

INVESTEC FUND MANAGERS LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

(Registration number: 02392609)

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INVESTEC FUND MANAGERS LIMITED**DIRECTORS' RESPONSIBILITY STATEMENT FOR THE FINANCIAL STATEMENTS**

For the year ended 31 March 2015

The directors of Investec Fund Managers 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 FUND MANAGERS LIMITED**DIRECTORS' REPORT**

For the year ended 31 March 2015

The directors present their report and the audited financial statements for the year ended 31 March 2015.

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.

Directors

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

D J Aird	
H J du Toit	
D Ferrini	(resigned 8 May 2015)
A Fletcher	(appointed 8 May 2015)
A Gallagher	(resigned 8 May 2015)
J C Green	(resigned 8 May 2015)
K M McFarland	
JT McNab	(appointed 8 May 2015)
P G S Saunders	(resigned 23 January 2015)

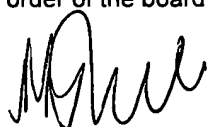
Holding company

The holding and ultimate holding companies are Investec Asset Management Limited and Investec plc respectively. Both companies are 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:



M Slade
Secretary
9 June 2015

INVESTECH FUND MANAGERS LIMITED

STRATEGIC REPORT

For the year ended 31 March 2015

The Company is an asset management company and is engaged in the business of managing investment portfolios on behalf of mutual fund clients through collective investment schemes known as Open Ended Investment Companies (OEICs). During the year, the Company was also appointed the Alternative Investment Fund Manager of Temple Bar Investment Trust plc.

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 in turn is 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 United Kingdom, which reports directly to the board.

Both the level of business and the year end financial position are satisfactory, and the Company is expected to continue to pursue its current activities for the foreseeable future. The Company is authorised and regulated by the Financial Conduct Authority.

OEIC assets under management increased over the year from £10.3 billion to £10.6 billion. Assets under management for Temple Bar Investment Trust plc amounted to £937m at 31 March 2015. 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.

By order of the board of directors:



M Slade
Secretary
9 June 2015

INVESTECH FUND MANAGERS LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 March 2015

To the member of Investec Fund Managers Limited

We have audited the financial statements of Investec Fund Managers Limited for the year ended 31 March 2015 set out on pages 5 to 13. 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 member, 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 member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, 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 2015 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
9 June 2015

15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom


INVESTEC FUND MANAGERS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2015


	<i>Notes</i>	2015 £'000	2014 £'000
Service fees		95,760	96,949
Interest income		79	81
Revenue		95,839	97,030
Investment and administration expenses		(75,365)	(77,214)
Foreign exchange losses		(5)	(34)
Profit from operations before tax	2	20,469	19,782
Income tax expense	3	(4,299)	(4,549)
Profit and total comprehensive income for the year		16,170	15,233

INVESTEC FUND MANAGERS LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000	1 April 2013 £'000
Assets				
Trade receivables		9,477	8,796	9,635
Investments	5	22,180	19,776	19,727
Cash and cash equivalents	6	5,128	7,227	6,343
Amounts receivable from group companies	8	3	180	143
Subscription accounts receivable		63,755	86,973	82,365
Total current assets		100,543	122,952	118,213
Total assets		100,543	122,952	118,213
Equity				
Share capital	7	4,000	4,000	4,000
Retained earnings		7,474	5,769	7,797
Total equity		11,474	9,769	11,797
Liabilities				
Amounts payable to group companies	8	10,105	7,493	4,813
Trade and other payables		14,152	11,639	12,837
Income tax payable		4,298	10,342	12,673
Subscription accounts payable		52,986	76,102	54,642
Subscription cash		7,528	7,607	21,451
Total current liabilities		89,069	113,183	106,416
Total equity and liabilities		100,543	122,952	118,213

The financial statements were approved by the board of directors on 9 June 2015 and signed on its behalf by:


Director


Director

INVESTEC FUND MANAGERS LIMITED**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 March 2015

