewed the governance processes that the group have put in place to review and approve the economic scenarios. As part of this assessment we attended the Board Risk and Capital Committee where the economic scenarios were approved.

We used our economists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER

As part of this they also assessed management's COVID-19 short and COVID-19 long scenarios used in the calculation of the UK COVID-19 overlay. In performing this assessment, we considered economic scenarios from a variety of external sources, as well as forecasts that we developed internally.

We involved our modelling specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios.

Post model adjustments

Post-model adjustments were made as a result of limitations in existing models and as a result of COVID-19.

For the limitations in existing models we assessed the nature of the model shortcoming and recalculated and assessed the appropriateness of the adjustments.

For the COVID-19 overlay in the UK we used our economists to help us assess the economic scenarios generated as well as the weightings applied and assessed the adjustment made by management to reflect the expected impact from government measures not captured in the scenarios.

For the COVID-19 overlay in relation to the impact of South Africa's national lockdown on the commercial real estate portfolio we have assessed the reasonableness of management's assumptions against independent sources.

Individually assessed provisions

We assessed the design effectiveness and tested the operating effectiveness of key controls focusing on the following:

- The processes and controls over the calculation of the provision, including timing of collateral valuations, work out strategies and annual credit reviews.
- Where work out strategies require additional funding to execute, we obtained evidence of the approval for such funding through the bank's risk management governance process and assessed the track- record of management in approving the utilisation of the additional funding;
- Estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; and
- Approval of final provision amount by management's impairment decision committee.

We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our selection criteria was updated to consider exposures in sectors vulnerable to COVID-19, including aviation, hospitality, property and retail industries. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies.

We also considered the potential alternative scenarios and the probability weights assigned. We checked the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigated any differences arising.

Disclosures

Our testing focused on:

- Financial statement close process used to record the ECL journal entries;
- Agreeing disclosures to source systems tested;
- Reconciliations between finance and risk systems; and
- The adequacy of the disclosure of the impact of COVID-19 on the ECL.

We performed full scope audit procedures over this risk area in three components. These three components covered 99% (2019: 99%) of the risk amount.

Key observations communicated to the Audit Committee

Based on the testing performed we concluded that impairment provisions made by management were within a reasonable range of outcomes and in compliance with IFRS 9.

We reported to the Audit Committee that our testing of models and model assumptions highlighted some design and judgemental differences; however, these did not result in a material impact on the financial statements. For individually assessed impairments and the COVID-19 overlay, judgemental differences both increasing and decreasing impairment levels were identified; however, none of these individually or in aggregate were material to the financial statements.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans	
Refer to the Audit Committee Report (pages 135 to 138 of Volume One); Accounting policies (pages 51 and 52); and Note 15 of the Consolidated Financial Statements (page 86) There are £12 863 million (2019: £20 346 million) of assets that are required to be fair valued under the IFRS accounting framework. For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans, unlisted investments or large bespoke derivative structures there is necessarily a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental. This may result in subjective fair value movements which are material. At the year-end the group reported level 3 assets of £2 235 million (2019: £2 292 million) and level 3 liabilities of £138 million (2019: £133 million). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgements, are the aircraft loans at fair value and the Southern Africa mining assets, including related lending activities. Significant judgement is required by management due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. The level of risk has increased from prior year as a result of the impact of COVID-19 on market conditions, including the lack of liquidity for certain asset classes.	We assessed the design effectiveness and tested the operating effectiveness of key controls for the valuation of level 3 financial instruments. For certain unlisted investments in private equity businesses and investment properties where it was more effective to do so a substantive approach was taken. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. Where such inputs and assumptions were not observable in the market, we engaged our valuation specialists to critically assess if the inputs and assumptions fell within an acceptable range, based on relevant knowledge and experience of the market. As a result of COVID-19 the extent of our use of specialists has increased year on year. In relation to the most material assets within the Southern Africa mining assets additional procedures were performed including: • Performing a site visit during the year to inspect key assets and meet with key management and Board members of the investee; • Engaging our business valuations specialists to build an independent valuation model in addition to assessing the key inputs and assumptions. As part of this we also considered alternative inputs and assumptions; sensitivity analysis was performed on the most material inputs; • We challenged management to produce new valuation models that were responsive to what they considered to be the range of reasonably likely outcomes; and • Obtained audit evidence via legal confirmations from external counsel in order to assess the enforceability of collateral held.
We performed full audit procedures over this risk area for six components, which covered 98% (2019: 98%) of the risk amount.	

Key observations communicated to the Audit Committee

We concluded for the key controls tested that they were designed and operated effectively; therefore, we could place reliance on these key controls for the purposes of our audit.

Our substantive testing of Level 3 positions highlighted some judgemental differences both increasing and decreasing valuation levels; however, none of these individually or in aggregate were material to the financial statements.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER
IT systems and controls impacting financial reporting	
The group audit relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to: • User access management across application, database and operating systems; • Controls over changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT-dependent controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data. A series of remediation programmes were in place during the year to address previously identified control deficiencies, decreasing the risk compared to the prior year.	We: • Evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting; • Tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations; and • Tested the completeness and accuracy of system and data feeds.
The primary audit engagement team and component auditors have considered the impact of IT systems and controls impacting financial reporting throughout the audit.	

Key observations communicated to the Audit Committee

We noted an improvement in the control environment due to the remediation programmes management put in place, however we have still identified control deficiencies in relation to user access, monitoring database changes and manage change controls.

In response to these findings we performed the following additional testing procedures to mitigate the risks identified:

- Where inappropriate access was identified, we understood the nature of the access and, where possible, obtained further evidence to support the appropriateness of any activities performed;
- Tested downstream compensating business controls; and
- Performed incremental substantive testing in relation to external confirmations and key year-end reconciliations.

We are satisfied, based on the initial and additional testing outlined above, that the findings identified in relation to the IT control environment relevant to the financial statements have not resulted in a material misstatement.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER
Accounting for the demerger of Investec Asset Management	
Refer to the Audit Committee Report (pages 135 to 138 of Volume One); Accounting policies (pages 51 and 52); and Note 36 of the Consolidated Financial Statements (page 115) On 13 March 2020, the group completed the demerger of its asset management business, which was separately listed as Ninety One on 16 March 2020. The results of the asset management business to 13 March 2020 have been consolidated into the group's results and reflected as Profit after tax from discontinued operations. Earnings from Ninety One from 16 March 2020 for the 25% equity holding retained by the group have been equity accounted and included in Share of post taxation profit of associates within continuing operations. At the date of the demerger management was required to perform a fair value assessment of the value of Investec Asset Management prior to the listing of Ninety One. The gain on the distribution of Ninety One shares net of taxation and implementation costs on demerger date was £806m. This risk has been changed in the current year to reflect the execution of the demerger	Our procedures included the following: • Considering management's accounting papers outlining the accounting treatment to be applied to the investment at the balance sheet date; • Considering the governance and approval processes for executing the transaction and underlying reorganisations and distributions; • Assessing management's tax treatment applied to the transaction; • Testing specific account balances to ensure appropriate recognition of earnings before and after the demerger date; • With the involvement of our valuation specialists assessing management's valuation used in the calculation of the gain on loss of control of Ninety One; and • Assessing the appropriateness of the disclosure in relation to the demerger.
The primary audit engagement team and Investec Asset Management component auditors have performed full scope audit procedures over the risk.	

Key observations communicated to the Audit Committee

Based on the procedures described above, we considered the accounting treatment, valuation and disclosure in relation to the demerger of Investec Asset Management/Ninety One to be appropriate.

KEY AUDIT MATTER	OUR RESPONSE TO THE KEY AUDIT MATTER
Adequacy of the provisions for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne	
Refer to the Audit Committee Report (page 135 to 138 of Volume One); Accounting policies (pages 51 and 52); and Note 9 and Note 52 of the Consolidated Financial Statements (page 72 and 137 respectively) At the balance sheet date Investec plc is dealing with: • litigation with HMRC relating to certain legacy structured transactions, the outcome of which is dependent upon the result of the litigation with HMRC; and • investigations into historical German dividend tax arbitrage transactions, where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne. Consequently, management made judgements about the size of potential liabilities which are subject to change in future periods as more information becomes available. The level of risk on legacy structured transactions has reduced due to a settlement with HMRC after the year-end while the level of risk on the dividend tax arbitrage transactions has increased since the prior year.	For the legacy structured transaction we examined the latest court rulings and analysis performed by management which set out the basis for the judgements in relation to material tax exposures. We also inspected the settlement agreement with HMRC. For the dividend tax arbitrage transactions we inspected the correspondence between the group and its external advisors and between the group and the Office of the Public Prosecutor in Cologne. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of the investigations. Using our tax specialists, we considered the matter and used our knowledge of the law to assess the available evidence. We also evaluated the related disclosure made by management.
We performed full scope audit procedures over this risk area in the component impacted by the risk.	

Key observations communicated to the Audit Committee

We concluded that management's treatment of the settlement with HMRC, in relation to the legacy structured transactions, as an adjusting post balance sheet event and the related disclosure is appropriate.

Based on the information that is currently available in respect of the investigation by the Office of the Public Prosecutor in Cologne we considered the related treatment and disclosure to be appropriate.

In the current years auditor's report, we have included one new key audit matter in relation to:

- Impact of COVID-19.

We have also updated the following key audit matters to reflect events that have occurred during the year:

- Accounting for the demerger of Investec Asset Management; and
- Adequacy of the provision for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne.

An overview of the scope of our audit

Tailoring the scope

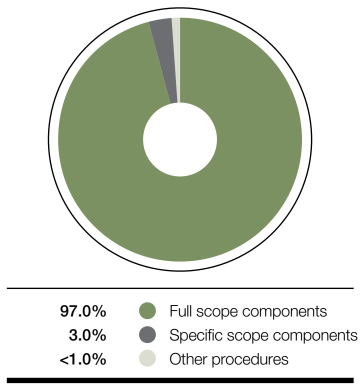
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the group. Taken together, this enables us to form an opinion on the combined consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and other factors such as changes in the business environment when assessing the level of work to be performed at each component.

Of the nine components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining three components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

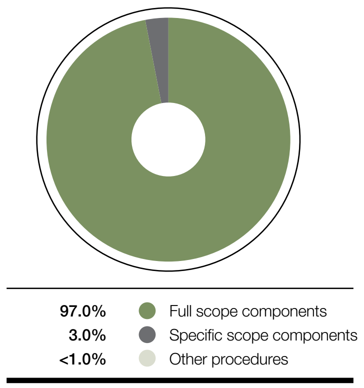
Entity	*Scoping*
Investec Bank plc	Full
Investec Asset Management UK	Full
Investec Bank Limited	Full
Investec Property Fund	Full
Investec Asset Management SA	Full
Investec Life Limited	Specific
Investec Property Limited	Specific
Investec Securities Limited	Specific
Investec Limited consolidation packs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

The reporting components for which we performed audit procedures accounted for 99% (2019: 99%) of the group's Adjusted operating profit, 99% (2019: 99%) of the group's Revenue and 99% (2019: 99%) of the group's Total assets. For the current year, the full scope components contributed 97% (2019: 97%) of the group's Adjusted operating profit , 97% (2019: 97%) of the group's Revenue and 99% (2019: 99%) of the group's Total assets. The specific scope components contributed 3% (2019: 3%) of the group's Adjusted operating profit, 3% (2019: 3%) of the group's Revenue and 1% (2019: 1%) of the group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

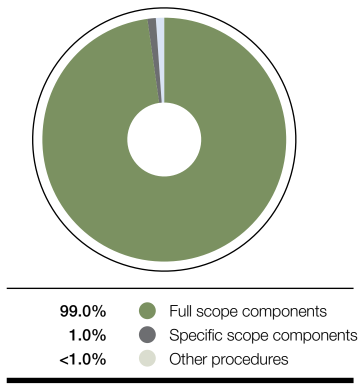
Adjusted operating profit



Revenue



Total assets



Changes from the prior year

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

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms and other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

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

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

In response to developments in the prior years we enhanced the oversight procedures performed over components audited by other firms in South Africa. These enhancements have continued in the current year-end including additional site visits by the primary team, direct involvement of the independent review partner with the component teams and review of the components' auditors' independent quality review process.

Whilst country visits for all components were performed during the year as a result of the lockdown caused by the COVID-19 pandemic the full programme of planned visits by the primary team did not occur. The last site visit to the South African components took place at the beginning of March 2020. Since then all oversight has been performed remotely using video conferencing and other technology including screen sharing. As a result of the use of technology we have been able to review all the work papers we would have reviewed if we had performed the oversight procedures in person.

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the group to be £34.4 million (2019: £34.0 million), which is 5% (2019: 5%) of Adjusted operating profit. We believe that an Adjusted operating profit provides us with the most appropriate measure to reflect the performance of the group. The adjustments to operating profit were to include profits from Investec Asset Management for the period it was part of the group (as set out on page 116) and removal of the impact of the COVID-19 overlay on ECL (as set out on page 8 of Volume Two). During the course of our audit, we reassessed initial materiality and determined, other than the adjustments noted above there were no significant changes made to our materiality calculations.
- We determined materiality for the Parent company to be £4.1 million (2019: £5.1 million), which is 1% (2019: 1%) of distributable equity. There has been no change in the basis from the prior year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £17.2 million (2019: £17.0 million). We have set performance materiality at this percentage based on our understanding of the entity and past experience with the audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.7 million to £9.5 million (2019: £1.7 million to £9.4 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.7 million (2019: £1.7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report and accounts, including the Strategic Report (Strategic focus, Our performance and Divisional review set out on pages 8 to 102 of Volume One), Corporate Governance Report (set out page 104 to 153 of Volume One), Risk disclosures (set out on pages 6 to 91 of Volume Two), Additional information for shareholders (set out on page 8), Alternative Performance Measures (set out on pages 168 to 169), Definitions (set out on page 170), Contact details (set out on pages 171 to 173), and Corporate information (set out on page 174), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 139 of Volume One – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 132 - 142 of Volume One – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 149 of Volume One – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
  - The regulations, licence conditions and supervisory requirements of the Prudential Regulatory Authority (PRA) Financial Conduct Authority (FCA), and South African Reserve Bank (SARB)
  - Companies Act 2006
  - Financial Reporting Council (FRC) and the UK Corporate Governance Code
  - Tax Legislation (the relevant tax compliance regulations in the jurisdictions in which the group operates).
- We obtained a general understanding of how Investec plc complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the group and company and UK regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk Committee; and gained an understanding of the group and company's approach to governance, demonstrated by the Board's approval of the group and company's governance framework and the Board's review of the group's risk management framework and internal control processes.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the PRA and FCA.
- The group and company operate in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur, by considering the controls that the group and company has established to address risks identified by the group and company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified above. Our procedures included inquiries of management, internal audit and those responsible for legal and compliance matters; as well as focused testing referred to in the Key Audit Matters section above. In addition, we performed procedures to identify any significant items inappropriately held in suspense accounts and also any significant inappropriate adjustments made to the accounting records.

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

Other matters we are required to address

- We were appointed by the company on 27 November 2000 to audit the financial statements for the year ending 31 March 2001 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 March 2001 to 31 March 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Manprit Dosanjh
(Senior statutory auditor)

for and on behalf of
Ernst & Young LLP
Statutory Auditor

London

16 June 2020

Notes:

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

To the Shareholders of Investec Limited

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

Opinion

We have audited the accompanying combined consolidated annual financial statements of Investec Limited (incorporating Investec plc) which comprise:

Combined consolidated financial statements	Reference (Volume 3)
Combined consolidated income statement for the year then ended	Page 36
Combined consolidated statement of comprehensive income for the year then ended	Page 37
Combined consolidated balance sheet as at 31 March 2019	Page 38
Combined consolidated cash flow statement for the year then ended	Page 39
Combined consolidated statement of changes in equity for the year then ended	Pages 40 – 41
Accounting policies	Pages 42 – 52
Notes 1 to 62 to the annual financial statements	Pages 53 –157
Specified disclosures in the risk management section marked as audited	Volume 2
Remuneration report	Volume 1

In our opinion, the combined consolidated annual financial statements present fairly, in all material respects, the combined consolidated financial position of Investec Limited (incorporating Investec plc) as at 31 March 2020, its combined consolidated financial performance and combined consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the combined consolidated annual financial statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of group financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Investec Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

The following Key Audit Matters are discussed:

- Impact of COVID-19;
- Adequacy of the allowance for expected credit losses on loans and advances to customers;
- Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans;
- Accounting for the demerger of Investec Asset Management;
- IT systems and controls impacting financial reporting (Investec plc); and
- Adequacy of the provisions for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne (Investec plc).

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Impact of COVID-19	
Refer to the Audit Committee Report (pages 135 – 138 of Volume One); and: Note 61 of the Consolidated Financial Statements (page 157) The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. As a result of the pandemic there are significant judgements and assumptions that impact financial reporting that are required to be considered within the financial statements. The areas of our audit most impacted by COVID-19 include:	
Going concern: The group financial statements are prepared on the going concern basis of accounting. This basis is dependent on the group's ability to meet its liabilities as they fall due. Management are required to determine the appropriateness of preparing the financial statements on a going concern basis. The duration and impact of the COVID-19 pandemic remains highly uncertain. There is a risk that management's going concern analysis has not appropriately considered the full effect of COVID-19 on the group. Management performed an assessment of a COVID-19 impact on the going concern assumption using information available up to the date of issue of the consolidated financial statements. In addition to their existing stress test scenarios, management has modelled two scenarios in the UK to assess the potential impact that COVID-19 may have on the Group's operations, liquidity, solvency and regulatory capital position. Management has also performed a reverse stress test that analyses the factors that would have to simultaneously occur for the Group to be forced into a wind-down scenario or sale.	**Going concern:** We revisited our procedures on management's going concern assessment taking into account the known impact of COVID-19 on the nature of the group, its business model and related risks. With the support of our valuation specialists our procedures included: • Assessing the level of liquidity within the group to support ongoing requirements and the ability to refinance debt for at least the 12-month period after the approval of the financial statements; • Evaluating the reasonableness of management's adverse forecasts and associated stress testing, and its impact on the group's capital and liquidity positions; • Obtaining the reverse stress test performed by management and reviewing the assumptions used for appropriateness including the plausibility of management actions available to mitigate the impact of the reverse stress test; • Discussing the governance structure and protocols on the going concern assessment with management and the non-executive directors, and corroborating our understanding against information we are aware of through the audit and by attending Audit Committee meetings where the assessment was deliberated and approved; and • Reviewing the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and in compliance with the relevant reporting requirements.
Adequacy of the allowance for expected credit losses on loans and advances to customers Refer to the separate Key Audit Matter below. **Significant judgements related to fair value:** **Level 3 instruments** Refer to the separate Key Audit Matter below. **Level 1 and 2 instruments** Market conditions towards the end of the financial year resulted in less liquidity, changes in credit spreads, weakened ZAR exchange rates, and greater volatility of certain level 1 and 2 financial instruments. Fair value measurements saw increased uncertainty in economic and financial forecasts in the near term, due to the difficulty in forecasting the magnitude and duration of the economic impact of COVID-19. Where there is a lack of observable, liquid market inputs, determining appropriate valuations is highly judgemental and this may result in subjective fair value movements which are material.	**Adequacy of the allowance for expected credit losses on loans and advances to customers** Refer to the separate Key Audit Matter below. **Significant judgements related to fair value:** **Level 3 instruments** Refer to the separate Key Audit Matter below. **Level 1 and 2 instruments** We tested the design and operating effectiveness of key controls supporting the valuation of level 1 and 2 financial instruments. In response to the risk that may arise due to remote working conditions, we increased the extent of roll-forward tests of controls. We performed a detailed examination of management's valuation methodologies for appropriateness and consistency of inputs, key assumptions and contractual obligations. As part of this assessment we also considered the appropriateness of the fair value hierarchy level within which the financial instruments had been classified. We engaged valuation specialists to assist with these procedures.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Events after the reporting date: COVID-19 was an evolving crisis as at the reporting date. As a result, certain judgements and estimates were made by management to determine the impact of COVID-19 on conditions that existed at the reporting date, and in concluding whether events occurring after that date were adjusting or non-adjusting events.	**Events after the reporting date:** We have reviewed relevant management information, post reporting date activity, key meeting minutes and held discussions with those charged with governance. We further considered the application of the guidance issued by various international regulators and standard-setting bodies. We evaluated the completeness and appropriateness of the financial statement disclosures as they pertain to events after the reporting date in relation to the impact of COVID-19.

Adequacy of the allowance for expected credit losses on loans and advances to customers

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Refer to the Audit Committee Report (pages 135 – 138 of Volume One); Accounting policies (page 51); and Note 27 of the Consolidated Financial Statements (page 105) The appropriateness of the allowance for expected credit losses (ECL) is material and requires significant judgement and assumptions by management. The impact of COVID-19 across the group and the South African sovereign downgrades resulted in additional judgements and assumptions being applied as at 31 March 2020. There has been large-scale business disruption as a result of COVID-19 that potentially gives rise to challenges for borrowers which may have a consequential impact on ECL. At year end the group reported gross loans and advances to customers subject to Expected Credit Losses (ECL) of £24 152 million (2019: £23 945 million); ECL provisions of £324 million (2019: £291 million); and total expected credit loss impairment charges of £137million (2019: £105 million). We focused on the following key areas of significant judgement and assumptions applied by management within the ECL calculations:	We have performed audit procedures on the ECL balance at 31 March 2020 and the movement in ECL over the year. To address the significant judgements and estimates we focused on the following key procedures:
Assessment of ECL models ECL is determined using sophisticated modelling techniques, which consider both historical data and forward-looking information. The models used to determine credit impairments are complex, and certain inputs used are not fully observable. Significant judgements are applied to the model design, including the estimation of key inputs such as the exposure at default (EAD); probability of default (PD) and loss given default (LGD). Modelled ECL represents 34% (2019: 30.5%) of the total ECL	**Assessment of ECL models** We tested the design and operating effectiveness of key controls, focusing on model governance and approvals. Where models were updated, we assessed the changes for compliance with IFRS 9 requirements and obtained audit evidence that the appropriate interpretations were reflected in the models. We involved our quantitative specialists to test assumptions and calculations used in the ECL models. This included performing an assessment of: • estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9; • the model design, and results for EAD, PD and LGD; • testing and sensitivity analysis of significant assumptions; • the appropriateness of the methodology, considering alternative techniques; and the programming code to verify it was consistent with the design documentation; and • testing the completeness of the historical and reporting date data used in the models by tracing a sample of data back to the source systems.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Macro-economic inputs and forward looking information Further judgement is required in incorporating macro-economic inputs and forward-looking information into the ECL models and in determining the ECL stage allocation. The incorporation of COVID-19 pandemic projections into the forward-looking information required additional judgement and assumptions on COVID-19 specific impacts, including additional review and governance processes for approval of economic scenarios.	**Macro-economic inputs and forward looking information** We tested the design and operating effectiveness of key controls over the following: • Generation and approval of base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. Our economists evaluated the reasonableness of the base case and alternative scenarios generated by management for the South African business, including the probability weights applied. Procedures included assessment of models and comparison to independent industry data. We also assessed management's COVID-19 short and COVID-19 long scenarios used in the calculation of the UK COVID-19 overlay. In performing this assessment, we considered economic scenarios from a variety of external sources, as well as forecasts that we developed internally. We involved our quantitative specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios. We reviewed the governance processes that the group have put in place to review and approve the economic scenarios. As part of this assessment we attended the Board Risk and Capital Committee meetings where the economic scenarios were approved.
Assessment of SICR The assessment of what constitutes a significant increase in credit risk (SICR) involves judgement and assumptions. The SICR assessment incorporated assumptions which are subjective and includes both qualitative and quantitative measures. Additional processes were introduced to determine the SICR impact of payment holidays and other COVID-19 relief measures granted by the group.	**Assessment of SICR** We tested the design and operating effectiveness of key controls over the following: • The assessment and approval of a significant increase or reduction in credit risk and credit-impaired criteria and monitoring of asset levels in each stage. As part of the assessment we considered management's governance process around payment holidays granted to counterparties and the potential impact during the period as a result of COVID-19; • The approval of qualitative and quantitative staging criteria; and • The assessment and governance of manual overrides to staging outcomes. We performed testing for a sample of assets in stages 1, 2 and 3, including assets granted payment holidays as a result of COVID-19, to verify they were included in the appropriate stage based on criteria established by the group. Procedures included an independent recalculation of management's assessment against the requirements of IFRS 9, reasonability of changes in credit risk for certain portfolios and sensitivity analyses on impact of change in credit risk on ECL.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Post model adjustments Post model ECL adjustments are subject to further judgement and assumptions, which are made as a result of the impact of COVID-19. We focused on the completeness and valuation of post model adjustments, including a new post model adjustment in relation to COVID-19.	**Post model adjustments** Due to the judgemental nature of the decision to introduce an ECL overlay, we focused our assessment on the appropriateness of the governance, approvals and reasonability of the adjustment. For the COVID-19 overlay in the UK we used our economists to help us assess the economic scenarios generated as well as the weightings applied and assessed the adjustment made by management to reflect the expected impact from government measures not captured in the scenarios. For the COVID-19 overlay in relation to the impact of South Africa's national lockdown on the commercial real estate portfolio we have assessed the reasonableness of management's assumptions against independent sources.
ECL measurement for Stage 3 individually determined impairment exposures Impairment allowances are determined on a case by case basis for certain individual financial assets. Significant estimates, judgements and assumptions have been applied by management in their assessment of the ECL of the individual financial assets, including recoverability estimates, evaluating the adequacy and accessibility of collateral, estimates of exit values and determining the expected timing and amount of future cash flows. Individually assessed provisions represent 55.7% (2019: 66.9%) of ECL.	**ECL measurement for Stage 3 individually determined impairment exposures** We tested the design and operating effectiveness of key management processes and controls over the following: • The calculation of the provision, including the timing of collateral valuations, work out strategies and annual credit reviews; • Estimation of the amount and timing of future cash flows, including the assessment and probability weighting assigned to alternative scenarios, where applicable; and • Approval of the final provision made by management's impairment decision committee. Where work out strategies require additional funding to execute, we obtained evidence of the approval for such funding through the group's risk management governance process and assessed the track record of management in approving the utilisation of the additional funding. We also selected a sample of loans to recalculate the ECL with the involvement of our quantitative specialists, where appropriate. Our selection criteria was updated to consider exposures in sectors we deem vulnerable to COVID-19, including aviation, gambling and hospitality, property, retail, and real estate industries. For each item selected we compared management's assessment to our independent view on the exit price or collateral valuations, assumptions on expected cash flows and overall exit strategies. **Disclosures** Our testing focused on: • The adequacy of the disclosure and the impact of COVID-19 on the ECL; • Financial statement close process used to record the ECL journal entries; • IT controls over the completeness and accuracy of the data inputs for ECL; • Agreeing disclosures made back to source systems tested; • Reconciliations between finance and risk systems; and • Design and approval of the disclosures to meet IFRS requirements.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans	
Refer to the Audit Committee Report (pages 135 –138 of Volume One); Accounting policies (page 51); Note 15 of the Consolidated Financial Statements (page 86) There are £12 863 million (2019: £20 346 million) of financial assets that are required to be fair valued under IFRS accounting framework. For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans, unlisted investments or large bespoke derivative structures there is an increased degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental. This may result in subjective fair value movements which could be material.	We tested the design and operating effectiveness of key controls for the valuation of level 3 financial instruments. For certain unlisted investments in private equity businesses and investment properties where it was more effective to do so a substantive approach was taken.
Unlisted investment portfolio and fair value loans Significant judgement is required by management due to the absence of verifiable third party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. The level of risk has increased from the prior year as a result of the impact of COVID-19 on market conditions, including the lack of liquidity for certain asset classes. The fair value loan portfolios within level 3 of the fair value hierarchy with the greatest valuation uncertainty, and therefore required the application of accounting judgements and the most significant audit effort, are those based on the underlying fair value of properties, aircraft loans and Southern Africa mining assets.	**Unlisted investment portfolio and fair value loans** We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. Where such inputs and assumptions were not observable in the market we engaged our valuation specialists to critically assess if the inputs and assumptions fell within an acceptable range, based on their independent review, industry knowledge and experience of the market. As a result of COVID-19 the extent of our use of specialists has increased year on year. Additional procedures performed on the Southern African mining assets and property valuations included: • Performing a site visit during the year to inspect key assets and meeting with key management and Board members of the investee; • Engaging our valuations specialists to perform an independent valuation model in addition to assessing the key inputs and assumptions applied by management. In building the independent valuation models, considering alternative inputs and assumptions to those used by management; • Performing sensitivity analysis on material inputs; • Challenging management to produce new valuation models that were responsive to what they considered to be the range of reasonably likely outcomes; and • Obtaining audit evidence via legal confirmations from external counsel in order to assess the enforceability of collateral held.

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Investment property valuations The group's investment properties, including those classified as held-for-sale, and measured at fair value amount to £864 million (2019: £995 million). We considered the valuation of the investment properties to be an area of focus due to the subjective nature of the valuation assumptions. These are further compounded by the uncertain market conditions arising due to the COVID-19 pandemic and impact of lockdown.	**Investment property valuations** Our procedures included the following: • Assessing the reasonableness of management's final valuations of properties by comparing these to recalculated valuations using assumptions from independent sources and inputs from supporting documentation. Determining whether management's values, compared to our independent valuations, are within reasonable ranges; • Applying a wider range of sensitivities to account for the uncertainty arising from the current economic outlook as a result of the COVID-19 pandemic; • Evaluating the objectivity, independence and competence of the internal and external appraisers; and • In conjunction with our property valuation specialists, assessing the valuation methodology used by management, the external appraisers and internal appraisers and comparing to industry benchmarks

Accounting for the demerger of Investec Asset Management

Refer to the Audit Committee Report (pages 135 –138 of Volume One); Accounting policies (pages 44 and 52); and Note 36 of the Consolidated Financial Statements (page 115) On 13 March 2020, the group completed the demerger of its asset management business, which was separately listed as Ninety One on 16 March 2020. The results of the asset management business to 13 March 2020 have been consolidated into the group's results and reflected as profit after tax from discontinued operations. From the 16 March 2020, the investment in Ninety One has been equity accounted and included in Share of post taxation profit of associates within continuing operations. At the date of the demerger management was required to perform a fair value assessment of the value of Investec Asset Management prior to the listing of Ninety One. The gain on the distribution of Ninety One shares net of taxation and implementation costs was £806 million. Due to the complexity of the accounting treatment this has been raised as a Key Audit Matter.	**Our procedures included the following:** • Considering management's accounting papers outlining the accounting treatment applied to the investment at the balance sheet date; • Considering the governance and approval processes for executing the transaction and underlying reorganisations and distributions; • Assessing management's tax treatment applied to the transaction; • Testing specific account balances to address the risk relating to the recognition of earnings before the demerger date; • With the involvement of our valuation specialists assessing management's valuation used in the calculation of the gain on loss of control of Ninety One; and • Assessing the appropriateness and adequacy of the disclosure in relation to the demerger.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
(continued)

IT systems and controls impacting financial reporting (Investec plc)

The group audit relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to: • User access management across application, database and operating systems; • Controls over changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT-dependent controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data. A series of remediation programmes were in place during the year to address previously identified control deficiencies, decreasing the risk compared to the prior year.	We: • Evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting; • Tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations; and • Tested the completeness and accuracy of system and data feeds.

