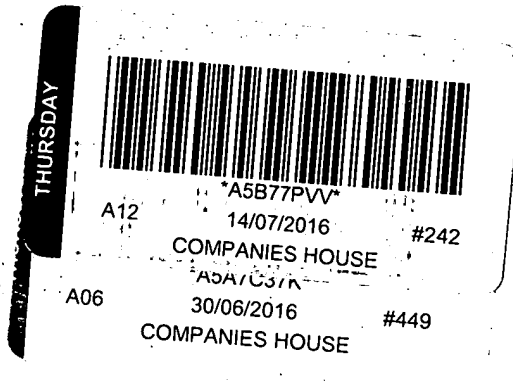


INVESTEC ASSET MANAGEMENT LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

(Registration number: 2036094)



INVESTEC ASSET MANAGEMENT LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

The directors of Investec Asset Management Limited ("the Company") are responsible for preparing the directors' report, strategic 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 International Financial Reporting Standards as adopted by the European Union (IFRSs).

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 estimates that are reasonable and prudent;
- state whether applicable IFRSs 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

DIRECTORS' REPORT

For the year ended 31 March 2016

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Legal form and domicile

The Company is domiciled in the United Kingdom and its principal place of business is Woolgate Exchange, 25 Basinghall Street, London, EC2V 5HA, United Kingdom.

Share capital

Share capital is set out in the financial statements.

Disclosure of information to the auditor

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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Employee arrangements

The Company is an equal opportunities employer. This means that it is the Company's policy that there should be no unlawful discrimination, harassment or less favourable treatment or victimisation of any employee, job applicant, customer or provider of services either directly or indirectly on any unlawful grounds including on the grounds of:

- race, nationality or ethnic origin;
- sex, gender, gender reassignment, marital, civil partnership or family status;
- disability;
- trade union membership or activity;
- sexual orientation;
- age; and
- religion or religious beliefs.

This applies at all stages of the employment relationship, from interview and appointment, to promotion and reward, to termination.

The Company is committed to providing information to employees and discussing with them any issues of concern. This is done in a variety of ways, including regular staff updates from the chief executive officer, offsites and other team, divisional or cross-divisional meetings, all of which provide opportunities for dialogue between management and employees. Members of the organisational development and the human resources teams are also available for employees to discuss any concerns. The Company has a learning and development function to provide relevant training and development opportunities for both staff and clients. This includes the achievement of professional qualifications. The purpose is to enable employees to successfully fulfil their job responsibilities and meet regulatory requirements.

The Company operates an annual discretionary bonus scheme in which all staff are entitled to participate. For senior employees, part of their bonus may be deferred into funds managed by the firm and for portfolio managers, a portion of their bonus will be deferred into funds managed by them. Employees also have the opportunity to participate in the Investec Group Long Term Incentive Plan, although participation is now normally limited to those whose bonuses are not deferred.

INVESTEC ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2016

Directors

The directors of the Company at year end who, unless otherwise stated, held office throughout the year under review were:

H S Herman	(Chairman)
H J du Toit	(Chief Executive)
C A Carolus	(resigned 25 February 2016)
Lord Flight	
N P Gosa	
B Kantor	
I R Kantor	
S Koseff	
K M McFarland	
R B Saunders	
B Tapnack	
F Titi	

Holding company

The holding company is Investec plc which is incorporated in England & Wales.

Post balance sheet events

No material events or circumstances have occurred from the year end to the date of this report.

By order of the board of directors:



H Black
Secretary
7 June 2016

INVESTEC ASSET MANAGEMENT LIMITED**STRATEGIC REPORT**

For the year ended 31 March 2016

The Company is the holding company of the Investec Asset Management (United Kingdom and International) group of companies and is an asset manager engaged in the business of managing investment portfolios for clients in the United Kingdom ("UK") and foreign countries.

The principal trading activities are the provision of investment management services to onshore and offshore collective investment schemes and institutional clients, and acting as a procurement agent on behalf of its principal trading subsidiaries and other Investec Asset Management subsidiaries. The Company is authorised and regulated by the Financial Conduct Authority. In addition, the Securities and Exchange Commission regulates the Company's activities in the United States of America.

