

**INVESTEC ASSET MANAGEMENT LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

**Registered Number: 2036094**



## **INVESTEC ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT**

For the year ended 31 March 2011

The Directors present their report and the audited financial statements for the year ended 31 March 2011

Investec Asset Management Limited was incorporated on 10 July 1986 with the registered number 2036094

#### **Review of activities and future developments**

Investec Asset Management Limited is the holding company of the Investec Asset Management group of companies

The principal trading activities are the provision of investment management services to onshore and offshore collective investment schemes and institutional accounts and acting as a procurement agent on behalf of its principal trading subsidiaries and other Investec subsidiaries. The Company is authorised and regulated by the Financial Services Authority

Both the level of business and the year end financial position are satisfactory, and it is intended that the Company will continue to pursue its current activities for the foreseeable future

#### **Results and dividends**

The Company made a profit on ordinary activities after taxation for the year ended 31 March 2011 of £19,202,000 (2010 £38,211,000). During the year ended 31 March 2011 the Directors declared a dividend of £17,000,000 (2010 £13,000,000)

#### **Directors**

The Directors of the Company at 31 March 2011 who, unless otherwise stated, held office throughout the year under review were

H S Herman	(Chairman)
H J du Toit	(Chief Executive)
D J Aird	
D Ferrini	
H E Flight	
J C Green	
B Kantor	
S Koseff	
K M McFarland	
J T McNab	
M I Samuelson	
P G S Saunders	
B Tapnack	
L Van Hoof	

No other person was a director during the year under review

#### **Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

## INVESTEC ASSET MANAGEMENT LIMITED

### DIRECTORS' REPORT (continued)

For the year ended 31 March 2011

#### Business review

The Company is an asset management company and is engaged in the business of buying and selling stocks and shares for the purposes of managing investment portfolios on behalf of a range of institutional and retail clients

There are certain inherent risks from pursuing this objective, but the main risk is market price risk as in many cases the income derived from the Company's activities is based on the value of assets under management. To some extent, therefore, the income received by the Company is dependent on the collective value of the investment portfolios that it manages which is in turn influenced by the progress of worldwide financial markets.

A further key risk facing the business is regulatory risk. This relates to the risk of censure or any other kind of action from a regulatory body that would have a detrimental impact upon the reputation of the Company and might as a result jeopardise its ability to deliver satisfactory levels of profit over the longer term. This is mitigated by the existence of a comprehensive internal control regime covering all aspects of the Company's business and operations, including a fully staffed UK based compliance team which reports directly to the board.

The Company made a profit on ordinary activities before taxation for the year ended 31 March 2011 of £18.03 million, which is lower than the previous year of £33.1m. Assets under management for the UK and international operations, increased by 41.9% to £30.8 billion (managed basis). Subject to there being no significant setback in world investment markets, there is every prospect that the business will prosper in the coming year.

#### Charitable and political donations

During the year under review, the Company made donations of £10,096 (31 March 2010: £5,563) to charitable causes.

#### Share capital

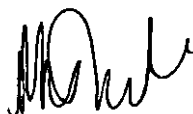
At 31 March 2011, the Company's issued share capital amounted to 10,622,032 (2010: 10,622,032) ordinary shares of £1 each.

No shares have been issued in the year under review.

#### Auditors

In accordance with Section 485 of the Companies Act 2006, the Company elected to dispense with the obligation to appoint auditors annually. KPMG Audit Plc are therefore deemed to be re-appointed as the Company's auditors for each succeeding year.

By order of the Board



M Slade  
Secretary

22 June 2011

Registered Office  
2 Gresham Street  
London EC2V 7QP

## **INVESTEC ASSET MANAGEMENT LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

---

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

## **INVESTEC ASSET MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC ASSET MANAGEMENT LIMITED**

---

We have audited the financial statements of Investec Asset Management Limited for the year ended 31 March 2011 set out on pages 5 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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.