Adequacy of the provisions for uncertain tax positions and investigation by the Office of the Public Prosecutor in Cologne (Investec plc)

Refer to the Audit Committee Report (pages 135 – 138 of Volume One); Accounting policies (page 52); and Notes 9 and 52 of the Consolidated Financial Statements (pages 72 and 137) At the balance sheet date Investec plc is dealing with: • litigation with HMRC relating to certain legacy structured transactions, the outcome of which is dependent upon the result of the litigation with HMRC; and • investigations into historical German dividend tax arbitrage transactions, where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne. Consequently, management made judgements about the size of potential liabilities which are subject to change in future periods as more information becomes available. The level of risk on legacy structured transactions has reduced due to a settlement with HMRC after the year-end while the level of risk on the dividend tax arbitrage transactions has increased since the prior year.	• For the legacy structure transaction, we examined the latest court rulings and analysis performed by management which set out the basis for the judgements in relation to material tax exposures. We also inspected the settlement agreement with HMRC. • For the dividend tax arbitrage transactions, we inspected the correspondence between the group and its external advisors and between the group and Office of the Public Prosecutor in Cologne. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of the investigations. • Using our tax specialists, we considered the matter and used our knowledge of the law to assess the available evidence. We also evaluated the related disclosure made by management.

Other Information

The directors are responsible for the other information.
The other information comprises the directors' report, the directors' responsibility statement, and the company secretary's declaration as required by the Companies Act of South Africa, and all other information included in the annual report that is not marked as audited. Other information does not include the combined consolidated annual financial statements, the sections marked as audited in the annual report our auditor's report thereon.

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

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

Responsibilities of the directors for the Combined Consolidated and Separate Financial Statements

The directors are responsible for the preparation and presentation of the combined consolidated annual financial statements in accordance with the basis of presentation described in the accounting policies to the financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the combined consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Combined Consolidated Financial Statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that Ernst & Young Inc. has been the auditor of Investec Limited for 45 years.

Ernst & Young Inc.

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

Director

16 June 2020

COMBINED CONSOLIDATED INCOME STATEMENT

For the year to 31 March £'000	Notes	2020	2019*
Interest income		2 698 420	2 631 822
Interest income calculated using effective interest rate		2 367 808	2 383 079
Other interest income		330 612	248 743
Interest expense		(1 845 416)	(1 815 173)
Net interest income	2	**853 004**	**816 649**
Fee and commission income	3	837 590	831 663
Fee and commission expense	3	(47 118)	(39 005)
Investment income	4	39 268	107 819
Share of post taxation profit of associates and joint venture holdings	29	27 244	68 167
Trading income arising from			
– customer flow		63 254	120 662
– balance sheet management and other trading activities		26 720	36 829
Other operating income	5	6 877	11 036
Total operating income before expected credit loss impairment charges		**1 806 839**	**1 953 820**
Expected credit loss impairment charges	6	(133 301)	(66 458)
Operating income		**1 673 538**	**1 887 362**
Operating costs	7	(1 185 020)	(1 274 517)
Depreciation on operating leased assets	7	(1 407)	(2 157)
Operating profit before goodwill, acquired intangibles and strategic actions		**487 111**	**610 688**
Impairment of goodwill	34	(145)	(155)
Impairment of associates and joint venture holdings	29	(45 400)	–
Amortisation of acquired intangibles	35	(16 104)	(15 816)
Closure and rundown of the Hong Kong direct investments business	60	(89 257)	(65 593)
Operating profit		**336 205**	**529 124**
Financial impact of group restructures	60	(25 725)	(14 591)
Profit before taxation from continuing operations		**310 480**	**514 533**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	9	(54 690)	(49 128)
Taxation on acquired intangibles and strategic actions	9	21 693	18 399
Profit after taxation from continuing operations		**277 483**	**483 804**
Profit after taxation from discontinued operations	36	954 979	134 377
Profit after taxation		**1 232 462**	**618 181**
Profit attributable to other non-controlling interests		(67 952)	(58 192)
Profit attributable to non-controlling interests of discontinued operations	36	(29 347)	(25 658)
Earnings attributable to shareholders		**1 135 163**	**534 331**
Earnings per share – Total group – pence	10	**115.3**	**52.0**
Diluted earnings per share – Total group – pence	10	**114.4**	**50.9**
Earnings per share from continuing operations – pence	10	**17.5**	**40.4**
Diluted earnings per share from continuing operations – pence	10	**17.3**	**39.6**

* *The year to 31 March 2019 has been re-presented to reflect the discontinued operations (refer to note 36) and financial impact of strategic actions (refer to note 60).*

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

1

For the year to 31 March £'000	Notes	2020	2019*
Profit after taxation from continuing operations		277 483	483 804
Other comprehensive (loss)/ income from continuing operations:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income		(40 304)	1 797
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income		(139 977)	(12 918)
Gain on realisation of debt instruments at FVOCI recycled through the income statement		(5 503)	(7 116)
Foreign currency adjustments on translating foreign operations		(314 078)	(293 574)
Items that will never be reclassified to the income statement			
Effect of rate change on deferred taxation relating to adjustment for IFRS 9		(1 761)	(1 572)
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income		(3 931)	–
Remeasurement of net defined benefit pension liability		(1 217)	(1 924)
Movement in post retirement benefit liabilities		51	–
Net gain attributable to own credit risk		9 515	8 887
Total comprehensive (loss)/income from continuing operations		**(219 722)**	**177 384**
Total comprehensive (loss)/income attributable to ordinary shareholders from continuing operations		(235 960)	151 177
Total comprehensive loss attributable to non-controlling interests from continuing operations		(28 022)	(18 560)
Total comprehensive income attributable to perpetual preferred securities from continuing operations		44 260	44 767
Total comprehensive (loss)/income from continuing operations		**(219 722)**	**177 384**
Profit after taxation from discontinued operations		954 979	134 377
Other comprehensive income from discontinued operations:			
Items that will never be reclassified to the income statement			
Foreign currency adjustments on translating foreign operations		(13 980)	(9 024)
Total comprehensive income from discontinued operations		**940 999**	**125 353**
Total comprehensive income attributable to ordinary shareholders from discontinued operations		914 448	101 500
Total comprehensive income attributable to non-controlling interests from discontinued operations		26 551	23 853
Total comprehensive income from discontinued operations		**940 999**	**125 353**
Profit after taxation from the total group		1 232 462	618 181
Other comprehensive income from the total group:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	9	(40 304)	1 797
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	9	(139 977)	(12 918)
Gain on realisation of debt instruments at FVOCI recycled through the income statement	9	(5 503)	(7 116)
Foreign currency adjustments on translating foreign operations		(328 058)	(302 598)
Items that will never be reclassified to the income statement			
Effect of rate change on deferred taxation relating to adjustment for IFRS 9		(1 761)	(1 572)
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	9	(3 931)	–
Re-measurement of net defined benefit pension asset		(1 217)	(1 924)
Movement in post retirement benefit liabilities		51	–
Net gain attributable to own credit risk	9	9 515	8 887
Total comprehensive income from the total group		**721 277**	**302 737**
Total comprehensive income attributable to ordinary shareholders		678 488	252 677
Total comprehensive (loss)/income attributable to non-controlling interests		(1 471)	5 293
Total comprehensive income attributable to perpetual preferred securities		44 260	44 767
Total comprehensive income from the total group		**721 277**	**302 737**

* *The year to 31 March 2019 has been re-presented to reflect the discontinued operations.*

COMBINED CONSOLIDATED BALANCE SHEET

At 31 March £'000	Notes	2020	2019
Assets			
Cash and balances at central banks	18	3 932 048	4 992 820
Loans and advances to banks	19	2 666 851	2 322 821
Non-sovereign and non-bank cash placements		632 610	648 547
Reverse repurchase agreements and cash collateral on securities borrowed	20	2 964 603	1 768 748
Sovereign debt securities	21	4 593 893	4 538 223
Bank debt securities	22	604 921	717 313
Other debt securities	23	1 430 419	1 220 651
Derivative financial instruments	24	2 034 399	1 034 166
Securities arising from trading activities	25	1 044 445	1 859 254
Investment portfolio	26	998 935	1 028 976
Loans and advances to customers	27	24 588 074	24 534 753
Own originated loans and advances to customers securitised	28	324 638	407 869
Other loans and advances	27	132 486	195 693
Other securitised assets	28	134 865	133 804
Interests in associated undertakings	29	701 311	387 750
Deferred taxation assets	30	265 896	248 893
Other assets	31	1 934 428	1 735 956
Property and equipment	32	356 573	261 650
Investment properties	33	863 864	994 645
Goodwill	34	270 625	366 870
Intangible assets	35	86 300	107 237
Non-current assets classified as held for sale		58 905	–
		50 621 089	**49 506 639**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	37	35 227	8 217 573
		50 656 316	**57 724 212**
Liabilities			
Deposits by banks		3 498 254	3 016 306
Derivative financial instruments	24	2 248 849	1 277 233
Other trading liabilities	38	509 522	672 405
Repurchase agreements and cash collateral on securities lent	20	1 577 346	1 105 063
Customer accounts (deposits)		32 220 976	31 307 107
Debt securities in issue	39	1 737 191	3 073 320
Liabilities arising on securitisation of own originated loans and advances	28	76 696	91 522
Liabilities arising on securitisation of other assets	28	110 679	113 711
Current taxation liabilities		51 308	162 448
Deferred taxation liabilities	30	44 788	23 590
Other liabilities	40	2 211 487	1 765 649
		44 287 096	**42 608 354**
Liabilities to customers under investment contracts	37	32 845	8 214 634
Insurance liabilities, including unit-linked liabilities	37	2 382	2 939
		44 322 323	**50 825 927**
Subordinated liabilities	42	1 436 361	1 647 271
		45 758 684	**52 473 198**
Equity			
Ordinary share capital	43	247	245
Perpetual preference share capital	44	31	31
Share premium	45	1 686 339	2 471 506
Treasury shares	46	(272 881)	(189 134)
Other reserves		(976 297)	(577 491)
Retained income		3 593 384	2 611 256
Shareholders' equity excluding non-controlling interests		**4 030 823**	**4 316 413**
Other Additional Tier 1 securities in issue	47	295 593	303 728
Non-controlling interests	48	571 216	630 873
– Perpetual preferred securities issued by subsidiaries		69 259	81 616
– Non-controlling interests in partially held subsidiaries		501 957	549 257
Total equity		**4 897 632**	**5 251 014**
Total liabilities and equity		**50 656 316**	**57 724 212**

CONSOLIDATED CASH FLOW STATEMENTS

At 31 March £'000	Notes	2020	2019
Cash flows from operating activities			
Operating profit adjusted for non-cash and non-operating items	50	761 906	814 089
Taxation paid		(214 094)	(116 212)
Increase in operating assets	50	(5 795 856)	(3 283 153)
Increase in operating liabilities	50	5 715 897	3 990 382
Net cash inflow from operating activities		**467 853**	**1 405 106**
Cash flows from investing activities			
Cash outflow on disposal of group operations		(46 582)	–
Cash inflow on disposal of group operations		43 858	–
Derecognition of cash on disposal of subsidiaries and demerger of business		(267 863)	
Cash outflow on acquisition of associates and joint venture holdings	29	(48 477)	(2 271)
Cash flow on disposal of associates and joint venture holdings	29	652	27 430
Cash flow on acquisition of property, equipment and intangible assets		(38 847)	(95 819)
Cash flow on disposal of property, equipment and intangible assets		6 404	5 235
Net cash outflow from investing activities		**(350 855)**	**(65 425)**
Cash flows from financing activities			
Dividends paid to ordinary shareholders		(244 323)	(238 072)
Dividends paid to other equity holders		(123 366)	(105 457)
Proceeds on issue of shares, net of issue costs		64 647	108 414
Proceeds on issue of Other Additional Tier 1 securities in issue		–	5 852
Cash flow on acquisition of treasury shares, net of related costs		(121 298)	(103 841)
Proceeds on issue of other equity instruments and transactions with non-controlling interests		1 608	54 962
Proceeds from partial disposal of subsidiaries		45 256	–
Proceeds on subordinated debt raised	42	–	462 734
Repayment of subordinated debt	42	(169 028)	(402 619)
Lease liabilities paid		(56 743)	–
Net cash outflow from financing activities		**(603 247)**	**(218 027)**
Effects of exchange rates on cash and cash equivalents		**(435 149)**	**(136 927)**
Net (decrease)/increase in cash and cash equivalents		**(921 398)**	**984 727**
Cash and cash equivalents at the beginning of the year		7 115 106	6 130 379
Cash and cash equivalents at the end of the year		**6 193 708**	**7 115 106**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		3 932 048	4 992 820
On demand loans and advances to banks		1 627 356	1 472 360
Non-sovereign and non-bank cash placements		632 610	648 547
Expected credit loss on cash and cash equivalents		1 694	1 379
Cash and cash equivalents at the end of the year		**6 193 708**	**7 115 106**

Cash and cash equivalents are defined as including cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

Cash flows from discontinued operations

Cash inflows from operating activities of £105.9 million (2019: £43.9 million), cash outflows from investing activities of £16.3 million (2019:£6.4 million) and cash outflows from financing activities of £100.4 million (2019: £75.1 million) were incurred in the year relating to discontinued operations. Cash flows from discontinued operations have been included in the consolidated statement of cash flow above.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares	Other reserves: Capital reserve account	Other reserves: Fair value reserve	Other reserves: Regulatory general risk reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign currency reserve	Other reserves: Own credit risk reserve	Retained income	Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
At 1 April 2018	**240**	**31**	**2 416 736**	**(160 132)**	**10 447**	**18 123**	**37 868**	**(60 637)**	**(358 862)**	**(53 657)**	**2 326 212**	**4 176 369**	**304 150**	**682 064**	**5 162 583**
Movement in reserves 1 April 2018 – 31 March 2019															
Profit after taxation	–	–	–	–	–	–	–	–	–	–	534 331	534 331	–	83 850	618 181
Effect of rate change on deferred taxation relating to adjustment for IFRS9	–	–	–	–	–	(47)	–	–	–	(817)	(708)	(1 572)	–	–	(1 572)
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–	–	–	–	1 797	–	–	–	1 797	–	–	1 797
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–	–	–	(12 918)	–	–	–	–	–	(12 918)	–	–	(12 918)
Gain on realisation of FVOCI recycled through the income statement	–	–	–	–	–	(7 116)	–	–	–	–	–	(7 116)	–	–	(7 116)
Foreign currency adjustments on translating foreign operations	–	–	(22 187)	–	–	1	–	–	(193 848)	–	(1 733)	(217 767)	(6 274)	(78 557)	(302 598)
Gains attributable to own credit risk	–	–	–	–	–	–	–	–	–	8 887	–	8 887	–	–	8 887
Remeasurement of net defined pension asset	–	–	–	–	–	–	–	–	–	–	(1 924)	(1 924)	–	–	(1 924)
Total comprehensive income for the year	**–**	**–**	**(22 187)**	**–**	**–**	**(20 080)**	**–**	**1 797**	**(193 848)**	**8 070**	**529 966**	**303 718**	**(6 274)**	**5 293**	**302 737**
Issue of ordinary shares	5	–	108 409	–	–	–	–	–	–	–	–	108 414	–	–	108 414
Issue of Other Additional Tier 1 security instruments	–	–	–	–	–	–	–	–	–	–	–	–	5 852	–	5 852
Net equity movements in interests in associated undertakings	–	–	–	–	–	–	–	–	–	–	(5 671)	(5 671)	–	–	(5 671)
Movement of treasury shares	–	–	(31 452)	(72 389)	–	–	–	–	–	–	–	(103 841)	–	–	(103 841)
Share-based payments adjustments	–	–	–	–	–	–	–	–	–	–	72 714	72 714	–	–	72 714
Transfer from share-based payments reserve to treasury shares	–	–	–	43 387	–	–	–	–	–	–	(43 387)	–	–	–	–
Transfer from regulatory general risk reserves	–	–	–	–	–	–	7 564	–	–	–	(7 564)	–	–	–	–
Transfer from own credit reserve on sale of subordinated liabilities	–	–	–	–	–	–	–	–	–	25 724	(25 724)	–	–	–	–
Partial disposal of group operations	–	–	–	–	–	–	–	–	–	–	(690)	(690)	–	690	–
Issue of equity by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	4 319	4 319
Transfer from retained income to non-controlling interests	–	–	–	–	–	–	–	–	–	–	48 239	48 239	–	2 404	50 643
Dividends declared to other equity holders including other Additional Tier 1 securities	–	–	–	–	–	–	–	–	–	–	(44 767)	(44 767)	22 727	7 298	(14 742)
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 securities	–	–	–	–	–	–	–	–	–	–	–	–	(22 727)	(7 298)	(30 025)
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	–	–	–	(238 072)	(238 072)	–	–	(238 072)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(63 897)	(63 897)
At 31 March 2019	**245**	**31**	**2 471 506**	**(189 134)**	**10 447**	**(1 957)**	**45 432**	**(58 840)**	**(552 710)**	**(19 863)**	**2 611 256**	**4 316 413**	**303 728**	**630 873**	**5 251 014**
Movement in reserves 1 April 2019 – 31 March 2020															
Profit after taxation	–	–	–	–	–	–	–	–	–	–	1 135 163	1 135 163	–	97 299	1 232 462
Effect of rate change on deferred taxation relating to adjustment for IFRS9	–	–	–	–	–	(1 514)	–	–	–	(247)	–	(1 761)	–	–	(1 761)
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–	–	–	–	(40 304)	–	–	–	(40 304)	–	–	(40 304)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–	–	–	(139 977)	–	–	–	–	–	(139 977)	–	–	(139 977)
Gain on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–	–	–	(5 503)	–	–	–	–	–	(5 503)	–	–	(5 503)
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	–	–	–	–	–	(3 931)	–	–	–	–	–	(3 931)	–	–	(3 931)
Foreign currency adjustments on translating foreign operations	–	–	(25 638)	–	–	–	–	–	(195 515)	–	–	(221 153)	(8 135)	(98 770)	(328 058)
Net loss attributable to own credit risk	–	–	–	–	–	–	–	–	–	9 515	–	9 515	–	–	9 515
Remeasurement of net defined benefit pension liability	–	–	–	–	–	–	–	–	–	–	(1 217)	(1 217)			(1 217)
Movement in post retirement benefit liabilities	–	–	–	–	–	–	–	–	–	–	51	51	–	–	51
Total comprehensive income for the year	**–**	**–**	**(25 638)**	**–**	**–**	**(150 925)**	**–**	**(40 304)**	**(195 515)**	**9 268**	**1 133 997**	**730 883**	**(8 135)**	**(1 471)**	**721 277**
Issue of ordinary shares	2	–	64 645	–	–	–	–	–	–	–	–	64 647	–	–	64 647
Net equity movements in interests in associated undertakings	–	–	–	–	–	–	–	–	–	–	(2 387)	(2 387)	–	–	(2 387)
Movement of treasury shares	–	–	–	(102 446)	(18 852)	–	–	–	–	–	–	(121 298)	–	–	(121 298)
Share-based payments adjustments	–	–	–	–	–	–	–	–	–	–	46 599	46 599	–	–	46 599
Transfer from share-based payments reserve to treasury shares	–	–	–	18 699	–	–	–	–	–	–	(18 699)	–	–	–	–
Transfer from regulatory general risk reserves	–	–	–	–	–	–	(4 086)	–	–	–	4 086	–	–	–	–
Capital reduction			(615 797)								615 797	–	–	–	–
Non-controlling interest relating to disposal of subsidiaries	–	–	–	–	1 608	–	–	–	–	–	–	1 608	–	(28 708)	(27 100)
Movement in non-controlling interests due to share issues in subsidiary	–	–	–	–	–	–	–	–	–	–	(4 372)	(4 372)		49 628	45 256
Employee benefit liability recognised	–	–	–	–	–	–	–	–	–	–	(14 833)	(14 833)	–	–	(14 833)
Dividends declared to other equity holders including other Additional Tier 1 securities	–	–	–	–	–	–	–	–	–	–	(44 260)	(44 260)	22 394	7 009	(14 857)
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 securities	–	–	–	–	–	–	–	–	–	–	–	–	(22 394)	(7 009)	(29 403)
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	–	–	–	(244 323)	(244 323)	–	–	(244 323)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(79 106)	(79 106)
Distribution to shareholders	–	–	(208 377)	–	–	–	–	–	–	–	(489 477)	(697 854)	–	–	(697 854)
At 31 March 2020	**247**	**31**	**1 686 339**	**(272 881)**	**(6 797)**	**(152 882)**	**41 346**	**(99 144)**	**(748 225)**	**(10 595)**	**3 593 384**	**4 030 823**	**295 593**	**571 216**	**4 897 632**

Basis of presentation

The group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2020, 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.

As stated on page 8, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The group has elected to separately disclose the financial impact of a number of strategic actions as the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, the group considers it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement. In addition, the Asset Management business has been disclosed as a discontinued operation and the income statement for the prior period has been appropriately re-presented. Further details are given in note 60.

The accounting policies adopted by the group are consistent with the prior year except as noted below.

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will with some limited exemptions, apply to all leases and result in bringing them on balance sheet.

The implementation and impact of IFRS 16 is included on page 157. As permitted by IFRS 16, the group has applied a modified retrospective basis and therefore comparative information has not been restated.

Additionally, an amendment to IAS 12, effective for annual reporting periods beginning on or after 1 January 2019, is applied to the income tax consequences of distributions recognised on or after the beginning of the earliest comparative period. As a result of the tax relief of all payments on financial instruments that are classified as equity for accounting purposes previously taken directly to retained profits, will now be reported as a reduction to the tax charge in the income statement. Comparatives have been restated.

In addition to the changes noted above, IFRS 9, IAS 39 and IFRS 7 are all currently being reviewed as a result of planned reforms to interest rate benchmarks.

This is a global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives.

Consequently, financial contracts referencing these benchmarks with a maturity beyond 2021 may need to be amended to reference the alternative risk free rates ('RFR') in the applicable currency. There remain many uncertainties associated with the IBOR transition, including the prospective assessment of hedge accounting effectiveness.

The IFRS amendments include reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform by allowing entities to assume the benchmark interest rate is not altered as a result of IBOR reform.

Following endorsement of the amendments by the EU, the group has elected to early adopt the interest rate benchmark reform amendments for the current period. The amendments would have otherwise taken mandatory effect 1 January 2020.

This election reduces the effects of potential uncertainty arising from IBOR reform on the current period's financial statements. Had it not made this election, the uncertainty arising from IBOR reform could have resulted in the discontinuation of hedge relationships. The amendments are applied retrospectively to all designated hedge relationships that were either in force as of the start of the reporting period or designated subsequently.

During the period the group has assessed the impact of IBOR reform on the designated hedge relationships and concluded that it was not necessary to apply the reliefs, which the amendments provide.

The reliefs allow the group to assume that the interest rate benchmark on which the cash flows of the hedged item and/or hedging instrument are based is not altered by IBOR reform.

The group expects that the IASB will issue further amendments to these standards concerning the potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative RFR.

The group annual financial statements have been prepared on a historical cost basis, except otherwise indicated.

Presentation of information

Capital disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 77 to 90 in volume two.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 198 to 222 in volume one.

Basis of consolidation

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

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

The group performs a reassessment of control whenever there is a change in the substance of the relationship between Investec and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The group also holds investments in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates and joint venture holdings, the combined consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The group's interests in associated undertakings and joint venture holdings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associated undertakings and joint venture holdings.

After application of the equity method, management evaluates if there is objective evidence that its net investment in the associate or joint venture is impaired.

Because goodwill forms part of the carrying amount of the net investment in an associate or a joint venture is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount whenever there is objective evidence that the net investment may be impaired.

The consolidated balance sheet reflects the associated undertakings and joint venture holdings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains or losses within the group, are eliminated in full regarding subsidiaries and to the extent of the interest in an associated undertaking and joint venture holdings.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by chief operating decision-makers which are considered to be executive 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 until the demerger discussed in note 36, Wealth & Investment and Specialist Banking. Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group-level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group.

A geographical analysis is also presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments.

For further detail on the group's segmental reporting basis refer to pages 69 to 102 in volume one of the divisional review section of the integrated annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at each acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 in the income statement. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Additional disclosures are provided in note 36. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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.

The loss of control of an employing subsidiary of the group gives rise to an acceleration of the equity settled share based payments charge for the related employees and on loss of control, the group recognises the amount that would have been recognised for the award if it remained in place on its original terms.

Employee benefits

The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus (to the extent that it is considered recoverable) or deficit in the balance sheet.

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income. The group has no liabilities for other post-retirement benefits.

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

The long-term employment benefits liability relates to the obligation of Investec to deliver ordinary shares of Ninety One plc and Ninety One Limited to employees over a predetermined vesting period. The fair value of this liability is calculated by applying the Black-Scholes option pricing model at each reporting date. The changes in fair value will be recognised as an employee benefit expense. The liability is included in other liabilities on the balance sheet.

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

Foreign operations are subsidiaries, interests in associated undertakings and joint venture holdings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise, based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction. Non-monetary items that are measured at fair value are translated using the exchange rate at the date of the valuation, with movements due to changes in foreign currency being presented in terms of the accounting policy for changes in the fair value movement of the respective item.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group, as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

On loss of control of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss and included in the profit on loss of control.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

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

The effective interest rate method is based on the estimated life of the underlying instrument and, where this estimate is not readily available, the contractual life. Interest on instruments at fair value through profit or loss is recognised based on the contractual rates.

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

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

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings, income from assurance activities and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Rewards programme

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at trade date.

Business model assessment

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

The standard sets out different types of business models:

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

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

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

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

Solely payment of principal and interest (SPPI)

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

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

Financial assets and liabilities measured at amortised cost

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

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

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

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

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

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

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

Impairment of financial assets held at amortised cost or FVOCI

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

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase

in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

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

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

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

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

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

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial liabilities or both financial assets and financial liabilities is managed and its performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- A financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

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

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages and lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Day-one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities

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

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

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

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

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed in the hedge accounting section below).

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through the income statement, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting

When the group first implemented IFRS 9, it made an election to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 120%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the income statement
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is reclassified to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

For qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

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

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec plc or Investec Limited are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration,

including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on balance sheet. Proceeds received are recorded as a liability on the balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

The cash collateral from agency-based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

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 are as follows:

• Equipment	10% – 33%
• Furniture and vehicles	10% – 25%
• Freehold buildings	2% – 4%
• Leasehold property and improvements*	
• Right of use assets*	

* *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 and right of use asset depreciation rates are determined by reference to the period of the lease.*

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists. Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or losses recognised in the income statement in investment income.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and are supported by market evidence.

Leases

At inception of a contract the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right of control the use of an identified asset, the group assesses whether:

- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The group has the right to direct the use of the asset

As a lessee, the group recognises a right of use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement of the date, discounted using the group's incremental borrowing rate.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently re-measured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

When the group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

For the balance sheet, the ROU assets are included within property and equipment, finance lease receivables are included within loans and advances to customers and other assets and the lease liabilities are included within other liabilities.

Where the group has a head lease and sublease arrangement with external partners, the finance lease receivable is recognised in other assets on the balance sheet.

Trading properties

Trading properties are carried at the lower of cost and net realisable value.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments. Intangible assets with finite lives, are amortised over the useful economic life (currently three to 20 years) on a straight-line basis. The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset.

Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying value of non-financial assets, other than investment property, for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Non-current assets held for sale

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients. As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of third party assets under management.

Taxation and deferred taxation

Current taxation payable is provided for based on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit; or
- in respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings and joint venture holdings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation asset can be utilised. Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet. Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on the balance sheet.

Standards and interpretations issued but not yet effective

The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 is effective from 1 January 2023 and the group is considering its impact.

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

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:

- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on pages 151 and 152 in Volume one and pages 17 to 25 in volume two and throughout the annual financial statements.
- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 15

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

- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the group's assessment of ECLs, including our assessment of the impact of COVID-19, can be found on pages 16 to 22 in volume two.
- Valuation of investment properties is performed twice annually by directors who are qualified valuators and at least half of the portfolio is valued by independent external valuers annually. The valuation is performed by capitalising the budget net income of the property at the market-related yield applicable at the time. Properties in Investec Property Fund are valued according to the JSE Listings Requirements;

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

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.

  In making any estimates, management's judgement has been based on various factors, including:

  – the current status of tax audits and enquiries;

  – the current status of discussions and negotiations with the relevant tax authorities;

  – the results of any previous claims; and

  – any changes to the relevant tax environments.

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

- Management critically evaluated the equity accounted value of the group's investment in IEP and consequently recognised an impairment of £45.4 million in the current year. The recoverable amount of the investment in IEP was determined to be the value-in-use. This was calculated by determining Investec's stake of the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations.

- In accordance with IFRS 16 'Leases', the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement of the date. The discount rate is the rate implicit in the lease unless this cannot be readily determined in which case the lessee's incremental borrowing rate is used instead. For each lease entered prior to 1 April 2019, the incremental borrowing rate at initial application has been used. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate applied for the purposes of IFRS 16, is the wholesale borrowing rate quoted 1-5 tenors and in currency as the group has reliable data points available in order to be able to arrive at the final discount rate. This is a key requirement for determining an incremental borrowing rate and therefore, the wholesale funding rate has been determined to be the most appropriate for this type of borrowing.

- As part of the demerger of Investec Asset Management (IAM), management had to determine the fair value of the portion of the investment in IAM distributed to shareholders and the fair value of the portion retained. This valuation was performed by an independent external valuation expert by applying four different valuation techniques to determine an accepted value range. This range was further compared to expected values published in external analyst reports.