There are certain inherent risks from pursuing these activities, but the main risk is market price risk as in many cases the revenue derived from the Company's activities is based on the value of assets under management. To some extent, therefore, the revenue 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 global 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 comprehensive internal controls covering all aspects of the Company's business and operations, including a fully staffed international compliance team, based in the UK, which reports directly to the board.

Assets under management for the UK and international operations, increased from £50.6 billion at 31 March 2015 to £51.1 billion at 31 March 2016 determined on a net managed basis. Subject to there being no significant setback in global financial markets, there is every prospect that the business will prosper in the coming year.

The results and dividends declared for the current and prior years are set out in the financial statements and require no further comment.

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.

By order of the board of directors:



H Black
Secretary
7 June 2016

INVESTEC ASSET MANAGEMENT LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 March 2016

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 2016 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs).

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibility statement set out on page 1, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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 LLP, Statutory Auditor
Chartered Accountants
13 June 2016

15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

INVESTEC ASSET MANAGEMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016


	<i>Notes</i>	2016 £'000	2015 £'000
Service fees		166,152	154,997
Interest income		130	141
Dividend income from subsidiaries		62,598	49,045
Revenue		228,880	204,183
Investment and administration expenses		(147,596)	(151,513)
Foreign exchange gain		1,288	1,635
Fair value adjustment on investments designated at fair value through profit or loss		(487)	698
Profit from operations before tax	2	82,085	55,003
Income tax expense	3	(4,776)	(2,029)
Profit from operations after tax		77,309	52,974
Other comprehensive income			
Revaluation of pension fund asset	16 (b)	(885)	(899)
Current tax on revaluation of pension fund asset		297	310
Deferred tax on revaluation of pension fund asset	7	(31)	(115)
Current tax on share options vested		180	-
Deferred tax on share options vested	7	76	-
Total comprehensive income for the year		76,946	52,270

INVESTEC ASSET MANAGEMENT LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 March 2016

	Notes	2016 £'000	2015 £'000
Assets			
Investments in subsidiaries	5	36,369	36,369
Property and equipment	6	454	562
Deferred tax asset	7	8,797	6,752
Pension fund asset	16 (b)	4,696	5,518
Total non-current assets		50,316	49,201
Trade receivables		29,106	25,541
Other receivables		3,732	3,810
Investments	8	31,618	15,401
Cash and cash equivalents	9	84,332	81,761
Amounts receivable from group companies	13	6,564	15,756
Total current assets		155,352	142,269
Total assets		205,668	191,470
Equity			
Share capital	10	11,860	11,860
Share premium		57,810	57,810
Retained earnings		9,101	3,355
Total equity		78,771	73,025
Liabilities			
Other liabilities	11	32,087	12,342
Total non-current liabilities		32,087	12,342
Other liabilities	11	3,894	5,185
Trade and other payables	12	81,819	95,726
Amounts payable to group companies	13	326	2,504
Income tax payable		8,771	2,688
Total current liabilities		94,810	106,103
Total equity and liabilities		205,668	191,470

The financial statements were approved by the board of directors on 7 June 2016 and signed on its behalf by:


Director
HENRIK DU TOIT


Director
KIM MCFARLAND

INVESTEC ASSET MANAGEMENT LIMITED**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 March 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
2016					
Opening balance	11,860	57,810	-	3,355	73,025
Total comprehensive income for the year				76,946	76,946
Dividends paid				(71,200)	(71,200)
Closing balance	11,860	57,810	-	9,101	78,771
2015					
Opening balance	11,860	57,810	2,461	11,869	84,000
Total comprehensive income for the year				52,270	52,270
Transfer of capital redemption reserve to retained earnings			(2,461)	2,461	-
Dividends paid				(63,245)	(63,245)
Closing balance	11,860	57,810	-	3,355	73,025