#### **Respective responsibilities of directors and auditors**

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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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



**Ravi Lamba (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL

22 June 2011

**INVESTEC ASSET MANAGEMENT LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2011

		Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
	Notes		
Turnover	2	90,392	55,340
Other operating income	3	149	1,621
Administrative expenses		(98,309)	(66,049)
<b>Operating loss</b>		<b>(7,768)</b>	<b>(9,088)</b>
Loss on liquidation of subsidiary investment	4	(1,381)	-
Other income	5	27,177	42,226
<b>Profit on ordinary activities before taxation</b>	6	<b>18,028</b>	<b>33,138</b>
Tax on profit on ordinary activities	8	1,174	5,073
<b>Profit on ordinary activities after taxation</b>		<b>19,202</b>	<b>38,211</b>
<b>Profit for the financial year</b>		<b>19,202</b>	<b>38,211</b>

All activities derive from continuing operations

The notes on pages 8 to 24 form part of these accounts

**INVESTEC ASSET MANAGEMENT LIMITED****BALANCE SHEET**

As at 31 March 2011

		<b>Registered Number: 2036094</b>	
		<b>31 March 2011</b>	<b>31 March 2010</b>
		<b>£'000</b>	<b>£'000</b>
	Notes		
<b>FIXED ASSETS</b>			
Tangible fixed assets	9	126	61
Investments in group undertakings	10	13,869	16,459
Investments designated at fair value through profit or loss	11	5,646	-
		<u>19,641</u>	<u>16,520</u>
<b>CURRENT ASSETS</b>			
Debtors	12	34,060	18,591
Short term liquid investments		29,062	-
Cash at bank and in hand		1,429	15,210
		<u>64,551</u>	<u>33,801</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	32,557	8,584
<b>NET CURRENT ASSETS</b>		<u>31,994</u>	<u>25,217</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		51,635	41,737
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	7,556	-
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		44,079	41,737
Pension liability	17	-	(925)
<b>NET ASSETS</b>		<u>44,079</u>	<u>40,812</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	10,622	10,622
Share premium account	18	2,645	2,645
Capital redemption reserve	18	2,461	2,461
Profit and loss account	18	30,085	27,883
Pension deficit	18	(1,734)	(2,799)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>44,079</u>	<u>40,812</u>

The accounts were approved by the Board of Directors on 22 June 2011 and were signed on its behalf by



Kim McFarland  
Director

The notes on pages 8 to 24 form part of these accounts

---

**INVESTEC ASSET MANAGEMENT LIMITED**

---

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

As at 31 March 2011

---

	31 March 2011 £'000	31 March 2010 £'000
Profit for the financial year	19,202	38,211
Actuarial gains/(losses) on post retirement liability net of taxation	1,065	(413)
<b>Total recognised gains relating to the year</b>	<b>20,267</b>	<b>37,798</b>



# INVESTEC ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

#### *Basis of preparation*

The accounts have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules with the exception of investments and their related liabilities which are measured at fair value and cash at bank and hand. The accounts are also prepared on a going concern basis. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the basis that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Investec Plc, registered in England and Wales, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The Company has adopted FRS26 'Financial Instruments: Recognition and Measurement' to reflect the implementation of a new deferred compensation plan. As part of the plan, the Company will invest in collective investment schemes with a view to provide an award to its employees upon the fulfillment of certain criteria.

#### *Turnover*

Investment advisory fees are stated exclusive of VAT and are accrued over the period to which the income relates. Securities transaction charges are accounted for on a receipts basis. Performance fees and other income are recognised when they become receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

#### *Administrative expenses*

Administrative expenses are accrued over the period to which they relate and are charged through the profit and loss account.

#### *Investments in group undertakings*

Fixed asset investments are stated at cost less provision for permanent diminution in value. Realised gains or losses from the disposal of fixed asset investments are taken to the profit and loss account.

#### *Investments designated at fair value through profit or loss*

The Company holds investments in collective investment schemes which are initially recognised at cost and subsequently recognised at fair value through profit or loss. Fair value is deemed to be the bid price being the quoted price in an active market. These investments are designated at fair value to eliminate an accounting mismatch that would otherwise arise in having to measure the liability the Company has to its employees for the value of these assets (as part of the deferred compensation plan) in the profit and loss account.

The Company also holds short term investments in a liquidity fund that is initially designated and subsequently recognised at fair value.

Changes in fair value of investments designated at fair value through profit or loss are recognised in the profit and loss account in the period in which the changes arise.