- The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

1. Combined consolidated segmental analysis

For the year to 31 March 2020 £'000	UK and Other	Southern Africa	Total
Segmental geographic analysis – income statement			
Continuing operations			
Net interest income	397 385	455 619	853 004
Net fee and commission income	482 200	308 272	790 472
Investment income	6 375	32 893	39 268
Share of post taxation profit of associates and joint venture holdings	9 474	17 770	27 244
Trading income arising from			
– customer flow	50 980	12 274	63 254
– balance sheet management and other trading activities	(537)	27 257	26 720
Other operating income	6 464	413	6 877
Total operating income before expected credit losses	**952 341**	**854 498**	**1 806 839**
Expected credit loss impairment charges	(75 813)	(57 488)	(133 301)
Operating income	**876 528**	**797 010**	**1 673 538**
Operating costs	(740 792)	(444 228)	(1 185 020)
Depreciation on operating leased assets	(1 407)	–	(1 407)
Operating profit before goodwill, acquired intangibles and strategic actions	**134 329**	**352 782**	**487 111**
Profit attributable to other non-controlling interests	(864)	(67 088)	(67 952)
Adjusted operating profit	**133 465**	**285 694**	**419 159**
Impairment of goodwill	–	(145)	(145)
Impairment of associates and joint venture holdings	–	(45 400)	(45 400)
Amortisation of acquired intangibles	(13 206)	(2 898)	(16 104)
Closure and rundown of the Hong Kong direct investments business	(89 257)	–	(89 257)
Financial impact of group restructures	(25 725)	–	(25 725)
Earnings attributable to shareholders before taxation	**5 277**	**237 251**	**242 528**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	706	(55 396)	(54 690)
Taxation on acquired intangibles and strategic actions	20 926	767	21 693
Earnings attributable to shareholders from continuing operations	**26 909**	**182 622**	**209 531**
Discontinued operations			
Profit after taxation from discontinued operations	640 507	314 472	954 979
Profit attributable to non-controlling interests of discontinued operations	(18 106)	(11 241)	(29 347)
Earnings attributable to shareholders	**649 310**	**485 853**	**1 135 163**
Selected returns and key statistics from continuing operations			
ROE (post-tax)^	6.0%	10.7%	8.3%
Return on tangible equity (post-tax)^	7.4%	10.8%	9.2%
Cost to income ratio	78.0%	56.4%	68.2%
Staff compensation to operating income	54.2%	35.9%	45.5%
Adjusted operating profit per employee (£'000)	33.2	59.2	47.4
Effective operational tax rate	(0.6%)	16.5%	11.9%
Total assets (£'million)	24 745	25 911	50 656

^ *Refer to calculation on pages 62 and 63 in volume one.*

1. Combined consolidated segmental analysis *(continued)*

For the year to 31 March 2019* £'000	UK and Other	Southern Africa	Total
Segmental geographic analysis – income statement			
Continuing operations			
Net interest income	385 826	430 823	816 649
Net fee and commission income	487 058	305 600	792 658
Investment income	90 533	17 286	107 819
Share of post taxation profit of associates and joint venture holdings	2 950	65 217	68 167
Trading income arising from			
– customer flow	86 766	33 896	120 662
– balance sheet management and other trading activities	12 725	24 104	36 829
Other operating income	10 476	560	11 036
Total operating income before expected credit losses	**1 076 334**	**877 486**	**1 953 820**
Expected credit loss impairment charges	(24 560)	(41 898)	(66 458)
Operating income	**1 051 774**	**835 588**	**1 887 362**
Operating costs	(823 374)	(451 143)	(1 274 517)
Depreciation on operating leased assets	(2 137)	(20)	(2 157)
Operating profit before goodwill, acquired intangibles and strategic actions	**226 263**	**384 425**	**610 688**
Profit attributable to other non-controlling interests	4 479	(62 671)	(58 192)
Adjusted operating profit	**230 742**	**321 754**	**552 496**
Impairment of goodwill	–	(155)	(155)
Amortisation of acquired intangibles	(12 958)	(2 858)	(15 816)
Closure and rundown of the Hong Kong direct investments business	(65 593)	–	(65 593)
Financial impact of group restructures	(14 591)	–	(14 591)
Earnings attributable to shareholders before taxation	**137 600**	**318 741**	**456 341**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(29 877)	(19 251)	(49 128)
Taxation on acquired intangibles and strategic actions	17 599	800	18 399
Earnings attributable to shareholders from continuing operations	**125 322**	**300 290**	**425 612**
Discontinued operations			
Profit after taxation from discontinued operations	83 010	51 367	134 377
Profit attributable to non-controlling interests of discontinued operations	(15 942)	(9 716)	(25 658)
Earnings attributable to shareholders	**192 390**	**341 941**	**534 331**
Selected returns and key statistics from continuing operations			
ROE (post-tax)^	10.4%	13.3%	12.0%
Return on tangible equity (post-tax)^	13.0%	13.4%	13.3%
Cost to income ratio	76.3%	55.4%	67.3%
Staff compensation to operating income	54.7%	36.8%	46.6%
Adjusted operating profit per employee (£'000)	57.2	68.2	63.1
Effective operational tax rate	13.4%	6.0%	9.1%
Total assets (£'million)	22 565	35 159	57 724

* *The year to 31 March 2019 has been re-presented to reflect the discontinued operations refer to note 36 and financial impact of strategic actions refer to note 60.*

^ *Refer to calculation on pages 62 and 63 in volume one.*

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

1. Combined consolidated segmental analysis *(continued)*

	Wealth & Investment			Specialist Banking			Group costs			Total		
For the year to 31 March 2020 £'000	UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**
Segmental business and geographic analysis – income statement												
Net interest income	12 604	3 940	16 544	384 781	451 679	836 460	–	–	–	397 385	455 619	853 004
Net fee and commission income	304 412	84 173	388 585	177 788	224 099	401 887	–	–	–	482 200	308 272	790 472
Investment income	(436)	(148)	(584)	6 811	33 041	39 852	–	–	–	6 375	32 893	39 268
Share of post taxation profit of associates and joint venture holdings	–	–	–	9 474	17 770	27 244	–	–	–	9 474	17 770	27 244
Trading income arising from												
– customer flow	862	(186)	676	50 118	12 460	62 578	–	–	–	50 980	12 274	63 254
– balance sheet management and other trading activities	108	(29)	79	(645)	27 286	26 641	–	–	–	(537)	27 257	26 720
Other operating income	181	–	181	6 283	413	6 696	–	–	–	6 464	413	6 877
Total operating income before expected credit losses	**317 731**	**87 750**	**405 481**	**634 610**	**766 748**	**1 401 358**	**–**	**–**	**–**	**952 341**	**854 498**	**1 806 839**
Expected credit loss impairment charges	1	–	1	(75 814)	(57 488)	(133 302)	–	–	–	(75 813)	(57 488)	(133 301)
Operating income	**317 732**	**87 750**	**405 482**	**558 796**	**709 260**	**1 268 056**	**–**	**–**	**–**	**876 528**	**797 010**	**1 673 538**
Operating costs	(254 714)	(60 902)	(315 616)	(449 790)	(365 810)	(815 600)	(36 288)	(17 516)	(53 804)	(740 792)	(444 228)	(1 185 020)
Depreciation on operating leased assets	–	–	–	(1 407)	–	(1 407)	–	–	–	(1 407)	–	(1 407)
Operating profit before goodwill, acquired intangibles and strategic actions from continuing operations	**63 018**	**26 848**	**89 866**	**107 599**	**343 450**	**451 049**	**(36 288)**	**(17 516)**	**(53 804)**	**134 329**	**352 782**	**487 111**
Profit attributable to other non-controlling interests	–	–	–	(864)	(67 088)	(67 952)	–	–	–	(864)	(67 088)	(67 952)
Adjusted operating profit from continuing operations	**63 018**	**26 848**	**89 866**	**106 735**	**276 362**	**383 097**	**(36 288)**	**(17 516)**	**(53 804)**	**133 465**	**285 694**	**419 159**
Operating profit before strategic actions from discontinued operations	–	–	–	–	–	–	–	–	–	109 103	80 656	189 759
Profit attributable to non-controlling interests of discontinued operations	–	–	–	–	–	–	–	–	–	(18 106)	(11 241)	(29 347)
Operating profit before goodwill, acquired intangibles, strategic actions and after non-controlling interests	**63 018**	**26 848**	**89 866**	**106 735**	**276 362**	**383 097**	**(36 288)**	**(17 516)**	**(53 804)**	**224 462**	**355 109**	**579 571**
Selected returns and key statistics from continuing operations												
ROE (post-tax)^	20.4%	91.1%	26.7%	6.3%	10.5%	8.6%	n/a	n/a	n/a	6.0%	10.7%	8.3%
Return on tangible equity (post-tax)^	60.1%	98.9%	68.2%	6.6%	10.6%	8.8%	n/a	n/a	n/a	7.4%	10.8%	9.2%
Cost to income ratio	80.2%	69.4%	77.8%	71.1%	52.3%	61.2%	n/a	n/a	n/a	78.0%	56.4%	68.2%
Staff compensation to operating income	58.3%	43.1%	55.1%	49.0%	35.0%	44.4%	n/a	n/a	n/a	54.2%	35.9%	45.5%
Adjusted operating profit per employee (£'000)	42.6	65.8	47.6	37.8	66.8	55.1	n/a	n/a	n/a	33.2	59.2	47.4
Total assets (£'million)	986	332	1 318	23 759	25 579	49 338	n/a	n/a	n/a	24 745	25 911	50 656

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

1. Combined consolidated segmental analysis *(continued)*

	Wealth & Investment			Specialist Banking		
For the year to 31 March 2019* **£'000**	UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**
Segmental business and geographic analysis – income statement						
Net interest income	9 189	5 027	14 216	376 637	425 796	802 433
Net fee and commission income	305 346	79 015	384 361	181 712	226 585	408 297
Investment income	1 185	305	1 490	89 348	16 981	106 329
Share of post taxation profit of associates and joint venture holdings	–	–	–	2 950	65 217	68 167
Trading income arising from						
– customer flow	793	58	851	85 973	33 838	119 811
– balance sheet management and other trading activities	(1)	70	69	12 726	24 034	36 760
Other operating income	342	1	343	10 134	559	10 693
Total operating income before expected credit losses	**316 854**	**84 476**	**401 330**	**759 480**	**793 010**	**1 552 490**
Expected credit loss impairment charges	(24)	–	(24)	(24 536)	(41 898)	(66 434)
Operating income	**316 830**	**84 476**	**401 306**	**734 944**	**751 112**	**1 486 056**
Operating costs	(246 202)	(58 226)	(304 428)	(545 654)	(378 092)	(923 746)
Depreciation on operating leased assets	–	–	–	(2 137)	(20)	(2 157)
Operating profit before goodwill, acquired intangibles and strategic actions	**70 628**	**26 250**	**96 878**	**187 153**	**373 000**	**560 153**
Profit attributable to other non-controlling interests	–	–	–	4 479	(62 671)	(58 192)
Adjusted operating profit from continuing operations	**70 628**	**26 250**	**96 878**	**191 632**	**310 329**	**501 961**
Adjusted operating profit from discontinued operations	–	–	–	–	–	–
Profit attributable to non-controlling interests of discontinued operations	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles, strategic actions and after non-controlling interests	**70 628**	**26 250**	**96 878**	**191 632**	**310 329**	**501 961**
Selected returns and key statistics from continuing operations						
ROE (post-tax)^	24.6%	118.2%	32.8%	11.2%	12.8%	12.2%
Return on tangible equity (post-tax)^	23.7%	114.3%	31.6%	13.1%	12.9%	13.0%
Cost to income ratio	77.7%	68.9%	75.9%	71.6%	51.8%	61.9%
Staff compensation to operating income	57.6%	42.9%	54.5%	50.8%	36.2%	43.4%
Adjusted operating profit per employee (£'000)	47.6	66.9	51.6	67.8	76.7	73
Total assets (£'million)	865	499	1 364	21 159	26 351	47 510

* The year to 31 March 2019 has been re-presented to reflect the discontinued operations refer to note 36 and financial impact of strategic actions refer to note 60.

^ Refer to calculation on pages 64 and 65 in volume one.

	Group costs			Total		
For the year to 31 March 2019* **£'000**	UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**
Segmental business and geographic analysis – income statement						
Net interest income	–	–	–	385 826	430 823	816 649
Net fee and commission income	–	–	–	487 058	305 600	792 658
Investment income	–	–	–	90 533	17 286	107 819
Share of post taxation profit of associates and joint venture holdings	–	–	–	2 950	65 217	68 167
Trading income arising from						
– customer flow	–	–	–	86 766	33 896	120 662
– balance sheet management and other trading activities	–	–	–	12 725	24 104	36 829
Other operating income	–	–	–	10 476	560	11 036
Total operating income before expected credit losses	**–**	**–**	**–**	**1 076 334**	**877 486**	**1 953 820**
Expected credit loss impairment charges	–	–	–	(24 560)	(41 898)	(66 458)
Operating income	**–**	**–**	**–**	**1 051 774**	**835 588**	**1 887 362**
Operating costs	(31 518)	(14 825)	(46 343)	(823 374)	(451 143)	(1 274 517)
Depreciation on operating leased assets	–	–	–	(2 137)	(20)	(2 157)
Operating profit before goodwill, acquired intangibles and strategic actions	**(31 518)**	**(14 825)**	**(46 343)**	**226 263**	**384 425**	**610 688**
Profit attributable to other non-controlling interests	–	–	–	4 479	(62 671)	(58 192)
Adjusted operating profit from continuing operations	**(31 518)**	**(14 825)**	**(46 343)**	**230 742**	**321 754**	**552 496**
Adjusted operating profit from discontinued operations	–	–	–	107 835	71 527	179 362
Profit attributable to non-controlling interests of discontinued operations	–	–	–	(15 942)	(9 716)	(25 658)
Operating profit before goodwill, acquired intangibles, strategic actions and after non-controlling interests	**(31 518)**	**(14 825)**	**(46 343)**	**322 635**	**383 565**	**706 200**
Selected returns and key statistics from continuing operations						
ROE (post-tax)^	n/a	n/a	n/a	10.4%	13.3%	12.0%
Return on tangible equity (post-tax)^	n/a	n/a	n/a	13.0%	13.4%	13.3%
Cost to income ratio	n/a	n/a	n/a	76.3%	55.4%	67.3%
Staff compensation to operating income	n/a	n/a	n/a	54.7%	36.8%	46.6%
Adjusted operating profit per employee (£'000)	n/a	n/a	n/a	57.2	68.2	63.1
Total assets (£'million)	n/a	n/a	n/a	22 565	35 159	57 724

1. Combined consolidated segmental analysis *(continued)*

At 31 March 2020 £'000	UK and Other	Southern Africa	Total
Segmental geographic analysis – balance sheet assets and liabilities			
Assets			
Cash and balances at central banks	2 277 318	1 654 730	3 932 048
Loans and advances to banks	1 784 971	881 880	2 666 851
Non-sovereign and non-bank cash placements	–	632 610	632 610
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	1 337 357	2 964 603
Sovereign debt securities	1 688 670	2 905 223	4 593 893
Bank debt securities	51 238	553 683	604 921
Other debt securities	647 778	782 641	1 430 419
Derivative financial instruments	1 247 518	786 881	2 034 399
Securities arising from trading activities	576 493	467 952	1 044 445
Investment portfolio	376 239	622 696	998 935
Loans and advances to customers	11 871 849	12 716 225	24 588 074
Own originated loans and advances to customers securitised	–	324 638	324 638
Other loans and advances	121 559	10 927	132 486
Other securitised assets	112 440	22 425	134 865
Interests in associated undertakings	279 736	421 575	701 311
Deferred taxation assets	130 656	135 240	265 896
Other assets	1 401 461	532 967	1 934 428
Property and equipment	216 955	139 618	356 573
Investment properties	–	863 864	863 864
Goodwill	261 183	9 442	270 625
Intangible assets	71 954	14 346	86 300
Non-current assets classified as held for sale	–	58 905	58 905
	24 745 264	**25 875 825**	**50 621 089**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	35 227	35 227
	24 745 264	**25 911 052**	**50 656 316**
Liabilities			
Deposits by banks	1 384 151	2 114 103	3 498 254
Derivative financial instruments	1 234 545	1 014 304	2 248 849
Other trading liabilities	118 572	390 950	509 522
Repurchase agreements and cash collateral on securities lent	375 387	1 201 959	1 577 346
Customer accounts (deposits)	15 272 245	16 948 731	32 220 976
Debt securities in issue	1 392 598	344 593	1 737 191
Liabilities arising on securitisation of own originated loans and advances	–	76 696	76 696
Liabilities arising on securitisation of other assets	110 679	–	110 679
Current taxation liabilities	26 904	24 404	51 308
Deferred taxation liabilities	21 438	23 350	44 788
Other liabilities	1 619 419	592 068	2 211 487
	21 555 938	**22 731 158**	**44 287 096**
Liabilities to customers under investment contracts	–	32 845	32 845
Insurance liabilities, including unit-linked liabilities	–	2 382	2 382
	21 555 938	**22 766 385**	**44 322 323**
Subordinated liabilities	787 030	649 331	1 436 361
	22 342 968	**23 415 716**	**45 758 684**

1. Combined consolidated segmental analysis *(continued)*

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

1. Combined consolidated segmental analysis *(continued)*

For the year to 31 March £'000	UK and Other	Southern Africa	Total group
Segmental geographical and business analysis of adjusted operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests			
2020			
Wealth & Investment	63 018	26 848	89 866
Specialist Banking	106 735	276 362	383 097
Specialist Banking excluding Group investments	102 644	263 729	366 373
Group Investments	4 091	12 633	16 724
Group costs	(36 288)	(17 516)	(53 804)
Continuing operations adjusted operating profit	**133 465**	**285 694**	**419 159**
Discontinued operations	109 103	80 656	189 759
Total group adjusted operating profit	**242 568**	**366 350**	**608 918**
Other non-controlling interests^			67 952
Operating profit before non controlling interests			**676 870**
2019*			
Wealth & Investment	70 628	26 250	96 878
Specialist Banking	191 632	310 329	501 961
Specialist Banking excluding Group investments	191 632	283 040	474 672
Group Investments	–	27 289	27 289
Group costs	(31 518)	(14 825)	(46 343)
Continuing operations adjusted operating profit	**230 742**	**321 754**	**552 496**
Discontinued operations	107 835	71 527	179 362
Total group adjusted operating profit	**338 577**	**393 281**	**731 858**
Other non-controlling interests^			58 192
Operating profit before non controlling interests			**790 050**

* *Restated as detailed on note 60.*
^ *Profit attributable to other non-controlling interests predominantly relates to the Investec Property Fund Limited.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

1

2. Net interest income

This note analyses net interest income from the group's continuing operations.

For the year to 31 March 2020 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	7 429 443	73 916	7 965 483	423 688	15 394 926	497 604
Loans and advances	2	11 871 849	591 615	13 040 863	1 418 686	24 912 712	2 010 301
Private Client		5 075 380	191 210	8 850 611	987 203	13 925 991	1 178 413
Corporate, institutional and other clients		6 796 469	400 405	4 190 252	431 483	10 986 721	831 888
Other debt securities and other loans and advances*		769 337	101 721	793 568	43 239	1 562 905	144 960
Other interest-earning assets	3	–	–	22 425	28 411	22 425	28 411
Finance lease receivables^		322 211	17 144	–	–	322 211	17 144
Total interest-earning assets		**20 392 840**	**784 396**	**21 822 339**	**1 914 024**	**42 215 179**	**2 698 420**

For the year to 31 March 2020 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt related securities#	4	3 152 136	(137 594)	3 660 655	(133 749)	6 812 791	(271 343)
Customer accounts (deposits)#		15 272 245	(184 747)	16 948 731	(1 242 248)	32 220 976	(1 426 995)
Other interest-bearing liabilities	5	–	–	76 696	(18 358)	76 696	(18 358)
Subordinated liabilities		787 030	(48 319)	649 331	(62 343)	1 436 361	(110 662)
Finance lease liabilities^		476 141	(16 351)	12 708	(1 707)	488 849	(18 058)
Total interest-bearing liabilities		**19 687 552**	**(387 011)**	**21 348 121**	**(1 458 405)**	**41 035 673**	**(1 845 416)**
Net interest income			**397 385**		**455 619**		**853 004**
Net interest margin			**2.02%**		**1.88% ****		

1 *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.*
2 *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3 *Comprises (as per the balance sheet) other securitised assets. No securitised assets are held at amortised cost in UK and Other.*
4 *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.*
5 *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated loans and advance.*
^ *The group has adopted IFRS 16 from 1 April 2019. The impact has been to recognise interest income and interest expense on the unwind of finance lease receivables and lease liabilities respectively. The prior period comparatives have not been restated.*
* *Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.*
** *Impacted by debt funding issued by the Investec Property Fund in which the group has a 24.31% (2019: 26.57%) interest. Excluding this debt funding cost, the net interest margin amounted to 2.00% (2019: 2.02%).*
\# *As at 31 March 2020, certain Investec structured products amounting to £823 million have been reclassified from Debt securities in issue to Customer deposits in order to better reflect the underlying characteristics, contractual terms and liquidity of these products. The prior year has not been restated.*

2. Net interest income *(continued)*

For the year to 31 March 2019^ £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	7 575 683	61 873	7 412 789	427 364	14 988 472	489 237
Loans and advances	2	10 515 665	582 298	14 426 957	1 377 226	24 942 622	1 959 524
Private Client		4 197 181	165 397	9 837 641	953 296	14 034 822	1 118 693
Corporate, institutional and other clients		6 318 484	416 901	4 589 316	423 930	10 907 800	840 831
Other debt securities and other loans and advances*		676 461	78 843	739 883	49 559	1 416 344	128 402
Other interest-earning assets	3	–	–	15 635	54 659	15 635	54 659
Total interest-earning assets		**18 767 809**	**723 014**	**22 595 264**	**1 908 808**	**41 363 073**	**2 631 822**

For the year to 31 March 2019^ £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt related securities*	4	4 040 397	(131 404)	3 154 292	(141 581)	7 194 689	(272 985)
Customer accounts (deposits)		13 136 539	(154 733)	18 170 568	(1 242 208)	31 307 107	(1 396 941)
Other interest-bearing liabilities	5	–	–	91 522	(23 371)	91 522	(23 371)
Subordinated liabilities		803 699	(51 051)	843 572	(70 825)	1 647 271	(121 876)
Total interest-bearing liabilities		**17 980 635**	**(337 188)**	**22 259 954**	**(1 477 985)**	**40 240 589**	**(1 815 173)**
Net interest income			**385 826**		**430 823**		**816 649**
Net interest margin			**2.16%**		**1.88%****		

1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2 Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3 Comprises (as per the balance sheet) other securitised assets and Investec Import Solutions debtors. No securitised assets are held at amortised cost in UK and Other.
4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5 Comprises (as per the balance sheet) liabilities arising on securitisation of own originated loans and advance.
^ Restated as detailed in note 60.
* Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.
** Impacted by debt funding issued by the Investec Property Fund in which the group had a 26.57% interest as at 31 March 2019, excluding this debt funding cost, the net interest margin amounted to 2.02%.

3. Net fee and commission income

This note analyses net fee and commission income from the group's continuing operations.

For the year to 31 March 2020 £'000	UK and Other	Southern Africa	Total Group
Wealth & Investment net fee and commission income	**304 412**	**84 173**	**388 585**
Fund management fees/fees for assets under management	261 093	45 188	306 281
Private client transactional fees	43 997	40 884	84 881
Fee and commission expense	(678)	(1 899)	(2 577)
Specialist Banking net fee and commission income	**177 788**	**224 099**	**401 887**
Corporate and institutional transactional and advisory services	179 296	179 751	359 047
Private client transactional fees	11 650	75 731	87 381
Fee and commission expense	(13 158)	(31 383)	(44 541)
Net fee and commission income	**482 200**	**308 272**	**790 472**
Annuity fees (net of fees payable)	280 214	261 793	542 007
Deal fees	201 986	46 479	248 465

For the year to 31 March 2019^ £'000	UK and Other	Southern Africa	Total Group
Wealth & Investment net fee and commission income	**305 346**	**79 015**	**384 361**
Fund management fees/fees for assets under management	258 299	44 417	302 716
Private client transactional fees	47 771	36 612	84 383
Fee and commission expense	(724)	(2 014)	(2 738)
Specialist Banking net fee and commission income	**181 712**	**226 585**	**408 297**
Corporate and institutional transactional and advisory services	179 998	191 786	371 784
Private client transactional fees	10 646	62 134	72 780
Fee and commission expense	(8 932)	(27 335)	(36 267)
Net fee and commission income	**487 058**	**305 600**	**792 658**
Annuity fees (net of fees payable)	275 966	257 120	533 086
Deal fees	211 092	48 480	259 572

^ Restated as detailed in note 60.

Included in Specialist Banking corporate and institutional and advisory services is net fee income of £91.8 million (2019: £95 million) for operating lease income which is out of the scope of IFRS 15 – Revenue from contracts with customers.
Trust and fiduciary fees amounted to £0.2 million (2019: £0.2 million) and are included in Private client transaction fees.

4. Investment income

This note analyses investment income from the group's continuing operations.

For the year to 31 March 2020 £'000	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	**Investment Portfolio**	Debt securities (sovereign, bank and other)	Investment and trading properties	Other	**Total**
The following table analyses investment income generated by the asset portfolio shown on the balance sheet									
UK and Other									
Realised	(765)	51 161	–	15 558	65 954	4 274	(3 616)	(257)	66 355
Unrealised*	(8 446)	(39 918)	–	(7 329)	(55 693)	(3 743)	1 814	(8 011)	(65 633)
Dividend income	7	2 892	–	–	2 899	–	–	–	2 899
Funding and other net related costs	–	–	–	–	–	–	2 754	–	2 754
	(9 204)	**14 135**	**–**	**8 229**	**13 160**	**531**	**952**	**(8 268)**	**6 375**
Southern Africa									
Realised	1 505	6 238	–	8 385	16 128	5 738	(313)	(53)	21 500
Unrealised*	(5 019)	(10 523)	59 967	(32)	44 393	5 899	(43 750)	(12 169)	(5 627)
Dividend income	9 957	12 015	–	–	21 972	–	–	50	22 022
Funding and other net related costs	–	(1 935)	–	–	(1 935)	–	(3 067)	–	(5 002)
	6 443	**5 795**	**59 967**	**8 353**	**80 558**	**11 637**	**(47 130)**	**(12 172)**	**32 893**
Investment income	**(2 761)**	**19 930**	**59 967**	**16 582**	**93 718**	**12 168**	**(46 178)**	**(20 440)**	**39 268**

For the year to 31 March 2019^ £'000	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	**Investment Portfolio**	Debt securities (sovereign, bank and other)	Investment and trading properties	Other	**Total**
The following table analyses investment income generated by the asset portfolio shown on the balance sheet									
UK and Other									
Realised	(7 566)	22 251	–	18 373	33 058	7 313	(7 231)	(13 884)	19 256
Unrealised*	(9 771)	45 416	–	(769)	34 876	1 530	13 267	10 638	60 311
Dividend income	72	4 161	–	–	4 233	–	–	–	4 233
Funding and other net related costs	23	–	–	–	23	–	6 710	–	6 733
	(17 242)	**71 828**	**–**	**17 604**	**72 190**	**8 843**	**12 746**	**(3 246)**	**90 533**
Southern Africa									
Realised	20 681	22 669	–	12 089	55 439	7 235	30 609	(70)	93 213
Unrealised*	(18 069)	(62 656)	5 778	(914)	(75 861)	2 453	(43 875)	6 289	(110 994)
Dividend income	10 514	28 765	–	–	39 279	–	–	(45)	39 234
Funding and other net related costs	–	(2 222)	–	–	(2 222)	–	(1 945)	–	(4 167)
	13 126	**(13 444)**	**5 778**	**11 175**	**16 635**	**9 688**	**(15 211)**	**6 174**	**17 286**
Investment income	**(4 116)**	**58 384**	**5 778**	**28 779**	**88 825**	**18 531**	**(2 465)**	**2 928**	**107 819**

^ *Restated as detailed in note 60.*
* *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*

5. Other operating income

This note analyses other operating income from the group's continuing operations.

For the year to 31 March £'000	**2020**	2019^
Rental income from properties	1 196	1 448
Income from government grants	3 260	2 208
Gains on realisation of properties	–	276
Unrealised gains on other investments	375	2 251
Income from operating leases	2 046	4 853
	6 877	**11 036**

^ *Restated as detailed in note 60.*

4. Expected credit loss impairment charges

This note analyses expected credit loss impairment charges from the group's continuing operations.

For the year to 31 March £'000	**2020**	2019^
Expected credit loss impairment charges/(releases) is recognised on the following assets:		
Loans and advances to customers	126 301	76 360
Expected credit loss impairment charges (refer to note 27)	136 641	105 243
Post write-off recoveries	(10 340)	(28 883)
Own originated securitised assets	317	(55)
Core loans and advances	**126 618**	**76 305**
Other loans and advances	(33)	(2 882)
Other balance sheet assets	3 696	(6 111)
Off balance sheet commitments and guarantees	3 020	(854)
Total expected credit loss impairment charges	**133 301**	**66 458**

^ *Restated as detailed in note 60.*

7. Operating costs

This note analyses operating costs from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Staff compensation costs	822 877	910 592
Salaries and wages (including directors' remuneration)	667 849	751 770
Share-based payments expense	60 087	66 208
Social security costs	49 013	49 851
Pension and provident fund contributions	45 928	42 763
Training and other costs	23 520	24 303
Staff costs	846 397	934 895
Premises expenses*	44 600	59 683
Premises expenses (excluding depreciation)*	25 556	59 683
Premises depreciation*	19 044	–
Equipment expenses (excluding depreciation)	72 833	65 708
Business expenses**	137 535	136 907
Marketing expenses	51 285	47 729
Depreciation, amortisation and impairment on property, equipment and intangibles	32 370	29 595
	1 185 020	**1 274 517**
Depreciation on operating leased assets	1 407	2 157
	1 186 427	**1 276 674**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:		
Ernst & Young fees		
Total fees paid to the audit firm by virtue of being the group's auditor	**9 312**	**9 285**
Audit of the group's accounts	2 200	1 274
Audit of the group's subsidiaries pursuant to legislation	4 982	5 857
Audit related assurance services	1 262	934
Other assurance services	868	1 220
Total fees paid to the audit firm not in the capacity of being the group's auditor	**482**	**951**
Audit related to assurance services	88	84
Tax compliance services	125	135
Tax advisory services	–	98
Services related to corporate finance transactions	169	180
Services related to information technology	100	32
Services related to other regulatory services	–	49
Other non-audit services	–	373
	9 794	**10 236**
KPMG fees		
Total fees paid to the audit firm by virtue of being the group's subsidiary auditor	**4 719**	**4 476**
Fees payable to the group's subsidiary auditor for the audit of the group's accounts	**–**	**–**
Fees payable to the group's subsidiary auditor and its associates for other services:		
Audit of the group's subsidiaries pursuant to legislation	2 218	2 579
Audit related assurance services	431	472
Other assurance services	2 070	1 425
Total fees paid to the audit firm not in the capacity of being the group's subsidiary auditor	**927**	**389**
Tax compliance services	345	72
Tax advisory services	559	119
Other non-audit services	23	198
	5 646	**4 865**
Total	**15 440**	**15 101**

* *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by £19 million as a result of recognising a right-of-use asset and to reduce the premises expense in the year to 31 March 2020. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability.*

** *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*

^ *Restated as detailed in note 60.*

Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 198 to 222 in Volume one.

6. Share-based payments and employee benefits

The group operates share option and long-term share incentive plans for employees, which are on an equity-settled basis. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group

Further information on the group share options and long-term incentive plans is provided in the remuneration report on page 223 and 224 in volume one of the integrated annual report and on our website.

For the year to 31 March £'000	Wealth& Investment	Specialist Banking	Group costs	Total group
Share-based payment expense				
2020				
Equity-settled	5 690	49 298	5 099	60 087
Total income statement charge	**5 690**	**49 298**	**5 099**	**60 087**
2019				
Equity-settled	6 545	55 898	3 765	66 208
Total income statement charge	**6 545**	**55 898**	**3 765**	**66 208**

As part of the demerger, employees of Investec Asset management left the employment of Investec on mutual agreement. This resulted in the acceleration of the share-based payment charge of £2.4 million on the date of the demerger.

For the year to 31 March £'000	2020	2019
Weighted average fair value of options granted in the year		
UK schemes	28 881	40 055
South African schemes	27 409	35 206

	UK schemes				South African schemes			
	2020		2019		2020		2019	
Details of options outstanding during the year	**Number of share options**	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £	**Number of share options**	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	22 239 595	0.05	22 465 788	0.07	22 701 506	–	26 816 217	–
Demerger of asset management	(1 106 749)	–	–		(594 600)	–	–	–
Granted during the year	7 630 226	–	7 878 437	–	5 801 274	–	6 487 699	–
Exercised during the year^	(5 832 860)	–	(7 386 412)	0.02	(7 170 887)	–	(9 829 653)	–
Options forfeited during the year	(2 187 934)	0.25	(718 218)	0.52	(902 153)	–	(772 757)	–
Outstanding at the end of the year	**20 742 278**	**0.02**	**22 239 595**	**0.05**	**19 835 140**	**–**	**22 701 506**	**–**
Vested and exercisable at the end of the year	**470 123**	**–**	**578 910**	**–**	**545 533**	**–**	**452 729**	**–**

^ *The weighted average share price for options exercised during the year was £4.41 (2019: £5.11) for the UK schemes and R56.00 (2019: R91.85) for the South African schemes.*

8. Share-based payments and employee benefits *(continued)*

Additional information relating to options	UK schemes 2 020	UK schemes 2 019	South African schemes 2 020	South African schemes 2 019
Additional information relating to options				
Options with strike prices				
Exercise price range	£3.58 – £4.27	£5.03 – £6.00	n/a	n/a
Weighted average remaining contractual life	0.98 years	1.29 years	n/a	n/a
Long-term incentive grants with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	2.07 years	2.19 years	2.10 years	2.00 years
Weighted average fair value of options and long-term grants at measurement date	£3.79	£5.08	R88.00	R91.77
The fair value of shares granted were calculated at market price. For shares granted during the period, the inputs were as follows:				
– Share price at date of grant	£4.38 - £4.79	£4.93 – £5.59	R88.00	R90.96 – R92.55
– Exercise price	£nil	£nil	Rnil	Rnil
– Option life	4 – 7.25 years	3 years – 7 years	3.75 – 4.75 years	4.75 years
– Expected dividend yields	6.45%	n/a	n/a	n/a
– Risk-free rate	0.88%	n/a	n/a	n/a

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. In the current year, 755 278 Investec plc shares (LTIP & LTSA) were awarded to Investec Australian staff *in lieu* of Ninety One plc shares. The Fair Value of the Adjusted Share Awards was compared to the Fair Value of the Original Awards at 13 March 2020 and no incremental value was identified.