INVESTEC ASSET MANAGEMENT LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit from operations before tax		82,085	55,003
Adjusted for:			
Fair value adjustment on investments designated at fair value through profit or loss		487	(698)
Depreciation	6	311	276
Net return of pension fund	16 (b)	(63)	(207)
Interest income		(130)	(141)
Foreign exchange gain		(1,288)	(1,635)
Operating profit before working capital changes		81,402	52,598
Working capital changes:			
Subordinated loan		-	4,000
Trade receivables		(3,565)	(2,052)
Other receivables		78	(992)
Amounts receivable from group companies		9,192	8,242
Foreign exchange gain related to receivables and payables		1,288	1,635
Other liabilities		18,454	5,588
Trade and other payables		(13,907)	10,902
Amounts payable to group companies		(2,178)	2,287
Cash flow from operations		90,764	82,208
Interest received		130	141
Income tax (paid)/received		(216)	2,516
Balance at beginning of year		(2,688)	6,206
Current tax	3	(6,776)	(6,688)
Current tax on revaluation of pension fund asset		297	310
Current tax on share options vested		180	-
Balance at end of year		8,771	2,688
Net cash flows from operating activities		90,678	84,865
Cash flows from investing activities			
Net acquisition of investments		(16,704)	(3,866)
Acquisition of investments in subsidiaries	5	-	(4,050)
Additions to property and equipment	6	(203)	(359)
Net cash flows from investing activities		(16,907)	(8,275)
Cash flows from financing activities			
Dividends paid		(71,200)	(63,245)
Net cash flows from financing activities		(71,200)	(63,245)
Net change in cash and cash equivalents		2,571	13,345
Cash and cash equivalents at beginning of year		81,761	68,416
Cash and cash equivalents at end of year	9	84,332	81,761

1 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the requirements of the Companies Act 2006.

The financial statements are presented in pound sterling, which is the functional currency of the Company, and are prepared on the historical cost basis with the exception of deferred compensation investments and their related deferred compensation liabilities. All financial information presented has been rounded to the nearest thousand pound sterling, unless otherwise indicated.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are shown in notes 5 and 16. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Forthcoming requirements

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the Company:

- Amendments to IAS 27 Equity method in separate financial statements allows an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
- Amendments to IAS 1 Disclosure initiative provides additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.
- Amendments to IFRS 10 Consolidated financial statements clarifies which subsidiaries are consolidated instead of being measured at fair value and also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 and early application is permitted.
- IFRS 15 Revenue from contracts with customers applies two approaches to recognising revenue: at a point in time or over time. It includes a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.
- IFRS 9 Financial instruments changes the criteria for classification and the measurement bases of financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. The standard is effective for annual periods beginning on or after 1 January 2018, with retrospective application. Early adoption is permitted.
- IFRS 16 Leases replaces IAS 17 Leases and sets out the principles for recognition, measurement, presentation and disclosure of leases for lessees and lessors. It has one model for lessees and will result in almost all leases being included on the statement of financial position. The standard is effective for annual periods beginning on or after 1 January 2019, with retrospective application. Early adoption is permitted only if IFRS 15 is also adopted. The impact of this standard is being assessed.

With the exception of IFRS 16, the impact on the financial statements of the above standards and amendments is not expected to be significant. All standards and amendments will be adopted when effective.

Consolidated financial statements

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. All owners of the Company have been informed about, and do not object to, the Company not presenting consolidated financial statements; therefore these financial statements present information about the Company as an individual undertaking and not about its group. The Company is a subsidiary of Investec plc, a company incorporated in England & Wales. Investec plc prepares consolidated financial statements.

Investments in subsidiary companies

Investments in subsidiary companies are shown at cost less any accumulated impairment losses.

Revenue

Revenue includes service fees (management fees and performance fees), interest income and dividend income from subsidiaries. It excludes value added tax. Management fees are recognised as services are rendered. Performance fees are recognised when they become receivable. Interest income is recognised on an accrual basis. Dividend income from subsidiaries is recognised when the Company becomes entitled to receive the dividend. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Operating leases

Operating lease expense is recognised on a straight line basis over the period of the lease.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on a straight line basis over the estimated useful lives of property and equipment as follows:

Computer equipment	3 years
Fixtures and fittings	5 years
Leasehold improvements	Over the term of the lease

The residual values, depreciation methods and useful lives are reassessed annually.

Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are reflected as a net amount in the statement of financial position.

Financial instruments

Recognition and de-recognition of financial instruments

Financial instruments are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the particular instrument. Financial assets are de-recognised when, and only when, the Company transfers substantially all risks and rewards of ownership. Financial liabilities are de-recognised when, and only when, the obligations under the contract are discharged, cancelled or expire.

Investments designated at fair value through profit or loss

Investments are designated at fair value through profit or loss and consist of holdings in pooled vehicles as part of the deferred compensation plan (explained further below). These investments are initially recognised at fair value and subsequently measured at fair value through profit or loss. Fair value is deemed to be the quoted net asset value per unit as reported by the managers of such investments.

