

Company Registration No. 00205468 (England and Wales)

**INVESTEC INVESTMENTS (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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# INVESTEC INVESTMENTS (UK) LIMITED

## COMPANY INFORMATION

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**Directors**

B Johnson  
D M van der Walt  
I R Wohlman  
K McKenna  
C Dyson

**Secretary**

D Miller

**Company number**

00205468

**Registered office**

30 Gresham Street  
London  
EC2V 7QP

**Auditor**

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

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# INVESTEC INVESTMENTS (UK) LIMITED

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# INVESTEC INVESTMENTS (UK) LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MARCH 2020**

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

### Section 172 statement

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

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

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

### Review of the business

The company's principal activity is that of an investment holding company. The company therefore receives investment income, dividends or other investment related income based upon the performance of the underlying assets. In addition, as some of the investments are non-UK based, the company is subject to foreign exchange movements.

In the current year, the company showed an operating profit of £12.1m, versus £49.1m in the prior year.

The principal risks of the business are managed at an Investec plc group level. The company's exposure to these risks is further discussed in note 17.

As an investment holding company, investment gains on the portfolio are considered to be a KPI of the business. During the year to March 2020 gains of £9.0m (2019: £54.7m) were recognised. For further details on the size and nature of the investments, please see Note 2.

  
.....  
D M van der Walt  
**Director**  
18 December 2020

# INVESTEC INVESTMENTS (UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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

#### Principal activities

The principal activity of the company continued to be that of an investment holding company and limited partner in venture capital funds and it will continue to operate in this capacity for the foreseeable future. The company's main source of income is investment gains and dividends.

#### Results and dividends

The results for the year show a profit before tax of £8.5m compared to a profit before tax of £48.8m in the prior year (see page 7).

The directors have considered the impact of COVID-19 on the company and have concluded that there is no significant impact on the company as the investments held by the company have not yet themselves suffered stress as a result of the pandemic. The directors have considered the impact of COVID-19 while making the valuation assessments as set out in Note 9.

At 31 March 2020 the company had net assets of £322.1m (31 March 2019: £312.9m).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### Directors

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

B Johnson  
D M van der Walt  
I R Wohlman  
K McKenna  
C Dyson

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

#### Directors' insurance

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

#### Future developments

The company expects to make strategic and opportunistic investments in the future, in line with its principal activity of an investment holding company.

#### Auditor

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Going concern

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and in addition consider that there have been not been any indicators to suggest that the investments held have suffered any significant decline, therefore the going concern basis is adopted in the preparation of the financial statements.

# INVESTEC INVESTMENTS (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### Statement of directors' responsibilities

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

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

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

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

### Statement of disclosure to the auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



D M van der Walt  
**Director**

Date: 18 December 2020

# **INVESTEC INVESTMENTS (UK) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBER OF INVESTEC INVESTMENTS (UK) LIMITED**

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#### **Opinion**

We have audited the financial statements of Investec Investments (UK) Limited (the 'company') for the year ended 31 March 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes 1 to 18 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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.

# INVESTEC INVESTMENTS (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBER OF INVESTEC INVESTMENTS (UK) LIMITED

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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



# **INVESTEC INVESTMENTS (UK) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBER OF INVESTEC INVESTMENTS (UK) LIMITED**

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#### **Use of our report**

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.



**James Billingham (Senior Statutory Auditor)**  
**for and on behalf of Ernst & Young LLP, Statutory Auditor**  
**London**  
**21 December 2020**

# INVESTEC INVESTMENTS (UK) LIMITED

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 31 MARCH 2020**

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	Notes	2020 £'000s	2019 £'000s
Revenue	2	16,870	55,580
Cost of sales		(4,643)	(6,160)
		<hr/>	<hr/>
Gross profit		12,227	49,420
Administrative expenses		(86)	(279)
Other operating expenses		(6)	-
		<hr/>	<hr/>
Operating profit	4	12,135	49,141
Impairments	7	(3,586)	(302)
		<hr/>	<hr/>
Profit before taxation		8,549	48,839
Tax on profit	8	678	(1,023)
		<hr/>	<hr/>
Profit for the financial year		<u>9,227</u>	<u>47,816</u>