Long-term employment benefit liability – Ninety One shares

As part of the IAM demerger, each participant of the Investec share option and long-term share incentive plans for employees, received the right to received one Ninety One share option for every two Investec share options they had. The Ninety One share options were granted on the same terms and vesting period as the Investec options they related to.

Investec has an obligation to deliver Ninety One shares to the holders of Investec share options, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £14.8 million was calculated at the date of demerger for the portion of the options already vested. The total value of the liability was accounted for in retained income. The liability was subsequently measured through profit or loss.

IAS 19 long-term employment benefit liability movement recognised in the income statement for the year ended 31 March 2020 was £0.5 million.

Details of options & shares outstanding during the year	UK Schemes Number of share options	UK Schemes Weighted average exercise price £	South African Schemes Number of share options	South African Schemes Weighted average exercise price £
IAM Demerger – Ninety One Share Awards Issued 16 March 2020	9 354 422	0.02	10 212 742	–
Exercised during the year	(213 160)	–	(271 698)	–
Lapsed during the year	(20 178)	–	(17 705)	–
Oustanding at the end of year	**9 121 084**	**0.02**	**9 923 339**	**–**
Exercisable at end of year	**213 483**	**–**	**277 931**	**–**

8. Share-based payments and employee benefits *(continued)*

The exercise price range and weighted average remaining contractual life for market strike options outstanding at 31 March 2020, were as follows:

	2020
Exercise price range	£2.90 – £3.46
Weighted average remaining contractual life	0.98 years

The exercise price range and weighted average remaining contractual life for LTIPs & LTSAs outstanding at 31 March 2020, were as follows:

	UK Schemes 2020	South African Schemes 2020
Exercise price range	£nil	Rnil
Weighted average remaining contractual life	2.10 years	2.10 years

The liability was calculated by using the Black-Scholes option pricing model.

For the liability calculated on the date of demerger and as at 31 March 2020, the inputs into the model were as follows:

	UK Schemes 2020	South African Schemes 2020
– Share price	£1.54	30.55
– Exercise price	£nil, £2.90 – £3.46	Rnil
– Expected volatility	56.82%	56.82%
– Option life	0 – 7.45 years	0.14 – 4.19 years
– Expected dividend yields	0% – 8.01%	0% – 6.28%
– Risk-free rate	0% – 0.68%	5.73% – 7.71%

Management concluded that the share-price used to calculate the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share-priced to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

9. Taxation

For the year to 31 March £'000	2020	2019^
Income statement tax charge		
Current taxation		
UK		
– in respect of the current year	(15 078)	22 170
– in respect of prior year adjustments	(1 650)	(10 559)
	(16 728)	**11 611**
Southern Africa		
in respect of the current year	73 005	50 640
in respect of release of tax provisions no longer required	–	(16 247)
in respect of prior year adjustments	(8 306)	(5 267)
	64 699	**29 126**
Europe	2 766	2 867
Australia	208	183
Other	(311)	(578)
Withholding taxation on companies	1 499	1 899
Total current taxation	**52 133**	**45 108**
Deferred taxation		
UK	3 560	(17)
Southern Africa	(11 570)	(12 571)
Europe	27	(1 791)
Australia	(13 244)	–
Other	2 091	–
Total deferred taxation	**(19 136)**	**(14 379)**
Total taxation charge for the year	**32 997**	**30 729**
Total taxation charge for the year comprises:		
Taxation on operating profit before acquired intangibles	54 690	49 128
Taxation on acquired intangibles	(21 693)	(18 399)
	32 997	**30 729**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(20 780)	(26 584)
Changes in tax rates	1 285	2 408
Adjustment in respect of prior years	359	9 797
	(19 136)	**(14 379)**

^ *Restated as detailed in note 60.*

9. Taxation *(continued)*

For the year to 31 March £'000	2020	2019^
The deferred taxation charge/(credit) in the income statement arises from:		
Deferred capital allowance	(1 873)	6 219
Income and expenditure accruals	(8 377)	(2 330)
Asset in respect of unexpired options	7 231	(32)
Unrealised fair value adjustments on financial instruments	22	(11 755)
Losses carried forward	(10 669)	(6 177)
Asset/(liability) in respect of pension deficit/(surplus)	(251)	15
Asset/(liability) in respect of pension contributions	218	(21)
Deferred taxation on acquired intangibles	(1 652)	(2 897)
Revaluation of investment properties	(1 891)	(50)
Finance lease accounting	(1 611)	750
Other temporary differences	(283)	255
	(19 136)	**(16 023)**
The rates of corporation tax for the relevant years are:	**%**	**%**
UK	19	19
South Africa	28	28
Europe (average)	10	10
Australia	30	30
Profit before taxation	**310 480**	**514 533**
Taxation on profit before taxation	**32 997**	**30 727**
Effective taxation rate (%)	10.63%	5.97%
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2019: 19%)	58 991	97 761
Taxation adjustments related to Southern Africa*	(3 398)	(55 877)
Goodwill and non operating items	1 905	1 137
Taxation relating to prior years	(1 291)	(762)
Share options accounting expense	6 378	2 835
Non-taxable expense/(income)	1 030	(2 116)
Net other permanent differences	(17 139)	(1 353)
Change in tax rate	1 285	2 408
Capital gains - non-taxable/covered by losses	(2 323)	(5 242)
Movement in unrecognised trading losses	(12 441)	(8 061)
Total taxation charge as per income statement	**32 997**	**30 729**

* *Taxation adjustments related to Southern Africa comprises mainly of £nil (2019: £16.2 million) related to release of tax provisions no longer required, permanent differences related to dividends of £38.1 million (2019: £42.2 million) and equity accounted earnings from associates of £5.1 million (2019: £18.0 million).*

^ *Restated as detailed in note 60.*

9. Taxation *(continued)*

For the year to 31 March £'000	2020	2019^
Other comprehensive income taxation effects		
Fair value movements on cash flow hedges taken directly to other comprehensive income	(40 304)	1 797
- Pre-taxation	(60 542)	(24 507)
-Taxation effect	20 238	26 304
Gains on realisation of debt instruments at FVOCI recycled through the income statement	(5 503)	(7 116)
- Pre-taxation	(7 003)	(9 483)
- Taxation effect	1 500	2 367
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(139 977)	(12 918)
- Pre-taxation	(173 102)	(15 735)
- Deferred taxation	33 125	2 817
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	(3 931)	–
- Pre-taxation	(4 930)	–
- Deferred taxation	999	–
Re-measurement of net defined pension asset	–	51
- Pre-taxation	–	51
- Taxation effect	–	–
Own credit risk	9 515	7 362
- Pre-taxation	12 535	11 800
- Taxation effect	(3 020)	(4 438)
Statement of changes in equity taxation effects		
Share based payment IFRS 2 adjustment taxation effect	(317)	(2 140)
Additional Tier 1 securities in issue	(22 394)	(22 727)
- Pre-taxation	(22 394)	(22 727)
- Taxation effect	–	–

^ *Restated as detailed in note 60.*

10. Earnings per share

For the year to 31 March	2020	2019
Total group		
Earnings	**£'000**	£'000
Earnings attributable to shareholders	1 135 163	534 331
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(44 260)	(44 767)
Earnings and diluted earnings attributable to ordinary shareholders	**1 090 903**	**489 564**
Adjusted earnings		
Earnings attributable to shareholders	1 135 163	534 331
Impairment of goodwill	145	155
Impairment of associates and joint venture holdings	45 400	–
Amortisation of acquired intangibles	16 104	15 816
Closure and rundown of the Hong Kong direct investments business	89 257	65 593
Financial impact of group restructures	25 725	14 591
Gain on distribution net of implementation costs - discontinued operations	(820 233)	6 690
Taxation on acquired intangibles and strategic actions	(21 693)	(18 399)
Taxation on gain on distribution net of taxation	13 813	(357)
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(44 260)	(44 767)
Accrual adjustment on earnings attributable to other equity holders*	441	243
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**439 862**	**573 896**
Headline earnings		
Earnings attributable to shareholders	1 135 163	534 331
Impairment of goodwill	145	155
Impairment of associates and joint venture holdings	45 400	–
Gain on distribution	(867 409)	–
Financial impact of group restructure	(19 825)	
Taxation on gain on distribution	14 405	–
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(44 260)	(44 767)
Impairment of Intangible Assets	–	4 877
Property revaluation, net of taxation and non-controlling interests**	12 499	1 020
Headline earnings attributable to ordinary shareholders* **	**276 118**	**495 616**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	1 012 202 675	995 747 608
Weighted average number of treasury shares	(66 382 078)	(53 541 700)
Weighted average number of shares in issue during the year	**945 820 597**	**942 205 908**
Weighted average number of shares resulting from future dilutive potential shares	7 598 533	19 859 140
Adjusted weighted number of shares potentially in issue	**953 419 130**	**962 065 048**
Earnings per share – pence	**115.3**	**52.0**
Diluted earnings per share – pence	**114.4**	**50.9**
Adjusted earnings per share – pence	**46.5**	**60.9**
Diluted adjusted earnings per share – pence	**46.1**	**59.7**
Headline earnings per share – pence* **	**29.2**	**52.6**
Diluted headline earnings per share – pence* **	**29.0**	**51.5**

* *In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.*

** *Taxation on revaluation headline earnings adjustments amounted to £2.8 million (2019: £1.1 million) with an impact of £16.3 million [2019: (£1.4 million)] on earnings attributable to non-controlling interests. The amount includes property revaluations included in equity accounted earnings.*

*** *Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listings Requirements, and in terms of circular 1/2019 issued by the South African Institute of Chartered Accountants.*

10. Earnings per share *(continued)*

For the year to 31 March	2020	2019
Continuing operations	**£'000**	£'000
Earnings from continuing operations		
Earnings attributable to shareholders from continuing operations	209 531	425 612
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(44 260)	(44 767)
Earnings and diluted earnings attributable to ordinary shareholders from continuing operations	**165 271**	**380 845**
Adjusted earnings from continuing operations		
Earnings attributable to shareholders from continuing operations	209 531	425 612
Impairment of goodwill	145	155
Impairment of associates and joint venture holdings	45 400	–
Amortisation of acquired intangibles	16 104	15 816
Closure and rundown of the Hong Kong direct investments business	89 257	65 593
Financial impact of group restructures	25 725	14 591
Taxation on acquired intangibles and strategic actions	(21 693)	(18 399)
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(44 260)	(44 767)
Accrual adjustment on earnings attributable to other equity holders*	441	243
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items from continuing operations	**320 650**	**458 844**
Headline earnings from continuing operations		
Earnings attributable to shareholders from continuing operations	209 531	425 612
Impairment of goodwill	145	155
Impairment of associates and joint venture holdings	45 400	–
Gain on disposal of group operations	(19 825)	–
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(44 260)	(44 767)
Impairment of Intangible Assets	–	4 877
Property revaluation, net of taxation and non-controlling interests**	12 499	1 020
Headline earnings attributable to ordinary shareholders from continuing operations* **	**203 490**	**386 897**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	1 012 202 675	995 747 608
Weighted average number of treasury shares	(66 382 078)	(53 541 700)
Weighted average number of shares in issue during the year	**945 820 597**	**942 205 908**
Weighted average number of shares resulting from future dilutive potential shares	7 598 533	19 859 140
Adjusted weighted number of shares potentially in issue	**953 419 130**	**962 065 048**
Earnings per share from continuing operations – pence	**17.5**	**40.4**
Diluted earnings per share from continuing operations – pence	**17.3**	**39.6**
Adjusted earnings per share from continuing operations – pence	**33.9**	**48.7**
Diluted adjusted earnings per share from continuing operations – pence	**33.6**	**47.7**
Headline earnings per share from continuing operations – pence * **	**21.5**	**41.1**
Diluted headline earnings per share from continuing operations – pence * **	**21.3**	**40.2**

* In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

** Taxation on revaluation headline earnings adjustments amounted to £2.8 million (2019: £1.1 million) with an impact of £16.3 million [2019: (£1.4 million)] on earnings attributable to non-controlling interests. The amount includes property revaluations included in equity accounted earnings.

*** Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listings Requirements, and in terms of circular 1/2019 issued by the South African Institute of Chartered Accountants.

10. Earnings per share *(continued)*

For the year to 31 March	2020	2019
Discontinued operations	**£'000**	£'000
Earnings from discontinued operations		
Earnings and diluted earnings attributable to ordinary shareholders from discontinued operations	**925 632**	**108 719**
Adjusted earnings from discontinued operations		
Earnings attributable to shareholders from discontinued operations	925 632	108 719
Gain on distribution net of implementation costs	(820 233)	6 690
Taxation on acquired intangibles and strategic actions – discontinued operations	13 813	(357)
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items from discontinued operations	**119 212**	**115 052**
Headline earnings from discontinued operations		
Earnings attributable to shareholders from discontinued operations	925 632	108 719
Gain on distribution – discontinued operations	(867 409)	–
Taxation on acquired intangibles and strategic actions – discontinued operations	14 405	–
Headline earnings attributable to ordinary shareholders from discontinued operations* **	**72 628**	**108 719**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	1 012 202 675	995 747 608
Weighted average number of treasury shares	(66 382 078)	(53 541 700)
Weighted average number of shares in issue during the year	**945 820 597**	**942 205 908**
Weighted average number of shares resulting from future dilutive potential shares	7 598 533	19 859 140
Adjusted weighted number of shares potentially in issue	**953 419 130**	**962 065 048**
Earnings per share from discontinued operations – pence	**97.9**	**11.5**
Diluted earnings per share from discontinued operations – pence	**97.1**	**11.3**
Adjusted earnings per share from discontinued operations – pence	**12.6**	**12.2**
Diluted adjusted earnings per share from discontinued operations – pence	**12.5**	**12.0**
Headline earnings per share from discontinued operations – pence * **	**7.7**	**11.5**
Diluted headline earnings per share from discontinued operations – pence * **	**7.6**	**11.3**

* In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

** Taxation on revaluation headline earnings adjustments amounted to £2.8 million (2019: £1.1 million) with an impact of £16.3 million [2019: (£1.4 million)] on earnings attributable to non-controlling interests. The amount includes property revaluations included in equity accounted earnings.

*** Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listings Requirements, and in terms of circular 1/2019 issued by the South African Institute of Chartered Accountants.

11. Dividends

For the year to 31 March	2020 Pence per share	2020 Total £'000	2019 Pence per share	2019 Total £'000
Ordinary dividend				
Final dividend in prior year	13.5	134 777	13.5	127 944
Interim dividend for current year	11.0	109 546	11.0	110 128
Total dividend attributable to ordinary shareholders recognised in current financial year	**24.5**	**244 323**	**24.5**	**238 072**

In light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share.

On 13 March 2020, the group successfully completed the demerger of its asset management business and distributed 55% of its shareholding in Ninety One to the value of GBP 697.9 million. This resulted in a distribution per ordinary shareholder of 73.4 pence.

For the year to 31 March £'000	2020	2019
Perpetual preference dividend*		
Final dividend in prior year	10 698	11 200
Interim dividend for current year	11 168	10 840
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**21 866**	**22 040**
* *Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.*		
The directors have declared a final dividend in respect of the financial year ended 31 March 2020 of 8.43287 pence (Investec plc shares traded on the JSE Limited) and 8.43287 pence (Investec plc shares traded on the International Stock Exchange), 187.48647 cents (Investec plc Rand denominated shares), 382.21605 cents (Investec Limited) and 409.64891 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on 5 June 2020.		
Dividends attributable to Other Additional Tier 1 securities in issue^	**22 394**	**22 727**
The R550 000 000, R350 000 000 and R110 000 000 Other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25%, 5.15% and 4.55% respectively on a quarterly basis as set out in note 43. The dividend is shown gross of UK corporation tax following the amendment to IAS 12. The prior year has been restated as detailed in note 60.		
The £250 000 000 Other Additional Tier 1 fixed rate securities pay a distribution at a rate of 6.75% as set out in note 43.		
Total perpetual preference dividends and Other Additional Tier 1 securities distributions	**44 260**	**44 767**

11. Operating lease disclosures

For the year to 31 March £'000	2020	2019
Operating lease expenses recognised in operating costs:		
Minimum lease payments	107	38 769
Sublease payments	–	(2 443)
	107	**36 326**
Operating lease income recognised in operating income:		
Minimum lease payments	92 016	126 281
Sublease payments	–	(35 760)
	92 016	**90 521**
The majority of operating lease expenses in the group relate to leases on property.		
Rental income from leasing motor vehicles and properties is included in 'other operating income' and 'fee and commission income' respectively.		
Operating lease receivables*		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	64 090	120 698
One to five years	137 572	394 032
Later than five years	45 973	109 097
	247 635	**623 827**

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

* *On 1 April 2019 the group adopted IFRS 16 leases which replaced IAS 17 Leases. This resulted in operating leases brought on balance sheet. The prior period comparatives have not been restated.*

13. Analysis of income and impairments by category of financial instrument

This note is an analysis of income and impairments by category of financial instrument from the group's continuing operations.

	At fair value through profit or loss			**At fair value through other comprehensive income**					
	IFRS 9 mandatory								
For the year to 31 March £'000	Trading**	Non-trading**	Designated at initial recognition	Debt instruments with a dual business model	Equity instruments	Amortised cost	Non financial instruments	Other fee income*	**Total**
2020									
Interest income	80 475	156 841	64 922	281 586	–	2 086 222	17 175	11 199	2 698 420
Interest expense	(80 567)	(13)	(85 123)	–	–	(1 657 920)	(17 182)	(4 611)	(1 845 416)
Fee and commission income	20 254	5 201	–	–	–	290 259	98 968	422 908	837 590
Fee and commission expense	(29)	–	–	(187)	–	(27 652)	(7 292)	(11 958)	(47 118)
Investment income	8 240	86 304	17 727	8 435	340	(12 821)	(66 683)	(2 274)	39 268
Share of post taxation profit of associates and joint venture holdings	–	–	–	–	–	–	27 244	–	27 244
Trading income arising from									
- customer flow	86 017	5 082	(3 204)	(1)	–	(24 640)	–	–	63 254
- balance sheet management and other trading activities	19 338	2 125	(7 164)	–	–	13 241	(820)	–	26 720
Other operating income	–	4	–	–	–	2 045	1 402	3 426	6 877
Total operating income before expected credit loss impairment charges	**133 728**	**255 544**	**(12 842)**	**289 833**	**340**	**668 734**	**52 812**	**418 690**	**1 806 839**
Expected credit loss impairment charges	–	–	(2 350)	(1 145)	–	(126 786)	–	(3 020)	(133 301)
Operating income	**133 728**	**255 544**	**(15 192)**	**288 688**	**340**	**541 948**	**52 812**	**415 670**	**1 673 538**
2019^									
Interest income	67 065	103 253	53 528	294 120	–	2 088 958	7 979	16 919	2 631 822
Interest expense	(62 823)	(4 396)	(103 292)	–	–	(1 651 076)	(9)	6 423	(1 815 173)
Fee and commission income	19 730	4 935	–	–	–	168 040	97 188	541 770	831 663
Fee and commission expense	63	–	–	(117)	–	(21 119)	(4 198)	(13 634)	(39 005)
Investment income	17 287	156 328	4 521	8 957	–	4 631	(83 905)	–	107 819
Share of post taxation profit of associates and joint venture holdings	–	–	–	–	–	–	68 167	–	68 167
Trading income arising from									
- customer flow	115 648	4 665	9 925	–	–	136	–	(9 712)	120 662
- balance sheet management and other trading activities	22 403	163	17 123	–	–	(3 058)	198	–	36 829
Other operating income	–	5	–	–	–	2	7 345	3 684	11 036
Total operating income before expected credit loss impairment charges	**179 373**	**264 953**	**(18 195)**	**302 960**	**–**	**586 514**	**92 765**	**545 450**	**1 953 820**
Expected credit loss impairment charges	–	–	1 532	255	–	(67 877)	–	(368)	(66 458)
Operating income	**179 373**	**264 953**	**(16 663)**	**303 215**	**–**	**518 637**	**92 765**	**545 082**	**1 887 362**

* *Includes off balance sheet items*
** *Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or hedge elements of the trading book.*
^ *Restated as detailed in note 60.*

14. Analysis of assets and liabilities by category of financial instrument

At 31 March £'000	At fair value through profit or loss			At fair value through other comprehensive income						
	IFRS 9 mandatory									
	Trading*	Non-trading*	Designated at initial recognition	Equity instruments	Debt instruments with a dual business model	Financial assets linked to investment contract liabilities	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
2020										
Assets										
Cash and balances at central banks	–	–	–	–	–	–	–	3 932 048	–	3 932 048
Loans and advances to banks	–	–	–	–	–	–	–	2 666 851	–	2 666 851
Non-sovereign and non-bank cash placements	–	24 605	–	–	–	–	24 605	608 005	–	632 610
Reverse repurchase agreements and cash collateral on securities borrowed	252 623	655 365	–	–	–	–	907 988	2 056 615	–	2 964 603
Sovereign debt securities	–	914 427	–	–	3 483 706	–	4 398 133	195 760	–	4 593 893
Bank debt securities	7	64 301	–	–	320 155	–	384 463	220 458	–	604 921
Other debt securities	–	386 023	–	–	299 615	–	685 638	744 781	–	1 430 419
Derivative financial instruments**	2 034 399	–	–	–	–	–	2 034 399	–	–	2 034 399
Securities arising from trading activities	779 891	19 807	244 747	–	–	–	1 044 445	–	–	1 044 445
Investment portfolio	6 377	983 989	–	8 569	–	–	998 935	–	–	998 935
Loans and advances to customers	–	760 950	934 505	–	421 841	–	2 117 296	22 470 778	–	24 588 074
Own originated loans and advances to customers securitised	–	–	–	–	–	–	–	324 638	–	324 638
Other loans and advances	–	–	–	–	–	–	–	132 486	–	132 486
Other securitised assets	–	–	112 440	–	–	–	112 440	22 425	–	134 865
Interests in associated undertakings and joint venture holdings	–	–	–	–	–	–	–	–	701 311	701 311
Deferred taxation assets	–	–	–	–	–	–	–	–	265 896	265 896
Other assets	119 251	773	–	–	–	–	120 024	1 111 316	703 088	1 934 428
Property and equipment	–	–	–	–	–	–	–	–	356 573	356 573
Investment properties	–	–	–	–	–	–	–	–	863 864	863 864
Goodwill	–	–	–	–	–	–	–	–	270 625	270 625
Intangible assets	–	–	–	–	–	–	–	–	86 300	86 300
Non-current assets held for sale	–	–	–	–	–	–	–	–	58 905	58 905
	3 192 548	**3 810 240**	**1 291 692**	**8 569**	**4 525 317**	**–**	**12 828 366**	**34 486 161**	**3 306 562**	**50 621 089**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–	–	35 227	35 227	–	–	35 227
	3 192 548	**3 810 240**	**1 291 692**	**8 569**	**4 525 317**	**35 227**	**12 863 593**	**34 486 161**	**3 306 562**	**50 656 316**
Liabilities										
Deposits by banks	–	–	336	–	–	–	336	3 497 918	–	3 498 254
Derivative financial instruments**	2 248 849	–	–	–	–	–	2 248 849	–	–	2 248 849
Other trading liabilities	509 522	–	–	–	–	–	509 522	–	–	509 522
Repurchase agreements and cash collateral on securities lent	165 001	–	–	–	–	–	165 001	1 412 345	–	1 577 346
Customer accounts (deposits)	–	–	2 013 379	–	–	–	2 013 379	30 207 597	–	32 220 976
Debt securities in issue	–	–	219 915	–	–	–	219 915	1 517 276	–	1 737 191
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–	–	–	–	76 696	–	76 696
Liabilities arising on securitisation of other assets	–	–	110 679	–	–	–	110 679	–	–	110 679
Current taxation liabilities	–	–	–	–	–	–	–	–	51 308	51 308
Deferred taxation liabilities	–	–	–	–	–	–	–	–	44 788	44 788
Other liabilities	41 697	585	–	–	–	–	42 282	1 350 933	818 272	2 211 487
	2 965 069	**585**	**2 344 309**	**–**	**–**	**–**	**5 309 963**	**38 062 765**	**914 368**	**44 287 096**
Liabilities to customers under investment contracts	–	–	–	–	–	32 845	32 845	–	–	32 845
Insurance liabilities, including unit-linked liabilities	–	–	–	–	–	2 382	2 382	–	–	2 382
	2 965 069	**585**	**2 344 309**	**–**	**–**	**35 227**	**5 345 190**	**38 062 765**	**914 368**	**44 322 323**
Subordinated liabilities	–	–	343 233	–	–	–	343 233	1 093 128	–	1 436 361
	2 965 069	**585**	**2 687 542**	**–**	**–**	**35 227**	**5 688 423**	**39 155 893**	**914 368**	**45 758 684**

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

14. Analysis of assets and liabilities by category of financial instrument *(continued)*

	At fair value through profit or loss			At fair value through other comprehensive income						
	IFRS 9 mandatory									
At 31 March £'000	Trading*	Non-trading*	Designated at initial recognition	Equity instruments	Debt instruments with a dual business model	Financial assets linked to investment contract liabilities	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
2019										
Assets										
Cash and balances at central banks	–	1	–	–	–	–	1	4 992 819	–	4 992 820
Loans and advances to banks	–	–	–	–	–	–	–	2 322 821	–	2 322 821
Non-sovereign and non-bank cash placements	–	32 471	–	–	–	–	32 471	616 076	–	648 547
Reverse repurchase agreements and cash collateral on securities borrowed	462 544	87 370	–	–	–	–	549 914	1 218 834	–	1 768 748
Sovereign debt securities	–	800 355	–	–	3 456 456	–	4 256 811	281 412	–	4 538 223
Bank debt securities	–	67 020	–	–	283 114	–	350 134	367 179	–	717 313
Other debt securities	–	412 988	–	–	328 846	–	741 834	478 817	–	1 220 651
Derivative financial instruments**	1 034 166	–	–	–	–	–	1 034 166	–	–	1 034 166
Securities arising from trading activities	1 347 573	10 763	500 918	–	–	–	1 859 254	–	–	1 859 254
Investment portfolio	–	1 028 976	–	–	–	–	1 028 976	–	–	1 028 976
Loans and advances to customers	–	880 901	747 710	–	397 068	–	2 025 679	22 509 074	–	24 534 753
Own originated loans and advances to customers securitised	–	–	–	–	–	–	–	407 869	–	407 869
Other loans and advances	–	–	–	–	–	–	–	195 693	–	195 693
Other securitised assets	–	–	118 169	–	–	–	118 169	15 635	–	133 804
Interests in associated undertakings	–	–	–	–	–	–	–	–	387 750	387 750
Deferred taxation assets	–	–	–	–	–	–	–	–	248 893	248 893
Other assets	46 188	85 665	–	–	–	–	131 853	1 041 116	562 987	1 735 956
Property and equipment	–	–	–	–	–	–	–	–	261 650	261 650
Investment properties	–	–	–	–	–	–	–	–	994 645	994 645
Goodwill	–	–	–	–	–	–	–	–	366 870	366 870
Intangible assets	–	–	–	–	–	–	–	–	107 237	107 237
	2 890 471	**3 406 510**	**1 366 797**	**–**	**4 465 484**	**–**	**12 129 262**	**34 447 345**	**2 930 032**	**49 506 639**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–	–	8 217 573	8 217 573	–	–	8 217 573
	2 890 471	**3 406 510**	**1 366 797**	**–**	**4 465 484**	**8 217 573**	**20 346 835**	**34 447 345**	**2 930 032**	**57 724 212**
Liabilities										
Deposits by banks	–	–	–	–	–	–	–	3 016 306	–	3 016 306
Derivative financial instruments**	1 277 233	–	–	–	–	–	1 277 233	–	–	1 277 233
Other trading liabilities	672 405	–	–	–	–	–	672 405	–	–	672 405
Repurchase agreements and cash collateral on securities lent	433 790	–	–	–	–	–	433 790	671 273	–	1 105 063
Customer accounts (deposits)	–	–	2 372 841	–	–	–	2 372 841	28 934 266	–	31 307 107
Debt securities in issue	–	–	520 806	–	–	–	520 806	2 552 514	–	3 073 320
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–	–	–	–	91 522	–	91 522
Liabilities arising on securitisation of other assets	–	–	113 711	–	–	–	113 711	–	–	113 711
Current taxation liabilities	–	–	–	–	–	–	–	–	162 448	162 448
Deferred taxation liabilities	–	–	–	–	–	–	–	–	23 590	23 590
Other liabilities	44 071	3 605	–	–	–	–	47 676	1 029 239	688 734	1 765 649
	2 427 499	**3 605**	**3 007 358**	**–**	**–**	**–**	**5 438 462**	**36 295 120**	**874 772**	**42 608 354**
Liabilities to customers under investment contracts	–	–	–	–	–	8 214 634	8 214 634	–	–	8 214 634
Insurance liabilities, including unit-linked liabilities	–	–	–	–	–	2 939	2 939	–	–	2 939
	2 427 499	**3 605**	**3 007 358**	**–**	**–**	**8 217 573**	**13 656 035**	**36 295 120**	**874 772**	**50 825 927**
Subordinated liabilities	–	–	367 707	–	–	–	367 707	1 279 564	–	1 647 271
	2 427 499	**3 605**	**3 375 065**	**–**	**–**	**8 217 573**	**14 023 742**	**37 574 684**	**874 772**	**52 473 198**

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

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

15. Financial instruments at fair value

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used.

The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value disclosures on investment properties are included in the 'Investment properties' note 4.

		Fair value category		
At 31 March £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
2020				
Assets				
Non-sovereign and non-bank cash placements	24 605	–	24 605	–
Reverse repurchase agreements and cash collateral on securities borrowed	907 988	–	907 988	–
Sovereign debt securities	4 398 133	4 398 133	–	–
Bank debt securities	384 463	250 257	134 206	–
Other debt securities	685 638	264 939	277 704	142 995
Derivative financial instruments	2 034 399	3 611	2 001 143	29 645
Securities arising from trading activities	1 044 445	1 017 861	20 384	6 200
Investment portfolio	998 935	141 890	8 375	848 670
Loans and advances to customers	2 117 296	–	1 015 630	1 101 666
Other securitised assets	112 440	–	6 222	106 218
Other assets	120 024	120 024	–	–
Other financial instruments at fair value through profit or loss in respect of liabilities	35 227	35 227	–	–
	12 863 593	**6 231 942**	**4 396 257**	**2 235 394**
Liabilities				
Deposits by banks	336	–	–	336
Derivative financial instruments	2 248 849	13 853	2 208 315	26 681
Other trading liabilities	509 522	307 689	201 833	–
Repurchase agreements and cash collateral on securities lent	165 001	–	165 001	–
Customer accounts (deposits)	2 013 379	–	2 013 379	–
Debt securities in issue	219 915	–	219 915	–
Liabilities arising on securitisation of other assets	110 679	–	–	110 679
Other liabilities	42 282	–	41 697	585
Liabilities to customers under investment contracts	32 845	–	32 845	–
Insurance liabilities, including unit-linked liabilities	2 382	–	2 382	–
Subordinated liabilities	343 233	343 233	–	–
	5 688 423	**664 775**	**4 885 367**	**138 281**
Net financial assets/(liabilities) at fair value	**7 175 170**	**5 567 167**	**(489 110)**	**2 097 113**

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

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

Transfers between level 1 and level 2

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

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

Measurement of financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	Valuation basis/techniques	Main inputs
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curves
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Yield curves, discount rates, volatilities
Bank debt securities	Discounted cash flow model	Yield curves
Other debt securities	Discounted cash flow model	Yield curves, NCD curves and swap curves, discount rates, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves, discount rates
Securities arising from trading activities	Standard industry derivative pricing model Discounted cash flow model	Interest rate curves, implied bond spreads, equity volatilities, yield curves
Investment portfolio	Discounted cash flow model, relative valuation model Comparable quoted inputs	Discount rate and fund unit price, net assets
Loans and advances to customers	Discounted cash flow model	Yield curves
Other securitised assets	Discounted cash flow model	Yield curves
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, discount rates, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Yield curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Yield curves, discount rates
Customer accounts (deposits)	Discounted cash flow model	Yield curves, discount rates
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves
Liabilities to customers under investment contracts	Current price of underlying unitised assets	Listed prices
Insurance liabilities, including unit-linked liabilities	Current price of underlying unitised assets	Listed prices

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

Level 3 instruments

The following tables show a reconciliation of the opening balances to the closing balances for level 3 financial instruments. All instruments are at fair value through profit or loss.