Loans and receivables

Loans and receivables comprise trade receivables, cash and cash equivalents and amounts receivable from group companies and are stated at amortised cost using the effective interest rate method, less any impairment losses. Receivables with a short duration are not discounted.

Financial liabilities

Financial liabilities comprise other liabilities, trade and other payables and amounts payable to group companies. All financial liabilities, excluding deferred compensation, are measured at amortised cost using the effective interest rate method. Deferred compensation liabilities are held at fair value with movements in fair value recognised in the statement of comprehensive income.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Financial assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are credited to or charged against profit or loss.

Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. At the reporting date, there was no indication of impairment of any assets.

Pension scheme

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 statement of comprehensive income 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. The assets of each scheme are held separately from those of the Company. Contributions to the scheme are charged to the statement of comprehensive income so as to spread the cost of pensions over employees' working lives in accordance with the recommendations of the actuary.

Share based payment arrangements

The Investec group operates a share option scheme involving share options in Investec Limited and Investec plc, which is on an equity settled basis. The share option scheme allows the Company's employees to acquire shares of Investec plc. The fair value of options granted attributable to the Company is recognised as an expense with a corresponding payment to the issuing companies for this expense, over the service vesting period during which the employees become unconditionally entitled to the options. For options granted before 29 May 2012, the expense allocated over the service vesting period is not adjusted if the employee to whom the options were granted, leaves the Company. For options granted on or after 29 May 2012, the expense allocated will be reversed if the employee to whom the options were granted, leaves the Company.

Long-term employee benefits

The Company's obligation in respect of long-term employee benefits other than retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. This future benefit relates to deferred compensation provided by the Company to its employees, which the Company invests in pooled vehicles managed by affiliates of the Company. At the end of the specified vesting period employees are entitled to an amount equal to the value of the investments held by the Company. It is management's view that the most relevant measure of the employee benefit liability is therefore the fair value of the investments held by the Company. The investments do not qualify as plan assets and are presented separately in the statement of financial position. The accounting policy for investments designated at fair value addresses the accounting treatment of these investments.

INVESTEC ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

	2016 £'000	2015 £'000
2 Profit from operations before tax		
is arrived at after taking into account:		
Audit fee expense	167	140
Operating lease expense	4,744	4,568
3 Income tax expense		
Current tax - current year	5,880	3,331
Current tax - adjustment for prior years	896	3,357
	6,776	6,688
Deferred tax - current year	(1,577)	(1,721)
Deferred tax - adjustment for prior years	(888)	(2,938)
Deferred tax - change in corporate tax rate	465	-
	(2,000)	(4,659)
	4,776	2,029
Reconciliation of effective tax rate	%	%
Effective rate of taxation	5.8	3.7
Expenses not deductible for tax purposes	(0.5)	(0.5)
Exempt income	15.3	18.7
Difference in overseas tax rate	-	(0.1)
Adjustment to tax charge in respect of prior year	(0.6)	(0.8)
United Kingdom standard tax rate	20.0	21.0
	£'000	£'000
4 Information regarding directors and employees		
Directors' remuneration:		
Emoluments (including benefits in kind)	3,781	4,235
Highest paid director:		
Emoluments (including benefits in kind)	2,200	2,508
The above directors' remuneration reflects the proportion of the total emoluments for directors who were accounted for and paid by the Investec Asset Management group to directors of Investec Asset Management Limited which relates to their services to the Company. The emoluments have been allocated on a time apportionment basis across the companies for which each was a director.		
Employee costs, excluding directors, during the year:		
Gross salaries	99,301	107,657
Social security costs	11,609	11,755
Other pension costs	3,414	2,857
	114,324	122,269

The average number of persons employed by the Company, including directors, during the year was 388 (2015: 367).

INVESTEC ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

	2016 £'000	2015 £'000
5 Investments in subsidiaries		
Opening balance	36,369	32,319
Net additions	-	4,050
Closing balance	<u>36,369</u>	<u>36,369</u>

The subsidiaries at cost less impairment at year end, are as follows:

Name of company	Country of incorporation		
Investec Asset Management Guernsey Limited	Guernsey	24,504	24,504
Investec Fund Managers Limited	England & Wales	4,000	4,000
Investec Asset Management North America, Inc.	Delaware, US	3,815	3,815
Investec Asset Management Luxembourg S.A.	Luxembourg	4,037	4,037
Investec Asset Management Switzerland GmbH	Switzerland	13	13
		<u>36,369</u>	<u>36,369</u>

The Company holds 100% of the voting rights of all its subsidiaries.