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

# INVESTEC INVESTMENTS (UK) LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £'000s	2019 £'000s
<b>Fixed assets</b>			
Investments	9	270,418	363,036
<b>Current assets</b>			
Derivative financial instruments		-	3,500
Debtors	11	403,388	364,651
		403,388	368,151
<b>Creditors: amounts falling due within one year</b>			
Trade creditors and other payables	13	(351,665)	(418,113)
Taxation and social security		(5)	-
		(351,670)	(418,113)
<b>Net current assets/(liabilities)</b>		51,718	(49,962)
<b>Total assets less current liabilities</b>		322,136	313,074
<b>Provisions for liabilities</b>			
Other provisions	14	-	(165)
<b>Net assets</b>		322,136	312,909
<b>Capital and reserves</b>			
Called up share capital	12	161,450	161,450
Profit and loss account		160,686	151,459
<b>Total equity</b>		322,136	312,909

The financial statements were approved by the Board of directors and authorised for issue on 18 December 2020  
Signed on its behalf by:



C Dyson  
Director

Company Registration No. 00205468

# INVESTEC INVESTMENTS (UK) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £'000s	Fair value reserve £'000s	Retained earnings £'000s	Total £'000s
<b>Balance at 1 April 2018</b>	161,450	4,969	98,674	265,093
<b>At 1 April 2018:</b>				
Adoption of IFRS 9	-	(4,969)	4,969	-
<b>Year ended 31 March 2019:</b>				
Profit for the year	-	-	47,816	47,816
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	47,816	47,816
<b>Balances at 31 March 2019</b>	161,450	-	151,459	312,909
<b>Year ended 31 March 2020:</b>				
Total comprehensive income for the year	-	-	9,227	9,227
<b>Balances at 31 March 2020</b>	161,450	-	160,686	322,136

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

##### Company information

Investec Investments (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 30 Gresham Street, London, EC2V 7QP. The company's principal activities and nature of its operations are disclosed in the directors' report.

##### 1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000s.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment, (iii) paragraph 118 (e) of IAS 38 Intangible Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130 (f) (ii) and 130 (f) (iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

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

#### 1.2 Going concern

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and in addition consider that there have been not been any indicators to suggest that the investments held have suffered any significant decline, therefore the going concern basis is adopted in the preparation of the financial statements.

#### 1.3 Revenue

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

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management and also includes rental income from investment properties. 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 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.

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

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

#### 1.4 Fixed asset investments

Interests in subsidiaries, partnerships and associated undertakings are stated at cost less any impairment in value.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### 1.5 Fair Value Measurement

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

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

When available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

#### 1.6 Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.7 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.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### ***Financial assets at fair value through profit or loss***

Financial instruments held at fair value through profit and loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit and loss.

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

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

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

#### ***Financial assets held 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 below.

The carrying value of these financial assets at initial recognition includes any directly attributable transactions 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.



# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### ***Financial assets at fair value through other comprehensive income***

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.

##### ***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.

##### ***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 model

- 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.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### ***Impairment of financial assets***

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 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.

##### ***Derecognition of financial assets***

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

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

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

#### 1.8 Financial liabilities

##### ***Financial liabilities at fair value through profit or loss***

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### **Other financial liabilities**

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.10 Derivatives

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively. Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed in the hedge accounting section below).

Derivative instruments transacted as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading. Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit and loss, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit valuation adjustment (CVA).