£'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other level 3 assets	Total
Assets					
Balance as at 1 April 2018	**662 587**	**1 337 679**	**130 388**	**142 104**	**2 272 758**
Total gains/(losses)	(175)	69 261	(2 834)	16 865	83 117
In the income statement	(175)	69 056	(2 834)	16 865	82 912
In the statement of comprehensive income	–	205	–	–	205
Purchases	338 782 *	1 268 572	–	6 909	1 614 263
Sales	(95 646)	(889 145)	–	(8 404)	(993 195)
Settlement	(60 095)	(624 061)	(9 385)	(29 456)	(722 997)
Transfers into level 3	12 211	3 499	–	–	15 710
Foreign exchange adjustments	(27 693)	43 775	–	7 030	23 112
Balance as at 31 March 2019	**829 971**	**1 209 580**	**118 169**	**135 048**	**2 292 768**
Total gains/(losses)	(16 096)	33 060	(1 425)	25 725	41 264
In the income statement	(16 096)	32 582	(1 425)	25 725	40 786
In the statement of comprehensive income	–	478	–	–	478
Purchases	363 115	1 349 397	–	59 048	1 771 560
Sales	(278 853)	(1 039 464)	–	(1 082)	(1 319 399)
Settlements	(26 980)	(476 121)	(10 526)	(39 497)	(553 124)
Transfers into level 3	13 239	–	–	–	13 239
Transfers out of level 3	(4 785)	–	–	–	(4 785)
Foreign exchange adjustments	(30 941)	25 214	–	(402)	(6 129)
Balance as at 31 March 2020	**848 670**	**1 101 666**	**106 218**	**178 840**	**2 235 394**

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

During the current year there were transfers from level 3 into Level 1 of £4.8 million due to a listing of securities. £13.2 million of instruments has been transferred into level 3 due to delisting.

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

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

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

R'million	Liabilities arising on securitisation of other assets	Other level 3 liabilities	Total
Liabilities			
Balance as at 1 April 2018	**127 853**	**15 641**	**143 494**
Total gains/(losses)	(5 084)	(12 653)	(17 737)
In the income statement	(5 084)	(12 653)	(17 737)
In the statement of comprehensive income	–	–	–
Purchases	–	27 561	27 561
Sales	–	(11 800)	(11 800)
Settlements	(9 058)	–	(9 058)
Transfers into level 3	–	2 854	2 854
Foreign exchange adjustments	–	(1 372)	(1 372)
Balance as at 31 March 2019	**113 711**	**20 231**	**133 942**
Total gains/(losses)	(2 094)	10 341	8 247
In the income statement	(2 094)	10 341	8 247
In the statement of comprehensive income	–	–	–
Purchases	–	987	987
Issues	7 306	–	7 306
Settlements	(8 244)	(4 428)	(12 672)
Foreign exchange adjustments	–	471	471
Balance as at 31 March 2020	**110 679**	**27 602**	**138 281**

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

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

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
2020			
Total gains or (losses) included in the income statement for the year			
Net interest income	77 586	60 922	16 664
Net fee and commission expense	(3 184)	–	(3 184)
Investment loss/(income)	(48 949)	67 274	(116 223)
Trading loss arising from customer flow	(1 895)	–	(1 895)
Trading income arising from balance sheet management and other trading activities	8 981	–	8 981
	32 539	**128 196**	**(95 657)**
Total gains included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	1 694	1 694	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	478	–	478
	2 172	**1 694**	**478**

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

For the year to 31 March £'000	Total	Realised	Unrealised
2019			
Total gains or (losses) included in the income statement for the year			
Net interest income	100 041	86 118	13 923
Investment (loss)/income	(11 000)	9 675	(20 675)
Trading income/(loss) arising from customer flow	(3 272)	1 348	(4 620)
Trading income arising from balance sheet management and other trading activities	14 880	–	14 880
	100 649	**97 141**	**3 508**
Total gains or (losses) included in other comprehensive income for the year			
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	205	–	205
	205	**–**	**205**

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

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2020	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes £'000	Potential impact on the income statement: Unfavourable changes £'000
Assets					
Other debt securities	142 995	Potential impact on income statement		4 418	(12 430)
		Credit spreads	0.38% -0.88%	23	(144)
		Discount rate	5.56%	7	(43)
		Underlying asset value	^^	454	(442)
		Other	^	3 934	(11 801)
Derivative financial instruments	29 645	Potential impact on income statement		8 232	(8 846)
		Volatilities	4.1% - 25.3%	94	(283)
		Cash flow adjustments	CPR 6.8%	33	(31)
		Underlying asset value	^^	7 891	(7 891)
		Other	^	214	(641)
Securities arising from trading activities	6 200	Potential impact on income statement		736	(869)
		Cash flow adjustments	CPR 9.8%	736	(869)
Investment portfolio	848 670	Potential impact on income statement		90 235	(156 683)
		Price earnings multiple	5.3x -9.7x	5 210	(12 742)
		Underlying asset value	^^	9 553	(8 695)
		EBITDA	**	25 422	(25 302)
		Discount rate	(0.1%)/1.9%	969	(3 887)
		Cash flows	**	2 679	(1 760)
		Property values	(10%)/10%	14 806	(14 806)
		Precious and industrial metal prices	(6%)/6%	742	(1 237)
		Underlying asset value	#	1 096	(3 003)
		Other^	^	29 758	(85 251)
Loans and advances to customers	1 101 666	Potential impact on income statement		21 224	(54 897)
		Credit spreads	0.05% -5.9% & PAR	1 099	(7 041)
		Price earnings multiple	3.85x-7x	636	(466)
		Underlying asset value	^^	647	(352)
		Property values	(5%)/5%	23	(23)
		Underlying asset value	*	1 903	(3 145)
		Property values	#	278	(278)
		Other	^	16 638	(43 592)
		Potential impact on other comprehensive income		4 645	(724)
		Credit spreads	0.03% -5.8% & PAR	4 645	(724)
Other securitised assets	106 218	Potential impact on income statement		2 543	(2 530)
		Cash flow adjustments	CPR 6.8% -7.5%	2 543	(2 530)
Total level 3 assets	**2 235 394**			**132 033**	**(236 979)**

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

At 31 March 2020	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes £'000	Potential impact on the income statement: Unfavourable changes £'000
Liabilities					
Deposits by banks	(336)	Potential impact on income statement		–	48
		Underlying asset value	^	–	48
Derivative financial instruments	(26 681)	Potential impact on income statement		(7 929)	7 937
		Cash flow adjustments	5.60%	(24)	4
		Volatilities	4.1% -25.3%	(14)	42
		Underlying asset value	^^	(7 891)	7 891
Liabilities arising on securitisation of other assets	(110 679)	Potential impact on income statement		(546)	489
		Cash flow adjustments	CPR 6.8%	(546)	489
Other liabilities	(585)	Potential impact on income statement		(58)	58
		Property values	(10%)/10%	(58)	58
Total level 3 liabilities	**(138 281)**			**(8 533)**	**8 532**
Net level 3 assets	**2 097 113**				

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*
^ *Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.*
^^ *Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.*
** *The EBITDA and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*
# *Net asset values are calculated by reference to the fair value of the assets and liabilities within the entity.*

Within the Hong Kong direct investments portfolio in rundown there are exposures within the investment portfolio with a balance sheet value of £26 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £2.8 million and a unfavourable change of £8.4 million.

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

At 31 March 2019	Balance sheet value £'000	Significant unobservable input	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes £'000	Potential impact on the income statement: Unfavourable changes £'000
Assets					
Other debt securities	89 295	Potential impact on income statement		8 047	(7 849)
		Credit spreads	5.8%	117	(114)
		EBITDA	(5%)/5%	306	(306)
		Other	^^	7 624	(7 429)
Derivative financial instruments	38 635	Potential impact on income statement		22 720	(5 882)
		Volatilities	4.0% - 9.0%	129	(129)
		Credit spreads	7.1%	6	(9)
		Cash flow adjustments	CPR 6.2% - 10.2%	134	(124)
		Underlying asset value	^	7 731	(3 731)
		Other	^^	14 720	(1 889)
Securities arising from trading activities	7 118	Potential impact on income statement		1 119	(1 480)
		Cash flow adjustments	CPR 9.2%	1 119	(1 480)
Investment portfolio	829 971	Potential impact on income statement		158 957	(134 600)
		Price earnings multiple	3.2x -9.0x	8 852	(8 563)
		Underlying asset value	^	17 229	(11 739)
		Other	^^	83 729	(60 072)
		EBITDA	*	21 470	(21 043)
		Precious and industrial metal prices	(10%)/6%	2 186	(2 186)
		Cash flows	(50%)/50%	10 568	(9 552)
		Property values	(5%)/5%	10 151	(10 151)
		Various	**	4 772	(11 294)
Loans and advances to customers	1 209 580	Potential impact on income statement		75 262	(91 448)
		Credit spreads	0.1% - 6.2%	6 327	(9 089)
		Price earnings multiple	4.9x	703	(493)
		Underlying asset value	^	2 778	(2 347)
		Cash flows	(50%)/50%	16 053	(16 053)
		EBITDA	*	335	(335)
		Property values	(5%)/5%	100	(100)
		Other	^^	48 966	(63 031)
		Potential impact on other comprehensive income		1 673	(2 933)
		Credit spreads	0.03% - 2.1%	1 673	(2 933)
Other securitised assets	118 169	Potential impact on income statement		496	(473)
		Cash flow adjustments	CPR 6.2%	496	(473)
Total level 3 assets	**2 292 768**			**268 274**	**(244 665)**

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

At 31 March 2019	Balance sheet value £'000	Significant unobservable input	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes £'000	Potential impact on the income statement: Unfavourable changes £'000
Liabilities					
Derivative financial instruments	(16 626)	Potential impact on income statement		(8 035)	8 045
		Cash flow adjustments	CPR 6.2% - 10.2%	(107)	116
		Volatilities	5.0% - 9.0%	(174)	174
		Underlying asset value	^	(7 754)	7 755
Liabilities arising on securitisation of other assets#	(113 711)	Potential impact on income statement		(365)	344
		Cash flow adjustments	4.0% - 9.5%	(365)	344
Other liabilities	(3 605)	Potential impact on income statement		(505)	505
		Property values	4.0% - 9.5%	(505)	505
Total level 3 liabilities	**(133 942)**			**(8 905)**	**8 894**
Net level 3 assets	**2 158 826**				

* *The EBITDA and cash flows has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.*

** *The valuation sensitivity for certain equity investments and fair value loans have been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purpose of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

^ *Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.*

^^ *Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.*

The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.

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

In determining the value of level 3 financial instruments, the following are the principal input that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general, a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument.

Discount rates

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

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

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

EBITDA

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

Property values and precious and industrial metals

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

Underlying asset value

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

16. Fair value of financial instruments at amortised cost

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

			Fair value category		
At 31 March £'000	**Carrying amount**	**Fair value**	Level 1	Level 2	Level 3
2020					
Assets					
Cash and balances at central banks	3 932 048	3 932 058	3 919 312	12 746	–
Loans and advances to banks	2 666 851	2 666 694	2 159 790	502 009	4 895
Non-sovereign and non-bank cash placements	608 005	608 009	607 541	468	–
Reverse repurchase agreements and cash collateral on securities borrowed	2 056 615	2 056 440	1 527 883	528 557	–
Sovereign debt securities	195 760	229 207	229 207	–	–
Bank debt securities	220 458	215 915	122 463	93 452	–
Other debt securities	744 781	680 602	90 768	582 297	7 537
Loans and advances to customers	22 470 778	22 502 695	132 552	11 434 816	10 935 327
Own originated loans and advances to customers securitised	324 638	324 640	–	324 640	–
Other loans and advances	132 486	120 244	29 523	90 721	–
Other assets	1 111 316	1 111 227	680 961	408 622	21 644
Liabilities					
Deposits by banks	3 497 918	3 523 419	502 410	3 017 107	3 902
Repurchase agreements and cash collateral on securities lent	1 412 345	1 417 853	1 116 908	300 945	–
Customer accounts (deposits)	30 207 597	30 242 606	14 849 563	15 393 043	–
Debt securities in issue	1 517 276	1 532 509	611 196	918 742	2 571
Liabilities arising on securitisation of own originated loans and advances	76 696	76 696	–	76 696	–
Other liabilities	1 350 933	1 350 025	715 887	574 622	59 516
Subordinated liabilities	1 093 128	1 123 017	1 123 017	–	–
2019					
Assets					
Loans and advances to banks	2 322 821	2 322 798	1 902 222	412 225	8 351
Reverse repurchase agreements and cash collateral on securities borrowed	1 218 834	1 218 958	578 897	640 061	–
Sovereign debt securities	281 412	271 125	271 125	–	–
Bank debt securities	367 179	366 845	215 336	151 509	–
Other debt securities	478 817	467 820	148 322	249 969	69 529
Loans and advances to customers	22 509 074	22 561 179	–	13 019 540	9 541 639
Other loans and advances	195 693	197 587	337	194 795	2 455
Other assets	1 041 116	1 041 759	595 913	283 767	162 079
Liabilities					
Deposits by banks	3 016 306	3 037 771	245 658	2 792 113	–
Repurchase agreements and cash collateral on securities lent	671 273	668 870	497 354	171 516	–
Customer accounts (deposits)	28 934 266	28 934 451	12 849 161	16 085 221	69
Debt securities in issue	2 552 514	2 588 218	739 787	1 845 370	3 061
Other liabilities	1 029 239	906 643	482 818	367 047	56 778
Subordinated liabilities	1 279 564	1 361 823	1 361 784	39	–

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity included in customer accounts (deposits) and variable rate financial instruments.

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

Financial instruments for which fair value does not approximate carrying value

Differences in amortised cost and fair value occur in fixed rate instruments. The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

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

Loans and advances to banks	Calculation of the present value of future cash flows, discounted as appropriate.
Reverse repurchase agreements and cash collateral on securities borrowed	Calculation of the present value of future cash flows, discounted as appropriate.
Bank debt securities	Valued using a cash flow model of the bonds, discounted by an observable market credit curve.
Other debt securities	Priced with reference to similar trades in an observable market as well as calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
Deposits by banks	Calculation of fair value using appropriate funding rates. Calculation of the present value of future cash flows, discounted as appropriate.
Repurchase agreements and cash collateral on securities lent	Calculation of the present value of future cash flows, discounted as appropriate.
Short-term customer accounts (deposits)	Where the deposits are short-term in nature, carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities, they are valued using a cash flow model, discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised, fair value is equal to the carrying value. Other debt securities are valued using a cash flow model, discounted as appropriate to the securities for funding and interest rates.
Other liabilities	Where the other liabilities are short-term in nature, carrying amounts are assumed to approximate fair value.
Subordinated liabilities	Valued with reference to market prices.

17. Designated financial instruments at fair value

		Fair value adjustment		Change in fair value attributable to credit risk		
At 31 March £'000	**Carrying value**	**Current**	**Cumulative**	**Current**	**Cumulative**	**Maximum exposure to credit risk**
Designated financial assets at fair value						
2020						
Securities arising from trading activities	244 747	(31 876)	(24 112)	(2 236)	(2 158)	244 747
Loans and advances to customers	934 505	(26 321)	30 580	(1 821)	(3 017)	903 931
Other securitised assets	112 440	(3 959)	(9 332)	(3 959)	(9 332)	112 440
	1 291 692	**(62 156)**	**(2 864)**	**(8 016)**	**(14 507)**	**1 261 118**
2019						
Securities arising from trading activities	500 918	13 864	17 050	(244)	1 325	500 918
Loans and advances to customers	747 710	8 684	9 265	(1 499)	(1 619)	738 478
Other securitised assets	118 169	(4 607)	(13 170)	(4 607)	(13 170)	118 143
	1 366 797	**17 941**	**13 145**	**(6 350)**	**(13 464)**	**1 357 539**

			Fair value adjustment	
At 31 March £'000	**Carrying value**	**Remaining contractual amount to be repaid at maturity**	**Current**	**Cumulative**
Liabilities				
2020				
Deposits by banks	336	1 478	(637)	(637)
Customer accounts (deposits)	2 013 379	1 983 034	5 884	23 811
Debt securities in issue	219 915	239 556	(28 672)	(24 857)
Liabilities arising on securitisation of other assets	110 679	122 496	(2 261)	(11 912)
Subordinated liabilities	343 233	307 962	(24 555)	31 698
	2 687 542	**2 654 526**	**(50 241)**	**18 103**
2019				
Customer accounts (deposits)	2 372 841	2 367 073	(5 769)	7 553
Debt securities in issue	520 806	413 372	(2 814)	216
Liabilities arising on securitisation of other assets	113 711	130 833	(4 234)	(10 308)
Subordinated liabilities	367 707	307 962	56 253	56 253
	3 375 065	**3 219 240**	**43 436**	**53 714**

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.

Current and cumulative changes in fair value of financial liabilities attributable to credit risk were both £17.0 million (2019: £22.5 million) and £2.3 million (2019: £21.0 million) respectively.

18. Cash and balances at central banks

At 31 March £'000	2020	2019
Gross cash and balances at central banks	3 932 110	4 993 242
Expected credit loss on amortised cost	(62)	(422)
Net cash and balances at central banks	**3 932 048**	**4 992 820**
The country risk of cash and balances at central banks lies in the following geographies:		
South Africa	1 641 989	536 510
United Kingdom	2 235 297	4 404 487
Europe (excluding UK)	42 022	40 944
Other	12 740	10 879
	3 932 048	**4 992 820**

19. Loans and advances to banks

At 31 March £'000	2020	2019
Gross loans and advances to banks	2 667 076	2 322 925
Expected credit loss on amortised cost	(225)	(104)
Net loans and advances to banks	**2 666 851**	**2 322 821**
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	282 492	766 308
Africa (excluding RSA)	97 629	10 814
United Kingdom	1 067 036	692 771
Europe (excluding UK)	717 738	383 025
Australia	136 031	105 168
United States of America	317 981	117 241
Asia	40 087	244 566
Others	7 857	2 928
	2 666 851	**2 322 821**

20. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

At 31 March £'000	2020	2019
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	2 964 627	1 768 768
Expected credit loss on amortised cost	(24)	(20)
Net reverse repurchase agreements and cash collateral on securities borrowed	**2 964 603**	**1 768 748**
Reverse repurchase agreements	2 695 093	1 447 150
Cash collateral on securities borrowed	269 510	321 598
	2 964 603	**1 768 748**
As part of the reverse repurchase and securities borrowing agreements the group and company have received securities that they are allowed to sell or re-pledge. £442.9 million (2019: £393.3 million) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	1 551 445	991 749
Cash collateral on securities lent	25 901	113 314
	1 577 346	**1 105 063**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £1.3 billion (2019: £784.7 million). They are pledged as security for the term of the underlying repurchase agreement. Refer to note 51.

21. Sovereign debt securities

At 31 March £'000	2020	2019
Gross sovereign debt securities	4 594 081	4 538 413
Expected credit loss on amortised cost	(188)	(190)
Net sovereign debt securities	**4 593 893**	**4 538 223**
Bonds	1 381 159	1 198 019
Government securities	877 423	500 987
Treasury bills	2 335 311	2 839 217
	4 593 893	**4 538 223**
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	2 896 197	3 231 617
United Kingdom	1 189 195	1 069 409
Europe (excluding UK)	45 359	13 460
United States of America	435 562	216 078
Other	27 580	7 659
	4 593 893	**4 538 223**

22. Bank debt securities

At 31 March £'000	2020	2019
Gross bank debt securities	605 120	717 514
Expected credit loss on amortised cost	(199)	(201)
Net bank debt securities	**604 921**	**717 313**
Bonds	494 819	632 104
Floating rate notes	80 805	55 761
Asset-based securities	29 297	29 448
	604 921	**717 313**
The country risk of the bank debt securities lies in the following geographies:		
South Africa	306 695	374 590
United Kingdom	148 551	165 562
Europe (excluding UK)	71 987	70 249
Australia	48 001	56 377
United States of America	15 800	48 053
Other	13 887	2 482
	604 921	**717 313**

23. Other debt securities

At 31 March £'000	2020	2019
Gross other debt securities	1 431 671	1 221 335
Expected credit loss on amortised cost	(1 252)	(684)
Net other debt securities	**1 430 419**	**1 220 651**
Bonds	742 695	829 760
Floating rate notes	180 675	93 686
Asset-based securities	507 049	295 465
Other investments	–	1 740
	1 430 419	**1 220 651**
The country risk of the other debt securities lies in the following geographies:		
South Africa	445 459	475 425
United Kingdom	290 382	291 636
Europe (excluding UK)	266 769	194 221
Australia	–	10 909
United States of America	357 809	152 404
Other	70 000	96 056
	1 430 419	**1 220 651**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

24. Derivatives

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

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

	2020			2019		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	19 903 629	348 880	421 825	21 662 129	282 801	190 187
Currency swaps	7 790 418	319 630	601 956	3 278 785	150 124	297 125
OTC options bought and sold	5 092 972	118 112	112 619	7 942 122	54 995	56 352
Other foreign exchange contracts	183 668	466	513	263 900	1 062	1 369
	32 970 687	**787 088**	**1 136 913**	**33 146 936**	**488 982**	**545 033**
Interest rate derivatives						
Caps and floors	9 690 775	23 686	20 865	8 006 384	13 715	5 951
Swaps	90 340 377	620 575	493 101	85 205 078	257 836	258 131
Forward rate agreements	957 498	57 527	64 318	648 991	6 058	6 161
OTC options bought and sold	21 975	–	174	49 206	21	55
Other interest rate contracts	288 308	41 670	291	371 164	16 167	1 397
OTC derivatives	**101 298 933**	**743 458**	**578 749**	**94 280 823**	**293 797**	**271 695**
Exchange traded futures	48 460	3 662	35	798	2 771	–
	101 347 393	**747 120**	**578 784**	**94 281 621**	**296 568**	**271 695**
Equity and stock index derivatives						
OTC options bought and sold	6 258 714	358 012	283 121	8 898 683	190 274	252 593
Equity swaps and forwards	119 436	52 823	334 289	2 068 096	5 318	45 943
OTC derivatives	**6 378 150**	**410 835**	**617 410**	**10 966 779**	**195 592**	**298 536**
Exchange traded futures	353 727	–	–	606 478	114	–
Exchange traded options	9 896 516	–	237 424	10 726 463	1 987	153 046
Warrants	15 909	–	–	(313 965)	7 660	291 106
	16 644 302	**410 835**	**854 834**	**21 985 755**	**205 353**	**742 688**
Commodity derivatives						
OTC options bought and sold	483 474	42 191	49 487	257 538	8 512	15 031
Commodity swaps and forwards	979 696	186 934	182 113	769 709	46 080	39 128
	1 463 170	**229 125**	**231 600**	**1 027 247**	**54 592**	**54 159**
Credit derivatives	**1 622 930**	**18 172**	**118 872**	**1 725 980**	**10 640**	**40 572**
Other derivatives		**4 180**			**20 114**	
Cash collateral		**(162 121)**	**(672 154)**		**(42 083)**	**(376 914)**
Derivatives per balance sheet		**2 034 399**	**2 248 849**		**1 034 166**	**1 277 233**

25. Securities arising from trading activities

At 31 March £'000	2020	2019
Bonds	145 968	299 674
Government securities	372 781	419 350
Listed equities	488 476	1 135 686
Unlisted equities	–	4 544
Floating rate notes	35 495	–
Other investments	1 725	–
	1 044 445	**1 859 254**

26. Investment portfolio

At 31 March £'000	2020	2019
Listed equities	142 482	182 589
Unlisted equities*	520 419	692 544
Fair value loan investments	336 034	153 843
	998 935	**1 028 976**

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

^ *Included in unlisted equities is an investment of £8.6 million in a portfolio of perpetual preference shares issued by South African listed banks which is measured at FVOCI. Dividends recognised on the portfolio of preference shares £0.7 million. The group measures these investments at FVOCI as it considers them to be strategic investments.*

27. Loans and advances to customers

At 31 March £'000	2020	2019
Gross loans and advances to customers at amortised cost	22 792 104	22 798 559
Gross loans and advances to customers at FVOCI#	421 841	397 068
Gross loans and advances to customers designated at FVPL at inception^	937 522	749 240
Gross loans and advances to customers subject to ECL	24 151 467	23 944 867
Expected credit loss on amortised cost	(324 343)	(291 015)
	23 827 124	23 653 852
Loans and advances to customers at fair value	760 950	880 901
Net loans and advances to customers	**24 588 074**	**24 534 753**
Gross other loans and advances	133 628	197 100
Expected credit loss of other loans and advances	(1 142)	(1 407)
Net other loans and advances	**132 486**	**195 693**

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

Expected credit losses above do not include £2 million ECL held against financial assets held at FVOCI. This is reported on the balance sheet within reserves.

At 31 March £'000	2020	2019
Expected credit losses on loans and advances to customers at amortised cost		
Balance at the beginning of the year	291 015	364 266
Charge to the income statement	136 641	105 243
Utilised	(85 192)	(169 111)
Disposals	–	(2 028)
Transfers	4 973	4 606
Exchange adjustment	(23 094)	(11 961)
Balance at the end of the year	**324 343**	**291 015**
Expected credit losses on other loans and advances at amortised cost		
Balance at the beginning of the year	1 407	4 413
Release to the income statement	(33)	(2 888)
Transfers	–	111
Exchange adjustment	(232)	(229)
Balance at the end of the year	**1 142**	**1 407**

For further analysis on loans and advances refer to pages 34 to 47 in volume two in the risk management section.

28. Securitised assets and liabilities arising on securitisation

At 31 March £'000	2020	2019
Gross own originated loans and advances to customers securitised	325 359	408 419
Expected credit loss of own originated loans and advances to customers securitised	(721)	(550)
Net own originated loans and advances to customers securitised	**324 638**	**407 869**
Other securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	22 425	15 634
Loans and advances to customers	106 303	111 338
Other debt securities	6 137	6 832
Total other securitised assets	**134 865**	**133 804**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	**76 696**	**91 522**
Liabilities arising on securitisation of other assets	**110 679**	**113 711**
Expected credit losses on own originated loans and advances to customers securitised at amortised cost		
Balance at the beginning of year	550	659
Charge/(release) to the income statement	317	(55)
Utilised	–	(2)
Exchange adjustment	(146)	(52)
Balance at the end of year	**721**	**550**

29. Interests in associated undertakings and joint venture holdings

At 31 March £'000	2020	2019
Analysis of the movement in interests in associated undertakings and joint venture holdings:		
At the beginning of year	387 750	467 852
Acquisitions	48 477	2 271
Ninety One shareholding arising from demerger	339 749	–
Disposals	(615)	(27 430)
Share of post taxation profit of associates and joint venture holdings***	27 340	68 317
Profits or losses recognised in other comprehensive income and equity	(2 387)	(6 879)
Demerger of business	(37)	–
Transfer from investment portfolio	17 370	–
Settlement of loan	–	(10 495)
Impairment of associates and joint venture holdings*	(45 400)	–
Dividends received	(3 141)	(61 213)
Exchange adjustments	(67 795)	(44 673)
At the end of year	**701 311**	**387 750**

* Of the impairment, £10.7 million relates to impairments of associates recorded by IEP itself, and £34.7 million relates to the impairment processed by the group on the equity accounted value of IEP.

*** Included within the share of post taxation profit of associates and joint venture holdings balance is a profit of £0.1 million (31 March 2019: £0.2 million) presented within operational items in the income statement.

	2020	2019	2020	2020
Details of material associated companies	**IEP Group Proprietary Limited**		**UK Nestor**	**Ninety One**
Summarised financial information (£'000):				
For the year to 31 March				
Revenue**	729 819	811 414	–	19 200
Proft after taxation**	137 573	166 973	–	20 000
Total comprehensive income**	94 448	161 595	–	20 000
At 31 March				
Asset				
Non-current assets	928 024	1 086 739	294 685	145 200
Current assets	268 864	334 390	15 393	7 506 100
Liabilities				
Non-current liabilities	427 763	297 897	169 868	145 700
Current liabilities	116 466	348 380	7 223	7 354 500
Net asset value	**652 659**	**774 852**	**132 987**	**151 100**
Non-controlling interest	111 636	136 926	–	400
Shareholders' equity	541 023	637 926	132 987	150 700
Effective interest in issued share capital	47.4%	45.9%	38.0%	25.0%
Net asset value^	253 290	292 680	49 247	146 283
Goodwill	–	36 283	1 288	188 074
Carrying value of interest - equity method	**253 290**	**328 963**	**50 535**	**334 357**

** Income statement and other comprehensive income items are only shown for the period for which they are equity accounted.

^ The net asset value of IEP is £256.4 million (47.4% of £541.0 million) reduced by the portion of the impairment of IEP that exceeded the value of the goodwill. The investment in Ninety One was initially recognised on 13 March 2020 at a fair value of £330.0 million with subsequent equity accounted earnings increasing the value to £334.4 million. The portion of the net asset value of Ninety One, was £37.7 million (25% of £150.7 million) on 31 March 2020. The difference between the carrying value of Ninety One and the net asset value relates to goodwill and an intangible asset that was recognised in the carrying value as a direct result of the fair value exceeding the fair value of the identifiable assets as at 13 March 2020.

Management critically evaluated the equity accounted value of the group's investment in IEP and consequently recognised an impairment of £45.4 million in total in the current year. Management of IEP identified indicators of impairment of two investments in associates and recognised an impairment of £10.7 million. As a result of this impairment, Investec management performed an impairment test on the investment in IEP and recognised an additional impairment of £34.7 million. The recoverable amount of the investment in IEP was determined to be the value-in-use of the investment. The value-in-use was determined by calculating the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations. This estimate was performed for each of the assets held by IEP, using valuation techniques and assumptions management believed to be most representative of the ultimate realisation of the investments.

30. Deferred taxation

At 31 March £'000	2020	2019
Deferred taxation assets	265 896	248 893
Deferred taxation liabilities	(44 788)	(23 590)
Net deferred taxation assets	**221 108**	**225 303**
The net deferred taxation assets arise from:		
Deferred capital allowances	37 433	35 528
Income and expenditure accruals	79 729	97 410
Asset in respect of unexpired options	9 022	17 081
Unrealised fair value adjustments on financial instruments	68 670	60 445
Losses carried forward	33 410	26 804
Assets in respect of pensions surplus	–	32
(Liabilities)/asset in respect of pension contributions	315	238
Deferred tax on acquired intangibles	(14 203)	(16 292)
Revaluation of property	(11 416)	(15 501)
Finance lease accounting	3 902	2 891
Cash flow hedges	14 246	(249)
Other temporary differences	–	16 916
Net deferred taxation assets	**221 108**	**225 303**
Reconciliation of net deferred taxation assets/(liabilities):		
At the beginning of the year	225 303	209 588
Recovery to the income statement	19 136	16 023
Recovery directly in other comprehensive income	33 575	6 659
Acquisitions and disposals	(40 073)	–
Other	–	377
Exchange adjustments	(16 833)	(7 344)
At the end of the year	**221 108**	**225 303**

Deferred taxation assets are recognised to the extent it is likely that profits will be available 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 as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £58.4 million (2019: £159.0 million), capital losses carried forward of £173.5 million (2019: £87.4 million) and excess management expenses of £3.7 million (2019: £8.6 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The Finance Act 2015 reduced the main rate of corporate taxation to 19% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015.