6 Property and equipment

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
2016				
Cost				
Opening balance	115	4,330	58	4,503
Additions	-	203	-	203
Closing balance	<u>115</u>	<u>4,533</u>	<u>58</u>	<u>4,706</u>
Accumulated depreciation				
Opening balance	(15)	(3,868)	(58)	(3,941)
Depreciation	(35)	(276)	-	(311)
Closing balance	<u>(50)</u>	<u>(4,144)</u>	<u>(58)</u>	<u>(4,252)</u>
Closing net book value	<u>65</u>	<u>389</u>	<u>-</u>	<u>454</u>
2015				
Cost				
Opening balance	-	4,086	58	4,144
Additions	115	244	-	359
Closing balance	<u>115</u>	<u>4,330</u>	<u>58</u>	<u>4,503</u>
Accumulated depreciation				
Opening balance	-	(3,607)	(58)	(3,665)
Depreciation	(15)	(261)	-	(276)
Closing balance	<u>(15)</u>	<u>(3,868)</u>	<u>(58)</u>	<u>(3,941)</u>
Closing net book value	<u>100</u>	<u>462</u>	<u>-</u>	<u>562</u>

INVESTEC ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

	2016 £'000	2015 £'000
7 Deferred tax asset		
Accelerated capital allowances	399	420
Employee incentive scheme	197	1,095
Deferred compensation payments	8,970	6,045
Pension fund	(845)	(808)
Share options	76	-
	<u>8,797</u>	<u>6,752</u>
Opening balance	6,752	2,208
Deferred tax charge to profit from operations (note 3)	2,000	4,659
Deferred tax charge to other comprehensive income:		
Deferred tax on revaluation of pension fund asset	(31)	(115)
Deferred tax on share options vested	76	-
Closing balance	<u>8,797</u>	<u>6,752</u>
8 Investments		
Deferred compensation investments	<u>31,618</u>	<u>15,401</u>
9 Cash and cash equivalents		
Cash on hand	2	3
Current account (Citibank: A rated)	15,244	5,782
Investec Global Strategy Fund - Sterling Money Fund (AAAf rated)	69,086	75,976
	<u>84,332</u>	<u>81,761</u>
10 Share capital		
<i>Issued and fully paid</i>		
11,860,000 ordinary shares of £1 each (2015: 11,860,000)	<u>11,860</u>	<u>11,860</u>
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.		
11 Other liabilities		
Non-current deferred compensation liabilities	32,087	12,342
Current deferred compensation liabilities	3,894	5,185
	<u>35,981</u>	<u>17,527</u>
The above liabilities include employer's National Insurance.		
12 Trade and other payables		
Employee related payables	70,451	77,754
Trade payables	11,368	17,972
	<u>81,819</u>	<u>95,726</u>
13 Related parties		
Identity of related parties		
The Company has a related party relationship with companies in the Investec Limited group, Investec plc group and with its directors.		
Transactions with key management personnel		
Directors are considered to be the only key management personnel. Compensation paid to directors is disclosed in note 4.		

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Transactions with the holding company

There were no transactions with the holding company other than the dividend paid as shown in the statement of changes in equity.

	2016 £'000	2015 £'000
Transactions with fellow subsidiaries		
Distribution fee income	1,904	8,524
Operational costs recovered	13,961	-
Distribution fee expense	(13,261)	(10,593)
Investment advisory fee income	45,161	41,234
Administration fee recovered	2,300	2,759
Administration fee expense	(3,509)	(3,580)

Balances with related parties

Amounts receivable from fellow subsidiaries	6,564	15,756
Amounts payable to fellow subsidiaries	(326)	(2,504)

All amounts outstanding are unsecured, interest free, due on demand and will be settled through the normal operations of the Company.

14 Operating leases

At the reporting date, the Company had an operating lease contract for its office space. Future minimum lease payments were as follows:

Within one year	5,104	4,944
Between one and five years	16,515	19,774
Between five and ten years	-	3,022
	21,619	27,740

15 Share based payments

The Investec group operates share option and share purchase schemes for employees, which are on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided in the remuneration report of the combined consolidated financial statements of Investec plc and Investec Limited for the year ended 31 March 2016; these financial statements also incorporate the results of Investec Asset Management Limited.