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

### 1.11 Taxation

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

#### **Current tax**

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

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

##### **Deferred tax**

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

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

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

#### 1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 1.13 Foreign exchange

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on the rates of exchange ruling at the date of transaction. At each balance sheet date foreign currency items are translated as follows:

- Monetary items are translated using closing rates, with gains or losses recognised in the income statement.
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 1 Accounting policies

(Continued)

##### 1.14 Key Management Assumptions

In preparation of the annual financial statements the company makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments primarily in the private equity and direct investment portfolios. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility.
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available for sale financial assets involves the assessment of future cash flows which is judgemental in nature.
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

#### 2 Revenue

An analysis of the company's revenue is as follows:

	2020 £'000s	2019 £'000s
<b>Revenue analysed by class of business</b>		
Investment gains	8,956	54,704
Dividend income	4,763	3,830
Interest income	3,232	2,874
Losses in subsidiaries, partnerships and associates	(81)	(5,828)
	<u>16,870</u>	<u>55,580</u>
	2020 £'000s	2019 £'000s
<b>Revenue analysed by geographical market</b>		
UK	24,436	24,397
Europe	(5,413)	24,289
Rest of world	(2,153)	6,894
	<u>16,870</u>	<u>55,580</u>

#### 3 Directors' remuneration

The directors were employed and remunerated as directors of Investec plc and its subsidiaries (the "group") in respect of their services to the group as a whole and their remuneration has been paid by other group companies. It is estimated that the remuneration for their services to the company in the year totalled £25,000 (2019: £25,000).

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 4 Operating profit

	2020 £'000s	2019 £'000s
Operating profit for the year is stated after charging:		
Foreign exchange losses	246	753
	<u>      </u>	<u>      </u>

Cost of sales includes interest payable to the parent undertaking of £4,743,000 (2019: £6,162,000).

### 5 Auditor's remuneration

	2020 £'000s	2019 £'000s
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	13	13
	<u>      </u>	<u>      </u>

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

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Total	-	-
	<u>      </u>	<u>      </u>

The company has no employees (2019: nil).

### 7 Impairments

	2020 £'000s	2019 £'000s
Amounts written off current loans	(154)	(302)
Amounts written off non-current loans	(3,432)	-
	<u>      </u>	<u>      </u>
	(3,586)	(302)
	<u>      </u>	<u>      </u>

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 8 Taxation

	2020 £'000s	2019 £'000s
<b>Current tax</b>		
UK corporation tax on profits for the current period	(610)	10
Adjustments in respect of prior periods	(68)	1,013
<b>Total UK current tax</b>	<b>(678)</b>	<b>1,023</b>

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

	2020 £'000s	2019 £'000s
Profit before taxation	8,549	48,839
Expected tax charge based on a corporation tax rate of 19.00% (2019: 19.00%)	1,624	9,279
Effect of expenses not deductible in determining taxable profit	8	50
Income not taxable	(905)	(728)
Gains not taxable	(505)	(8,139)
Adjustment in respect of prior years	(68)	1,013
Foreign exchange differences	(85)	200
Transfer pricing adjustment	(747)	(652)
<b>Taxation (credit)/charge for the year</b>	<b>(678)</b>	<b>1,023</b>

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.

### 9 Investments

	2020 £'000s	2019 £'000s
Fair value through profit or loss	255,566	345,964
Investments in subsidiaries	14,618	13,495
Investments in associates	234	315
Interests in partnerships	-	3,262
	<b>270,418</b>	<b>363,036</b>

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 9 Investments

(Continued)

#### Movements in Investments

	AFS £'000s	FVTPL £'000s	Total £'000s
<b>2020</b>			
<b>Cost or valuation</b>			
At 1 April 2019	-	345,964	345,964
Additions	-	18,688	18,688
Fair value movements	-	4,165	4,165
Disposals	-	(116,663)	(116,663)
Foreign exchange movements	-	3,412	3,412
<b>At 31 March 2020</b>	-	255,566	255,566
<b>2019</b>			
<b>Cost or valuation</b>			
At 31 March 2018	13,793	240,288	254,081
Adjustment in relation to prior periods	-	-	-
Impact of IFRS9 adoption	(13,793)	13,793	-
At 1 April 2019	-	254,081	254,081
Additions	-	119,113	119,113
Fair value movements	-	48,670	48,670
Disposals	-	(72,221)	(72,221)
Foreign exchange movements	-	(3,680)	(3,680)
<b>At 31 March 2019</b>	-	345,964	345,964



# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 9 Investments

(Continued)