---

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**For the year ended 31 March 2011

---

**1 Accounting policies (continued)*****Cash at bank and hand***

Cash and its equivalents are measured at fair value based on the relevant exchange rates at reporting dates

***Other financial assets***

Trade debtors, accrued income, amounts receivable from group undertakings, subordinated loans and other debtors originated by the Company are stated at amortised cost using the effective interest method, less any impairment losses

***Financial liabilities***

Non-derivative financial liabilities comprise amounts payable to group undertakings and trade and other payables and are measured at amortised cost

***Tangible fixed assets***

Tangible fixed assets are stated at original cost less accumulated depreciation, which is calculated to write off the cost of the assets evenly over their expected useful lives, as follows

Fixtures & fittings	5 years
Computers	3 years

***Debtors***

Debtors are stated at their cost less impairment losses

***Creditors***

The creditor's balances are stated at cost

***Foreign currencies***

Monetary assets and liabilities in foreign currencies are translated into sterling at year-end rates. Transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling when the transactions were entered into. All exchange differences are included in the profit and loss account

***Fees and commissions payable***

Fees and commissions payable consist of fees paid in respect of trailer payments and investment advice. These are accrued over the period to which the advice or service relates and are charged through the profit and loss account

***Taxation***

The charge for taxation is based on the loss/profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recoverable

## INVESTEC ASSET MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2011

#### 1 Accounting policies (continued)

##### *Share based payments to employees*

The group engages in equity settled share based payments and in certain limited circumstances cash 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 is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on an estimate of the amount of instruments that will eventually vest.

A liability and expense in respect of cash settled share based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the instrument that will eventually vest. The liability is recognised at the current fair value as at each balance sheet date, based on an estimate of the number of instruments that will eventually vest. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the profit and loss account until such time as the liability is settled.

Fair value measurements are based on a Black-Scholes option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

##### *Pension costs*

The Company accounts for pension costs in accordance with Financial Reporting Standard 17 ("FRS 17") which has been adopted in full.

The Company operates two non-contributory defined contribution schemes, Investec Defined Contribution Scheme and The Executive Directors' Pension Scheme. The assets of each scheme are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

The Company also operates two pension schemes providing benefits based on final pensionable pay, Guinness Mahon Group Pension Scheme and Investec Asset Management Pension Scheme (which are accounted for in accordance with FRS 17). The assets of each scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives in accordance with the recommendations of the actuary.

##### **Deferred compensation plan**

The Company has set up a deferred compensation plan to provide benefits to employees in return for services provided in the current and prior periods. The benefits will be provided to the employees through a deferred compensation arrangement in which the Company invests in collective investment schemes. At the end of the specified vesting period employees are entitled to an amount equal to the value of the collective investment scheme investments held by the Company.

As the substance of the scheme is that of an annual bonus award, the charge is booked in full in the income statement at the time of award with an adjustment for any expected forfeitures. The liability is carried at fair value with movements recognised in the profit and loss account. It is management's view that the most relevant measure of the employee benefit liability is therefore the fair value of the collective investment scheme investments held by the Company. The collective investment scheme investments do not qualify as assets of the plan and are presented separately in the balance sheet. The accounting policy for investments designated at fair value through profit or loss addresses the accounting treatment of these investments.

Changes in the fair value of the investments designated at fair value through profit or loss, and recognized in the profit and loss account, are matched by corresponding movements in the Company's deferred compensation plan liabilities to its employees. The net effect (excluding social security costs) on the profit and loss account is therefore nil. The fair value movements in assets and liabilities have been disclosed in the notes to the accounts.