Expense charged to statement of comprehensive income: Equity-settled	1,090	1,604
Fair value of options at grant date, granted in the year	371	351

	2016			2015		
	Number of share options	Weighted average exercise price		Number of share options	Weighted average exercise price	
Outstanding at start of the year	1,259,022	£ -		2,328,383	£ -	
Transfer to subsidiary	-	£ -		(64,500)	£ -	
Relocation of employees during the year	(750)	£ -		(24,812)	£ -	
Granted during the year	88,866	£ -		90,000	£ -	
Exercised during the year	(878,716)	£ -		(997,424)	£ -	
Lapsed during the year	(33,877)	£ -		(72,625)	£ -	
Outstanding at end of the year	434,545	£ -		1,259,022	£ -	
Exercisable at end of year	-	£ -		17,500	£ -	

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The exercise price range and weighted average remaining contractual life for options outstanding at year end were as follows:

	2016	2015
Exercise price range	£ -	£ -
Weighted average remaining contractual life	1.53 Years	0.84 Years

For options granted during the year the inputs were as follows:

- Share price at date of grant	£5.68-£6.00	£5.16-£5.72
- Exercise price	£ -	£ -
- Expected volatility	30.00%	25.24-30.00%
- Option life	5 Years	5 Years
- Expected dividend yield	4.50-4.67%	4.86-5.04%
- Risk-free rate	1.28-1.31%	1.36-1.70%

Expected volatility was determined based on the implied volatility levels quoted by the Investec group derivatives trading desk. The expected volatility is based on the respective share price movement over the last 6 months, but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data.

16 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. 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, in accordance with IFRS, the Company has accounted for this scheme on a defined contribution basis. The scheme 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 2016. The financial statements of Investec plc, the parent company, disclosed the actuarial valuation of the scheme under IAS 19 at 31 March 2016. This valuation was performed by a qualified independent actuary. The valuation showed a surplus in the scheme of £41,776,000 (2015: surplus of £30,382,000). The surplus 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 scheme has been valued at 31 March 2016 by qualified independent actuaries.

	2016	2015
The major assumptions used were:		
Inflation assumption	2.9%	3.0%
Rate of increase in pensions in payment for post 1997 service	2.8%	2.9%
Rate of increase in pensionable salaries	2.9%	3.0%
Discount rate	3.4%	3.2%
Analysis of movements during the year:	£'000	£'000
Net assets in scheme at beginning of the year	5,518	6,210
Net return recognised in profit before tax	63	207
Actuarial losses recognised in other comprehensive income	(885)	(899)
Net assets in scheme at end of the year	4,696	5,518
The following amounts have been included in the statement of comprehensive income:		
Current service cost	(112)	(65)
Total operating charge	(112)	(65)
Expected return on pension scheme assets	763	965
Interest on pension scheme liabilities	(588)	(693)
Net return	175	272

INVESTEC ASSET MANAGEMENT LIMITED
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	2016 £'000	2015 £'000
The net pension asset in respect of the scheme was:		
Investec Diversified Growth Fund	21,887	24,442
Trustees bank account	84	49
Total fair value of assets	21,971	24,491
Present value of liabilities	(17,275)	(18,973)
Net assets in the scheme	4,696	5,518

17 Reclassification of investments and cash and cash equivalents

In the prior year, shares held in the Investec Global Strategy Fund - Sterling Money Fund were included in investments. In the current year, shares in the Investec Global Strategy Fund - Sterling Money Fund have been included in cash and cash equivalents to better reflect their nature. The impact of this revision is shown below:

	2016 £'000	2015 Restated £'000	2015 £'000	Difference £'000
Investments	31,618	15,401	91,377	(75,976)
Cash and cash equivalents	84,332	81,761	5,785	75,976

The opening balance in the Statement of Cash Flows for 2015 has also been restated as a result of this reclassification from £3,563k to £68,416k.

18 Financial instruments

Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from its 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 Investec Asset Management Risk Committee, which is responsible for developing and monitoring the Company's risk management policies, reports quarterly 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 Global 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 procedures, the results of which are reported to the Audit Committee.

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 loans and receivables. The maximum exposure to credit risk is represented by the carrying value of loans and receivables.