	Share capital £'000	Retained earnings £'000	Total equity £'000
2015			
Opening balance	4,000	5,769	9,769
Profit and total comprehensive income for the year		16,170	16,170
Dividends paid		(14,465)	(14,465)
Closing balance	4,000	7,474	11,474
2014			
Opening balance	4,000	7,797	11,797
Profit and total comprehensive income for the year		15,233	15,233
Dividends paid		(17,261)	(17,261)
Closing balance	4,000	5,769	9,769

INVESTECH FUND MANAGERS LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	<i>Notes</i>	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit from operations before tax		20,469	19,782
Adjusted for:			
Interest income		(79)	(81)
Foreign exchange losses		5	34
Operating profit before working capital changes		20,395	19,735
Working capital changes:			
Trade receivables		(681)	839
Amounts receivable from group companies		177	(37)
Subscription accounts receivable		23,218	(4,608)
Foreign exchange losses related to receivables and payables		(5)	(34)
Amounts payable to group companies		2,612	2,680
Trade and other payables		2,513	(1,198)
Subscription accounts payable		(23,116)	21,460
Subscription cash		(79)	(13,844)
Cash flow from operations		25,034	24,993
Interest received		79	81
Income tax paid		(10,343)	(6,880)
Balance at beginning of year		(10,342)	(12,673)
Current tax	3	(4,299)	(4,549)
Balance at end of year		4,298	10,342
Net cash flows from operating activities		14,770	18,194
Cash flows from investing activities			
Net acquisition of investments		(2,404)	(49)
Net cash flows from investing activities		(2,404)	(49)
Cash flows from financing activities			
Dividends paid		(14,465)	(17,261)
Net cash flows from financing activities		(14,465)	(17,261)
Net change in cash and cash equivalents		(2,099)	884
Cash and cash equivalents at beginning of year		7,227	6,343
Cash and cash equivalents at end of year	6	5,128	7,227

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. In previous years, the financial statements were prepared in accordance with UK Accounting Standards (UK GAAP). The impact of the transition from UK GAAP to IFRSs is explained in note 10.

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 investments which are measured at fair value. All financial information presented has been rounded to the nearest thousand pound sterling, unless otherwise indicated.

There were no judgements made by management in the application of IFRSs that have a significant effect on the financial statements.

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 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.

- 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 2017, 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.

The impact on the financial statements of the above standards and amendments is not expected to be significant. They will be adopted when effective.

Revenue

Revenue includes service fees (investment management fees and performance fees) and interest income. 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.

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.

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 designated at fair value through profit or loss comprise seed capital and money market investments. These investments are initially recognised at cost and subsequently recognised at fair value through profit or loss. Fair value is deemed to be the quoted net asset value per share as reported by the managers of such schemes.

Loans and receivables

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

INVESTECH FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

Financial liabilities

Financial liabilities comprise amounts payable to group companies, trade and other payables, subscription accounts payable and subscription cash. All financial liabilities are measured at amortised cost using the effective interest rate method.

Subscription accounts

As manager of a number of funds, the Company is responsible for the collection and payment of monies arising from the issue and redemption of shares in the funds. Such amounts are shown in these financial statements as subscription accounts receivable, subscription cash and subscription accounts payable. Subscription cash does not form part of the operating cash of the company and has not been included as cash and equivalents for the purposes of the cash flow statement.

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.

Pension scheme

Directors of the Company are members of a group scheme operated by Investec Asset Management Limited, details of which are disclosed in the financial statements of that company. Because the Company is unable to identify its share of the group's defined benefit scheme on a consistent and reasonable basis, the scheme has been treated in these financial statements as if the scheme was a defined contribution scheme. Full disclosure of any information about the existence of a surplus or deficit in the scheme is shown in the financial statements of Investec Asset Management Limited. The valuation of the scheme at 31 March 2015 showed a surplus of £5.5 million (2014: £6.2 million).