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**2 Turnover**

	Year ended 31 March 2011	Year ended 31 March 2010
	£'000	£'000
Activity		
Investment advice and fund administration	55,698	38,873
Investment management fees	31,124	13,207
Other Income	3,570	3,260
	<u>90,392</u>	<u>55,340</u>

**3 Other operating income**

	Year ended 31 March 2011	Year ended 31 March 2010
	£'000	£'000
Other income	<u>149</u>	<u>1,621</u>

**4 Loss on liquidation of subsidiary investment**

Investec Investment Management Limited was put into liquidation and as a result the investment was revalued and a loss recognised of £1,381,041 in the year under review

**5 Other income**

	Year ended 31 March 2011	Year ended 31 March 2010
	£'000	£'000
Bank deposit and short term liquidity fund interest	85	23
Income from shares in group undertakings	27,152	42,171
Net exchange (losses)/gains	(60)	32
	<u>27,177</u>	<u>42,226</u>

**6 Profit on ordinary activities before taxation**

	Year ended 31 March 2011	Year ended 31 March 2010
	£'000	£'000
Profit on ordinary activities before taxation is stated <i>after charging</i>		
Auditors remuneration		
Audit of these financial statements	68	68
All other services	53	68
Depreciation	54	88

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**7 Information regarding directors and employees**

	Year ended 31 March 2011	Year ended 31 March 2010
	£'000	£'000
Directors' remuneration		
Emoluments (including benefits in kind)	7,391	3,658
Pension contributions	234	211
	<u>7,625</u>	<u>3,869</u>
Highest paid director		
Emoluments (including benefits in kind)	1,944	1,159
Pension contributions	85	69
	<u>2,029</u>	<u>1,228</u>

Contributions of £234,425 (2010 £210,648) were made into a Money Purchase scheme on behalf of five directors

The above directors' remuneration reflects that proportion of the total emoluments paid by the Investec group to directors of Investec Asset Management Limited which relates to their services to the Company. The emoluments have been allocated to the companies for which each was a director on the basis of time spent.

The number of directors which have retirement benefits accruing under the defined benefit scheme are nil (2010 nil)

	Year ended 31 March 2011	Year ended 31 March 2010
	£'000	£'000
Employee costs, excluding directors, during the year		
Gross salaries	65,419	45,348
Social security costs	8,160	2,930
Other pension costs	1,408	1,378
	<u>74,987</u>	<u>49,656</u>

The average number of persons employed by the Company, including Directors, during the year was 236 (31 March 2010 221)

# INVESTEC ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2011

### 8 Tax on profit on ordinary activities

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<u>UK Corporation tax</u>		
Current year	(3,231)	1,787
Prior year	(1,803)	590
Current year tax (charge)/credit	<u>(5,034)</u>	<u>2,377</u>
 Deferred tax		
Current year	4,534	1,809
Prior year	1,674	887
	<u>6,208</u>	<u>2,696</u>
 Credit for the period	<u>1,174</u>	<u>5,073</u>

The current tax credit for the period is lower (2010: lower) than the standard rate of corporation tax in the UK (28%, 2010: 28%). The difference is explained below:

Profit on ordinary activities before taxation	18,028	33,138
Tax charge at 28% (2010: 28%)	(5,048)	(9,279)
<i>Effects of</i>		
Expenses not deductible for tax purposes	(6,521)	(225)
Income not taxable for tax purposes	7,600	11,200
Transfer pricing	(17)	(8)
Net share option deduction	295	205
Difference in overseas tax rate	(579)	(162)
Capital allowances in excess of depreciation	46	29
Adjustment to tax charge in respect of prior year	(1,803)	590
Timing differences not recognised in the year	114	27
Utilisation of brought forward tax losses	878	-
Current tax (charge)/credit for the year	<u>(5,034)</u>	<u>2,377</u>

# INVESTEC ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2011

### 8 Tax on profit on ordinary activities (continued)

#### Deferred Tax Analysis

Analysis of deferred tax asset/(liability) (at 28%)	Opening balance 1 April 2010	Prior year adjustment	Current year p&l movements	Change in tax rate	Current year movements through	Closing balance 31 March 2011
	DT asset/(liability)	DT (charge)/credit	DT (charge)/credit	DT (charge)/credit	DT (charge)/credit	DT asset/(liability)
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	196	59	(46)	(15)	-	194
Employee incentive scheme	2,330	-	126	(176)	-	2,280
	-	878	(878)	-	-	-
Losses carried forward	-	-	-	-	-	-
Deferred compensation payments	-	737	6,004	(481)	-	6,260
<b>Revised totals</b>	<b>2,526</b>	<b>1,674</b>	<b>5,206</b>	<b>(672)</b>	<b>-</b>	<b>8,734</b>
Pensions D11 balance	360	-	-	-	(665)	(305)
<b>Total at 28%</b>	<b>2,886</b>	<b>1,674</b>	<b>5,206</b>	<b>(672)</b>	<b>(665)</b>	<b>8,429</b>