	Shares in subsidiaries £'000s	Interests in partnerships £'000s	Shares in associates £'000s	Total £'000s
<b>2020</b>				
<b>Cost</b>				
At 1 April 2019	17,825	3,262	331	21,418
Additions	1,204	-	-	1,204
Losses in subsidiaries, partnerships and associates	-	-	(81)	(81)
Disposals	(81)	(3,580)	-	(3,661)
Foreign exchange movements	-	318	-	318
<b>At 31 March 2020</b>	<b>18,948</b>	<b>-</b>	<b>250</b>	<b>19,198</b>
<b>Accumulated impairment</b>				
At 1 April 2019	(4,330)	-	(16)	(4,346)
Impairment losses	-	-	-	-
<b>At 31 March 2020</b>	<b>(4,330)</b>	<b>-</b>	<b>(16)</b>	<b>(4,346)</b>
<b>At 31 March 2020</b>	<b>14,618</b>	<b>-</b>	<b>234</b>	<b>14,852</b>
<b>2019</b>				
<b>Cost</b>				
At 1 April 2018	18,283	14,303	16	32,602
Additions	854	-	323	1,176
Losses in subsidiaries, partnerships and associates	(1,313)	(4,504)	(10)	(5,828)
Disposals	-	(6,439)	-	(6,439)
Foreign exchange movements	1	(98)	3	(94)
<b>At 31 March 2019</b>	<b>17,825</b>	<b>3,262</b>	<b>331</b>	<b>21,418</b>
<b>Accumulated impairment</b>				
At 1 April 2018	(4,330)	-	(16)	(4,346)
<b>At 31 March 2019</b>	<b>(4,330)</b>	<b>-</b>	<b>(16)</b>	<b>(4,346)</b>
<b>At 31 March 2019</b>	<b>13,495</b>	<b>3,262</b>	<b>315</b>	<b>17,072</b>

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 9 Investments

(Continued)

##### Fair Value Category and Sensitivities

As at 31 March 2020 £254,179,000 (2019: £340,427,000) of financial instruments classified as fair value through profit and loss were measured using level 3 valuation techniques. Valuations were sensitised by adjusting other significant unobservable inputs by 10% - (30%) in 2020 and (10%) in 2019. This resulted in an aggressive valuation of £279,597,000 (2019: £384,899,000) and conservative valuation of £177,925,000 (2019: £314,917,000).

Financial instruments with a carrying value of £1,387,000 (2019: £5,148,000) were measured using level 1 valuation techniques.

Financial instruments with a carrying value of nil (2019: £389,000) were measured using level 2 valuation techniques.

The principal valuation techniques as at 31 March 2020 used in determining the fair values of financial instruments that are classified within the level 2 FV hierarchy were reported net asset and fund values.

In the current year, there were £220k assets transferred from level 2 to level 3 as the inputs are no longer based on observable market data (2019: £nil).

The total gains included in the income statement recognised on level 3 financial instruments was:

2020: £9,620,000 (Realised gains £46,587,000 & Unrealised losses £36,967,000)

2019: £53,732,000 (Realised gains £21,771,000 & Unrealised gains £31,961,000)

For information regarding the total gains or (losses) included in other comprehensive income please refer to the Statement of Comprehensive Income.

#### 10 Associates

Details of the company's associates and the proportion of ordinary share capital held at 31 March 2020 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Nature of business
JSM Advisers Private Limited	32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India	55.00%	Fund management company

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 11 Debtors

	2020 £'000s	2019 £'000s
Amount owed by parent undertaking	365,822	327,966
Amounts owed by fellow group undertakings	6,786	8,786
Amounts owed by related parties	622	-
Other debtors	30,158	27,899
	<u>403,388</u>	<u>364,651</u>

Other debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The amounts receivable from fellow group undertakings currently bear no interest and are repayable on demand at request of the company. The amount receivable from parent undertaking is repayable on demand and bears interest of between 0.06% and 0.71%.