On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020 but this reduction was reversed in the Finance Bill 2020 and given statutory effect under the provision of the Provisional Collection of Taxes Act 1968. The effect of these legislative changes is reflected in the above calculation of the deferred taxation asset as the rate was substantially enacted before 31 March 2020.

31. Other assets

At 31 March £'000	2020	2019
Gross other assets	1 934 479	1 740 751
Expected credit loss on amortised cost	(51)	(4 795)
Net other assets	**1 934 428**	**1 735 956**
Settlement debtors	943 565	673 810
Trading properties	67 738	200 388
Prepayments and accruals	100 527	178 990
Pension assets (refer to note 41)	–	180
Trading initial margin	107 849	49 569
Investec For Business debtors	–	139 418
Commodities	80 454	61 886
Corporate tax assets	6 612	76 817
Finance lease receivables^	322 211	–
Other	305 472	354 898
	1 934 428	**1 735 956**

^ *The group adopted IFRS 16 from 1 April 2019. The prior period comparatives have not been restated.*

32. Property and equipment

At 31 March £'000	Freehold properties	Right-of-use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
2020							
Cost							
At the beginning of the year	183 065	–	78 285	25 346	87 592	10 208	384 496
Exchange adjustments	(6 418)	10	1 590	9	(6 341)	–	(11 150)
Additions*	246	256 379	16 960	847	12 005	184	286 621
Disposals	–	(3 437)	(1 603)	(817)	(5 351)	(3 182)	(14 390)
Demerger of asset management	–	(98 000)	(16 329)	(1 432)	(10 998)	–	(126 759)
Write off of mining rights	–	–	(201)	–	–	–	(201)
Reclassifications	–	–	–	–	–	–	–
At the end of the year	**176 893**	**154 952**	**78 702**	**23 953**	**76 907**	**7 210**	**518 617**
Accumulated depreciation							
At the beginning of the year	(6 569)	–	(23 136)	(16 766)	(68 704)	(7 671)	(122 846)
Exchange adjustments	(6 387)	(467)	348	(16)	(6 347)	–	(12 869)
Acquisition of a subsidiary undertaking	–	–	–	–	–	–	–
Disposals	–	1 166	1 872	382	5 019	3 029	11 468
Demerger of asset management	–	9 197	1 111	670	7 761	–	18 739
Depreciation charge for year - continuing operations	(4 323)	(19 044)	(7 078)	(1 614)	(11 318)	(1 407)	(44 784)
Depreciation charge for year - discontinued operations	–	(9 651)	(260)	(200)	(1 641)	–	(11 752)
	–	–	–	–	–	–	–
At the end of the year	**(17 279)**	**(18 799)**	**(27 143)**	**(17 544)**	**(75 230)**	**(6 049)**	**(162 044)**
Net carrying value	**159 614**	**136 153**	**51 559**	**6 409**	**1 677**	**1 161**	**356 573**
2019							
Cost							
At the beginning of the year	177 046	–	67 126	22 883	103 888	10 758	381 701
Exchange adjustments	–	–	911	448	(10 474)	–	(9 115)
Acquisition of subsidiary undertaking	–	–	–	–	50	–	50
Additions	8 738	–	43 560	7 364	19 464	244	79 370
Disposals	(2 719)	–	(34 094)	(5 349)	(25 336)	(794)	(68 292)
Reclassifications	–	–	782	–	–	–	782
At the end of the year	**183 065**	**–**	**78 285**	**25 346**	**87 592**	**10 208**	**384 496**
Accumulated depreciation							
At the beginning of the year	(4 080)	–	(49 272)	(19 778)	(69 127)	(6 104)	(148 361)
Exchange adjustments	–	–	1 034	(26)	(10 592)	20	(9 564)
Disposals	359	–	33 788	5 041	21 793	570	61 551
Disposal of subsidiary undertakings	–	–	–	–	(10 778)	–	(10 778)
Depreciation	(2 848)	–	(7 904)	(2 003)	–	(2 157)	(14 912)
Reclassifications	–	–	(782)	–	–	–	(782)
At the end of the year	**(6 569)**	**–**	**(23 136)**	**(16 766)**	**(68 704)**	**(7 671)**	**(122 846)**
Net carrying value	**176 496**	**–**	**55 149**	**8 580**	**18 888**	**2 537**	**261 650**

^ *The group adopted IFRS 16 from 1 April 2019 and as a result recognised right-of-use assets. Right of use assets primarily comprises property leases under IFRS 16. The prior period comparatives have not been restated.*

* *Additions include transfers from work in progress reported in other assets in the prior year. The group adopted IFRS 16 from 1 April 2019 and as a result, recognised right-of-use assets included within additions of £223 million. The prior period comparatives have not been restated. Refer to implementaion of IFRS 16 note 62.*

On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been shown separately in the income statement.

33. Investment properties

At 31 March £'000	2020	2019
At the beginning of the year	994 645	1 184 097
Additions	91 285	12 706
Disposals	(27 313)	(32 537)
Fair value movement	(31 545)	(32 280)
Reclassifications*	(7 040)	–
Exchange adjustments	(156 168)	(137 341)
At the end of the year	**863 864**	**994 645**

* *Reclassifications of £58.9 million to Non-current assets held for sale and £51.9 million was transferred from trading properties as there was a change in use of the property.*

All investment properties are classified as level 3 in the fair value hierarchy.

For total gains and losses on investment properties recognised in the income statement, refer to note 4.

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

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

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

Valuation techniques used to derive level 3 fair values

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

The following factors influence the equivalent yield applied by management when determining the fair value of a building:

- Vacancy rate
- Expected rental
- Lease term

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

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

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

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

Given the high tenancy rate, the long-term vacancy rate may not always be applicable. At 31 March 2020 it was determined if the equivalent yield applied per property increases/(decreases) by 25 basis points the value of the portfolio of properties would decrease or increase by 5% respectively. Across the properties held at 31 March 2019 it was determined that if the equivalent yield applied per property increase/(decreases) by 50 basis points the overall value of the properties would decrease by 5.36%or increase by 6.0%.

During the year investment properties to the value of £58.9 million has been reclassified from investment properties to non-current assets held for sale within Investec Property Fund. Non-current assets held-for-sale comprise solely of investment properties and therefore are excluded from the measurement scope of IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations and continue to be measured according to the fair value model.

34. Goodwill

At 31 March £'000	2020	2019
2020		
Cost		
At the beginning of the year	410 831	424 391
Acquisitions	477	118
Demerger of asset management	(88 045)	–
Disposal of subsidiaries	(6 911)	–
Exchange adjustments	(3 902)	(13 678)
At the end of the year	**312 450**	**410 831**
Accumulated impairment		
At the beginning of the year	(43 961)	(55 588)
Impairments	(145)	(155)
Exchange adjustments	2 281	11 782
At the end of the year	**(41 825)**	**(43 961)**
Net carrying value	**270 625**	**366 870**
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	–	88 045
Wealth & Investment	236 318	243 343
Specialist Banking	24 865	24 660
	261 183	**356 048**
Southern Africa		
Wealth & Investment	1 631	1 922
Specialist Banking	7 811	8 900
	9 442	**10 822**
	270 625	**366 870**

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

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

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

34. Goodwill *(continued)*

UK and Other

The most significant cash-generating units giving rise to goodwill is Investec Wealth & Investment which now includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group) which was merged with Investec Wealth & Investment in August 2012.

For Investec Wealth & Investment, goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 8.7% (2019: 8.6%) which incorporate an expected revenue growth rate of 2% in perpetuity (2019: 2%). The valuation is based on value in use of the business.

Sensitivity analysis has been carried out and it has been concluded that the key assumptions would need to increase to 18.7% for the discount rate or to reduce the present value of the future cash flows by 60% in order to cause an impairment to be recognised.

Southern Africa

Goodwill attributed to the South African operations relates to the Investec for business and the Investec Wealth & Investment group.

The goodwill relating to Investec for business has been identified as a separate cash-generating unit and has been tested for impairment, taking into account profitability, being the budgeted profits and the future profit growth for the next five years. The valuation is based on management's assessment of appropriate profit forecasts and discount rates to estimate the fair value. Discount rate applied of 5.25% is determined using the South African inter-bank lending rate, adjusted for business specific risk.

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

The valuation is a level 3 in the fair value hierarchy.

Movement in goodwill

The goodwill of £88.0 million relating to Investec Asset Management was written off as part of the demerger which took place in March 2020, refer to note 36. Goodwill of £6.9 million was written off as part of the sale of the Ireland Wealth businesses during the current year, refer to note 60. There were no significant movements in goodwill for the prior year.

35. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Management contracts	Client relationships	Total
2020					
Cost					
At the beginning of the year	71 480	2 103	592	212 309	286 484
Exchange adjustments	(394)	–	–	(590)	(984)
Additions	8 605	–	–	–	8 605
Disposals	(6 005)	(2 103)	–	–	(8 108)
Write off internal software	–	–	(592)	–	(592)
At the end of the year	**73 686**	**–**	**–**	**211 719**	**285 405**
Accumulated amortisation and impairments					
At the beginning of the year	(56 433)	(1 261)	(592)	(120 961)	(179 247)
Exchange adjustments	(460)	–	–	(475)	(935)
Disposals	3 536	1 090	–	–	4 626
Amortisation	(8 037)	–	–	(16 104)*	(24 141)
Write off internal software	–	–	592	–	592
At the end of the year	**(61 394)**	**(171)**	**–**	**(137 540)**	**(199 105)**
Net carrying value	**12 292**	**(171)**	**–**	**74 179**	**86 300**
2019					
Cost					
At the beginning of the year	81 837	4 153	605	213 090	299 685
Exchange adjustments	(729)	–	(13)	(781)	(1 523)
Acquisition of subsidiary undertaking	–	700	–	–	700
Additions	11 323	5 126	–	–	16 449
Disposals	(20 951)	–	–	–	(20 951)
Write off internal software	–	(7 876)	–	–	(7 876)
At the end of the year	**71 480**	**2 103**	**592**	**212 309**	**286 484**
Accumulated amortisation and impairments					
At the beginning of the year	(68 132)	(1 090)	(531)	(104 543)	(174 296)
Exchange adjustments	(691)	–	13	(676)	(1 354)
Disposals	19 890	–	–	–	19 890
Amortisation	(7 500)	(2 026)	(74)	(15 742)*	(25 342)
Write off internal software	–	1 855	–	–	1 855
At the end of the year	**(56 433)**	**(1 261)**	**(592)**	**(120 961)**	**(179 247)**
Net carrying value	**15 047**	**842**	**–**	**91 348**	**107 237**

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010 and Evolution Group in December 2011, Investec Capital Asia Limited in April 2011, NCB Group in June 2012 and Investec Import Solutions group in July 2015.

* *Management contracts and client relationships are acquired intangibles. Amortisation of acquired intangibles as disclosed in the income statement £16.1 million (2019: £15.8 million).*

36. Acquisitions and disposals and discontinued operations

Sale of Irish Wealth & Investment business

During the current year, the group completed the sale of its Republic of Ireland Wealth & Investment business for proceeds of €44 million. The decision to dispose of the business was taken in light of changes in Investec's Irish business model, brought about by Brexit planning and the ongoing consolidation taking place in the wealth management industry in Ireland. The sale did not impact the group's other Irish businesses which have the necessary regulatory structure in place to continue to provide their existing range of specialist financial services.

Asset Management business

On 13 March 2020, the group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. The loss of control of Investec Asset Management was effected through the distribution of Ninety One shares to shareholders.

Gain on loss of control of Ninety One	£'000
The gain is calculated as follows:	
Fair value of the distributions	697 854
Investment in associate measured at fair value (including holdings by Investec staff share schemes)	383 535
Net asset value of Asset Management derecognised previously consolidated at 13 March 2020 (including Goodwill)	(228 710)
Non-controlling interest derecognised previously included in the consolidation of Ninety One at 13 March 2020	28 708
Foreign currency translation reserve recycled to the income statement at 13 March 2020	(13 980)
Gain on the distribution of Ninety One shares (before tax)	**867 407**
Implementation costs	(47 174)
Gain on the distribution of Ninety One shares (before tax)	**820 233**
Taxation on gain	(14 405)
Related taxation	592
Gain on the distribution of Ninety One shares net of taxation and implementation costs	**806 420**
Major classes of assets and liabilities	
Insurance related assets	7 806 250
Loans and advances to banks	264 604
Remaining assets (including goodwill)	499 078
Remaining liabilities	(8 341 222)
	228 710

36. Acquisitions and disposals and discontinued operations *(continued)*

The table below presents the income statement from discontinued operations for the year ended 31 March 2020 and 31 March 2019.

Combined consolidated income statement of discontinued operations

£'000	Year to 31 March 2020 UK and Other	Year to 31 March 2020 Southern Africa	Year to 31 March 2020 Total	Year to 31 March 2019 UK and Other	Year to 31 March 2019 Southern Africa	Year to 31 March 2019 Total
Net interest income	(2 235)	3 962	1 727	568	5 115	5 683
Net fee and commission income	392 591	191 388	583 979	378 180	178 721	556 901
Investment income	(2 042)	35	(2 007)	–	25	25
Trading income/(loss) arising from						
– balance sheet management and other trading activities	1 634	(76)	1 558	5 120	(62)	5 058
Other operating income	4 697	745	5 442	3 773	1 622	5 395
Total operating income before expected credit loss impairment charges	**394 645**	**196 054**	**590 699**	**387 641**	**185 421**	**573 062**
Expected credit loss impairment charges	–	–	–	7	(1)	6
Operating income	**394 645**	**196 054**	**590 699**	**387 648**	**185 420**	**573 068**
Operating costs	(285 542)	(115 398)	(400 940)	(279 813)	(113 893)	(393 706)
Operating profit before strategic actions and non-controlling interests	**109 103**	**80 656**	**189 759**	**107 835**	**71 527**	**179 362**
Profit attributable to non-controlling interests from discontinued operations	(18 106)	(11 241)	(29 347)	(15 942)	(9 716)	(25 658)
Operating profit	**90 997**	**69 415**	**160 412**	**91 893**	**61 811**	**153 704**
Gain on distribution net of implementation costs	549 263	270 970	820 233	(6 190)	(500)	(6 690)
Profit before taxation	**640 260**	**340 385**	**980 645**	**85 703**	**61 311**	**147 014**
Taxation on operating profit before strategic actions	(19 112)	(22 088)	(41 200)	(18 796)	(19 856)	(38 652)
Taxation on strategic actions	1 253	(15 066)	(13 813)	161	196	357
Earnings attributable to shareholders from discontinued operations	**622 401**	**303 231**	**925 632**	**67 068**	**41 651**	**108 719**

37. Long-term assurance business attributable to policyholders

At 31 March £'000	2020	2019
Liabilities to customers under investment contracts		
Investec Life Limited	32 845	26 682
Investec Assurance Limited	–	8 187 952
	32 845	8 214 634
Insurance liabilities, including unit -linked liabilities - Investec Life Limited	2 382	2 939
	35 227	**8 217 573**
Investec Life Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	35 227	29 621
	35 227	**29 621**
Investments shown above comprise:		
Interest-bearing securities	10 879	11 624
Stocks, shares and unit trusts	24 348	11 644
Deposits	–	6 353
	35 227	**29 621**
Investec Assurance Limited		
The assets of the long-term assurance fund attributable to policyholders are detailed below:		
Investments	–	8 170 691
Debtors and prepayments	–	14 484
Other assets	–	2 777
	–	**8 187 952**
Assets of long-term assurance fund attributable to policyholders		
Investments shown above comprise:		
Interest-bearing securities	–	2 666 789
Stocks, shares and unit trusts	–	5 348 525
Deposits	–	155 377
	–	**8 170 691**

The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies. Investec Assurance Limited was distributed as part of the demerger of the Asset Management business.

Assets related to the long-term assurance business attributable to policyholders are at fair value through profit and loss and are classified as level 1 in the fair value hierarchy.

38. Other trading liabilities

At 31 March £'000	2020	2019
Deposits	201 834	116 281
Short positions		
- Equities	216 131	414 357
- Gilts	91 557	141 767
	509 522	**672 405**

39. Debt securities in issue

At 31 March £'000	2020	2019
Repayable in:		
Less than three months	47 299	79 710
Three months to one year	120 445	240 305
One to five years	1 320 376	2 100 073
Greater than five years	249 071	653 232
	1 737 191	**3 073 320**

40. Other liabilities

At 31 March £'000	2020	2019
Settlement liabilities	1 018 415	707 477
Other creditors and accruals	499 642	731 271
Other non-interest bearing liabilities	155 006	289 783
Dividends Rewards Programme liability	29 077	33 154
Lease liabilities*	488 849	–
Long service employee benefits liability (refer to note 8)	14 006	–
Expected credit loss on off balance sheet commitments and guarantees	6 492	3 964
	2 211 487	**1 765 649**
Lease liabilities*		
Reconciliation from opening balance to closing balance:		
Opening balance	–	–
Adoption of IFRS 16	597 002	–
Interest	18 358	–
Additional leases	47 109	–
Disposals	(10 945)	–
Demerger of business	(99 576)	–
Repayment of lease liabilities	(75 101)	–
Exchange adjustments	12 002	–
Closing balance	**488 849**	**–**
Lease liabilities included in other liabilities due in	**Undiscounted**	**Present Value**
Less than one year	71 876	66 804
One to five years	259 259	230 962
Later than five years	227 077	192 931
Exchange adjustment	–	(1 848)
	558 212	**488 849**

* The group adopted IFRS 16 from 1 April 2019. The prior period comparatives have not been restated.

41. Pension commitments

At 31 March £'000	2020	2019
Income statement charge		
Defined benefit obligations net income included in net interest income*	(2)	(68)
Defined benefit net costs included in administration costs*	49	134
Defined contribution schemes included in staff costs	45 928	42 763
Net Income statement change in respect of pensions	**45 975**	**42 829**

* Net amounts recognised in the income statement arising from the defined benefit scheme have been reclassified to discontinued operations (see note 36).

During the year, the group completed the demerger transaction to incorporate Ninety One plc (previously Investec Asset Management plc) as an independent company (see note 36). As a result of this, the net assets of the Ninety One UK pension scheme (the scheme: previously the Investec Asset Management Pension scheme) were derecognised from the consolidated group balance sheet. Investec plc has no ongoing involvement with the scheme and has no liabilities or obligations in respect of the scheme at 31 March 2020.

The most recent valuation of the scheme whilst it was accounted for within the group was performed at 30 September 2019 by qualified independent actuaries in accordance with IAS 19. Historical details of the assumptions and risk exposures which related to the scheme are provided below for comparative purposes only and are not applicable at 31 March 2020.

	At 30 September 2019	At 31 March 2019
The major assumptions used were:		
Discount rate	1.80%	2.40%
Rate of increase in salaries	3.10%	3.20%
Rate of increase in pensions in payment	2.00% - 3.05%	2.00%-3.20%
Inflation (RPI)	3.10%	3.30%
Inflation (CPI)	2.10%	2.20%
Demographic assumptions		
One of the most significant demographic assumptions underlying the valuation of the scheme in the previous year was mortality. The specific mortality rates used at 30 September 2019 and 31 March 2019 are based on the 2017 Club Vita base tables with allowance for future improvements in line with CMI 2018 core projections and a long-term improvement of 1.25% per annum. The life expectancies underlying the valuations were as follows		
	Years	**Years**
Male aged 65	88.4	88.4
Female aged 65	88.7	88.7
Male aged 45	89.2	89.2
Female aged 45	90.5	90.5

Sensitivity analysis of assumptions at 30 September 2019

As noted above, following the demerger, the group no longer has any exposure to the scheme. The following sensitivities applied to the valuation that was carried out at 30 September 2019:

- If the discount rate was 0.5% higher, the scheme liabilities would have increased by approximately £1,829,000 if all the other assumptions remained unchanged.
- If life expectancies were to increase by 1 year, the scheme liabilities would have increased by approximately £773,000 if all the other assumptions remained unchanged.

The sensitivity analysis presented above may not have been representative of the actual change in the defined benefit obligation as it was unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may have been correlated.

The sensitivity analysis was 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.

41. Pension commitments *(continued)*

Risk exposures

A description of the risks to which the pension schemes expose Investec group can be found in the risk management report on page 74.

Following the demerger, the group no longer underwrites the risks relating to any defined benefit pension plan.

At 31 March £'000	2020	2019
Managed funds	–	17 605
Cash	–	185
Total market value of assets	**–**	**17 790**

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

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

The Trustee's current investment strategy is to strike a balance between maximising the returns on the scheme's assets and minimising the risks associate with lower than expected returns.

At 31 March £'000	2020	2019
Recognised in the balance sheet		
Fair value of plan assets	–	17 790
Present value of obligations	–	(17 610)
Net asset (recognised other assets)	**–**	**180**
Recognised in the income statement		
Net interest income*	2	68
Administration costs*	(49)	(134)
Net amount recognised in the income statement	**(47)**	**(66)**
** Net amounts recognised in the income statement arising from the scheme have been reclassified to discontinued operations (see note 36)*		
Recognised in the statement of comprehensive income		
Return on plan assets (excluding amounts in net interest income)	245	(823)
Actuarial gain arising from changes in financial assumptions	(1 711)	(1 558)
Remeasurement of defined benefit asset	(1 466)	(2 381)
Deferred tax	249	457
Remeasurement of net defined benefit asset	**(1 217)**	**(1 924)**

41. Pension commitments *(continued)*

At 31 March £'000	Total
Changes in the net asset/(liabilities) recognised in the balance sheet	
Opening balance sheet asset at 1 April 2018	**2 627**
Expenses charged to the income statement	(66)
Amount recognised in other comprehensive income	(2 381)
Opening balance sheet asset at 1 April 2019	**180**
Expenses charged to the income statement	(47)
Amount recognised in other comprehensive income	(1 466)
Derecognition of net assets as a result of demerger	1 333
Closing balance sheet asset at 31 March 2020	**–**

At 31 March £'000	Total
Changes in the present value of defined benefit obligations	
Opening defined benefit obligation at 1 April 2018	**16 107**
Interest expense	419
Remeasurement gains and losses:	
– Actuarial gain arising from changes in financial assumptions	1 558
Benefits and expenses paid	(474)
Closing defined benefit obligation at 1 April 2019	**17 610**
Interest expense	209
Remeasurement gains and losses:	
– Actuarial gain arising from changes in financial assumptions	1 711
Benefits and expenses paid	(201)
Derecognition of defined benefit obligation as a result of demerger	(19 329)
Closing defined benefit obligation at 31 March 2020	**–**
Changes in the fair value of plan assets	
Opening fair value of plan assets at 1 April 2018	**18 733**
Interest income	487
Remeasurement gain and losses:	
– Return on plan assets (excluding amounts in net interest income)	(823)
Administration expenses	(607)
Opening fair value of plan assets at 1 April 2019	**17 790**
Interest income	211
Remeasurement gains and losses:	
– Return on plan assets (excluding amounts in net interest income)	245
Administration expenses	(249)
Derecognition of plan assets as a result of demerger	(17 997)
Closing fair value of plan assets at 31 March 2020	**–**

The triennial funding valuation of the schemes was carried out as at 31 March 2018. The IAM scheme is fully funded.

The weighted average duration of the IAM scheme's liabilities at 31 March 2019 is 17.5 years. This includes average duration of deferred pensioners of 21.5 years and average duration of pensioners in payment of 13.3 years.

42. Subordinated liabilities

At 31 March £'000	2020	2019
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes at FVPL	343 233	367 707
Subordinated fixed rate re-set callable medium-term notes amortised cost	443 798	435 992
Issued by Investec Bank Limited		
IV019 indexed rate subordinated unsecured callable bonds	8 081	8 241
IV019A indexed rate subordinated unsecured callable bonds	16 878	19 732
IV025 variable rate subordinated unsecured callable bonds	–	53 196
IV026 variable rate subordinated unsecured callable bonds	–	39 897
IV030 indexed rate subordinated unsecured callable bonds	–	26 663
IV030A indexed rate subordinated unsecured callable bonds	–	22 533
IV031 variable rate subordinated unsecured callable bonds	–	26 598
IV033 variable rate subordinated unsecured callable bonds	7 178	8 458
IV034 fixed rate subordinated unsecured callable bonds	4 559	5 373
IV035 variable rate subordinated unsecured callable bonds	66 268	78 092
IV036 variable rate subordinated unsecured callable bonds	1 445	1 702
IV037 variable rate subordinated unsecured callable bonds	91 012	81 548
IV038 variable rate subordinated unsecured callable bonds	15 800	18 619
IV039 indexed rate subordinated unsecured callable bonds	8 435	9 532
IV040 variable rate subordinated unsecured callable bonds	26 588	31 332
IV041 fixed rate subordinated unsecured callable bonds	8 577	10 107
IV042 variable rate subordinated unsecured callable bonds	2 257	2 660
IV043 fixed rate subordinated unsecured callable bonds	6 771	7 979
IV044 variable rate subordinated unsecured callable bonds	10 834	12 767
IV045 indexed rate subordinated unsecured callable bonds	82 252	92 595
IV046 variable rate subordinated unsecured callable bonds	54 170	63 835
IV047 variable rate subordinated unsecured callable bonds	82 091	73 821
IV049 variable rate subordinated unsecured callable bonds	50 235	45 146
Issued by Investec Limited		
INLV02 variable rate subordinated unsecured callable bonds	12 459	14 682
INLV03 variable rate subordinated unsecured callable bonds	4 243	5 000
INLV04 variable rate subordinated unsecured callable bonds	11 511	13 565
INB001 variable rate subordinated unsecured callable bonds	77 686	69 899
	1 436 361	**1 647 271**
All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand		
Remaining maturity:		
In one year or less, or on demand	11 737	168 887
In more than one year, but not more than two years	625 417	47 078
In more than two years, but not more than five years	355 410	950 168
In more than five years	443 797	481 138
	1 436 361	**1 647 271**
Reconciliation from opening balance to closing balance:		
Opening balance	1 647 271	1 619 878
Issue of subordinated liabilities	–	462 734
Redemption of subordinated liabilities	(169 028)	(402 619)
Consumer Price Index, effective interest rate adjustments and currency adjustments on foreign denominated bonds adjustment	73 898	73 822
Exchange adjustments	(115 780)	(106 544)
Closing balance	**1 436 361**	**1 647 271**

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.

42. Subordinated liabilities *(continued)*

Medium-term notes

Subordinated fixed rate medium-term notes at FVPL

On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due in 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes are redeemable at par on 17 February 2022. On 29 June 2011 Investec Bank plc issued £75 000 000 of 9.625% subordinated notes due in 2022 at a premium (2022 notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 notes issued on 17 February 2011). On 1 April 2018 the group adopted IFRS 9 Financial instruments which replaced IFRS 39 Financial instruments: recognition and measurement. The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 564 000 against its amortised cost value £579 673 000 was an increase in disclosed liability of £136 891 000.

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

Subordinated fixed rate re-set callable medium-term notes amortised cost

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

IV019 indexed rate subordinated unsecured callable bonds

R179 million (2019: R155 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R374 million (2019: R371 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV025 variable rate subordinated unsecured callable bonds

Rnil (2019: R1 000 million) Investec Bank Limited IV025 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 12 December, 12 March, 12 June and 12 September at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 12 September 2024. The maturity date is 12 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification or from 12 September 2019. These bonds were called on 12 September 2019.

IV026 variable rate subordinated unsecured callable bonds

Rnil (2019: R750 million) Investec Bank Limited IV026 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 27 December, 27 March, 27 June and 27 September at a rate equal to the three-month JIBAR plus 2.45% up to and excluding 27 September 2024. The maturity date is 27 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification or from 27 September 2019. These bonds were called on 27 September 2019.

IV030 indexed rate subordinated unsecured callable bonds

Rnil (2019: R501 million) Investec Bank Limited IV030 locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030 is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2020. These bonds were called on 31 January 2020.

IV030A indexed rate subordinated unsecured callable bonds

Rnil (2019: R424 million) Investec Bank Limited IV030A locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030A is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2020. These bonds were called on 31 January 2020.

IV031 variable rate subordinated unsecured callable bonds

Rnil (2019:R500 million) Investec Bank Limited IV031 locally registered subordinated unsecured callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the three-month JIBAR plus 2.95% up to and excluding 11 March 2025. The maturity date is 11 March 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 March 2020. These bonds were called on 11 March 2020.

42. Subordinated liabilities *(continued)*

IV033 variable rate subordinated unsecured callable bonds

R159 million Investec Bank Limited IV033 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualif1ication or from 11 February 2021.

IV034 fixed rate subordinated unsecured callable bonds

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

IV035 variable rate subordinated unsecured callable bonds

R1 468 million Investec Bank Limited IV035 locally registered subordinated unsecured callable bonds are due in April 2027. Interest is payable quarterly on 7 April, 7 July, 7 October and 7 January at a rate equal to the three-month JIBAR plus 4.65% up to and excluding 7 April 2027. The maturity date is 7 April 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 7 April 2022.

IV036 variable rate subordinated unsecured callable bonds

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

IV037 variable rate subordinated unsecured callable bonds

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

IV038 variable rate subordinated unsecured callable bonds

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

IV039 indexed rate subordinated unsecured callable bonds

R187 million (2019: R179 million) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 31 January 2027. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 Jan 2022.

IV040 variable rate subordinated unsecured callable bonds

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

IV041 fixed rate subordinated unsecured callable bonds

R190 million Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

42. Subordinated liabilities *(continued)*

IV042 variable rate subordinated unsecured callable bonds

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

IV043 fixed rate subordinated unsecured callable bonds

R150 million Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 21 February, 21 May, 21 August and 21 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date is 21 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

IV044 variable rate subordinated unsecured callable bonds

R240 million Investec Bank Limited IV044 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.15% up to and excluding 18 November 2026. The maturity date is 31 january 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV045 indexed rate subordinated unsecured callable bonds

R1 822 million (2019: R1 740 million) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV045 is a replica of the R212 South African government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV046 variable rate subordinated unsecured callable bonds

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

IV047 variable rate subordinated unsecured callable bonds

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

IV049 variable rate subordinated unsecured callable bonds

R1 113 million (2019: R849 million) Investec Bank Limited IV049 locally registered subordinated unsecured callable bonds are due in 4 December 2028. Interest is payable quarterly in arrears on 4 March, 4 June and 4 September and 4 December at a rate equal to three-month JIBAR plus 3.413% basis points up to and excluding 4 March 2028. The maturity date is 4 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 4 March 2028.

INLV02 variable rate subordinated unsecured callable bonds

R276 million Investec Limited INVL02 locally registered subordinated unsecured callable bonds are due in October 2025. Interest is payable quarterly on 20 January, 20 April, 20 July and 20 October at a rate equal to the three-month JIBAR plus 3.7% up to and excluding 20 October 2025. The maturity date is 20 October 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 October 2020.

INLV03 variable rate subordinated unsecured callable bonds

R94 million Investec Limited INVL03 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.35% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

42. Subordinated liabilities *(continued)*

INLV04 variable rate subordinated unsecured callable bonds

R255 million Investec Limited INVL04 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to 12.77% up to and excluding 7 April 2027. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.