### 9 Tangible fixed assets

	Fixtures and Fittings £'000	Computers £'000	Total £'000
<b>Cost</b>			
As at 31 March 2010	58	3,312	3,370
Additions	-	119	119
<b>As at 31 March 2011</b>	<b>58</b>	<b>3,431</b>	<b>3,489</b>
<b>Depreciation</b>			
As at 31 March 2010	56	3,253	3,309
Charged for the year	2	52	54
<b>As at 31 March 2011</b>	<b>58</b>	<b>3,305</b>	<b>3,363</b>
<b>Net book value</b>			
As at 31 March 2011	0	126	126
As at 31 March 2010	2	59	61

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**10 Investments in group undertakings**

In the opinion of the Directors, the value of fixed asset investments is not less than the amounts at which they are stated in the accounts. The principal trading subsidiaries are

At 31 March 2011	Type of share held	Proportion of ordinary share capital held	Net book value £'000
Investec Asset Management Guernsey Limited, Guernsey C I *	Ord £1	100%	6,004
Investec Fund Managers Limited, England and Wales *	Ord £1	100%	4,000
Investec Asset Management US Limited, England and Wales *	Ord £1	100%	3,815
Investec Asset Management Asia Limited, Cayman Islands (operating in Hong Kong)	Ord US\$1	100%	50
			<u>13,869</u>

**At 31 March 2010**

Investec Asset Management Guernsey Limited, Guernsey C I *	Ord £1	100%	6,004
Investec Investment Management Limited, England and Wales *	Ord £1	100%	4,381
Investec Management Limited, England and Wales *	Ord £1	100%	209
Investec Fund Managers Limited, England and Wales *	Ord £1	100%	4,000
Investec Asset Management US Limited, England and Wales *	Ord £1	100%	1,815
Investec Asset Management Asia Limited, Cayman Islands (operating in Hong Kong)	Ord US\$1	100%	50
			<u>16,459</u>

\* Denotes held directly by the Company

Except where stated, all the companies operate principally in their country of incorporation or registration



**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**11 Investments designated at fair value through profit or loss**

	31 March 2011 £'000
<b>Investments in collective investment schemes</b>	
At at 31 March 2010	-
Additions	5,290
Disposals	-
Change in fair value	356
As at 31 March 2011	<u>5,646</u>

The movements in the table above are matched by corresponding movements in the long term liabilities. The net effect of the changes in fair value to the profit and loss account is therefore nil. These investments are held in respect of the deferred compensation plan.

**12 Debtors**

	31 March 2011 £'000	31 March 2010 £'000
Amounts falling due within one year		
Trade debtors	1,770	472
Amounts owed by subsidiary undertakings	1,911	2,010
Amounts owed by fellow subsidiary undertakings	1	9
Subordinated loan	4,000	4,000
Other debtors	3,500	968
Deferred tax	8,734	2,526
Corporation tax	-	179
Accrued income	12,002	7,528
Prepayments	1,240	899
Pension fund asset	902	-
	<u>34,060</u>	<u>18,591</u>

**13 Creditors amounts falling due within one year**

	31 March 2011 £'000	31 March 2010 £'000
Trade creditors	675	2,861
Amounts owed to subsidiary undertakings	2,010	720
Amounts owed to fellow subsidiary undertakings	4,910	47
Corporation tax	4,309	-
Accruals	20,653	4,956
	<u>32,557</u>	<u>8,584</u>

**14 Creditors amounts falling due after more than one year**

	31 March 2011 £'000	31 March 2010 £'000
Employee benefit liabilities	5,646	-
Employer's NI on employee benefit liabilities	1,910	-
	<u>7,556</u>	<u>-</u>

The employee benefit liability for each year vests after a period of 3 years. Note 11 includes details of the investments in collective investment schemes relating to these obligations to employees. The net effect of the changes in fair value of the investments per Note 11 and the corresponding movements in the employee liability to the profit and loss account is therefore nil.