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For the year ended 31 March 2016

Trade receivables: Outstanding balances are aged monthly and long outstanding balances are actively followed up. The ageing of trade receivables at year end was:

	2016 £'000	2015 £'000
Less than 30 days	25,542	22,923
Between 30 and 60 days	1,278	168
More than 60 days	2,286	2,450
	<u>29,106</u>	<u>25,541</u>

Cash and cash equivalents: Reputable financial institutions are used for investing and cash handling purposes.

Amounts receivable from group companies: 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.

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 maximum exposure to liquidity risk is represented by current financial liabilities which are contractually due on demand. All amounts are unsecured and interest free.

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.

Currency risk: The Company is exposed to currency risk on portions of its trade receivables, amounts receivable from/payable to group companies, cash and cash equivalents and trade payables. 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. At year end the Company's only interest-bearing financial instruments were cash and cash equivalents, which are variable rate instruments. This was also the case at the previous year end.

Price risk: As the Company's deferred compensation investments are matched by the liability the Company has to its employees for the value of these investments, there is no impact to the statement of comprehensive income for changes in the values of these investments.

Cash flow sensitivity analysis for variable rate instruments:

Currency:

At year end, if the pound sterling had strengthened by 10%, profit before tax would have decreased by: £2,481,100 (2015: £754,000). A 10% weakening would have had the equal but opposite effect.

Interest rate:

An increase of 10 basis points in interest rates at year end would have increased profit before tax by: £84,332 (2015: £81,762). A decrease of 10 basis points in interest rates at year end would have had the equal but opposite effect. This assumes that all other variables remain constant and the year end balance has been constant throughout the year. The analysis is performed on the same basis for the prior year.

Capital management

The capital of the Company is considered to be its total equity less investment in subsidiaries, deferred tax assets and the pension fund asset. The Company's policy is to retain sufficient capital on hand to meet the external minimum capital requirements of regulatory authorities, as these are considered relevant levels. The Company has complied with these requirements throughout the year. Surplus capital is returned to shareholders on a regular basis. 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 statement of financial position as they are short term in nature, subject to variable, market related interest rates or stated at fair value in the statement of financial position. The fair values of deferred compensation investments and their related deferred compensation liabilities are determined using quoted market prices (IFRS 13 level 1 valuation). There are no investments requiring IFRS 13 level 2 or level 3 disclosure in terms of the fair value hierarchy.

INVESTEC ASSET MANAGEMENT LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)**

For the year ended 31 March 2016

	2016 £'000	2015 £'000
Service fees	275,253	267,112
Interest income	290	300
Revenue	275,543	267,412
Investment and administration expenses	(199,210)	(193,878)
Foreign exchange gain	1,656	1,501
Fair value adjustment on investments designated at fair value through profit or loss	(1,135)	133
Profit from operations before tax	76,854	75,168
Income tax expense	(10,839)	(7,281)
Profit from operations after tax	66,015	67,887
Other comprehensive income		
Revaluation of pension fund asset	(885)	(899)
Current tax on revaluation of pension fund asset	297	310
Deferred tax on revaluation of pension fund asset	(31)	(115)
Current tax on share options vested	180	-
Adjustment for change in deferred tax rate	76	-
Total comprehensive income for the year	65,652	67,183

INVESTEC ASSET MANAGEMENT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)
At 31 March 2016

	2016 £'000	2015 £'000
Assets		
Property and equipment	1,696	2,076
Deferred tax asset	10,074	7,309
Pension fund asset	4,696	5,518
Total non-current assets	16,466	14,903
Trade receivables	141,414	142,455
Other receivables	4,797	7,555
Investments	37,231	21,697
Cash and cash equivalents	152,211	203,739
Amounts receivable from group companies	12,709	13,763
Total current assets	348,362	389,209
Total assets	364,828	404,112
Equity		
Share capital	11,860	11,860
Share premium	57,810	57,810
Retained earnings	27,401	32,245
Total equity	97,071	101,915
Liabilities		
Other liabilities	37,088	15,526
Total non-current liabilities	37,088	15,526
Other liabilities	5,279	8,296
Trade and other payables	203,810	270,025
Amounts payable to group companies	1,428	219
Income tax payable	20,152	8,131
Total current liabilities	230,669	286,671
Total equity and liabilities	364,828	404,112