INB001 variable rate subordinated unsecured callable bonds

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

43. Ordinary share capital

At 31 March £'000	2020	2019
Investec plc		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	Number
At the beginning of the year	682 121 211	669 838 695
Issued during the year	13 961 407	12 282 516
At the end of the year	**696 082 618**	**682 121 211**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	136	134
Issued during the year	2	2
At the end of the year	**138**	**136**
Number of special converting shares	**Number**	Number
At the beginning of the year	318 904 709	310 722 744
Issued during the year	–	8 181 965
At the end of the year	**318 904 709**	**318 904 709**
Nominal value of special converting shares	**£'000**	£'000
At the beginning of the year	64	61
Issued during the year	–	3
At the end of the year	**64**	**64**
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.*

43. Ordinary share capital *(continued)*

At 31 March	2020	2019
Investec Limited		
Authorised		
The authorised share capital of Investec Limited is R1 960 002 (2019: R1 960 002), comprising 450 000 000 (2019: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2019: 48 091 681) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2019: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2019: 1 500 000) Class ILRP2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2019: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2019: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2019: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2019: 1) Dividend Access (South African resident) redeemable preference share of R1.00, 1 (2019: 1) Dividend Access (non-South African resident) redeemable preference share of R1.00, 700 000 000 (2019: 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares).		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	Number
At the beginning of the year	318 904 709	310 722 744
Issued during the year	–	8 181 965
At the end of the year	**318 904 709**	**318 904 709**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	46	46
Issued during the year	*	*
At the end of the year	**46**	**46**
Number of special converting shares	**Number**	Number
At the beginning of the year	682 121 211	669 838 695
Issued during the year	13 961 407	12 282 516
At the end of the year	**696 082 618**	**682 121 211**
Nominal value of special converting shares	**£'000**	£'000
At the beginning of the year	5	5
Issued during the year	*	*
At the end of the year	**5**	**5**
Number of SA DAN shares	**Number**	Number
At the beginning and end of the year	**1**	**1**
Nominal value of SA DAN share	**£'000**	£'000
At the beginning and end of the year	*	*
Number of SA DAS shares	**Number**	Number
At the beginning and end of the year	**1**	**1**
Nominal value of SA DAS shares	**£'000**	£'000
At the beginning and end of the year	*	*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited		
Total called up share capital	253	251
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(4)	(4)
Total called up share capital	**247**	**245**

* *Less than £1 000.*

43. Ordinary share capital *(continued)*

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling: Rand exchange rates. In terms of the DLC structure shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 8.

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

	Number	Number
For the year to 31 March	**2020**	**2019**
Opening balance	44 941 101	49 282 005
Demerger	(1 701 349)	–
Issued during the year	13 431 500	14 366 136
Exercised	(13 003 747)	(17 216 065)
Lapsed	(3 090 087)	(1 490 975)
Closing balance	**40 577 418**	**44 941 101**

The purpose of the staff share scheme is to promote an esprit de corps within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the groups' share price.

At present, the practice of the group is to grant all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from three to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members.

The extent of the director's and staff interests in the incentive scheme is detailed on page 202 to 222 and 236 and 237 in volume one.

44. Perpetual preference shares

At 31 March £'000	2020	2019
Perpetual preference share capital	31	31
Perpetual preference share premium (refer to note 45)	168 487	194 125
	168 518	**194 156**
Issued by Investec Limited		
32 214 499 (2019: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums:		
– Preference share capital	2	2
– Preference share premium	143 722	169 360
Perpetual preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.77% of South African prime overdraft rate on R100 being the deemed value of the issue price of the perpetual preference share held. Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the perpetual preference shares.		
An ordinary dividend will not be declared by Investec Limited unless the perpetual preference dividend has been declared. If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc		
2 754 587 (2019: 2 754 587) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Perpetual preference share capital	29	29
– Perpetual preference share premium	23 607	23 607
Perpetual preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the perpetual preference dividend has been declared.		
If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc - Rand denominated		
131 447 (2019: 131 447) non-redeemable, non-cumulative, non-participating perpetual preference shares of R0.001 each, issued at an average premium of R99.999 per share		
– Perpetual preference share capital	*	*
– Perpetual preference share premium	1 158	1 158
Rand-denominated perpetual preference shareholders will receive a dividend if declared based on the coupon rate (being equivalent to South African prime rate multiplied by 95%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the Rand perpetual preference dividend has been declared.		
If declared, Rand-denominated perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	168 518	**194 156**

* *Less than £1000.*

45. Share premium

At 31 March £'000	2020	2019
Share premium – Investec plc	988 637	1 539 789
Share premium – Investec Limited	529 215	737 592
Perpetual preference share premium	168 487	194 125
	1 686 339	**2 471 506**

46. Treasury shares

At 31 March	2020	2019
	£'000	**£'000**
Treasury shares held by subsidiaries of Investec Limited and Investec plc	**272 881**	**189 134**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	31 744 014	21 638 673
Investec Limited ordinary shares held by subsidiaries	51 026 675	29 686 599
Investec plc and Investec Limited shares held by subsidiaries	**82 770 689**	**51 325 272**
Reconciliation of treasury shares	**Number**	**Number**
At the beginning of the year	51 325 272	46 735 143
Purchase of own shares by subsidiary companies	56 121 890	24 112 435
Shares disposed of by subsidiaries	(24 676 473)	(19 522 306)
At the end of the year	**82 770 689**	**51 325 272**
	£'000	**£'000**
Market value of treasury shares		
Investec plc	48 219	95 708
Investec Limited	77 510	131 304
	125 729	**227 012**

47. Other Additional Tier 1 securities in issue

At 31 March £'000	2020	2019
Issued by Investec Limited		
R550 million Other Additional Tier 1 floating rate notes pay interest quarterly on 12 August, 12 November, 12 February and 12 May at a rate equal to the three-month JIBAR plus 4.25%. There is no maturity date but the issuer has the option to redeem on 12 August 2024 and on every interest payment date thereafter. The interest is payable at the option of the issuer.	24 827	29 257
Investec Limited issued R350 million Other Additional Tier 1 floating rate notes on 22 March 2018. Interest is payable quarterly on 22 June, 22 September, 22 December and 22 March at a rate equal to the three-month JIBAR plus 5.15%. There is no maturity date but the issuer has the option to redeem on 22 March 2023 and on every interest payment date thereafter. The interest is payable at the option of the issuer.	15 800	18 619
Issued by Investec Limited subsidiary		
Investec Bank Limited issued R93 million and R17 million Other Additional Tier 1 floating rate notes on the 26 March 2019 and 29 March 2019 respectively. Interest is payable quarterly on the 26 June, 26 September,26 December and 26 March at a rate equal to the three-month JIBAR plus 4.55%. There is no maturity date but the issuer has the option to redeem on the 26 June 2024 and on any interest payment date thereafter. The interest is payable at the option of the issuer.	4 966	5 852
Issued by Investec plc		
On 5 October 2017, the Investec plc issued £250 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ("AT1 securities") at par. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment date, the company can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the investors will lose their entire investment in the securities should the Common Equity Tier 1 capital ratio of the Investec plc group as defined in the PRA's rules fall below 7%. The AT1 Securities are redeemable at the option of the company on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.	250 000	250 000
	295 593	**303 728**

48. Non-controlling interests

At 31 March £'000	2020	2019
Perpetual preference shares issued by Investec Bank Limited	69 259	81 616
Non-controlling interests in partially held subsidiaries	501 957	549 257
	571 216	**630 873**
Perpetual preferred securities issued by subsidiaries		
Issued by an Investec Limited subsidiary	69 259	81 616
15 447 630 (2019: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums. Perpetual preference shareholders will be entitled to receive dividends, if declared, at a rate of 83.33% of South African prime overdraft rate on R100 being the deemed value of the issue price of the perpetual preference share held. Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares. An ordinary dividend will not be declared by Investec Bank Limited unless the perpetual preference dividend has been declared. If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
	69 259	**81 616**

The following table summarises the information relating to the group's partially held subsidiaries which have material non-controlling interests:

	Investec Asset Management Holdings (Pty) Ltd*		Investec Asset Management Limited*		Investec Property Fund Limited**	
	2020	2019	**2020**	2019	**2020**	2019
Non-controlling interests (NCI) (%)	0.0%	20.0%	0.0%	20.0%	75.7%	73.4%
Summarised financial information (R'million)						
Total assets	–	8 363 600	–	448 128	1 348 171	1 121 929
Total liabilities	–	8 284 185	–	332 024	686 177	422 902
Revenue	196 054	185 421	394 645	387 641	96 300	82 529
Profit after taxation	54 279	51 167	84 649	88 344	91 606	79 061
Carrying amount of NCI	–	16 632	–	21 013	498 590	511 383
Dividends to NCI	15 419	9 614	20 908	14 110	35 183	39 783
Profit allocated to NCI	11 241	9 716	18 106	15 942	67 090	57 992

* *On 13 March 2020, the group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. The loss of control of Investec Asset Management was effected through the distribution of Ninety One shares to shareholders. Further details relating to the demerger are provided on note 36 on page 115 to 116.*

** *Investec Property Fund Limited (IPF) is a subsidiary of Investec Limited.*

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

The reduction in the shareholding of IPF is as a result of a Investec not participating in a share issue.

49. Finance lease disclosures

At 31 March £'000	2020 Total future minimum payments	2020 Present value	2019 Total future minimum payments	2019 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	332 026	275 152	322 837	265 899
One to five years	507 561	447 258	479 587	423 500
Greater than five years	5 015	4 684	4 935	4 640
	844 602	**727 094**	**807 359**	**694 039**
Unearned finance income	**117 508**		**113 320**	

At 31 March 2020, unguaranteed residual values accruing to the benefit of Investec were £10.7 million (2019: £6.6 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2020 Total future undiscounted cash flows	2020 Present value
Finance lease receivables included in other assets		
Lease receivables due:		
Less than one year	51 739	49 265
One to five years	182 472	162 389
Later than 5 years	149 367	110 557
Total undiscounted lease payments receivable	**383 578**	**322 211**
Unearned finance income	(61 367)	
Net investment in lease	**322 211**	

The group adopted IFRS 16 from 1 April 2019. The group has a head lease and sublease arrangement with external partners and has recognised finance lease receivables of £330 million and corresponding lease liabilities of £325 million. The prior period comparatives have not been restated.Refer to implementaion of IFRS 16 note 62.

50. Notes to cash flow statement

At 31 March £'000	2020	2019
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation	1 320 472	687 205
Additional costs on acquisition of subsidiary	–	(200)
Impairment of goodwill	145	155
Amortisation of acquired intangibles	16 104	15 816
Net gain on distribution and disposal of group operations	(840 568)	–
Depreciation, amortisation and impairment of property, equipment and intangibles	64 573	40 812
Expected credit loss excluding ECL on cash	133 301	65 132
Impairment of associate and joint venture holdings	45 400	–
Share of post taxation profit of associates and joint venture holdings	(27 244)	(68 317)
Dividends received from associates and joint venture holdings	3 124	772
Share-based payment charges	46 599	72 714
	761 906	**814 089**
Increase in operating assets		
Loans and advances to banks	(263 216)	(257 872)
Reverse repurchase agreements and cash collateral on securities borrowed	(1 421 798)	283 144
Sovereign debt securities	(573 846)	(61 422)
Bank debt securities	20 686	(174 225)
Other debt securities	(345 489)	(398 083)
Derivative financial instruments	(1 190 391)	237 974
Securities arising from trading activities	731 748	(527 979)
Investment portfolio	(197 604)	(145 709)
Loans and advances to customers	(2 516 465)	(1 682 798)
Securitised assets	20 259	10 183
Other assets	(343 526)	120 623
Investment properties	(23 381)	56 216
Assurance assets	376 640	(743 205)
Non-current assets classified as held for sale	(69 473)	–
	(5 795 856)	**(3 283 153)**
Increase in operating liabilities		
Deposits by banks	861 122	288 183
Derivative financial instruments	1 162 292	(93 730)
Other trading liabilities	(93 240)	(195 466)
Repurchase agreements and cash collateral on securities lent	686 019	509 777
Customer accounts (deposits)	3 798 208	2 469 073
Debt securities in issue	(1 274 855)	416 308
Securitised liabilities	(4 175)	(44 821)
Other liabilities	958 332	(100 223)
Assurance liabilities	(377 806)	741 281
	5 715 897	**3 990 382**

51. Commitments

At 31 March £'000	2020	2019
Undrawn facilities	3 847 088	4 461 641
Other commitments	101 016	30 588
	3 948 104	**4 492 229**

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.

	2020	2019
Operating lease commitments*		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	–	78 494
One to five years	–	329 162
Later than five years	–	222 444
	–	**630 100**

* *On 1 April 2019 the group adopted IFRS 16. This resulted in lease liability being raised in other liabilities including a maturity analysis of future lease payments. Refer to note 40 for details.*

At 31 March £'000	Carrying amount of pledged asset 2020	Carrying amount of pledged asset 2019	Related liability 2020	Related liability 2019
Pledged assets				
Other loans and advances	29 513	101 643	26 566	95 426
Loans and advances to customers	306 768	268 099	251 202	251 289
Loans and advances to banks	484 742	53 693	437 828	55 596
Sovereign debt securities	1 498 898	773 944	1 297 575	663 537
Bank debt securities	46 561	120 169	42 116	112 050
Other debt securities	393 244	87 995	350 439	82 477
Securities arising from trading activities	227 693	827 535	219 785	706 377
	2 987 419	**2 233 078**	**2 625 511**	**1 966 752**

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.

52. Contingent liabilities

At 31 March £'000	2020	2019
Guarantees and assets pledged as collateral security:		
- Guarantees and irrevocable letters of credit	1 333 669	1 313 014
	1 333 669	**1 313 014**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec plc and Investec Limited on behalf of third parties and other group companies.

The guarantees are issued as part of the banking business.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investments Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. These claims, if any, cannot be reasonably estimated at this time but the group does not expect the ultimate resolution of any of the proceedings to which the group is party to have a significant adverse effect on the financial position of the group.

Investec Bank plc has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as *cum* ex transactions). Investigations are ongoing and no formal proceedings have yet been issued. Investec Bank plc is cooperating with the German authorities and is conducting its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences including financial penalties. The Group has not disclosed whether it has established a provision or contingent liability with respect to this matter because it has concluded that such disclosure can be expected to seriously prejudice its outcome.

53. Related party transactions

At 31 March £'000	2020	2019
Compensation of key management personnel		
Details of directors remuneration and interest in shares, including the disclosures required by IAS 24 Related party transactions and compensation of key management personnel, are disclosed in the remuneration report on pages 198 to 222 and 237 in volume one.		
Transactions, arrangements and agreements involving key management personnel:		
Transactions, arrangements and agreements with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Key management personnel and connected persons and companies controlled by them		
Loans		
At the beginning of the year	44 937	37 327
Increase in loans	5 255	7 886
Decrease in loans*	(42 427)	(430)
Exchange adjustments	–	154
At the end of the year	**7 765**	**44 937**
Guarantees		
At the beginning of the year	13 360	402
Additional guarantees granted	918	13 367
Decrease in guarantees*	(13 686)	(6)
Exchange adjustments	–	(403)
At the end of the year	**592**	**13 360**
Deposits		
At the beginning of the year	(36 037)	(28 604)
Increase in deposits	(2 068)	(10 297)
Decrease in deposits*	26 116	2 786
Exchange adjustments	1	78
At the end of the year	**(11 988)**	**(36 037)**

* *Decrease includes changes in leadership during the current year.*

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.

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

Transactions with other related parties

The group has an investment in Grove Point (UK) Limited in which a previous Investec director has significant influence. The group has made an investment of £47.8 million (2019: £44.3 million) with no further committed funding. The terms and conditions of the transaction were no more favourable than those available, on similar transactions to non-related entities on an arm's length basis.

For the year to 31 March £'000	2020	2019
Transactions with associates and joint venture holdings		
Amounts due from associates and joint venture holdings and their subsidiaries	**573 286**	**194 094**
Interest income from loans to associates and joint venture holdings	**16 969**	**6 787**
Interest expense from loans to associate and joint venture holdings	**4 724**	**5 022**

The above arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

54. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages, the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges and cash flow hedges and in particular accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure.

Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument being hedged	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
2020						
Assets	Interest rate swap	(150 774)	(146 729)	(111 389)	146 459	111 143
Liabilities	Interest rate swap	831	831	(71)	(913)	(38)
		(149 943)	**(145 898)**	**(111 460)**	**145 546**	**111 105**
2019						
Assets	Interest rate swap	(13 228)	(13 211)	(1 438)	13 096	2 231
Liabilities	Interest rate swap	902	902	520	(875)	(623)
		(12 326)	**(12 309)**	**(918)**	**12 221**	**1 608**

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

Carrying amount of the hedged item

At 31 March £'000	2020	2019
Assets		
Sovereign debt securities	1 428 143	2 495 874
Bank debt securities	235 685	346 571
Other debt securities	192 299	436 654
Loans and advances to customers	1 352 046	1 916 298
Other assets	185 206	–
Liabilities		
Customer accounts (deposits)	141 886	411 019

54. Hedges *(continued)*

Maturity analysis of hedged item

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
2020							
Assets - notionals							
Sovereign debt securities	–	–	480 037	–	179 072	788 491	1 447 600
Bank debt securities	–	–	–	4 920	244 352	–	249 272
Other debt securities	–	–	5 011	73 716	77 651	56 709	213 087
Loans and advances to customers	–	106	880	2 287	1 191 322	131 774	1 326 369
Other assets	1 629	4 841	7 315	14 851	131 038	25 533	185 207
Liabilities - notionals							
Customer accounts (deposits)	33 300	12 775	3 235	29 300	58 888	3 711	141 209
2019							
Assets - notionals							
Sovereign debt securities	–	–	–	–	38 378	–	38 378
Bank debt securities	–	5 532	–	–	66 388	85 167	157 087
Other debt securities	–	–	–	–	–	5 087	5 087
Loans and advances to customers	–	3 021	315	9 497	1 721 928	183 744	1 918 505
Liabilities - notionals							
Customer accounts (deposits)	2 171	2 385	100 926	130 175	169 398	3 661	408 716

Included within balance sheet management and other trading activities is £0.2 million gain (2019: £1.1 million) relating to hedge ineffectiveness.

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

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates and foreign exchange rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement when the cash flow occurs.

At 31 March £'000	Description of financial instrument being hedged	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
2020			
Cross-currency swap	Bonds	(116 691)	Three months
Forward exchange contracts	Dividends	3 521	Three months
		(113 170)	
2019			
Cross-currency swap	Bonds	(66 548)	Three months
Forward exchange contracts	Dividends	10 987	Three months
		(55 561)	

There was no ineffective portion recognised in the income statement.

Releases to the income statement for cash flow hedges of £14 million 2019: (£27.2 million).

There are £3.5 million (2019: £10.9 million) accumulated cash flow hedge reserves for hedged items that have ceased to be adjusted for hedging gains and losses.

54. Hedges *(continued)*

Hedges of net investments in foreign operations

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

At 31 March £'000	Hedging instrument fair value
2020	**171**
2019	(533)

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

55. 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
2020								
Liabilities								
Deposits by banks	81 687	61 237	50 211	228 707	87 134	3 012 230	18 583	3 539 789
Derivative financial instruments	1 364 214	125 734	207 783	135 782	153 791	255 413	67 321	2 310 038
- held-for-trading	1 126 753	–	–	–	–	–	–	1 126 753
- held for hedging risk	237 461	125 734	207 783	135 782	153 791	255 413	67 321	1 183 285
Other trading liabilities	509 524	–	–	–	–	–	–	509 524
Repurchase agreements and cash collateral on securities lent	169 223	322 224	927 717	11 894	3 818	91 947	101 011	1 627 834
Customer accounts (deposits)	12 706 516	2 414 881	4 519 429	4 754 739	3 189 695	4 355 975	536 522	32 477 757
Debt securities in issue	–	14 548	37 242	30 085	141 276	1 403 576	249 083	1 875 810
Liabilities arising on securitisation of own originated loans and advances	–	13	660	2 367	2 366	17 361	58 007	80 774
Liabilities arising on securitisation of other assets	–	–	3 305	3 197	6 120	40 159	77 075	129 856
Other liabilities	188 446	1 053 409	238 939	186 424	76 839	321 283	239 146	2 304 486
Subordinated liabilities	329	2 715	3 764	26 606	44 876	1 092 532	491 400	1 662 222
Total on balance sheet liabilities	**15 019 939**	**3 994 761**	**5 989 050**	**5 379 801**	**3 705 915**	**10 590 476**	**1 838 148**	**46 518 090**
Contingent liabilities	208 464	1 619	264 955	55 303	52 198	700 502	264 077	1 547 118
Commitments	472 619	9 315	381 667	152 056	204 311	1 472 754	1 396 038	4 088 760
Total liabilities	**15 701 022**	**4 005 695**	**6 635 672**	**5 587 160**	**3 962 424**	**12 763 732**	**3 498 263**	**52 153 968**
2019								
Liabilities								
Deposits by banks	179 954	472 695	101 059	28 094	384 856	1 900 154	16 461	3 083 273
Derivative financial instruments	829 586	3 049	79 951	63 738	96 270	191 531	36 011	1 300 136
- held-for-trading	673 494	–	–	–	–	–	–	673 494
- held for hedging risk	156 092	3 049	79 951	63 738	96 270	191 531	36 011	626 642
Other trading liabilities	672 406	–	–	–	–	–	–	672 406
Repurchase agreements and cash collateral on securities lent	525 171	224 818	211 480	18 119	19 765	46 256	127 818	1 173 427
Customer accounts (deposits)	10 964 695	3 246 562	4 614 791	4 089 588	4 539 249	3 979 471	177 099	31 611 455
Debt securities in issue	–	98 278	113 178	165 187	399 186	2 095 326	355 214	3 226 369
Liabilities arising on securitisation of own originated loans and advances	–	–	4 011	3 966	5 634	1 128	84 286	99 025
Liabilities arising on securitisation of other assets	–	–	2 951	2 767	5 345	44 422	84 315	139 800
Other liabilities	347 579	672 969	431 550	92 940	33 175	158 601	32 569	1 769 383
Subordinated liabilities	425	3 208	36 951	102 795	119 238	1 181 871	509 250	1 953 738
Total on balance sheet liabilities	**13 519 816**	**4 721 579**	**5 595 922**	**4 567 194**	**5 602 718**	**9 598 760**	**1 423 023**	**45 029 012**
Contingent liabilities	197 255	5 926	261 554	220 649	75 393	552 558	59 702	1 373 037
Commitments	399 820	136 996	439 784	120 006	367 960	1 562 871	1 464 852	4 492 289
Total liabilities	**14 116 891**	**4 864 501**	**6 297 260**	**4 907 849**	**6 046 071**	**11 714 189**	**2 947 577**	**50 894 338**

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 63 to 64 of volume 2.

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

At 31 March	Principal activity	Country of incorporation	Interest % 2020	Interest % 2019
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100%	100%
Investec Holding Company Limited	Investment holding	England and Wales	100%	100%
Indirect subsidiaries of Investec plc				
Investec Asset Finance plc	Leasing company	England and Wales	100%	100%
Investec Bank plc	Banking institution	England and Wales	100%	100%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100%	100%
Investec Capital Asia Limited	Investment banking	Hong Kong	100%	100%
Investec Capital & Investments (Ireland) Limited	Financial services	Ireland	100%	100%
Investec Finance Limited	Debt issuer	England and Wales	100%	100%
Investec Group (UK) Limited	Holding company	England and Wales	100%	100%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Holdings (Australia) Limited	Holding company	Australia	100%	100%
Investec Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Ireland Limited	Financial services	Ireland	100%	100%
Investec Securities (US) LLC	Financial services	USA	100%	100%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100%	100%
Reichmans Geneva SA	Trading company	Switzerland	100%	100%
Rensburg Shepperd's plc	Holding company	England and Wales	100%	100%

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

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

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

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note i to the Investec plc company accounts on pages 162 to 166.

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

Consolidated structured entities

Investec plc has no equity interest in the following structured entities which are consolidated. Typically, a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	*Type of structured entity*
Landmark Mortgage Securities No 2 plc	Securitised Residential Mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Times Funding 2 plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation refer to note 28.

For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 50.

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

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 £98.7 million (2019: £93.7 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 77 to 82.

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 28.

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

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/income earned*
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investment 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 2020 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	4 721	Limited to the carrying value	Investment loss	(33)

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

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

Unconsolidated structured entities

At 31 March 2020

The table below describes the types of structured entities that the group does not consolidate but in which it holds an interest and originally set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 42 to 52.

Type of structured entity	*Nature and purpose*	*Interest held by the group/income earned*
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 2020 £'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	140	Limited to the carrying value	4 585	Investment Income	–
Residential mortgage securitisations	Other debt securities	418	Limited to the carrying value	69 389	Net interest expenses	(1)
					Investment loss	(13)
	Other loans and advances	1 224	Limited to the carrying value	2 887	Net interest expenses	(32)

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

Financial support provided to the unconsolidated structured entities

There are no contractual agreements which require the group to provide any additional financial or non-financial support to these structured entities.

During the year, the group has not provided any such support and does not have any current intentions to do so in the future.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

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

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

	2020	**2019**
	Structured CDO and CLO securitisations	Structured CDO and CLO securitisations^
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable returns do not follow the shareholding.	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable returns do not follow the shareholding.
Income amount and type	Nil	Nil
Carrying amount of all assets transferred	£222 million of CDO and CLO assets	£222 million of CDO and CLO assets

^ *Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation.*

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 pages 50 and 51.

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

At 31 March	Principal activity	Country of incorporation	Interest 2020	Interest 2019
Material direct subsidiaries of Investec Limited				
Investec Asset Management Holdings Proprietary Limited*	Investment holding	South Africa	–	80.0%
Investec Bank Limited	Banking	South Africa	100.0%	100.0%
Investec Employee Benefits Holdings Proprietary Limited	Investment holding	South Africa	100.0%	100.0%
Investec Securities Proprietary Limited	Registered stockbroker	South Africa	100.0%	100.0%
Investec Property Group Holdings Proprietary Limited	Investment holding	South Africa	100.0%	100.0%
Investec Investments Proprietary Limited	Investment company	South Africa	100.0%	100.0%
Investec Specialist Investments (RF) Limited	Investment holding	South Africa	100.0%	100.0%
Investec Markets Proprietary Limited	Stockbroking	South Africa	100.0%	100.0%
Material indirect subsidiaries of Investec Limited				
Investec Asset Management Proprietary Limited*	Asset management	South Africa	–	80.0%
Investec Fund Managers SA (RF) Proprietary Limited*	Unit trust management	South Africa	–	80.0%
Investec Bank (Mauritius) Limited	Banking	Mauritius	100.0%	100.0%
Investec Property Proprietary Limited	Property trading	South Africa	100.0%	100.0%
Investec Life Limited	Long-term insurance	South Africa	100.0%	100.0%
Investec Assurance Limited*	Insurance company	South Africa	–	80.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	24.3%	26.6%

Details on associated companies and joint venture holdings refer to note 29.

The following subsidiary is not consolidated for regulatory purposes:

Investec Employee Benefits Holdings Proprietary Limited and its subsidiaries

There are no subsidiaries which are consolidated for regulatory, but not for accounting purposes.

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

* *Investec Asset Management Holdings Proprietary Limited, Investec Assurance Limited, Investec Asset Management Proprietary Limited, Investec Fund Managers SA (RF) Limited were all part of the asset management business which demerged from the group on 13 March 2020.*

57. Principal subsidiaries and associated companies and joint venture holdings – Investec Limited *(continued)*

Consolidated structured entities

Investec Limited has residual economic interests in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	*Type of structured entity*
Fox Street 1 (RF) Limited	Securitised residential mortgages
Fox Street 2 (RF) Limited	Securitised residential mortgages
Fox Street 3 (RF) Limited	Securitised residential mortgages
Fox Street 4 (RF) Limited	Securitised residential mortgages
Fox Street 5 (RF) Limited	Securitised residential mortgages
Fox Street 6 (RF) Limited	Securitised residential mortgages
Fox Street 7 (RF) Limited	Securitised residential mortgages
Integer Home Loans Proprietary Limited	Securitised third-party originated residential mortgages

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

Securitised residential mortgages

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

Securitised third party originated residential mortgages

The group has a senior and subordinated investment in a third party originated structured entity. This structured entity is consolidated due to the group's exposure to residual economic benefits. The group is not required to fund any losses above those incurred on the investment made.

Interests in Wealth & Investment funds

Management has concluded that the investment funds in the Wealth & Investment businesses do not meet the definition of structured entities as the group does not hold material interests in these funds and currently does not provide financial support or other support. Transactions with these funds are conventional customer-supply relationships.

For additional detail on the assets and liabilities arising on securitisation refer to note 28. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 50 and 51 in volume two.

58. Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2020						
Assets						
Cash and balances at central banks	3 932 048	–	3 932 048	–	–	3 932 048
Loans and advances to banks	3 339 005	(672 154)	2 666 851	(13 702)	(520 121)	2 133 028
Non-sovereign and non-bank cash placements	632 610	–	632 610	–	–	632 610
Reverse repurchase agreements and cash collateral on securities borrowed	2 964 603	–	2 964 603	(112 630)	(2 866)	2 849 107
Sovereign debt securities	4 593 893	–	4 593 893	(1 369 128)	–	3 224 765
Bank debt securities	604 921	–	604 921	(46 562)	–	558 359
Other debt securities	1 430 419	–	1 430 419	(105 506)	–	1 324 913
Derivative financial instruments	2 679 041	(644 642)	2 034 399	(361 561)	(516 290)	1 156 548
Securities arising from trading activities	1 304 404	(259 959)	1 044 445	(225 706)	–	818 739
Investment portfolio	998 935	–	998 935	–	(1 849)	997 086
Loans and advances to customers	24 706 439	(118 365)	24 588 074	–	–	24 588 074
Own originated loans and advances to customers securitised	324 638	–	324 638	–	–	324 638
Other loans and advances	132 486	–	132 486	–	(29 513)	102 973
Other securitised assets	134 865	–	134 865	–	–	134 865
Other assets	1 934 428	–	1 934 428	–	–	1 934 428
	49 712 735	**(1 695 120)**	**48 017 615**	**(2 234 795)**	**(1 070 639)**	**44 712 181**
Liabilities						
Deposits by banks	3 660 375	(162 121)	3 498 254	–	(97 479)	3 400 775
Derivative financial instruments	3 403 523	(1 154 674)	2 248 849	(599 023)	(875 978)	773 848
Other trading liabilities	509 522	–	509 522	(112 630)	–	396 892
Repurchase agreements and cash collateral on securities lent	1 577 346	–	1 577 346	(1 168 202)	(31 667)	377 477
Customer accounts (deposits)	32 339 341	(118 365)	32 220 976	–	(60 581)	32 160 395
Debt securities in issue	1 737 191	–	1 737 191	(216 831)	(3 084)	1 517 276
Liabilities arising on securitisation of own originated loans and advances	76 696	–	76 696	–	–	76 696
Liabilities arising on securitisation of other assets	110 679	–	110 679	–	–	110 679
Other liabilities	2 471 446	(259 959)	2 211 487	–	(1 849)	2 209 638
Subordinated liabilities	1 436 361	–	1 436 361	–	–	1 436 361
	47 322 480	**(1 695 119)**	**45 627 361**	**(2 096 686)**	**(1 070 638)**	**42 460 037**

58. Offsetting *(continued)*

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2019						
Assets						
Cash and balances at central banks	4 992 820	–	4 992 820	–	–	4 992 820
Loans and advances to banks	2 699 735	(376 914)	2 322 821	–	(133 458)	2 189 363
Non-sovereign and non-bank cash placements	648 547	–	648 547	–	–	648 547
Reverse repurchase agreements and cash collateral on securities borrowed	1 768 748	–	1 768 748	(77 985)	(64 846)	1 625 917
Sovereign debt securities	4 538 223	–	4 538 223	(391 107)	–	4 147 116
Bank debt securities	717 313	–	717 313	(120 169)	–	597 144
Other debt securities	1 220 651	–	1 220 651	–	–	1 220 651
Derivative financial instruments	1 236 674	(202 508)	1 034 166	(268 182)	(255 669)	510 315
Securities arising from trading activities	1 859 254	–	1 859 254	(821 271)	–	1 037 983
Investment portfolio	1 028 976	–	1 028 976	–	–	1 028 976
Loans and advances to customers	24 661 301	(126 548)	24 534 753	–	–	24 534 753
Own originated loans and advances to customers securitised	407 869	–	407 869	–	–	407 869
Other loans and advances	195 693	–	195 693	–	(328)	195 365
Other securitised assets	133 804	–	133 804	–	–	133 804
Other assets	1 735 956	–	1 735 956	–	–	1 735 956
	47 845 564	**(705 970)**	**47 139 594**	**(1 678 714)**	**(454 301)**	**45 006 579**
Liabilities						
Deposits by banks	3 058 389	(42 083)	3 016 306	–	(120 365)	2 895 941
Derivative financial instruments	1 814 572	(537 339)	1 277 233	(422 583)	(241 525)	613 125
Other trading liabilities	672 405	–	672 405	(77 985)	–	594 420
Repurchase agreements and cash collateral on securities lent	1 105 063	–	1 105 063	(775 008)	(5 447)	324 608
Customer accounts (deposits)	31 433 655	(126 548)	31 307 107	–	(35 804)	31 271 303
Debt securities in issue	3 073 320	–	3 073 320	(363 559)	(5 337)	2 704 424
Liabilities arising on securitisation of own originated loans and advances	91 522	–	91 522	–	–	91 522
Liabilities arising on securitisation of other assets	113 711	–	113 711	–	–	113 711
Other liabilities	1 765 649	–	1 765 649	–	–	1 765 649
Subordinated liabilities	1 647 271	–	1 647 271	–	–	1 647 271
	44 775 557	**(705 970)**	**44 069 587**	**(1 639 135)**	**(408 478)**	**42 021 974**

59. Derecognition

Transfers of financial assets that do not result in derecognition

The group has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2020		2019	
No derecognition achieved £'000	**Carrying amount of assets that are continued to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	670 902	–	680 860	–
Loans and advances to banks	81 000	–	65 815	–
	751 902	**–**	**746 675**	**–**

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

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

60. Restatements

The group remains committed to its objective to simplify and focus the business in pursuit of disciplined growth over the long-term.