# INVESTEC ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2011

### 15 Called up share capital

	31 March 2011 £'000	31 March 2010 £'000
Issued, called up and paid up		
10,622,032 ord shares of £1 each (31 March 2010 10,622,032 £1 shares)	10,622	10,622
	<u>10,622</u>	<u>10,622</u>

### 16 Share based payments

	31 March 2011 Number of share options	31 March 2011 WAEP	31 March 2010 Number of share options	31 March 2010 WAEP
Outstanding at the beginning of the year	3,577,167	£0.10	3,771,615	£0.39
Re-location of employees during the year	166,600	£0.00	(36,245)	£0.42
Granted during the year	2,249,250	£0.00	485,250	£0.00
Lapsed during the year	(845,229)	£0.06	(610,697)	£1.80
Lapsed during the year	(116,645)	£0.40	(32,756)	£2.25
Outstanding at the end of year	<u>5,031,143</u>	<u>£0.04</u>	<u>3,577,167</u>	<u>£0.26</u>
Exercisable at end of year	-	£0.00	4,000	£3.15

The exercise price range and weighted average remaining contractual life for options outstanding at 31 March 2011, were as follows:

Exercise price range	£0 - £2.12
Weighted average remaining contractual life	3.14 years

For options granted during the period the inputs were as follows,

	31 March 2011	31 March 2010
- Share price at date of grant	£4.29 - £4.98	£3.20 - £4.26
- Exercise price	£0, £4.29 - £4.98	£0, £3.20 - £4.36
- Expected volatility	30% - 37.76%	33% - 45%
- Option life	5 - 5.25 Years	5 - 5.25 Years
- Expected dividend yield	5.07% - 5.23%	3.97%
- Risk-free rate	2.05% - 2.15%	2.14% - 8.55%

The amounts recognised in the profit and loss were share based payments of £2,986,422 in March 2011 (£2,583,937 March 2010)

## INVESTEC ASSET MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2011

#### 17 Pension costs

##### Defined benefit schemes

- (a) The Company participates in the Guinness Mahon Group Pension Scheme which is a non-contributory defined benefit scheme and its assets are held in separate trustee administered funds. The Group has adopted FRS 17 in respect of defined benefit schemes. Employees from other Investec plc undertakings also participate in this scheme and the Company is unable to identify its share of the underlying assets on a consistent and reliable basis. Therefore the Company has accounted for this scheme on a defined contribution basis. The scheme is closed to new entrants and accrual of service ceased on 31 March 2002. The Company made no contributions to the scheme in the year ended 31 March 2011.

The accounts of Investec plc, the ultimate parent company, disclose the actuarial valuation of the scheme under IAS 19 at 31 March 2011. This valuation was performed by a qualified independent actuary. The valuation showed a surplus in the scheme of £19,007,000 (31 March 2010 surplus of £2,569,000). The surplus after recognition of the related deferred tax liability has been recognised in the financial statements of Investec plc.

- (b) The Company participates in the Investec Asset Management Pension Scheme, which is a non-contributory defined benefit scheme. The group has adopted FRS 17 in respect of defined benefit schemes. The scheme has been valued at 31 March 2011 by qualified independent actuaries in accordance with FRS 17.

The major assumptions used were

	Year ended 31 March 2011	Year ended 31 March 2010
Rate of increase in pensionable salaries	3.5%	3.7%
Rate of increase in pensions in payment for post 1997 service	3.4%	3.6%
Discount rate	5.5%	5.5%
Inflation assumption	3.5%	3.7%

# **INVESTEC ASSET MANAGEMENT LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

### **17 Pension costs (continued)**

The net pension asset/(liability) in respect of the scheme was

	31 March 2011 expected rate of return %	Year ended 31 March 2011 £'000	31 March 2010 expected rate of return %	Year ended 31 March 2010 £'000
Equities	7.70%	9,648	7.80%	8,830
Bonds	4.20%	3,335	4.40%	2,449
Cash	4.20%	503	4.40%	317
Total fair value of assets	6.70%	13,486	6.99%	11,596
Present value of liabilities		12,279		12,881
Asset/(liability) in the scheme		1,207		(1,285)