	2015 £'000	2014 £'000
2 Profit from operations before tax		
is arrived at after taking into account:		
Audit fee expense	53	53
Investment advisory fee expense	29,056	26,241
Fees and commissions expense	<u>37,526</u>	<u>44,442</u>
3 Income tax expense		
Current tax - current year	4,299	4,550
Current tax - adjustment for prior years	-	(1)
	<u>4,299</u>	<u>4,549</u>
Reconciliation of effective tax rate		
	%	%
Effective rate of taxation	21.0	23.0
United Kingdom standard tax rate	<u>21.0</u>	<u>23.0</u>

INVESTEC FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

	2015 £'000	2014 £'000
4 Directors' remuneration		
Emoluments (including benefits in kind)	9,918	7,289
Pension contributions	159	98
	<u>10,077</u>	<u>7,387</u>
Highest paid director		
Emoluments (including benefits in kind)	2,508	1,777
Pension contributions	-	17
	<u>2,508</u>	<u>1,794</u>

The above directors' remuneration reflects that proportion of the total emoluments for directors who were accounted for and paid by 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.

	31 March 2015 £'000	31 March 2014 £'000	1 April 2013 £'000
5 Investments			
Investec Global Strategy Fund - Sterling Money Fund	21,965	19,598	-
Investec Liquidity Funds plc - Sterling Liquidity Fund	-	-	19,531
Seed capital investments	215	178	196
	<u>22,180</u>	<u>19,776</u>	<u>19,727</u>
6 Cash and cash equivalents			
Current account (Citibank - A rated)	<u>5,128</u>	<u>7,227</u>	<u>6,343</u>
7 Share capital			
<i>Authorised, issued and fully paid</i>			
4,000,000 ordinary shares of £1 each (2014: 4,000,000, 2013: 4,000,000)	<u>4,000</u>	<u>4,000</u>	<u>4,000</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.

8 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.

Transactions with the holding company

Dividends paid are disclosed in the statement of changes in equity. Other transactions with the holding company are as follows:

	2015 £'000	2014 £'000
Distribution fee expense	(6,613)	(3,980)
Investment advisory fee expense	<u>(28,974)</u>	<u>(25,949)</u>
Transactions with fellow subsidiaries		
Distribution fee expense	(109)	(195)
Investment advisory fee expense	<u>(82)</u>	<u>(292)</u>

INVESTEC FUND MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

	31 March 2015 £'000	31 March 2014 £'000	1 April 2013 £'000
Balances with related parties			
Amount payable to holding company	(9,301)	(7,468)	(4,813)
Amounts receivable from fellow subsidiaries	3	180	143
Amounts payable to fellow subsidiaries	(804)	(25)	-

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

9 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 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 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. All amounts are current.

Trade receivables: Fee income is collected from funds under management, mitigating a large portion of credit risk.

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 payables, amounts receivable from/payable to group companies and cash and cash equivalents. 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 as reflected on the statement of financial position, which are variable rate instruments. This was also the case at the previous year end.

Price risk: Price risk on the short-term money market and seed capital investments are not deemed to be significant.

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 increased by: £41,300 (2014: £28,000). 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: £5,128 (2014: £19,000). 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. 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 seed capital investments 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.

10 First-time adoption of IFRS

The Company's financial statements for the year ended 31 March 2014 were prepared in accordance with UK GAAP. The current year financial statements are the first financial statements that apply IFRSs. The financial statements also apply IFRS 1 First Time Adoption of International Financial Reporting Standards. The accounting policies described in note 1 have been adopted for the comparative financial statements for the year ended 31 March 2014, the statement of financial position at 31 March 2014, and the opening IFRS statement of financial position at 1 April 2013 (the Company's transition date). In preparing the financial statements for 2014, the Company regarded the amounts in the financial statements prepared in accordance with UK GAAP as the initial point of adjustments. Other than a change in the presentation of the amounts in the statement of financial position, statements of comprehensive income and cash flows and the notes to the financial statements, there are no differences in the amounts prepared in accordance with UK GAAP and the amounts prepared in accordance with IFRS at 1 April 2013 and 31 March 2014.