### 12 Share capital

	2020 £'000s	2019 £'000s
<b>Ordinary share capital</b>		
<b>Authorised</b>		
161,450,000 (2019: 161,450,000) ordinary shares of £1 each	<u>161,450</u>	<u>161,450</u>
<b>Issued and fully paid</b>		
161,450,000 (2019: 161,450,000) ordinary shares of £1 each	<u>161,450</u>	<u>161,450</u>

### 13 Creditors

	2020 £'000s	2019 £'000s
Trade creditors	16	16
Amount owed to parent undertaking	350,327	415,459
Amounts owed to fellow group undertakings	198	110
Amounts owed to related parties	-	1,781
Accruals and deferred income	36	51
Other creditors	1,088	696
	<u>351,665</u>	<u>418,113</u>

The amounts payable to fellow group undertakings currently bear no interest and are repayable on demand. The amount payable to parent undertaking is repayable on demand and bears interest of between 0.21% and 7.50%.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 14 Provisions for liabilities

	2020 £'000s	2019 £'000s
Estimated credit losses on off balance sheet commitments	-	165

#### 15 Subsidiaries

These financial statements are separate company financial statements for Investec Investments (UK) Limited.

Details of the company's subsidiaries at 31 March 2020 are as follows:

	Registered Office	Nature of business	Proportion of ownership interest (%)
Panarama Properties Ltd	30 Gresham Street, London, EC2V 7QP	Property Company	100.00%
Evolution Capital Investment Limited	30 Gresham Street, London, EC2V 7QP	Investment Banking	100.00%
Inv-German Retail Ltd	30 Gresham Street, London, EC2V 7QP	Property Company	100.00%
Investec Securities Ltd	30 Gresham Street, London, EC2V 7QP	Holding Company	100.00%
HEV (Guernsey) Ltd	Western Suite, Ground floor, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ	Investment Holding Company	100.00%
Investec Singapore Pte Ltd	36 Robinson Road, #03 - 132, City House, Singapore, 068877, Singapore	Investment Holding Company	100.00%
Investec Capital Services (India) Private Ltd	A 607, The Capital, Bandra Kurla, Complex, Mumbai, 400 051, India	Trading Company	75.00%
Investec India Holdco Ltd	30 Gresham Street, London, EC2V 7QP	Holding Company	100.00%
Investec Credit Finance Private Limited	Parinee Crescenzo, C38&C39, G Block, 11 Th Flr, B Wing Unit No1103 & 1104, Bandra Kurla Complex, Bandra Eas	Operational Company	99.00%
Outward VC Fund LLP	30 Gresham Street, London, EC2V 7QP	Holding Company	99.00%

All holdings are in ordinary shares.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 16 Events after the reporting date

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

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, 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 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 Investec 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 the balance sheet date, 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.

Covid-19 has not had, and is not expected to have, any impact on the liquidity of the Investec group which would adversely impact the company.

IIUK has paid a dividend of £20m up to the parent in October 2020.

The company 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 that would require additional disclosures.

# INVESTEC INVESTMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2020**

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### **17 Risk Management**

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

#### **Market Risk**

The company's exposure to market risk is monitored by Investec Bank plc's independent market risk management team. All investment decisions are subject to the Investec Bank plc's market risk limits and are approved at the Group's Investment or Executive Risk Review forums.

#### **Credit Risk**

The company has no exposure to credit risk other than on the loans advanced to the immediate parent undertaking and fellow group companies.

#### **Liquidity Risk**

The company's management monitor and manage the company's ongoing cash flow requirements.

#### **Interest Rate Risk**

The company receives funding from its parent and other group undertakings. Amounts due to group undertakings currently bear no interest and are repayable on demand. The company is only exposed to interest rate risk on borrowings and amounts receivable from its parent which funds investments.

#### **Foreign Exchange Risk**

The company is exposed to a limited amount of foreign exchange risk on the small proportion of its investments denominated in currencies other than sterling. The company hedges its exposure under the Group's policy which is for the immediate parent, Investec Bank plc to hedge any exposure.

#### **Capital Management**

The company's capital is managed and monitored as part of the capital management process of Investec Bank plc with consideration of the ongoing commitments of the entity.

### **18 Ultimate Parent Undertaking**

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