Analysis of movement in asset/(liability) during the year

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Liability in scheme at beginning of the year	(1,285)	(1,212)
Employer contributions	876	556
Net return/(loss)	131	(59)
Actuarial gains/(losses)	1,485	(570)
Asset/(liability) in scheme at end of the year	1,207	(1,285)
Pensions deferred tax balance	(305)	360
Net asset/(liability) in scheme at end of year	902	(925)

The following amounts have been included within the profit and loss account under the requirements of FRS17

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Expected return on pension scheme assets	835	540
Interest on pension scheme liabilities	(704)	(599)
Net return	131	(59)

# INVESTEC ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 March 2011

### 17 Pension costs (continued)

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses ("STRGL") under the requirements of FRS 17

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Actuarial return less expected return on pension scheme assets	341	3,004
Changes in assumptions underlying the present value of the scheme liabilities	1,144	(3,574)
Actuarial loss recognised in the STRGL	<u>1,485</u>	<u>(570)</u>

History of experience losses and gains

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Actuarial return less expected return on pension scheme assets	341	3,004
Changes in assumptions underlying the present value of the scheme liabilities	1,144	(3,574)
Actuarial gain/(loss) recognised in the STRGL	<u>1,485</u>	<u>(570)</u>

The actuarial loss recognised in the STRGL is net of 28% taxation (2010 28%)

Amounts for the current and previous four periods are as follows

	Year ended 31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000
Fair value of Scheme assets	13,486	11,596	7,695	9,769	9,688
Present value of defined benefit obligation	(12,279)	(12,881)	(8,907)	(9,144)	(11,155)
Surplus/(deficit) in the Scheme	1,207	(1,285)	(1,212)	625	(1,467)
Experience adjustments on Scheme assets	341	3,004	(2,593)	(950)	(254)
Experience adjustments on Scheme liabilities	(46)	214	-	-	-

### Defined contribution schemes

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
The total pension cost of the Company was as follows		
Investec Defined Contribution Scheme (see note (c))	1,642	1,589
	<u>1,642</u>	<u>1,589</u>

- (c) The Company had £nil accrued contributions in respect of the Investec Defined Contribution Scheme at the balance sheet date (31 March 2010 £nil)

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**18 Statement of movements on reserves**

	Share premium Account	Capital Redemption Reserves	Profit and Loss Account	Pension Deficit Reserve	Total
	£'000	£'000	£'000	£'001	£'000
Balance at 31 March 2010	2,645	2,461	27,883	(2,799)	30,190
Movement in the year	-	-	19,202	1,065	20,267
Dividend paid	-	-	(17,000)	-	(17,000)
Balance at 31 March 2011	2,645	2,461	30,085	(1,734)	33,457

**19 Financial instruments*****Financial risk management***

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Investec Asset Management Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports bi-annually to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Risk Committee meets monthly and risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Investec Asset Management Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedure, the results of which are reported to the Audit Committee.

***Investments***

The Company has limited credit, market or liquidity risks related to its collective investment scheme investments as they are matched by the liability the Company has to its employees for the value of these assets.

***Credit risk***

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from clients, cash and cash equivalents and amounts receivable from group companies.

*Trade debtors and accrued income* The majority of fee income is collected directly from clients' assets under management, mitigating a large portion of credit risk. Outstanding balances are aged monthly and all outstanding balances are actively followed up.

*Cash* Reputable financial institutions are used for investing and cash handling purposes. At balance sheet date there were no significant concentrations of credit risk.

*Amounts owed by group undertakings* In the context of the regulatory environments in which Investec group companies operate, the credit risk related to amounts receivable from group companies is not considered to be significant.

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**19 Financial instruments (continued)***Credit risk (continued)*

The Company's financial assets exposed to credit risk are as follows

	31 March 2011	31 March 2010
	£'000	£'000
Trade debtors	1,770	472
Amounts owed by subsidiary undertakings	1,911	2,010
Subordinated loan	4,000	4,000
Other debtors	3,500	968
Accrued income	12,002	7,528
Short term liquid investments	29,062	-
Cash at bank and in hand	1,429	15,210
	<u>53,674</u>	<u>30,188</u>

Amounts in the above table are based on carrying value of all accounts

The Company had no material past due receivables at the balance sheet date

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company ensures that it has sufficient cash on demand to meet its current obligations. Liquidity risk is monitored as required by the regulatory authorities.