In this regard the following strategic actions have been effected:

- Demerger of the asset management business
- Closure of Click & Invest which formed part of the UK wealth management business
- Sale of the Irish Wealth & Investment business
- Restructure of the Irish branch
- Closure and rundown of the Hong Kong direct investments business.

We have elected to separately disclose the financial impact of these strategic actions as the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, we consider it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement.

In addition, from 1 April 2019, as a result of amendments to IAS 12 Income Taxes, tax relief on payments in relation to Other Additional Tier 1 securities has been recognised as a reduction in taxation on operating profit before goodwill, acquired intangibles and strategic actions, whereas it was previously recorded directly in retained income. Prior period comparatives have been restated, increasing the profit after taxation for the year to 31 March 2019 by £3.2 million.

These reclassifications in the income statement for the prior reported period have been shown on page 156.

The net effect on restated earnings attributable to shareholders relates solely to the tax previously included directly in equity which is now being reported in the income statement.

The net effect on restated adjusted earnings per share relates to:

- the inclusion of the tax relief previously recorded directly in equity which is now being recognised in the income statement; and
- the exclusion of the financial impact of the strategic actions which were included in adjusted operating profit in prior periods. Refer to pages 75 to 77 for the calculation of adjusted operating profit and page 75 to 77 for the calculation of adjusted earnings attributable to ordinary shareholders.

There has been no impact to Earnings per share or Headline earnings per share.

The effective date of the Asset Management business demerger was 13 March 2020 and admission of the Ninety One Limited shares and the Ninety One plc shares to the Johannesburg Stock Exchange and London Stock Exchange respectively was effected on 16 March 2020. The global asset management business has been disclosed as a discontinued operation and the income statement for the prior period has been appropriately re-presented. Refer to note 36, pages 115 to 116 for discontinued operations.

Financial impact of strategic actions

£'000	**Year to 31 March 2020**	Year to 31 March 2019
Closure and rundown of the Hong Kong direct investments business*	(89 257)	(65 593)
Financial impact of group restructures	(25 725)	(14 591)
Closure of Click & Invest	(4 309)	(14 265)
Sale of the Irish Wealth & Investment business	19 741	–
Restructure of the Irish branch	(41 110)	(326)
Other	(47)	–
Financial impact of strategic actions – continuing operations	**(114 982)**	**(80 184)**
Taxation on financial impact of strategic actions from continuing operations	19 856	15 023
Net financial impact of strategic actions – continuing operations	**(95 126)**	**(65 161)**
Gain on distribution of Ninety One shares net of taxation and implementation costs	806 420	(6 333)
Net financial impact of strategic actions – Total group	**711 294**	**(71 494)**

* *Included within the balance are fair value adjustments of £83.2 million (March 2019: £57.8 million).*

60. Restatements *(continued)*

£'000	Year to 31 March 2019 as previously reported	Re-presentation as a discontinued operation	Reclassification	**Year to 31 March 2019 restated**
Interest income	2 641 920	(5 677)	(4 421)	2 631 822
Interest expense	(1 826 493)	(6)	11 326	(1 815 173)
Net interest income	**815 427**	**(5 683)**	**6 905**	**816 649**
Fee and commission income	1 590 004	(731 401)	(26 940)	831 663
Fee and commission expense	(216 452)	174 500	2 947	(39 005)
Investment income	49 985	(25)	57 859	107 819
Share of post taxation profit of associates and joint venture holdings	68 317	–	(150)	68 167
Trading income arising from				
– customer flow	120 662	–	–	120 662
– balance sheet management and other trading activities	41 966	(5 058)	(79)	36 829
Other operating income	16 431	(5 395)	–	11 036
Total operating income before expected credit loss impairment charges	**2 486 340**	**(573 062)**	**40 542**	**1 953 820**
Expected credit loss impairment charges	(66 452)	(6)	–	(66 458)
Operating income	**2 419 888**	**(573 068)**	**40 542**	**1 887 362**
Operating costs	(1 695 012)	393 706	26 789	(1 274 517)
Depreciation on operating leased assets	(2 157)	–	–	(2 157)
Operating profit before goodwill, acquired intangibles and strategic actions	**722 719**	**(179 362)**	**67 331**	**610 688**
Impairment of goodwill	(155)	–	–	(155)
Amortisation of acquired intangibles	(15 816)	–	–	(15 816)
Closure and rundown of the Hong Kong direct investments business	–	–	(65 593)	(65 593)
Operating profit	**706 748**	**(179 362)**	**1 738**	**529 124**
Financial impact of group restructures	(19 543)	6 690	(1 738)	(14 591)
Profit before taxation	**687 205**	**(172 672)**	**–**	**514 533**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(78 210)	38 652	(9 570)	(49 128)
Taxation on goodwill, acquired intangibles and strategic actions	5 979	(357)	12 777	18 399
Profit after taxation from continuing operations	**614 974**	**(134 377)**	**3 207**	**483 804**
Profit after taxation from discontinued operations	**–**	**134 377**	**–**	**134 377**
Profit after taxation	**614 974**	**–**	**3 207**	**618 181**
Profit attributable to other non-controlling interests	(58 192)	–	–	(58 192)
Profit attributable to Asset Management non-controlling interests	(25 658)	–	–	(25 658)
Earnings attributable to shareholders	**531 124**	**–**	**3 207**	**534 331**
Earnings per share (pence)				
– Basic	52.0			52.0
– Diluted	50.9			50.9
– Basic for continuing operations	n/a			40.4
– Diluted for continuing operations	n/a			39.6
Adjusted earnings per share (pence)				
– Basic	55.1			60.9
– Diluted	54.0			59.7
– Basic for continuing operations	n/a			48.7
– Diluted for continuing operations	n/a			47.7
Headline earnings per share (pence)				
– Basic	52.6			52.6
– Diluted	51.5			51.5
– Basic for continuing operations	n/a			41.1
– Diluted for continuing operations	n/a			40.2

61. Events after the reporting period

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date. These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of the lockdown and by applying the guidance issued by various international regulators and standard-setting bodies. The action of various governments and central banks, in particular in the United Kingdom and South Africa, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict. Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In South Africa various government and social programmes were launched, aimed at reducing the impact of COVID-19 and to stimulate the economy and in the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of COVID-19. Some of the markets in which the group operates, in particular the UK, are showing signs of recovery with fewer new COVID-19 cases being reported, lockdown rules beginning to ease and economic activity starting to increase slightly. The group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 16 June 2020, did not identify additional information that requires these judgements and estimates to be updated. The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations. Management performed a detailed assessment of events after the reporting period and any consequent potential impact on the annual financial statements and concluded that the financial statement disclosure was appropriate. This process included a review of changes in underlying credit risk of loans and advances, evaluating changes in assumptions of fair value calculations, evaluating significant movements on the share price of listed investments and evaluating the level of financial assistance provided to clients compared to the balance sheet date.

Subsequent to the balance sheet date, a settlement has been reached with HMRC in relation to a tax enquiry and the matter resolved. This has been reflected as an adjusting post balance sheet event and the provision has been reduced to the settlement amount.

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

62. Adoption of IFRS 16

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will, with some limited exemptions, apply to all leases and result in bringing them on balance sheet. Operating lease commitments as at 31 March 2019 amounted to £630 million. Lease liabilities amounting to £597 million, primarily in respect of leased properties, previously accounted for as operating leases, were recognised at 1 April 2019. The lease liabilities were adjusted to exclude short-term leases of £0.2 million. Excluding the effect of discounting, the difference between the commitments previously reported and the opening lease liabilities principally arises due to immaterial differences between commitments previously disclosed and the accounting treatment of options which are available to exercise at the end of certain lease contracts which leads to a higher balance under IFRS 16 than was part of the commitment under IAS 17.

As a lessee, the group now recognises a lease liability measured at the present value of remaining cash flows and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. The lease payments are discounted using the group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset is being amortised to the income statement over the life of the lease.

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

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

The impact on adoption was the recognition of ROU assets of £233 million, finance lease receivables of £330 million relating to certain subleases, and lease liabilities of £597 million, with no impact on retained income. An existing accrual of £34 million was adjusted against the right of use assets.

63. Investec Limited Parent Company accounts

For regulatory compliance purposes the Investec Limited Parent Company accounts are presented in the Investec Limited Annual Integrated Report and is signed off by EY Inc and KPMG Inc as statutory auditors.

Balance sheet

At 31 March £'000	Notes	2020	2019
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 701 774	1 551 774
Securities issued by subsidiary undertaking	c	250 000	250 000
		1 951 774	1 801 774
Current assets			
Investments in listed equities^		259 058	–
Amounts owed by group undertakings		511 543	502 593
Taxation		10 891	10 874
Deferred tax assets		942	–
Prepayments and accrued income		4 414	638
Cash at bank and in hand			
– with subsidiary undertakings		163 521	286 900
– balances with other banks		471	552
		950 840	**801 557**
Current liabilities **Creditors: amounts falling due within one year**			
Amounts owed to group undertakings		6 244	6 244
Other liabilities		5 268	1 082
Accruals and deferred income		12 952	13 059
Net current assets		**926 376**	**781 172**
Creditors: amounts falling due after one year			
Debt securities in issue	d	419 112	413 985
Net assets		**2 459 038**	**2 168 961**
Capital and reserves			
Called up share capital	g	202	200
Perpetual preference shares	g	29	29
Share premium account	g	831 577	1 382 732
Capital reserve	g	180 606	180 606
Other Additional Tier 1 securities in issue	g	250 000	250 000
Fair value reserve		37 515	–
Retained earnings	g	1 159 109	355 394
Total capital and reserves		**2 459 038**	**2 168 961**

The notes on pages 160 to 166 form an integral part of the financial statements.

The company's profit for the year, determined in accordance with the Companies Act 2006, was £174 517 881 (2019: £144 843 116).
Approved and authorised for issue by the board of directors on 16 June 2020 and signed on its behalf by:

^ *This relates to the new investment in Ninety One (formerly known as Investec Asset Management).*

Fani Titi
Chief executive officer

16 June 2020

Statement of changes in shareholders' equity

£'000	Share capital	Perpetual preference shares	Share premium	Capital reserve	Fair value reserve	Retained earnings	Total share-holders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Total equity
At 31 March 2018	**195**	**29**	**1 317 115**	**180 606**	**–**	**334 048**	**1 831 993**	**250 000**	**2 081 993**
Issue of ordinary shares	5	–	65 617	–	–	–	65 622	–	65 622
Total comprehensive income ^	–	–	–	–	–	148 050	148 050	–	148 050
Dividends paid to preference shareholders	–	–	–	–	–	(490)	(490)	–	(490)
Dividends paid to ordinary shareholders	–	–	–	–	–	(109 334)	(109 334)	–	(109 334)
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–	–	(16 880)	(16 880)	16 880	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	–	–	(16 880)	(16 880)
At 31 March 2019	**200**	**29**	**1 382 732**	**180 606**	**–**	**355 394**	**1 918 961**	**250 000**	**2 168 961**
Issue of ordinary shares	2	–	64 643	–	–	–	64 645	–	64 645
Total comprehensive income	–	–	–	–	37 515	172 606	210 121	–	210 121
Dividends paid to preference shareholders	–	–	–	–	–	(549)	(549)	–	(549)
Dividends paid to ordinary shareholders	–	–	–	–	–	(96 498)	(96 498)	–	(96 498)
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–	–	(16 880)	(16 880)	16 880	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	–	–	(16 880)	(16 880)
Capital reduction	–	–	(615 798)	–	–	1 258 198	642 400	–	642 400
Distribution to shareholders	–	–	–	–	–	(513 162)	(513 162)	–	(513 162)
At 31 March 2020	**202**	**29**	**831 577**	**180 606**	**37 515**	**1 159 109**	**2 209 038**	**250 000**	**2 459 038**

^ *Restated as detailed in note 60.*

a. Basis of preparation

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

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

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

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Investec plc in which the entity is consolidated
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118(e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D,111 and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirements of paragraph 58 of IFRS 16, provided that the disclosures of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separated for lease liabilities and other liabilities, and in total.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

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

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pounds Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pounds Sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Investments

Investments in subsidiaries and interests in associated undertakings are stated at cost less any accumulated impairment in value.

Equity securities measured at fair value with fair value movements presented in other comprehensive income

The equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where the company holds the investments other than to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss (except for dividend income, which is recognised in profit or loss).

Income

Dividends from subsidiaries are recognised when received. Interest is recognised on an accrual basis.

Taxation

Current tax payable is provided on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

The initial recognition of goodwill

The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit

In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised

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Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Company's own profit and loss account

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

b. Investments in subsidiary undertakings

31 March £000	2020	2019
At the beginning of the year	1 551 774	1 772 805
Additions	242 305	–
Disposals	(92 305)	–
Return of capital by subsidiary	–	(221 031)
At the end of the year	**1 701 774**	**1 551 774**

Investec 1 Limited on 28 June 2019, issued 5 000 000 and on 25 March 2020, 10 000 000 ordinary shares of £0.01 pence for a cash consideration of £10.00 per share. During the year Investec Plc purchased Investec Asset Management Ltd shares from its subsidiary and subsequently disposed of it as part of the demerger transaction which is described in note 36 of the group financial statements.

In prior year, Investec Holdings Company Limited reduced its capital by reducing the number of shares held from 3 000 to 5, 20p ordinary shares and settled by intercompany.

Financial assets

Financial assets are recorded at amortised cost applying the effective interest rate method where they are classified as loans and receivables or fair value through profit and loss.

Financial Liabilities

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

c. Securities issued by subsidiary undertaking

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

d. Debt securities in issue

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

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

e. Audit fees

Details of the company's audit fees are set out in note 7 of the group financial statements.

f. Dividends

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

g. Share capital

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

h. Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included within the independent auditor's report to the members of Investec plc within the combined consolidated Investec annual financial statements of Investec plc and Investec Limited for the year ended 31 March 2020

i. Subsidiaries

At 31 March 2020	Principal activity	Interest held
** Directly owned by Investec plc*		
United Kingdom		
Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Investec 1 Ltd*	Investment holding	100%
Investec Holding Company Limited*	Investment holding	100%
Investec (UK) Limited	Holding company	100%
Investec Group (UK) Ltd	Holding company	100%
Guinness Mahon Group Ltd	Holding company	100%
Investec Bank plc	Banking institution	100%
Rensburg Sheppards plc	Holding company	100%
Anston Trustees Limited	Non trading	100%
Bell Nominees Limited	Non trading	100%
Carr Investment Services Nominees Limited	Non trading	100%
Carr PEP Nominees Limited	Non trading	100%
Click Nominees Limited	Non trading	100%
Ferlim Nominees Limited	Nominee services	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non trading	100%
PEP Services (Nominees) Limited	Non trading	100%
R & R Nominees Limited	Non trading	100%
Rensburg Client Nominees Limited	Nominee services	100%
Scarwood Nominees Limited	Non trading	100%
Spring Nominees Limited	Non trading	100%
Tudor Nominees Limited	Non trading	100%
PIF Investments Ltd (previously G. P. International Ltd)	Dormant	100%
Beeson Gregory Index Nominees Limited	Dormant nominee company	100%
EVO Nominees Limited	Dormant nominee company	100%
Evolution Securities Nominees Limited	Dormant nominee company	100%
Investec Asset Finance (Capital No. 3) Limited	Leasing company	100%
IEC UK Investement Management Ltd	Leasing company	100%
The Leasing Acquisition General Partnership	Leasing partnership	n/a
Investec Bank (Nominees) Limited	Nominee company	100%
Investec Finance Ltd (previously Investec Finance plc)	Debt issuance	100%
Investec Group Investments (UK) Limited	Investment holding company	100%
ICF Investments Limited	Investment holding company	100%
Investec Capital Solutions No 1 Limited	Lending company	100%
Investec Capital Solutions Limited	Lending company	100%
Diagonal Nominees Limited	Nominee company	100%
F&K SPF Limited	Property company	100%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust plc	Debt issuer	100%
Investec Investments (UK) Limited	Investment holding company	100%
Panarama Properties (UK) Limited	Property holding company	100%
Inv – German Retail Ltd (previously Canada Water (Developments) Ltd)	Property company	100%
Investec Securities Limited	Investment holding company	100%
Technology Nominees Limited	Nominee	100%
Torteval LM Limited	Investment holding company	100%
Torteval Funding LLP	Financing company	100%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
Tudor Tree Properties Limited	Property company	100%
Willbro Nominees Limited	Nominee company	100%
Evolution Capital Investment Limited	Investment holding company	100%
Investec Investments Limited	Investment holding	100%
Outward VC Fund LLP	Investment company	100%
PSV Marine Ltd	Investment company	100%
PSV Anjail Ltd	Investment company	100%
PSV Randeep Ltd	Investment company	100%
Investec India Holdco Limited	Investment holding company	100%
Registered office: 30 Gresham Street, London, EC2V 7QN, UK		
Investec Wealth & Investment Limited	Investment management services	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Investec Asset Finance plc	Leasing company	100%
Investec Asset Finance (No.8) Limited	Holding company	100%
Australia		
Registered office: Level 23, The Chifley Tower,		
2 Chifley Square, Sydney, NSW 2000, Australia		
Investec Australia Property Holding Pty Limited	Holding company for property investments	100%
IEC Funds Management Pty Ltd	Fund manager	100%
Investec Propco Pty Ltd	Property fund trustee	100%
Investec Property Ltd	Property fund trustee	100%
Investec Property Management Pty Ltd	Property fund manager	100%
Investec Wentworth Pty Limited	Security trustee	100%
Investec Holdings Australia Limited	Holding company	100%
Investec Australia Property Investments Pty Ltd	Holding company for property investments	100%
Investec Australia Finance Limited	Lending company	100%
Investec Australia Limited	Financial Services	100%
Bowden (Lot 32) Holdings Pty Ltd	Holding company	100%
Bowden (Lot 32) Pty Ltd	Development company	100%
Investec Australia Direct Investments Pty Limited	Holding company for property investments	100%
Investec CWFIH Pty Limited	Dormant	100%
Mannum Powerco Pty Limited	Dormant	100%
Tungkillo Powerco Pty Limited	Dormant	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	100%
Investec Wentworth Private Equity Pty Limited	Dormant	100%
IWPE Nominees Pty Limited	Custodian	100%
Investec Templewater No. 1 Pty Limited	Property Fund Manager	100%
Investec Credit Funds Management Pty Limited	Trustee Company	100%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
British Virgin Islands		
Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands		
Finistere Directors Limited	Corporate director	100%
GFT Directors Limited	Corporate director	100%
Registered office: Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands		
Fertile Sino Global Development Limited	Holding company	100%
China		
Registered office: Room 6D-67, 6th Floor, No. 213 Building, Tairan Science and Technology Park, Tairan 4th Road, Tianan Community, Shatou Sub-District, Futian District, Shenzhen, Guangdong, China		
Investec Shenzhen Limited	Advisory Services	100%
Cayman Islands		
Registered office: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005		
Investec Pallinghurst (Cayman) LP	Investment holding partnership	58.30%
France		
Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, France		
SCI CAP Philippe	Property company	100%
Guernsey		
Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee services	100%
Investec Bank (Channel Islands) Limited	Banking institution	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee services	100%
Bayeux Limited	Corporate trustee	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Trust and company administration	100%
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Registered office: Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH, Channel Islands		
Investec Captive Insurance Limited	Captive insurance company	100%
Registered office: Western Suite, Ground Floor, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ, Channel Islands		
HEV (Guernsey) Limited	Investment holding company	100%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
Hong Kong		
Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai - 400051		
Investec Capital Asia Limited	Investment banking	100%
Investec Capital Markets Limited	Investment banking	100%
India		
Registered office: A 607, The Capital, Bandra Kurla Complex, Mumbai – 400 051, INDIA		
Investec Capital Services (India) Private Limited	Merchant banking and stock broking	99.89%
Investec Credit Finance Private Limited	Lending platform	99%
Ireland		
Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited	Property company	100%
Investec Holdings (Ireland) Ltd	Holding company	100%
Investec Ireland Ltd	Financial services	100%
Investec International Ltd	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Ltd	Holding company	100%
Investec Private Finance Ireland Limited (previously Investec Corporate Finance (Ireland) Ltd)	Retail Credit Firm	100%
Investec Ventures Ireland Limited	Venture capital	100%
Venture Fund Principals Limited	Special partner	100%
Investec Europe Limited	MiFiD Firm	100%
Jersey		
Registered office: One The Esplanade, St Helier, Jersey, JE2 3QA, Channel Islands		
Investec Finance (Jersey) Ltd*	Share trust	100%
Registered office: PO Box 344 One The Esplanade St Helier Jersey JE4 8UW, Channel Islands		
Investec GP (Jersey) Limited	Investment holding company	100%
Luxembourg		
Registered office: 560, rue de Neudorf, L-2220 Luxembourg		
Investec Finance SARL	Dormant	100%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Ltd	Securities services	100%
Switzerland		
Registered office: 23 Avenue de France, CH – 1202, Geneva, Switzerland		
Reichmans Geneva SA	Trading company	100%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG	Banking institution	100%
United States of America		
Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA		
Investec USA Holdings Corporation Inc	Holding company	100%
Investec Inc	Investment holding company	100%
Fuel Cell IP 1 LLC	Investment holding company	100%
Fuel Cell IP 2 LLC	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%
US Multifamily GP LLC	Investment holding company	100%

Associates and joint venture holdings

At 31 March 2019	Principal activity	Interest held
Australia		
Registered office: Point Cook Road, Point Cook, Victoria, Australia		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands		
Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands		
imarkets (Holdings) Limited	Online trading platform	33%
Luxembourg		
Registered office: 15, Rue Bender, L-1229 Luxembourg		
Investec GLL Global Special Opportunities Real Estate Fund	Property development	5%
Registered office: 19, Rue Eugene Ruppert, L-2453 Luxembourg		
Grovepoint S.a.r.l.	Investment and advisory	42%
India		
Registered office: 32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India		
JSM Advisers Private Limited	Fund management company	55%

The following abbreviations have been used throughout this report:

AGM	Annual general meeting
AI	Artificial Intelligence
ALCO	Asset and Liability Committee
APRA	Australian Prudential Regulation Authority
AT1	Additional Tier 1
BASA	Banking Association of South Africa
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CCyB	Countercyclical capital buffer
CEO	Chief Executive Officer
CET1	Common equity tier 1
CMD	Capital Markets Day
CO_2 emissions	Carbon Dioxide emissions
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRDIV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CSI	Corporate Social Investment
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC SEC	DLC Social and Ethics Committee
EBA	European Banking Authority
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECAs	Export Credit Agencies
ECL	Expected credit loss
EDT	Entrepreneurship Development Trust
EP	Equator Principles
EPS	Earnings per share
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
EVT	Extreme value theory
FCA	Financial Conduct Authority
FIRB	Foundation Internal Ratings-Based
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GBCSA	Green Building Council South Africa
GDP	Gross domestic product
GRRRMF	Group Risk Review and Reserves Matters Forum
HNW	High net worth
HR	Human resources
IAM	Investec Asset Management
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBL BRCC	IBL Board Risk and Capital Committee
IBL ERC	IBL Executive Risk Committee
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
ICAAP	Internal Capital Adequacy Assessment Process
ICC	International Chamber of Commerce
IFRS	International Financial Reporting Standard
IPF	Investec Property Fund
IRL	Investec Rhino Lifeline
IW&I	Investec Wealth & Investment
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
L&D	Learning and development
LCR	Liquidity coverage ratio
LHS	Left hand side
LSE	London Stock Exchange
NCI	Non-controlling interests
NGO	Non-Governmental organisation
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OD	Organisation development
OECD	Organisation for Economic Co-operation and Development
PCAF	Partnership for Carbon Accounting Financials
PPE	Personal Protective Equipment
PRA	Prudential Regulation Authority
RHS	Right hand side
ROE	Return on equity
RPA technologies	Robotic Process Automation technologies
RWA	Risk-weighted asset
S&P	Standard & Poor's
SA	South Africa
SDGs	Sustainable Development Goals
SIPP	Self Invested Personal Pension
SME	Small and Medium-sized Enterprises
SMMEs	Small, Medium & Micro Enterprises
SOE	State-owned Enterprise
South African PA	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)
SPPI	Solely payments of principal and interest
TCFD	Task Force on Climate-related Financial Disclosures
tCO_2e	Tonnes of CO_2 emissions
TCTA	Trans-Caledon Tunnel Authority
UK	United Kingdom
UKLA	United Kingdom Listing Authority
UN	United Nations
UN GISD	United Nations Global Investment for Sustainable Development
VaR	Value at Risk
WACC	Weighted average cost of capital
YES	Youth Employment Service

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These have been indicated with a ◎ symbol throughout this document. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures constitute pro forma financial information. The pro forma financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows.

Adjusted earnings attributable to ordinary shareholders	Earnings attributable to shareholders adjusted to remove goodwill, acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional tier 1 security holders. Refer to pages 75 to 77 for the reconciliation of earnings attributable to shareholders to adjusted earnings attributable to ordinary shareholders.
Adjusted earnings per share	Adjusted earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. Refer to pages 75 to 77 for calculation.
Adjusted operating profit	Refer to the calculation in the table below:

£'000	31 March 2020	31 March 2019
Operating profit before goodwill, acquired intangibles and strategic actions	676 870	790 050
Less: Profit attributable to other non-controlling interests	(67 952)	(58 192)
Adjusted operating profit	**608 918**	**731 858**

Adjusted operating profit per employee	Adjusted operating profit divided by average total employees including permanent and temporary employees. Refer to page 55 in volume 1 for calculation
Annuity income	Net interest income (refer to page 63) plus net annuity fees and commissions (refer to page 65)
Core loans to equity	Net core loans and advances divided by total shareholder's equity per the balance sheet
Cost to income ratio	Operating costs divided by operating income before ECL impairment charges (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests)
	Refer to calculation in the table below:

£'000	31 March 2020	31 March 2019
Operating costs (A)	1 185 020	1 274 517
Total operating income before expected credit losses	1 806 839	1 953 820
Less: Depreciation on operating leased assets	(1 407)	(2 157)
Less: Profit attributable to other non-controlling interests	(67 952)	(58 192)
Total (B)	1 737 480	1 893 471
Cost to income ratio (A/B)	**68.2%**	**67.3%**

Coverage ratio	ECL as a percentage of gross core loans and advances subject to ECL
Credit loss ratio	ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL
Dividend cover	Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share
Gearing ratio	Total assets excluding assurance assets divided by total equity
Gross core loans and advances	Refer to calculation on page 34 in volume 2 in the risk management section
Loans and advances to customers as a % of customer accounts	Loans and advances to customers as a percentage of customer accounts (deposits)

Net tangible asset value per share	Refer to calculation on page 61 in volume 1
Net core loans and advances	Refer to calculation on page 34 in volume 2 in the risk management section
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on pages 63 and 64
Return on average ordinary shareholders' equity (ROE)	Refer to calculation on pages 61 to 65 in volume 1
Return on average tangible ordinary shareholders' equity	Refer to calculation on pages 61 to 65 in volume 1
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets, where risk-weighted assets is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 66 in volume 1
Staffing compensation to operating income ratio	All staff compensation costs expressed as a percentage of operating income before ECL (net of operating profits or losses attributable to other non-controlling interests)

DEFINITIONS

Cash and near cash

Includes cash, near cash (other 'monetisable assets') and Central Bank cash placements and guaranteed liquidity.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.

Refer to pages 75 to 77 for the calculation of diluted earnings per share.

Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year.

Refer to pages 75 to 77 for the calculation of earnings per share

Effective operational tax rate

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

Interest bearing liabilities

Deposits by banks, debt securities in issue, repurchase agreements, and cash collateral on securities lent, customer accounts (deposits), liabilities arising on securitisation of own originated loans and advances and liabilities arising on securitisation of other assets. Refer to page 63 for calculation.

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, core loans and advances, other debt securities, other loans and advances and other securitised assets. Refer to page 63 for calculation.

Headline earnings per share

Headline earnings is calculated in accordance with the JSE listing requirements and in terms of circular 1/2019 issued by the South African Institute of Chartered Accountants.

Headline earnings per share calculated by dividing the group's headline earnings by the average number of shares which it had in issue during the accounting period.

Refer to pages 75 to 77 for the calculation of headline earnings per share.

Legacy business in the UK Specialist Bank (Legacy)

Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking.

Market capitalisation

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange.

Ninety One and Ninety One group

All references to Ninety One and Ninety One group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries.

Ongoing basis

Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited.

Strategic actions

Comprises the closure and rundown of the Hong Kong direct investments business, the demerger of the asset management business and the financial impact of group restructures.

Subject to ECL

Includes financial assets held at amortised cost and FVOCI. Also includes FVPL portfolios for which ECL is not required for IFRS purposes but for which management evaluates on this basis. Refer to page 105 for core loans and advances subject to ECL.

Third party assets under management

Consists of third party assets managed by the Wealth & Investment business and by the Property business (which forms part of the Specialist Bank).

Total group

Total group represents the group's results including the results of discontinued operations.

Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on pages 75 to 77.

CONTACT DETAILS

Contact details for all our offices can also be found on the group's website at: www.investec.com

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Directorate as at 16 June 2020

Executive directors

Fani Titi (chief executive officer)
Nishlan A Samujh (group finance director)
James Kieran C Whelan (executive director)

Non-executive directors

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Zarina BM Bassa (senior independent director)
Henrietta Baldock
David Friedland
Philip A Hourquebie
Charles R Jacobs
Ian R Kantor
Lord Malloch-Brown KCMG
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