The following table details the residual contractual maturities of the Company's financial liabilities at 31 March 2011

	Not more than 12 months	More than one year
	£'000	£'000
Trade creditors	675	-
Amounts owed to subsidiary undertakings	2,010	-
Amounts owed to fellow subsidiary undertakings	4,910	-
Accruals	20,653	-
Employee benefit liabilities	-	7,556
	<u>28,248</u>	<u>7,556</u>

*Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

*Currency risk.* The Company is exposed to currency risk on portions of its trade debtors, accrued income, cash at bank and hand and certain intercompany balances, primarily USD and Euro although this exposure is not significant in the context of the Company's overall business. Outstanding amounts are regularly monitored and settled to mitigate currency exposures.

*Interest rate risk.* The Company adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis as virtually all such exposures are short term in nature.

*Price risk.* As the Company's investments in collective investment schemes are matched by the liability the Company has to its employees for the value of these assets, there is no impact on profit or loss for changes in the values of these investments. The Company has investment in short term liquid investments as a means to increase interest income, therefore, are of the view that the only significant risk arising from such investments is interest rate risk.

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**19 Financial instruments (continued)*****Market risk (continued)***

As at 31 March the Company had the following significant exposure to foreign currency

	31 March 2011	31 March 2010
	£'000	£'000
USD	3,655	794
Euro	<u>1,353</u>	<u>-</u>
	<u>5,008</u>	<u>794</u>

As at 31 March had the pound Sterling strengthened by 10% in relation to all currencies in which significant exposure was held, with all other variables held constant, equity and profit for the period per the profit and loss account would have increased by the amounts shown below

	31 March 2011	31 March 2010
	£'000	£'000
USD	366	79
Euro	<u>135</u>	<u>-</u>
	<u>501</u>	<u>79</u>

A 10% weakening in the pound Sterling would have resulted in an equal but opposite effect on the financial statements of the amounts shown above, on the basis that all other variable remain constant

As at 31 March 2011 the Company had the following interest rate exposure

	31 March 2011	31 March 2010
	£'000	£'000
Cash at bank and in hand (non interest bearing)	1,429	15 210
Liquid investments	<u>29,062</u>	<u>-</u>
	<u>30,491</u>	<u>15 210</u>

As at 31 March 2011, the Company's exposure to interest rate risk was through its liquid investments of £29,062,000 (2010 Nil)

As at 31 March 2011, if interest rates had been 50 basis points higher with all other variables held constant, equity and profit for the period would have increased by £145,310 (2010 Nil) Had interest rates been 50 basis points lower, it would have resulted in an equal but opposite effect on the financial statements of the amounts shown above, on the basis that all other variables remain constant

***Capital management***

The capital of the Company is considered to be its total equity less tax related assets. The Company's policy is to retain sufficient capital on hand to meet the capital requirements of the FSA. The Company has complied with these requirements throughout the year. There were no changes in the Company's approach to capital management during the year.

***Fair values***

The fair values of all financial instruments are substantially similar to carrying values reflected in the balance sheet as they are short term in nature, subject to variable, market related interest rates or stated at fair value in the balance sheet. The fair values of investments designated at fair value through profit or loss and their related liabilities, plus cash and their equivalents are determined using quoted market prices for identical instruments in an active market (level 1 valuation).



**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 March 2011

**20 Parent company**

The Company's ultimate UK parent company is Investec Plc, a company registered in England & Wales. This is the group into which accounts of the Company are consolidated. Copies of the financial statements of both groups can be obtained from 2 Gresham Street, London, EC2V 7QP.

**21 Reconciliation of movement on shareholders' funds**

	Year ended 31 March 2011	Year ended 31 March 2010
	£'000	£'000
Profit for the year	19,202	38,211
Net reduction in pension fund	1,065	(413)
Dividend Paid	(17,000)	(13,000)
Net increase to shareholders' funds	3,267	24,798
Opening shareholders' funds	40,812	16,014
Closing shareholders' funds	44,079	40,812